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THE SOCIALLY DISRUPTIVE POTENTIAL OF MACROECONOMIC COMPENSATIVE EFFECTS: CHINESE FOREIGN REAL ESTATE INVESTMENT

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Index

List of Figures

List of Tables

INTRODUCTION

The idea of writing about this subject was born having a precise case study in mind, a case study which, during my period of exchange at the University of British Columbia in Vancouver, Canada, I happened to experience in first person. I spent in Vancouver a total of four and a half extraordinary months - corresponding to the first term of my last year of undergraduate degree -, from mid-August to the end of December 2017. Despite the dream-like enchantment that characterized my first weeks in the "city of glass", in between all that elegance, harmony and civility, I soon started to perceive some muffled, out of tune notes. Lamborghinis with the letter N[1] on their backs roaming within the UBC[2] campus, an enormous amount of homeless people walking and residing in some of the most central and prestigious neighborhoods of the city, vast residential areas formed by ordered dwellings of unthinkable luxury and beauty, Chinese words ringing out in the city's streets and public transportation almost more than English ones. All these little empirical evidences puzzled me gradually at first, but soon the contrast with the reality I was coming from became so sharp that it resulted for me impossible to remain indifferent further. I thus started to feel an irresistible need to investigate, to ask questions, to discover why in such an idyllic city as Vancouver extraordinary opulence and profound misery daily coexisted.

The results of this research - which innocently started by asking simple questions to local friends, UBC University professors, my Hongkonger roommate and my Chinese but naturalized Singaporean landlady and her family, and that eventually continued through the analysis of a vast and diversified collection of academic literature on the issue -, are all exposed in this text.

The text, which will develop in 3 fundamental parts, will be articulated in the following way.

Chapter 1 will, first of all, introduce the reader to the concept of the Ultra High Net Worth Individuals (UHNWIs), and, more specifically, to who they are, what is their recent history and what are their current demographics. Then, it will continue by illustrating the profound private income inequalities that characterize present-day China, and how these formers perform in a global context. In trying to explain why Chinese private income discrepancies widened considerably in little less than 40 years, Chapter 1 will provide a brief economic-historical account of the last four extraordinary decades of Chinese economic growth. By describing the two phases of economic reform of 1978 and 1993 and the effects of China's access to the WTO in 2001, the second part of Chapter 1 will consequently try to synthetically unveil the causal mechanisms laying at the basis of the present-day "Chinese Miracle".

[1] A letter N attached on the back of cars in the Canadian Province of British Columbia stands for "Novice Driver"
[2] University of British Columbia

Chapter 2 will then procced to analyze the origins of Chinese foreign real estate investments. First, the birth of the phenomenon will be explained from a macroeconomic point of view: Why were Chinese extremely wealthy individuals *systemically induced* to invest on China's domestic real estate market at first and on foreign – and especially real estate - markets in a second time? When did Chinese foreign real estate investment, as we know it nowadays, exactly begin?
The last subsection of Chapter 2, instead, will illustrate also the hidden, more subtle, anthropological motives lying on the other side of the Chinese foreign real estate investment coin: What are the underlying rationales determining *where* massive Chinese foreign real estate investments tend to *geographically concentrate*? Why choosing "alpha-territories" in particular?
Chapter 3, on the contrary, will somewhat differ from the previous Chapters. It will, in fact, attempt to empirically expose the principal social disruptive effects of Chinese property investment on "alpha-territories" urban realities through the in-detail analysis of two case studies. More specifically, these latter will concentrate on the two present-day fore-front global cities of Vancouver and London. Eventually, in its final part, Chapter 3 will provide the reader with a brief account of the major governmental policies enacted or proposed so far by local and national political authorities all over the world in order to - at least - slow down massive foreign – and especially *Chinese* - real estate investment.
Finally, in the conclusive part of this text, some final, personal and overall considerations on the issue at hand will be provided.

CHAPTER 1: THE RISE OF CHINESE INEQUALITY

1.1 The Ultra High Net Worth Individuals (UHNWIs) Community

By the definition Ultra High Net Worth Individuals (UHNWIs) are generally meant those individuals who, regardless of their nationality, currently possess a net private worth of at least 30 million US dollars[3]. More specifically, UHNWIs' net private worth is calculated according to: their total shares in public and private companies plus their total residential and passion investments (real estate, art, planes, yachts, etc.) (Morison et al., 2013). In 2012, there were approximately 187,386 UNHWIs all over the world, representing the 0.003% of the world population. Considering that their number was equal to 74,720 in 1992, in the 20-year period comprised between 1992 and 2012, the UNHWIs population experienced an average annual growth rate of approximately 4.5% (Morison et al., 2013). Likewise, as far as their total wealth is concerned, UNHWIs' total net worth has increased by more than 300% since 1992, reaching a hit of 25.8 trillion US dollars in 2012 (O'Sullivan and Kersley, 2012). Following a similar trend, their average wealth has surged as well. During this same period, in fact, it grew by approximately 50%, starting from 90 million US dollars in 1992 and reaching 138 million US dollars in 2012 (Morison et al., 2013). For the sake of comparison, these figures indicate that, a UHNWI, on average, possesses a net worth which is 500 times bigger than that of an average US citizen, and more than 6,800 times higher than that of an average adult in China (O'Sullivan and Kersley, 2012). Notwithstanding the remarkable downturn experienced by UNHWIs' total wealth after the 2008 financial crisis, the latter still accounted for an impressive share of 37% of global GDP in 2012 (Morison et al., 2013).

Analyzing further in depth, as far as the UHNWIs population is concerned, a recent study conducted by the UHNW intelligence and data company Wealth-X has found that, especially nowadays, self-made individuals (first generation rich) constitute the vast majority of UHNWIs, with multi-million heirs accounting only for 15% of the total (Morison et al., 2013). These trends are mirrored also within the UHNW community's billionaires' subset, with 60% of them being self-made men and another 20% building further upon their inherited money (Morison et al., 2013).

What, however, represents nowadays one of the most interesting trends within this multi-millionaires community is the changing demographics of UHNWIs. As many macroeconomic studies conducted by the World Bank and the IMF show, practically each year since 1992, developing nations - and emerging markets in particular -, have contributed for a greater share of world GDP than the one

[3] In constant 2012 US dollars

contributed in previous years, eventually reaching together a total share of 38% of global GDP in 2012. Taking into account all developing countries GDP growths in the last 20 years, in fact, we obtain an annual average of 9.5%, which is far higher than the corresponding average growth of 3.9% experienced by OECD countries in the same period (Morison et al., 2013). More specifically, after the global economic downturn of 2008, the asymmetry between these two countries' sets has even risen further. While, in fact, OECD countries, in the 4-year period comprised between 2008 and 2012, stagnated at an average growth of 1% per year, developing countries, on the contrary - despite slightly slowing down - continued to grow at an impressive rate of 7.2% per year (Morison et al., 2013). To take an example, while at the time of writing average European households' assets (including German ones) are still underneath their 2007 peak value, average Chinese households' assets, on the contrary, have increased by more than 1/3 between 2007 and 2012 (O'Sullivan and Kersley, 2012). What is especially remarkable for the sake of this analysis however, is that these same macroeconomic trends were perfectly reflected - if not even amplified - within the current UHNW population. For instance, multi-millionaires individuals coming from developing countries (especially from the BRIC ones), nowadays ended up in possessing an average net worth value which is higher than that of all UHNWIs coming from the United Kingdom, Germany and Italy combined (Morison et al., 2013).

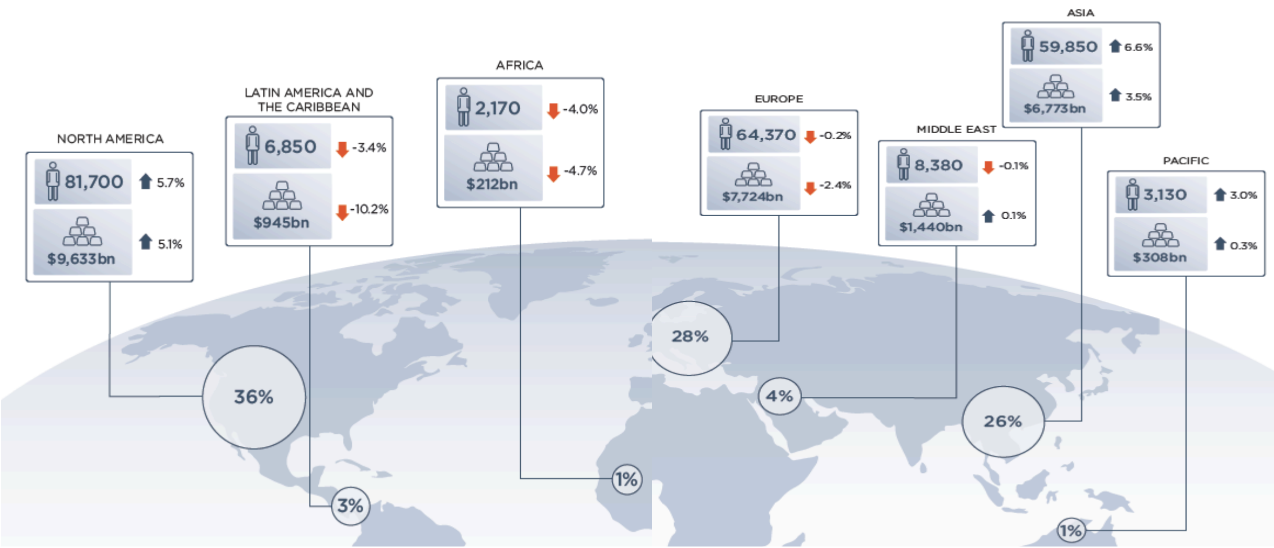


FIGURE 1 – MAP OF THE WORLD UHNWIS (2016)

Source: Wealth-X (2017). World Ultra Wealth Report 2017. *Wealth-X PTE. LTD.*.

According to another study conducted by Wealth-X, by 2020, Asian UHNWIs total net worth is predicted to overtake that of multi-millionaires coming both from the European Union and from North America, while total Asian UHNWIs' proportion within the UHNWIs community is expected to do the same by 2025 (Morison et al., 2013). From 2002 to 2016, in fact, the percentage of Asian-Pacific billionaires in the world had practically doubled, rising from 14% of the total to 27% (Wealth-X, 2017). Certainly, the modern complementary forces of globalization and technological progress are two of the main causes lying at the basis of this dramatic and rapid ascent. These two taken together, in fact, first of all, made possible that a greater share of an expanding world GDP would have accrued into the hands of the few, and, at the same time, that this share would have disproportionally materialized within emerging markets, especially those located within the Asia-Pacific region (Morison et al., 2013).

Rank	Country	UHNW population 2016	UHNW wealth ($bn) 2016	Year-on-year change in population (%)	Year-on-year change in wealth (%)
1	United States	73,110	8,719	⬆ 6.7	⬆ 6.0
2	Japan	16,740	1,546	⬆ 14.7	⬆ 13.8
3	China	16,040	1,950	⬆ 3.6	⬆ 2.2
4	Germany	13,420	1,570	⬆ 4.5	⬇ -0.1
5	United Kingdom	8,860	994	⬇ -14.2	⬇ -14.2
6	France	8,630	924	⬆ 2.7	⬇ -0.4
7	Canada	8,590	914	⬇ -1.5	⬇ -2.4
8	Hong Kong*	7,650	986	⬆ 4.1	⬇ -2.4
9	Switzerland	5,940	788	⬇ -0.5	⬇ -1.4
10	Italy	5,530	624	⬆ 1.8	⬆ 1.7

TABLE 1 - TOP 10 UHNW COUNTRIES (2016)

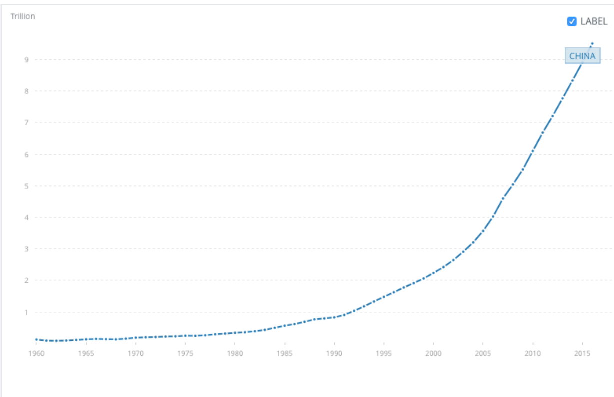
Source: Wealth-X (2017). World Ultra Wealth Report 2017. *Wealth-X PTE. LTD.*.

Despite this recent change in UNHWIs' demographics, distinctions made on the basis of nationality are particular irrelevant within this ultra-wealthy global class. UNHWIs, in fact, nowadays represent the perfect prototype of transnational citizens, having multiple nationalities, businesses and dwellings in several countries. The twin forces of globalization and technology, in fact, implicitly ended up in creating a new global élite of UHNWIs defined more by common interests and lifestyles rather than nationalities (Morison et al., 2013). According to data gathered and analyzed by the United Nations, around 3% of the current total world's population reside in a country which is different from their country of origin. However, if we focus specifically only on multi-millionaires individuals, this estimate rises by more than 4 times, reaching 13% of the total (Morison et al., 2013). Rather unsurprisingly, UNHWIs, on average, possess 3.8 homes each, with the majority of them located in different countries from that of their first nationality. Developed countries, which are often the designed destination for UHNWIs' property investments, far from considering these latter threatening in any way, generally welcome UNHWIs immigrants, with some of them even facilitating and encouraging nationality acquiring processes (Morison et al., 2013).

The cosmopolitan nature of the UHNWIs community, consequently, is promoting increasingly “homogenized tastes and lifestyles”, making the possession of dwellings in New York, San Francisco, London, Sydney or Tokyo not only a luxury but a necessity for UNHWIs, something similar to a social status (Morison et al., 2013). At-present day, in fact, a trend of both total net worth and physical “geographic concentration” of UNHWIs within major cities in the world is emerging. With the vast majority of super prime property - private houses priced above 15 million US dollars - increasingly acquired and owned by UNHWIs coming from the Asian-Pacific region, UHNWIs aggregate behaviors have had and are still likely to have a strong impact on UHNWIs designated cities and countries of “non-domiciles” (Morison et al., 2013). Especially as long as these latter’s rental markets will continue to adapt to the desires of the ultra-wealthy (Morison et al., 2013).

1.2 The present-day Chinese income inequality

It is nowadays widely acknowledged that the living standards of the vast majority of the Chinese population have risen considerably in recent decades. According to World Bank estimates, in fact, China’s GDP adjusted to the 2010 US$ increased from approximately 244.985 billion in 1976 to 9.504 trillion in 2016, while, in the same 40 years period, Chinese GDP per capita[4] surged from 263.2$ to 6893.8$.



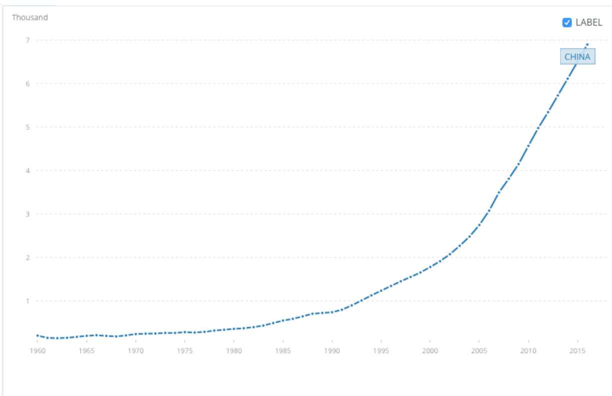


FIGURE 2 – CHINESE GDP (CONSTANT 2010 US$) FROM 1960 TO 2015

FIGURE 3 – CHINESE PER CAPITA GDP (CONSTANT 2010 US$) FROM 1960 TO 2015

Source: Data.worldbank.org. (2018). *GDP (constant 2010 US$) and GDP per capita (constant 2010 US$) | Data*. [online] Available at: https://data.worldbank.org/indicator [Accessed 23 Mar. 2018].

[4] adjusted to the 2010 US$

Apart from these two impressive GDP and GDP per capita growths, at present-day, however, it is generally recognized as well that serious income inequality represents one of the most worrying trends within the Chinese economy (Han, Zhao and Zhang, 2015). Nonetheless, what is somehow less publicized, is how Chinese income discrepancies - both among and within rural, urban, coastal and internal regions – perform in the present-day global context. Surprisingly enough, in fact, some studies have shown that Chinese income inequality seems to surpass not only that which is present within other Asian and European countries, but also that within the capitalist economy "*par excellence*": the United States. Only the primacy of Latin American economies still remains unchallenged, making Chinese economy the present-day global second not only in terms of GDP but also in terms of income inequality (Han, Zhao and Zhang, 2015).

At the time of writing, one of the most authoritative and widely accepted method for measuring income inequality is the Gini Coefficient, an index developed by the Italian statistician Corrado Gini at the beginning of the 20th century. It generally aims at measuring statistical dispersion within a particular population with respect to a specific variable (most of the time income). It ranges from 0 to 1, having 0 as expression of perfect equality, and 1 as that of perfect inequality (Staff, 2018). In theory, a warning threshold exists, corresponding to a Gini coefficient of 0.4. Beyond that level, the risk of social disharmony, discrimination and crime within a country tends to increase. A dangerous line appears to exist as well, which amounts to a Gini coefficient of 0.5. Despite the latter has never been reached by any country so far, in the case of its attainement some researchers have prospected an eventual social scenario resembling that faced by some Latin American countries at the apex of the 1980s Latin American debt crisis (Han, Zhao and Zhang, 2015).

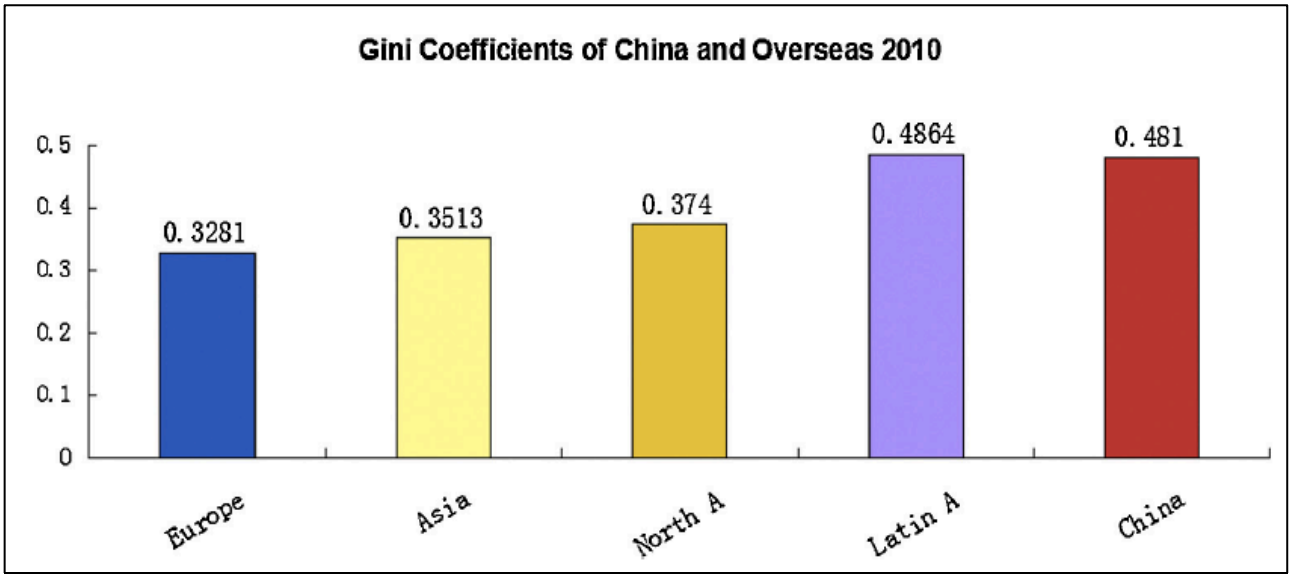


FIGURE 4 – AVERAGE GINI COEFFICIENT OF CHINA VS OVERSEAS (2010)

Source: Han, J., Zhao, Q. and Zhang, M. (2015). China's income inequality in the global context. *Perspectives in Science*, 7, pp.24-29.

According to some studies conducted on data coming from the National Bureau of Statistics of China (NBSC, http://data.stats.gov.cn), the arithmetic mean of China's Gini Coefficients between 2004 and 2013 stood at 0.482, considerably above the warning threshold of 0.4 and worryingly approaching the dangerous line of 0.5. Notably, in the same period, the average Gini Coefficients of the 27 European countries, of the remaining Asian countries and of North America, were equal, respectively, to: 0.328, 0.352 and 0.374. Thus, all of them securely lying below the 0.4 line. Only Latin America, as aforementioned, remained above Chinese estimates, with an average Gini Coefficient of 0.486 (Han, Zhao and Zhang, 2015). Even using the Top/Bottom Ratio approach in order to measure income inequality – which consists in dividing the income share of a country's highest 20% income group by the income share of its lowest 20% income group – the results obtained appear quite similar, with Europe standing at a ratio of 5.62, Asian countries of 5.63, North America of 7.37, China of 10.74 and Latin America of 12.88 (Han, Zhao and Zhang, 2015).

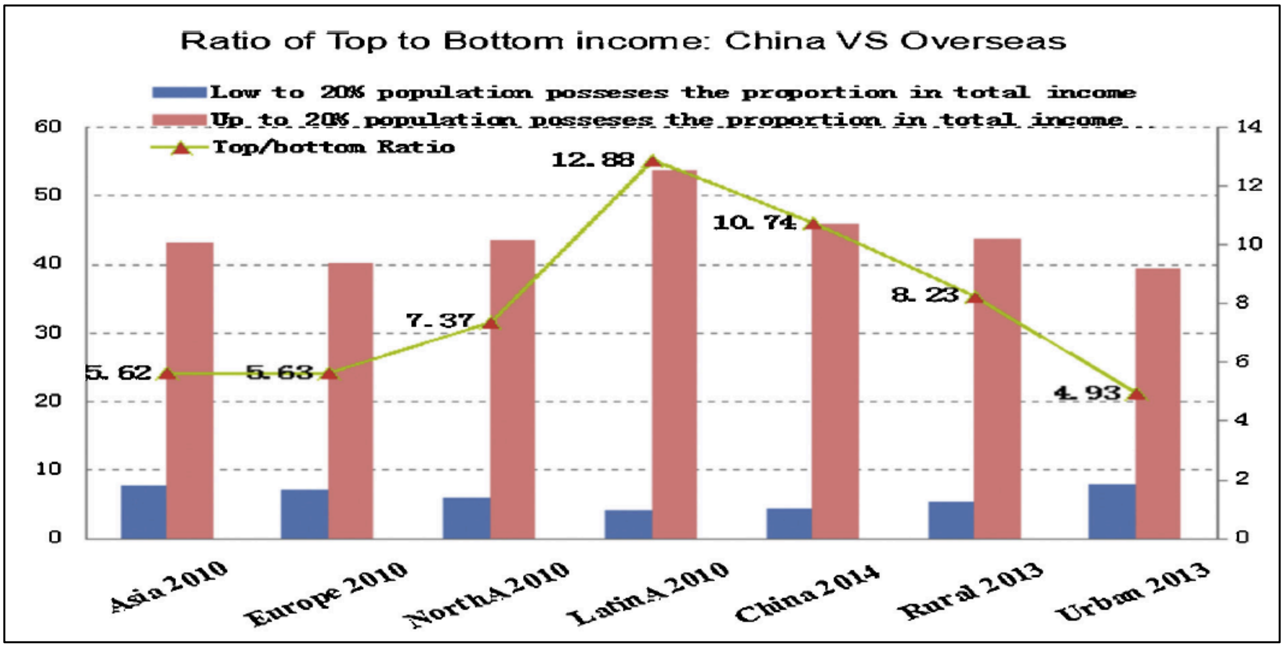


FIGURE 5 – PROPORTIONS IN TOTAL INCOME POSSESSED BY 5 POPULATION GROUPS: CHINA AND OVERSEAS

Source: Han, J., Zhao, Q. and Zhang, M. (2015). China's income inequality in the global context. *Perspectives in Science*, 7, pp.24-29.

Many authors, however, argue that current estimates regarding China's income inequality are inevitably understated for a variety of reasons – most of them related to data gathering inaccuracies - but disagreement persists on the extent of the distortion (Li and Sicular 2014). Anyway, one of the most influential critique is that of Wang (Wang, 2010), stating that current estimates largely underestimate the impact of Chinese residents' "*invisible/gray income*", which could further increase the Chinese Gini Coefficient 2004-2013 average.

How did it come that a society with very low levels of income inequality until the 1980s, corresponding to a Gini coefficient of around 0.30 (Xie and Zhou, 2014), reached a peak of 0.491 (2010) in little more than 30 years? What could possibly account for a similar ≈64% increase in income inequality?

1.3 The 1978/1993 Economic Transformations and the Chinese Miracle

At the time of writing, the vast majority of the literature generally agrees in ascribing the rise of Chinese income inequality to the faster growth experienced by the incomes of the wealthier strata of Chinese society in recent decades, rather than to a declining or stagnant trend encountered by the incomes of the poorer ones (Li and Sicular 2014). Practically all researches conducted on absolute poverty alleviation in China, in fact, acknowledge that since the early 1980s, enormous progresses have been made in the field of poverty reduction (Li and Sicular 2014). In recent decades, in fact, Chinese economic transformations and reforms have pulled out from extreme poverty hundreds of millions of Chinese citizens, especially rural ones (Brandt and Rawski, 2011). In the five-year period comprised between 2002 and 2007, for instance, Chinese poorest decile households' income practically doubled, and that of the second-poorest one increased by almost 60% (Li and Sicular 2014). However, in the same period, the net wealth of the richer strata of Chinese society increased even faster in real terms, growing by more than 50%. Consequently, during this period – which does nothing but reflecting the general trend emerged in China since the early 1980s - the income gap between the top 20% and the bottom 20% of the Chinese population, enlarged, both in relative and in absolute terms (Li and Sicular 2014).

Present-day literature, furthermore, also concurs in identifying the ongoing Chinese urban-rural income gap and the rapid surge of households' income coming from wealth and private assets, as two of the leading causes for the sharp increase in Chinese income inequality (Li and Sicular 2014). These two phenomena, however, in order to be fully understood, necessarily require a brief excursus over the last 40 years of Chinese economic reforms, and over how, these latter, eventually managed to lay the foundations for what some researchers call the "Chinese miracle".

China's transition from a planned to a market economy began at the end of 1978 (Naughton, 2007). Its primary motivation was that of promoting economic growth and raising the living standards of millions of Chinese after more than two decades of economic stagnation (Brandt and Rawski, 2011). With the term market-economy transition, it is generally meant a process aiming at reaching a market-based valuation and determination of both productive endowments and households' incomes within a certain society (Brandt and Rawski, 2011). While within a planned economy incomes are, generally, the outcome of a set of pre-designed and tightly controlled criteria, on the contrary, in a perfectly competitive market economy, households' incomes reflect the product of a households' endowments and the market returns on these endowments (Brandt and Rawski, 2011). The introduction of market-based principles in the Chinese economy, profoundly modified both Chinese households' endowments and their corresponding market returns, deeply affecting the distribution and accumulation of income within the Chinese population (Brandt and Rawski, 2011). This transition, nowadays, still represents a fascinating historical "*unicum*", which starkly differs from the "shock therapy" path of rapid privatization undertaken by formerly socialist economies after the collapse of Soviet-Communism in 1989. China's remarkably successful reform process developed into two major and distinct phases. The first phase, the so-called "reform without losers" period, extending from 1978 to 1993, was characterized by incremental, decentralizing, and dual-track reform strategies, fundamentally inspired by the recent introduction of the household-responsibility system (HSR) reforms in the agricultural sector (Naughton, 2007). The second period, on the contrary, which began in 1993 and grew out as a direct adaptive consequence to the former phase, was focused on introducing new and more extensive market regulations, promoting re-centralization and enabling fair competition for all – relatively newly created - market participants. These two complementary phases, eventually managed to create a stable and robust institutional set-up, capable of sustaining one of the present-day world most successful market economies (Naughton, 2007).

It is exactly in these years of reform that the majority of researchers ascribe the begging of the exponential rise in Chinese income inequality. The rising of new and profitable economic opportunities, together with the lowering of state-sector monopolistic barriers, the advent of a more development oriented legal and institutional set-up, and the extremely propitious opening of Chinese economy to global markets, were all factors that together resulted in an enormous leap forward for the living standards of the entire Chinese population. Yet, at the same time, these factors also resulted in the rapid accretion of an enormous amount of liquid and illiquid assets in the hands of few lucky, shrewd and entrepreneurial individuals.

More specifically, the first "reform without losers" period, rested on one, fundamental assumption by that time CPC (Communist Party of China) Party Leader Deng Xiaoping and his loyal Prime Minister Zhao Ziyang: that the Maoist planned economy needed to be eroded from its interior, reaching its end gradually - without excessive shocks - and by the hands of pockets of spontaneous, unregulated and lightly taxed economic activities. For this reason, in the name of economic growth and development, starting from the 1980s, single citizens as well as groups and organizations were increasingly allowed and encouraged to satisfy the numerous unmet consumption needs of Chinese society, and by entrepreneurially doing so, to earn some additional, practically untaxed, income (Naughton, 2007). Consequently, it should come as no surprise that the first movers, the first lay individuals who succeeded in exploiting these new market “niches”, generally made fabulously high profits (Naughton, 2007).

At the same time, the gradual entrance of new and multiple economic actors within previously state-monopolized markets, contributed in creating intensified and dynamic competition. Eventually, with the passing of time, this process went far enough to shift the Chinese planned/market economy balance in favor of the latter, and the market began to predominate (Naughton, 2007).

As preliminarily introduced before, this first reform period started with a unique, simple decision by the Chinese government: to reduce state pressure on farming enterprises. During this first phase, in fact, the plan agricultural targets were reduced and stabilized, state prices were increased and, most importantly of all, market prices for farm production in excess of plan targets were allowed to independently surge (Naughton, 2007). These moves, however, came at the expenses of considerable trade-offs. In order to make these policies viable, in fact, the Chinese government had to substantially reduce investment, double agricultural imports - especially grain ones -, and see its savings helplessly decrease in little more than three years.

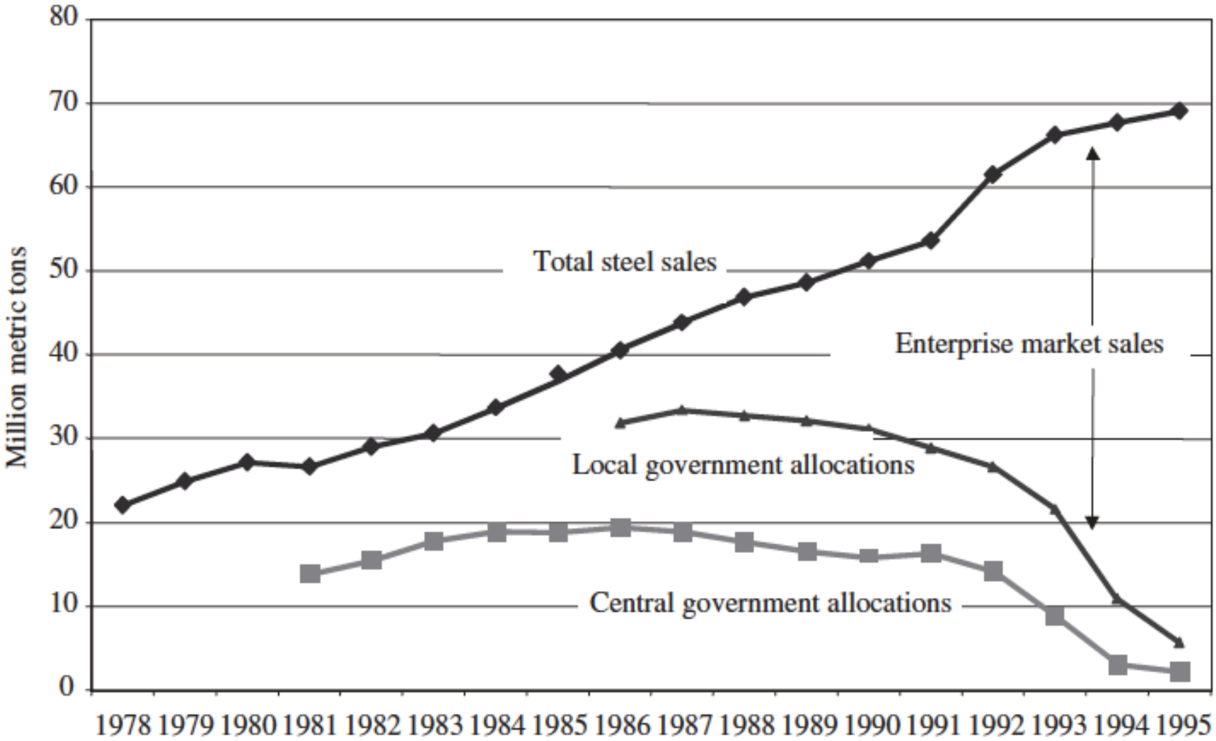


FIGURE 6 – CHINESE STEEL PRODUCTION AND PLANNED ALLOCATION FROM 1978 TO 1995

Source: Naughton, B. (2007). *The Chinese economy*. Cambridge, MA: MIT.

Eventually, in 1984, Zhao Ziyang decided to definitively fix all central-government materials-allocations to a certain absolute amount. By doing this, the Chinese government did nothing but inducing a gradual and definitive demise of the plan, which would have eventually become less, and less important as economic development continued to increase (Naughton, 2007).

At first, agricultural collectives, which were the predominant units of the formerly Maoist agricultural system, responded to this system of new and enticing incentives by experimenting multiple innovative practices. Eventually, however, they all converged towards the most radical and immediately lucrative option: contracting out well-defined pieces of land to individual farm households (Naughton, 2007). As a consequence of that, agricultural outputs skyrocketed and by 1984 grain production was more than one third higher than in 1978. For the first time, the Chinese agricultural sector was producing enough grain to properly feed the entire Chinese population (Naughton, 2007). At the same time, farmers - which were finally free to allocate their labor as they preferred - despite increasing their agricultural production, were also able to decrease the number of hours actually spent in the agricultural fields. This allowed a sharp increase in agricultural income coming from nonagricultural business, as for instance, local township and village enterprises (TVEs). These latter, in fact, during the first reform period, grew rapidly - both in number and in size – and started to perform substantially outside state plans, with their output either meeting alternative market demands or creating new competition for state-owned enterprises (SOEs) (Naughton, 2007). Not surprisingly, many researchers identify unequal access to the additional private income coming from TVEs as one of the first triggers of rising income inequality within the Chinese rural population (Brandt and Rawski, 2011).
Confronted with this first reforms' success, Deng Xiaoping soon sought to extend this approach to the industrial and commercial sectors. Because both agricultural and industrial enterprises were still required to meet plan targets but, at the same time, they were set free to earn high profit on the margin, the economic reforms of this period were decentralizing, but also brilliantly able to still fulfill some plan-allocations related political interests. Consequently, they resulted in substantial economic growth and development, without excessively harming any specific sector of Chinese society (Naughton, 2007).
By 1993, however, this first reform strategy had abundantly run its course and was in need of restructuring. The Chinese market sphere had enlarged enough, and the market economy was "growing out of the plan" (Naughton, 2007). The focus of the newly elected President of the People's Republic of China Jiang Zemin thus shifted, and the second phase of economic reform began. Its principal aims were now those of: definitively dissolving the plan, creating a universal and centralized regulatory and tax framework for the market economy that was developing, and opening Chinese economy's gates to the WTO (Naughton, 2007).
Consequently, starting from the early 1990s, the plan's dual price system was abruptly interrupted, and market prices were allowed to freely adjust. In addition, plan allocations of agricultural and industrial products started to shrink, until definitively plummeting in 1993 (Naughton, 2007). Thanks

to the gradual deregulation of consumer goods production and prices, in fact, plan allocations were no more needed, and they disappeared practically unnoticed. At the same time, despite high savings and high investments had characterized the whole 1978-1993 period, in 1993, the relative proportion of Chinese public savings was in desperate need of accretion (Naughton, 2007). During the "reform without losers" period, in fact, Chinese policy-makers intentionally reduced the government share of GDP, in order to allow Chinese households – both rural and urban – to substantially increase theirs, by exploiting newly introduced economic incentives (Naughton, 2007). Fortunately enough, this bold fiscal policy, thanks also to the stable and relatively secure economic environment it managed to create, enabled individual households to increase their private savings, eventually offsetting the decrease in public ones. By the mid-1990s, however, (in 1995 Chinese public savings had reached a record low of 10.8% of GDP) this dramatic erosion of Chinese government revenues - ultimately traceable to the demise of state industrial monopolies and the increasing share of practically untaxed market transactions – was no longer sustainable, and Chinese party planners opted for a shift towards macroeconomic austerity (Naughton, 2007). A new phase of "reform with losers" emerged, and a period characterized by the contraction of cheap credit to SOEs, by the gradual introduction of a standardized and universal tax system, by a slower growth of money supply and by the curtailment of inflation, began. Consequently, starting from the mid-1990s, policy-makers began to substantially sever the formerly close ties that linked the Chinese government to SOEs, promoting the latter's incremental downsizing and restructuring (Naughton, 2007). Despite the "hard" budget constraint approach undertaken by the People's Bank of China (PBC) revealed itself pivotal in order to increase state-owned enterprises' economic responsibility and profitability, SEOs, severely affected by increasingly competitive pressures and by the contraction of cheap credit, were eventually forced to reduce their numbers, their scopes and their employees. In a few years, state-owned enterprise employment shrunk by more than 40%, as industrial SOEs profits plummeted from 15% of GDP in 1978 to slightly below 2% of GDP in 1997 (Naughton, 2007). This time, the formerly relatively privileged social group of state-enterprise employees was asymmetrically experiencing the burden of profound political and economic reforms. After lay-offs in the number of millions, in fact, some of them suffered dramatic and precipitous losses in incomes, as well as social status (Naughton, 2007). As a consequence, the income gap between urban private-sector and urban public-sector workers widened (Brandt and Rawski, 2011).

1.4 *China's ascent as the world largest trading nation*

After obtaining the primacy as largest world exporter in 2009, in 2013 China surpassed the United States as the world's largest trading nation (Monaghan, 2014). At present day, in fact, after reaching an extraordinary degree of market openness for a similarly large continental economy, China's international trade is growing at a far faster pace than that of any other OECD country (Naughton, 2007). This phenomenon appears even more outstanding after noticing that, before the comprehensive foreign-trade reforms initiated in 1993, China was one of the most closed economies in the world. Before 1979, in fact, Chinese planned economy rested on the assumption that autocracy was the only feasible path towards development, and that foreign trade needed to be limited only to a few, strategic government monopolies. Not surprisingly, China's total trade/GDP ratio at that time was practically insignificant, considerably below world averages and never exceeding 10% (Naughton, 2007). Starting from the first economic reforms of the 1980s, however, Chinese economy began to open up and to quickly align itself to trade/GDP world average ratios. It then stabilized during the 1990s, until dramatically surging again after Chinese WTO accession in 2001. China was eventually becoming one of the most important economic players in the world (Naughton, 2007).

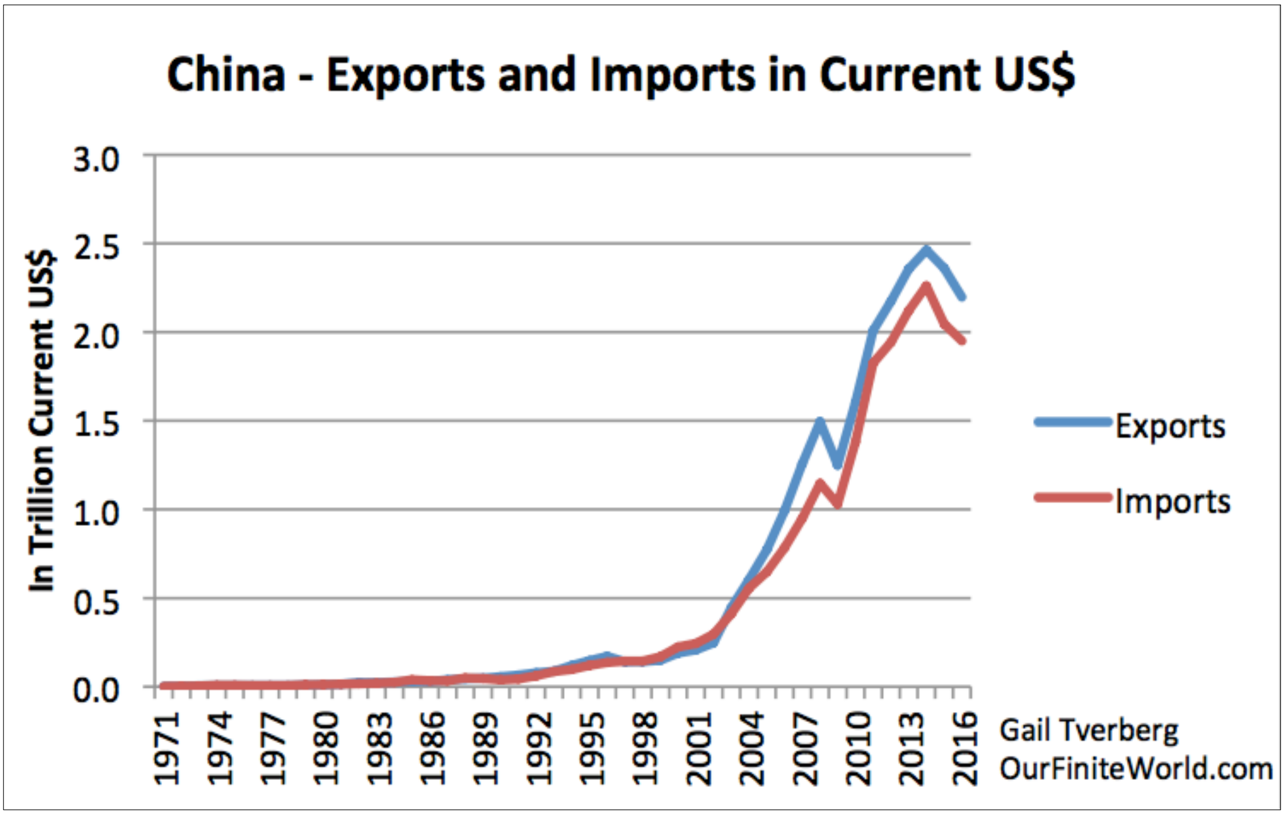


FIGURE 7 – CHINA'S EXPORTS AND IMPORTS OF GOODS AND SERVICES ON A CURRENT US$ BASIS

Source: Tverberg, G. et al. (2018). *Why Oil Prices Can't Bounce Very High; Expect Deflation Instead.* [online] Our Finite World.com [Based on World Bank Data]

Certainly, the dualistic trade regime initially adopted by Chinese party-planners, has a considerable explicative value in accounting for the steady and impressive development experienced by Chinese foreign-trade in the last 40 years. This approach, in fact, allowed the Chinese government to both adopt liberal rules and principles as far as export-processing trade was regarded, while, at the same time, to protect still potentially frail domestic industries and markets from global competition (Naughton, 2007). This system had, consequently, a two-fold function: conforming to the wishes and expectations of global investors and gradually inserting China into increasingly interdependent cross-border global production networks (Naughton, 2007).

During the 1978-1993 first phase of reforms, more specifically, Chinese domestic economy was insulated from the world economy by what B. Naughton calls a "double air lock", which severely curtailed Chinese goods and capital inflows and outflows (Naughton, 2007). The first "air lock" was essentially constituted by the Chinese government's foreign-trade monopoly. At that time, in fact, only twelve state-owned foreign-trade companies (FTCs) were allowed to import and export some specific goods under previous authorization. The second "air lock", on the contrary, consisted in the plan's artificial foreign-exchange system. The value of the national currency renminbi (RMB) at that time, in fact, was arbitrarily set by the Chinese government, resulting in a "*de facto*" inconvertibility with respect to foreign currencies. Furthermore, a special authorization – which was very hard to obtain - was required each time a private individual attempted to convert any sum expressed in national currency into foreign one (Naughton, 2007). This "double air lock system" was thus able to maintain considerable price distortions within the Chinese domestic market, while, at the same time, it was allowing desperately needed imported commodities to get through the planned-economy trade barriers. In fact, thanks to the fact that FTCs' revenues coming from relatively profitable products sold on the global-market constantly cross-subsidized products sold at artificially low domestic prices within Chinese territory, state-owned industries were effectively sheltered and insulated from global competition, while at the same time, they were enjoying its competitive advantages (Naughton, 2007).

Before the 1978 reforms, in sum, foreign trade was regarded by the Chinese party-planners as what could be described as a "necessary evil", something inherently negative, but needed in order to import goods capable of solving domestic shortages in particular markets (especially agricultural ones) or to acquire technologically advanced, capital-intensive commodities (mainly industrial machinery). Since foreign currency revenues coming from exports were the only means capable to pay for strategically needed imports, exports were thus seen as nothing but a by-product of this foreign trade "necessary evil" (Naughton, 2007).

It was only the 1978-79 decision by the Chinese party leaders to increase technology imports in order to foster economic development, that finally started to shake the old system. Finding themselves in a foreign reserve currency shortage, with exports revenues no more capable of covering their imports plans, Chinese party leaders decided to initiate important trade reforms aimed at promoting export production (Naughton, 2007). The first “Coastal Development Strategy” initiatives were thus undertaken in the southern and coastal provinces of Guangdong and Fujian. These regions, in fact, which confined with the states of Hong Kong and Taiwan, were better able than the inland ones to take advantage of liberalizing economic reforms, especially if linked to foreign trade and investment (Brandt and Rawski, 2011). It was there that, for the first time, foreign-owned enterprises (mainly coming from Hong Kong) were allowed to participate in “export-processing” (EP) partnerships. These were, in essence, contracts enabling foreign-owned enterprises to bring their own raw materials into Chinese territory and then to have them manufactured by local workers. The Chinese firms would have then received a payment by foreign-owned enterprises for processing, but the final product, as the initial input, would have always remained property of the latter. In this way, Chinese policy-makers were brilliantly able to hit two birds with one stone: they obtained the desired access to foreign currency while, at the same time, they managed to protect domestic industries from direct foreign competition (Naughton, 2007).

Shortly after, mirroring EPZs (Export Processing Zones), also some SZEs (Special Economic Zones) were instituted in these same southern regions. Differently from EPZs, SZEs were allowed to import intermediates commodities practically duty-free, at the only condition that those imports would have been strictly used in order to produce new exports (Naughton, 2007). This EPZs and SZEs reform approach, in the end, resulted into two positive and important outcomes: foreign-invested enterprises (FIEs) were allowed to bring their precious technical expertise within Chinese territory, and exports with respect to imports were selectively promoted within the Chinese economy (Naughton, 2007).

Eventually, China managed to establish two, essentially separate, trade regimes. The first, which was more liberal and innovative, was followed by the new, extremely performant Export Promotion trade zones. The second and more traditional one, instead, ruled the old but slightly reformed “Ordinary Trade” (OT) system (Naughton, 2007).

Reassured by the success of these EPZs enclaves in the provinces of Guangdong and Fujian, in 1984 Chinese government decided to expand this liberalizing approach to the entire national economy. Unfortunately, however, in 1985 domestic imports unexpectedly skyrocketed by more than 50%, and the party-planners decided to retreat many of the newly introduced reforms (Naughton, 2007).

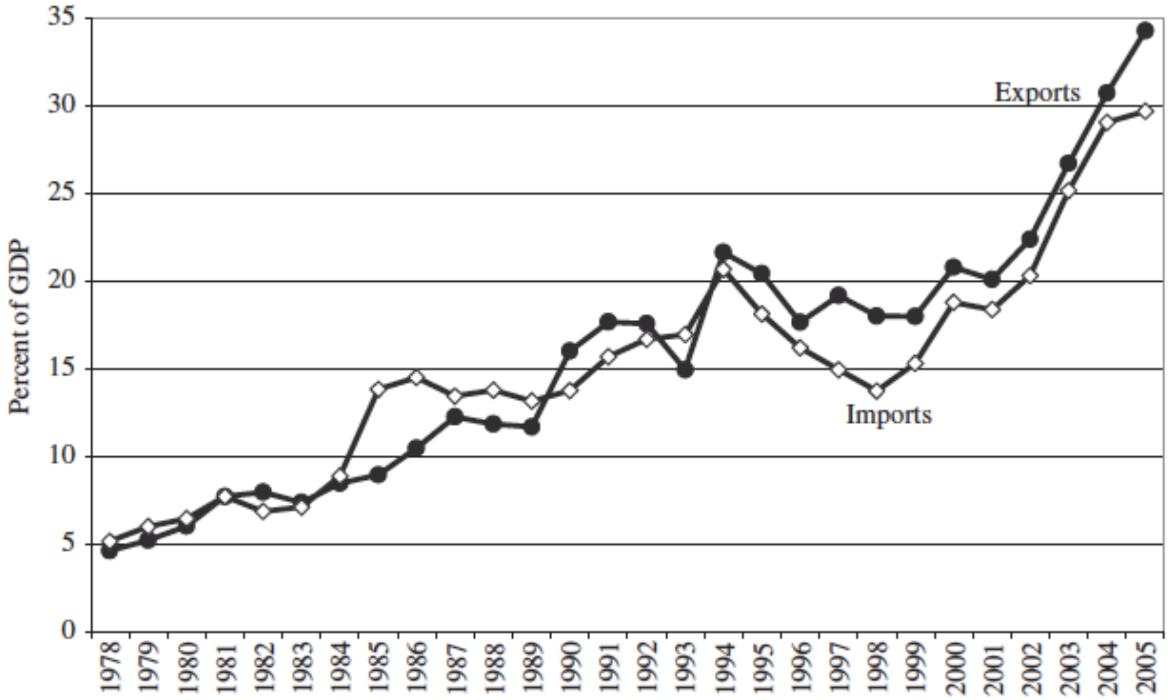


FIGURE 8 – CHINESE EXPORTS AND IMPORTS AS SHARE OF GDP FROM 1978 TO 2005 - PARTICULAR

Source: Naughton, B. (2007). *The Chinese economy*. Cambridge, MA: MIT.

Nonetheless, always having export promotion as their ultimate goal, Chinese policy-makers decided to initiate a process of real devaluation of the RMB. In 1980 the Chinese domestic currency was fixed at a clearly overvalued exchange value, corresponding to 1.5 ¥ to the US dollar. By 1986, however, the RMB started to stand at about 3.5 ¥ to the US dollar. This real devaluation of approximately 60% made Chinese exports, in the eyes of foreign traders, extremely enticing, while, at the same time, enabled Chinese party-planners to curtail domestic, now relatively more expensive, imports (Naughton, 2007). Furthermore, in the same year, plan targets relative to mandatory foreign-exchange earnings started to be applied also to FTCs. These latter, in fact, started to be obliged to hand out an annual fixed amount of foreign exchange currency to the central government and, in exchange, they were allowed to retain all the foreign currency earned above the amount due (Naughton, 2007). Chinese government, consequently, ended up in introducing a dual-exchange-rate regime, which, in essence, was enabling exporters to sell their above-plan-targets foreign-exchange earnings on a lightly regulated "shadow" exchange market, and thus to earn an additional profit (Naughton, 2007). In this secondary market, however, the demand for dollars was higher, as higher was consequently their price, which, in turn was doing nothing but contribute to an additional, market-driven devaluation of the RMB (Naughton, 2007).

In addition to these foreign-exchange policies, Chinese policy-makers remarkably increased their foreign trade permissions. Thanks to the newly introduced economic incentives, the increased market competition and the RMB devaluation, in the middle 1980s, FTCs became much more cost sensitive and lucrative businesses than before. They even started to contract out some operations to the increasingly numerous TVEs, which were regarded as alternative cheap producers of labor-intensive goods (Naughton, 2007). In the ten years comprised between 1985 and 1995, China's trade increased exponentially, and petroleum, which in 1985 was China's largest single export, accounting for 20% of all export revenues, was rapidly substituted by light, labor-intensive manufactured goods. Then, after 1996, trade growth slowed and stabilized, despite still remaining relatively high (Naughton, 2007).

As far as imports are concerned, on the contrary, Chinese party-planners advanced steadily but slowly. As economic reforms were increasingly liberalizing foreign-trade, they started to introduce considerable tariff and non-tariff barriers on sensitive imports, providing an artificial and temporary shelter to the still developing domestic industries and market (Naughton, 2007). At the same time, however, it is important to notice that this erection of tariff and non-tariff barriers had also a second, implicit function: providing itself as a strategically useful leverage of bargaining during WTO accession negotiations (Naughton, 2007).

Despite remarkable, these reforms alone were still by no means capable of triggering the Chinese export miracle that came few years after (Naughton, 2007). The overall impact of the newly introduced trade-barriers, in fact, was still that of discouraging exports - as for instance by introducing trade and foreign relations frictions between China and major OECD countries - just as alternative foreign-trade regimes adopted by other developing nations were doing during the 1980s (Naughton, 2007). In 1985, China consequently decided to proceed with an alternative and innovative approach: partial VATs (value added taxes) rebating on exports. This approach, in fact, while obtaining the same results of tariff and non-tariff barriers, was cleverly able not to explicitly disadvantage foreign traders. Furthermore, Chinese banks were encouraged by the central government to start offering preferential interest rates to exporters, as well as to lend lavishly to any new investment project aimed at increasing export production (Naughton, 2007). Fairly enough, in the 20 years comprised between 1985 and 2005, total Chinese exports grew by an outstanding average of 17.6% per year (Naughton, 2007).

Starting from the mid-1990s, China was definitively ready to open its gates to the WTO. A new phase of major reform began, which, despite being dictated by WTO accession pre-requisites, was also fundamentally in harmony with party-planners long and short-term objectives (Naughton, 2007).

As first step, in 1994, the Chinese government shut down China's secondary - "shadow" - foreign exchange market. The exchange rate regime was consequently standardized and unified, and a Chinese current-account convertibility was ultimately established. The exchange rate chosen was more similar to the lower, secondary market one: 8.3 ¥ to the US dollar. At the same time, access to foreign currency was finally liberalized, with any importer now able to accede to any sum of foreign currency upon presentation of official import-export documentation (Naughton, 2007).

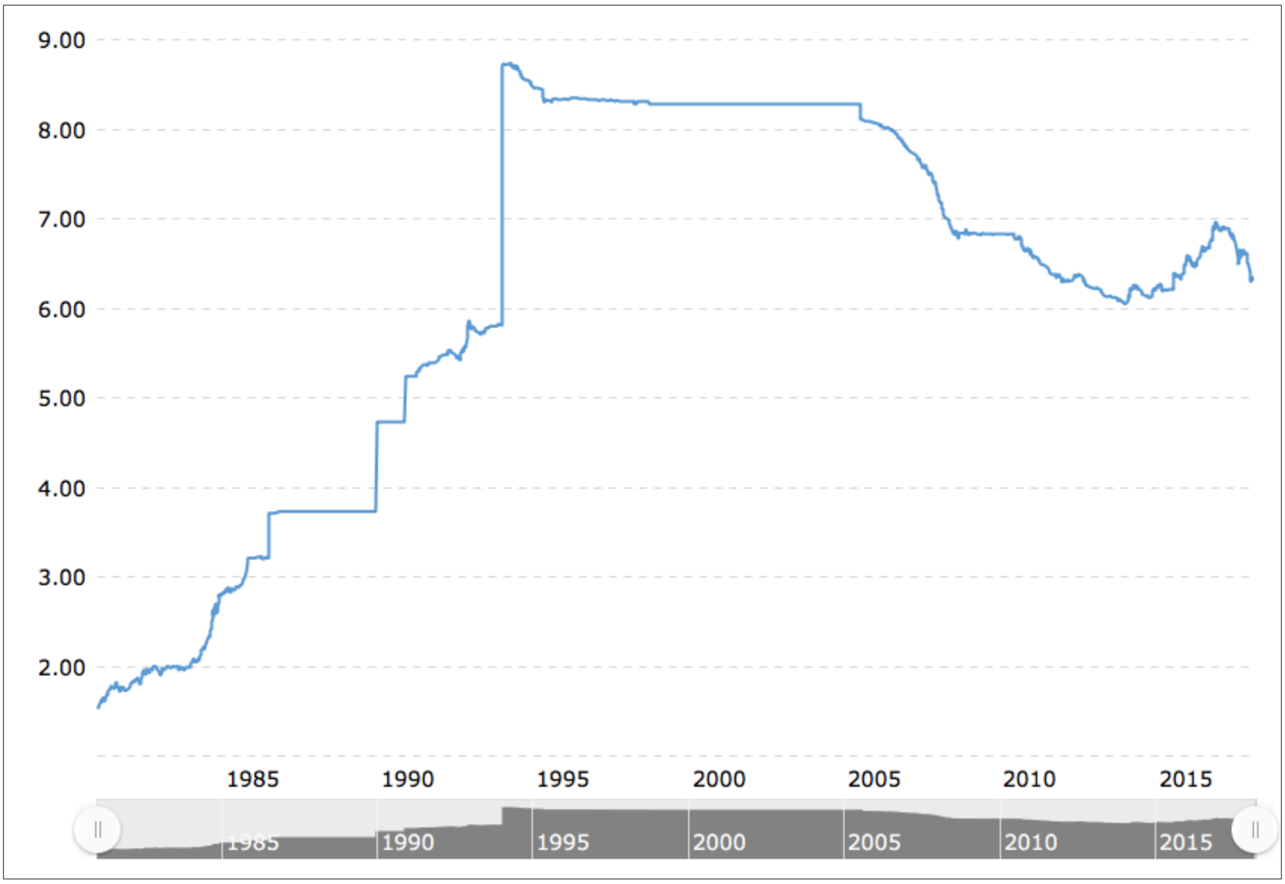


FIGURE 9 – US DOLLAR TO YUAN EXCHANGE RATE, FROM 1981 TO 2015

Source: Macrotrends.net. (2018). *Dollar Yuan Exchange Rate - 35 Year Historical Chart*. [online] Available at: http://www.macrotrends.net/2575/us-dollar-yuan-exchange-rate-historical-chart [Accessed 23 Mar. 2018].

It is necessary to remark, however, that China applied to join the forerunner of the WTO - the GATT (General Agreement on Trade and Tariffs) - for the first time already in 1986. Anyway, it was only in 2001, 15 years later, that China would have finally become an official member of the WTO. Researchers tend to identify three crucial impediments which delayed China's accession to the WTO: the 1989 Tiananmen massacre, the rapid emergence of China as a major and threatening global export competitor during the 1990s, and, last but not least, the diffused resentment expressed by foreign companies with respect to that time still relatively closed Chinese domestic market. Eventually, in order to overcome these issues, Chinese government decided to: liberalize trade rights beyond state-owned FTCs, definitively eliminate its double-trade system, and, finally, to lower considerably tariffs and non-tariffs barriers (Naughton, 2007).

As a consequence of the WTO accession, starting from 2002 both exports and imports skyrocketed, reaching almost incredible annual growths of above 20%. Apart from the decrease in transaction as well as imports costs, and the access to new, global trade opportunities brought by the WTO membership, this sudden increase has also been associated by many researchers with the remarkable enlargement of the share of technology and machinery products within China's total exports. Notably, in fact, in 2003, these latter's share was standing above 50%. At the same time, labor-intensive manufactures' growth remained high and constant (Naughton, 2007). China was eventually entering the world traders' front ranks (Naughton, 2007).

During the same period, Chinese imports, on the contrary, experienced more an increase in their volumes, rather than a substantial change in their composition. Two thirds of them still remained capital-intensive commodities, mainly serving as land endowment substitutes (ex. food grains, fertilizers) (Naughton, 2007). The remaining part, instead, consisted in skill-intensive commodities such as industrial machineries and electronics. By becoming a pivotal net importer of these two latter commodities and, at the same time, a giant net exporter of labor-intensive ones, China was thus able to extremely benefit from the comparative-advantage principles of international trade, and, at the same time, to exploit a considerable global market power, which was enabling it to influence world prices in certain strategic commodity groups (for instance: fertilizer, copper, steel and petroleum) (Naughton, 2007). In other words, thanks to its giant, relatively well educated and flexible labor force, and despite its fundamentally capital-lacking and land-scarce economy, China is probably the nation who gained - and is still gaining - the most from the system of world labor specialization produced by modern globalization (Naughton, 2007).

CHAPTER 2: CHINESE PROPERTY INVESTMENT: THE ORIGINS

2.1 China's accumulation of foreign exchange reserves

During the last 20 years, some Asian Pacific and Middle-East countries (especially oil exporters ones) have dramatically increased their national foreign exchange reserves (Nie, 2017). This was made possible even despite the general downturn in the accumulation of foreign exchange reserves experienced by the whole international community in the aftermath of the 2008 financial crisis, since, starting from 2011/2012 these countries resumed their pre-crisis accumulation practices at an even renovated pace (Nie, 2017). In particular, since the 1990s, China's foreign exchange holdings have increased substantially, eventually making China the world largest holder of US dollar reserves in 2010 (2.65 trillion US dollars) (Qiao, 2010). This amount was subsequently exceeded at the end of 2014, when China reached a hit of 3.84 trillion US dollars total foreign exchange reserves (Nie, 2017). This means that, from 1988 to 2014, Chinese foreign exchange reserves experienced an outstanding average annual growth slightly above 13%, and that, in the same period, the ratio of Chinese foreign exchange holdings – mainly in the form of Treasury-bills or notes - with respect to China's GDP surged from 8% in 1988 to 38% in 2014.

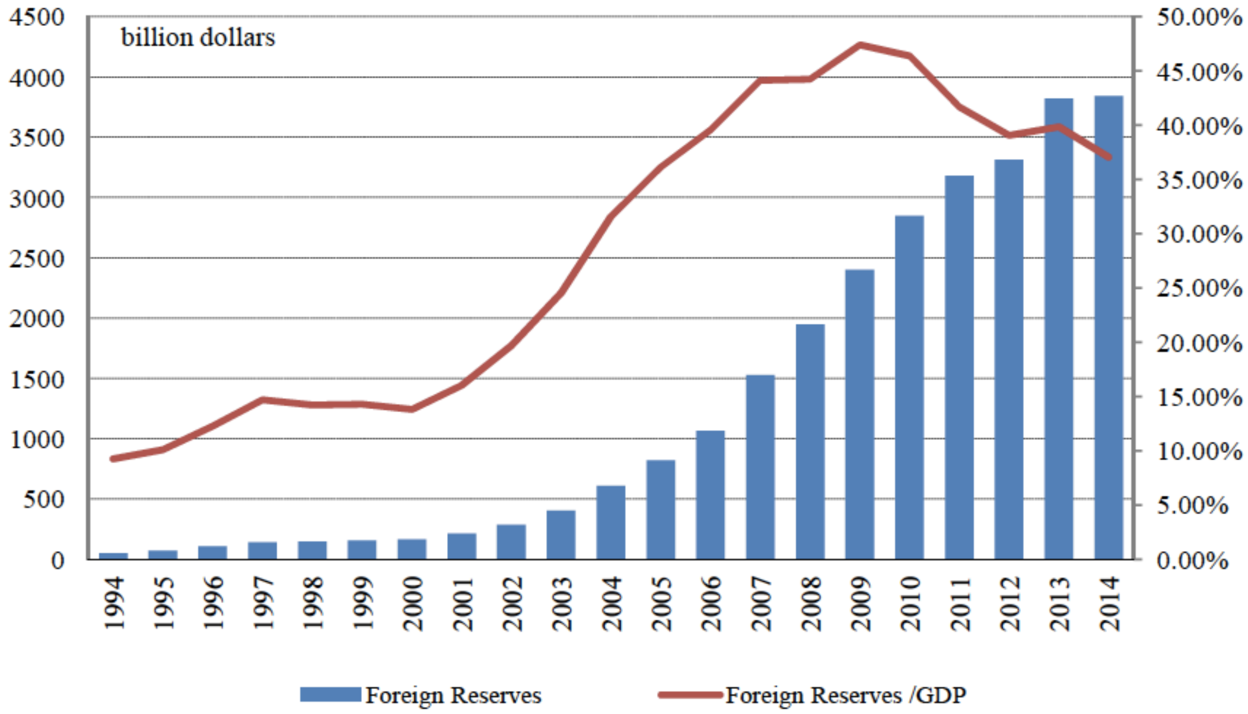


FIGURE 10 – CHINA'S FOREIGN EXCHANGE RESERVES (1994-2014)

Sources: Nie, L. (2017). China's Foreign Exchange Reserve Accumulation and Its Currency Composition Management. *Hitotsubashi journal of economics*.

Substantially contributing to this upward trend was certainly a Chinese government's 1993 decree enacted in order to legally oblige Chinese export companies to sell all their foreign exchange revenues to the PBC (People's Bank of China). Such an intrusive economic policy – which entered into force in 1994 and lasted until 2011 - was dictated by the Chinese monetary authorities' 2005 decision to allow a gradual – but still *controlled* - appreciation of the renminbi. This latter, in fact, - which without the complete control of foreign exchange currency obtained thanks to the aforementioned decree would have witnessed an appreciation considerably higher - from July 2005 to the end of 2014, eventually regained only 35.7% of its value against the US dollar (see figure 1.7) (Cao, 2015).

The growing explicit and implicit impacts of this tremendous Chinese foreign exchange reserves accumulation were soon started to be felt both at a domestic and at an international level (Nie, 2017). Foreign exchange reserves, in fact, apart from providing a potential shelter against temporary external financing emergencies, preserving foreign exchange stability, and protecting a country against possible external economic shocks, also imply financial and fiscal policy challenges to central banks and national governments (Nie, 2017). One among the most straightforward example of these latter, is the impact that huge amounts of foreign exchange reserves generally have on a country's monetary base, which, in turn, – if unregulated – normally determines an increase in money supply (i.e. money in circulation). This increase in national liquidity, substantially fuels asset price inflation (Cao, 2015), and curtails the relatively controlling capacities of national monetary authorities. For instance, as foreign exchange reserves increase, the difficulty of central banks' sterilization operations [5] dramatically augments (Nie, 2017). In the case of China, the percentage of funds arising from foreign exchange reserves to the national monetary base grew form 45.7% in 1991 to 102.3% in 2014. Consequently, in the last 30 years, Chinese monetary authorities have been forced to confront considerable inflation pressures caused by an excessive monetary base (Nie, 2017). It is exactly in response to this excessive liquidity that, at the beginning of the 2000s, China started to relax controls on domestic overseas investment, and began to promote private households' and corporate outward foreign direct investment (FDI) (Cao, 2015).

According to University of Berkley professor Eichgreen (2011), in any point in time, the "size, stability, liquidity" of countries' financial markets deeply inform the international consensus on which specific currency will acquire the status of major international reserve currency. During the whole 19th century and before the institution of the US Federal reserve in 1913, the British pound sterling was leading global financial markets as the major international reserve currency (Nie, 2017).

[5] For "sterilization operations" it is generally meant central banks' monetary actions aimed at curtailing the effects of capital inflows and outflows on their countries' monetary supplies. These operations are normally enacted in order to offset potential byproducts of government interventions in the foreign exchange market, and generally include the selling or purchase of financial assets by central banks (Radcliffe, 2018).

After the first World War, however, the global financial scenario deeply changed, and the US dollar – thanks also to the outstanding development and modernity of American financial markets - surged to the status of international currency, definitively overthrowing the pound sterling and remaining there since (Nie, 2017). Nonetheless, with the passing of time - and the consequent recurrence of several global financial crises -, most countries' central banks developed the tendency of partly diversifying their foreign exchange reserves, in order to better insure themselves against exchange rate volatility risks (Nie, 2017). This phenomenon experienced a considerable push especially after the introduction of the euro in 1999, which many regarded – and some still regard - as having some of "the [necessary] prerequisites for a major international currency" (Nie, 2017).

As far as the currency composition of Chinese foreign exchange reserves is regarded, despite it is nowadays near to impossible to obtain reliable public information and data about the matter, most academics and economists agree on the fact that the percentage of US dollar denominated assets within China's total foreign reserves is likely to be conspicuous (Nie, 2017). Fortunately, a recent study (Nie, 2017) based on basic portfolio accounting and conducted on the Chinese Balance of Payments and its International Investment Position, has shed some additional light on the matter. According to this study, in the last two decades, China has consistently maintained a relatively stable primary currency composition. However, Nie also highlights that after the 2008 financial crises, the PBC[6] has opted for a slight diversification of its foreign exchange reserves, devoting increasing attention to some emerging international currencies such as the Canadian and Australian dollar (Nie, 2017). According to this study, in fact, "by the end of 2015 China held about 63.6% of its reserves in the US dollar, 19.6% in the euro, 3.09% in the Japanese yen, 4.89% in the pound sterling, 2.22% in the Canadian dollar, 2.03% in the Australian dollar and 0.09% in the Swiss franc" (Nie, 2017).

[6] People Bank of China

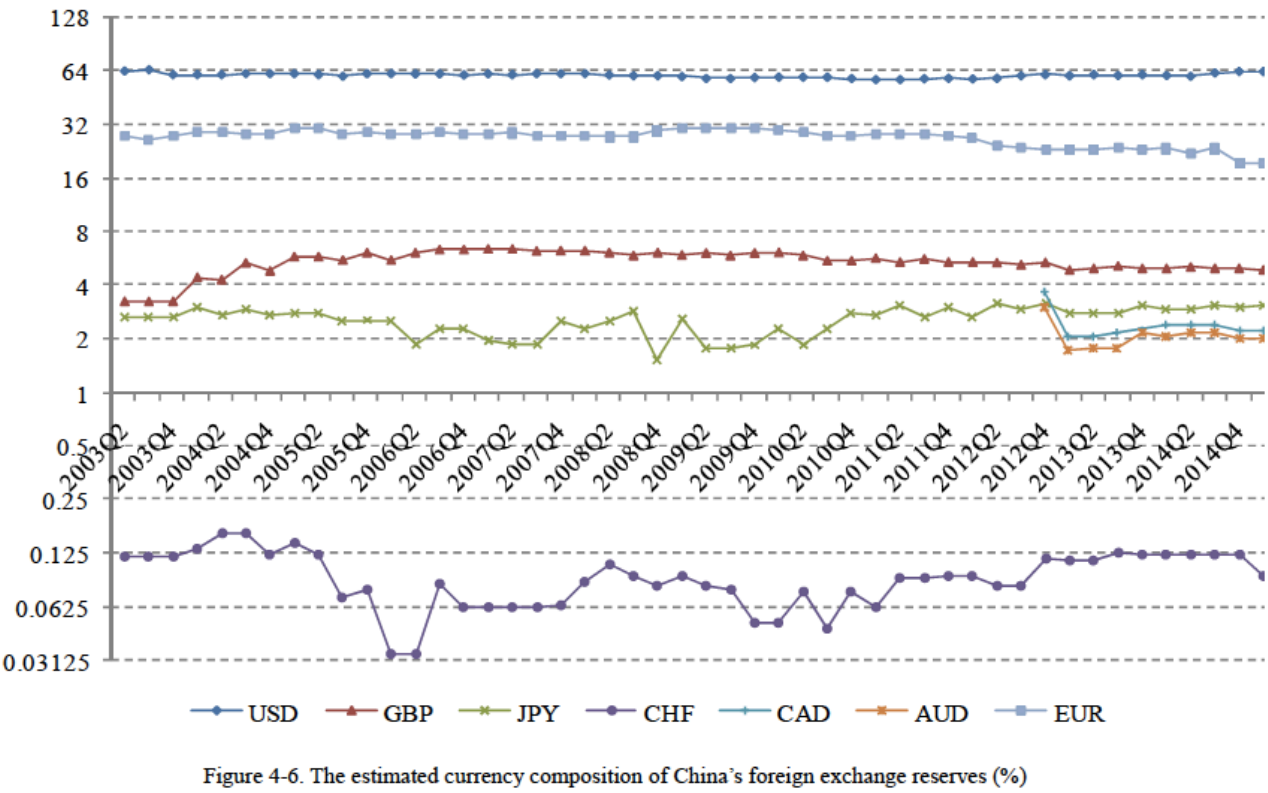


FIGURE 11 – THE ESTIMATED CURRENCY COMPOSITION OF CHINA'S FOREIGN EXCHANGE RESERVES (%) (2003-2014)

Sources: Nie, L. (2017). China's Foreign Exchange Reserve Accumulation and Its Currency Composition Management. *Hitotsubashi journal of economics*.

Furthermore, as far as Chinese monetary authorities' decisions regarding foreign reserves currency composition are concerned, this same study claims that these are principally and consistently informed by some specific variables, such as: monetary authorities' inertia, the general currency composition of other countries foreign exchange reserves, confidence in the value of specific currencies, and, finally and most importantly, export trade patterns. However, despite in this realm the importance of export trade patterns appears to be undeniable, the impact of Chinese imports trends, on the contrary, appears to be ambiguous, at times minimally statistically significant, at times not (Nie, 2017). This implies that the Chinese State Administration of Foreign exchange generally pays more attention to exports (especially if involving the USA or the EU) rather than imports patterns (Nie, 2017).

2.2 The two (early 1990s and 2000s) Chinese "real estate fevers"

A sounding real estate market generally plays a key role in the functioning of any modern economic society (Cao, 2015). Through its correct development as a factor of production, in fact, it is not only able to increase citizens' living standards but also to become a pivotal component of individuals' and corporations' wealth portfolios (Forrest, Koh and Wissink, 2017). In the majority of past civilizations, the ownership of land was one of the primary determinants of class stratification, generally signaling an upper social status (Forrest, Koh and Wissink, 2017). Most of the time, in fact, the ownership of land was an important source of income and, at the same time, was one of the major pre-requisites in order to access many political decision-making systems (Forrest, Koh and Wissink, 2017).

At the time of writing, despite the passing of many centuries of evolution, most of the inhabitants of the developed world and the emerging economies still "hold the majority of their wealth in the form of real estate, particularly home equity" (Forrest, Koh and Wissink, 2017). At present day, in fact, it could be easily argued that it is upon real estate assets that the general and crucial framework of commercial banks' lending practices, state pensions and national social benefits fundamentally lays (Cao, 2015). This is because, nowadays as in the past, real estate properties possess both a use and a financial value. While their use value is pretty straightforward, their financial value consists mainly in the fact that property investments have the possibility of appreciating in value and, thus, of hedging their legal owners against potential losses incurred by other assets within their portfolios (Forrest, Koh and Wissink, 2017). Furthermore, real estate investment can also generate additional investment income, which in turn, legal owners can decide to: spend on additional consumption, save, or re-invest in order to generate more wealth (Forrest, Koh and Wissink, 2017).

In the last 30 years, the Chinese real estate market – and its resulting urban development - has repeatedly and consistently overshadowed China's stock market, as well as any other domestic market. It has done so due to its cyclical phases of outstanding, over-heated growth, alternated by periods characterized by unsustainable high prices, market disorder, "ghost towns"[7] and dramatic local governments' indebtedness (Cao, 2015).

It was in 1992, after a 1988 Constitution amendment legalizing market transactions of land use rights (LURs[8]) on state-owned urban land (Cao, 2015), that China experienced its first "development zone fever". Starting from 1992, in fact, Chinese land and real estate prices skyrocketed, fueled by massive infrastructure development investments and speculation (Lin, 1999). It is important to consider, however, that at that time, the Chinese real estate market was considerably different from equivalent markets in foreign countries. In China, until 1998, in fact, the property of land was an exclusive prerogative of the state and private market trading of real estate was considered illegal (Cao, 2015). Consequently, the skyrocketing or plummeting of real estate prices had very little consequences on the private net worth of Chinese citizens (Lin, 1999). The only ones who were really affected by this

7 "Unrealistic ambitions for urban expansion have caused an excessive oversupply of housing in some districts of certain cities, resulting in large numbers of empty homes. Such districts are referred to as 'ghost towns' by both the domestic and international media." (Cao, 2015)

8 The establishment of LURs, in essence, allowed the possibility of long leasehold of state land (ranging from 20/30 years in the case of commercial property to 50 years in the case of residential property)

first Chinese "real estate fever", thus, were mainly private and public housing developers and the commercial banks which were their creditors (Lin, 1999). Nonetheless, in order to rein in real estate prices inflation and rampant speculation, in 1993 and 1994 the Chinese government eventually enacted some of its first real estate retrenchment economic policies (Lin, 1999). These policies were extremely effective, and eventually managed to burst the tremendous housing bubble experienced by China in the early 1990s. Starting from 1993, real estate prices plummeted and the whole market entered in a period of depression (Lin, 1999).

In the early 2000s, however, the Chinese housing market re-underwent a new period of outstanding growth (Qiao, 2010). Despite this latter deeply benefited China's general economic performance, many unexpected economic and social side-effects eventually resulted from such an incredible fast-paced real-estate development (Qiao, 2010). As for many other sectors of the Chinese economy, a great change in Chinese real estate market conditions occurred during the second phase of post-Maoist China's economic reforms (1993 onwards). Starting from 1998, in fact, the Chinese government fully reintroduced the institution of private property, which had been completely eliminated in China since the ascent of Mao Zedong (Qiao, 2010). Before this water-shed event, the Chinese housing market played only a minimal role in the domestic economy, since it operated within a mixed framework of government interventions and distorted market mechanisms (Qiao, 2010). For instance, at that time, commercial banks were absolutely not allowed to issue any kind of mortgage to private households, which, for their part, if they had at least one member working for SOEs[9], were already provided with residences at artificially low prices (Qiao, 2010).

In the summer of 1998, however, economic reforms - aimed at stimulating economic growth after the slowdown experienced by the Chinese economy between 1993 and 1997 (Lin, 1999) - re-commercialized real estate property, ending no more sustainable direct government intervention in the housing sector (Qiao, 2010). At first, Chinese consumers' perception did not change much, they were still regarding the purchase of real estate property as something possessing practical and long-term consumption value (Qiao, 2010). However, around 2003, Chinese households started to realize that, thanks to the fact that real estate was now completely commodified - i.e. it could be sold and purchased freely within the market -, buying property had the potential of becoming "an attractive channel of investment" (Qiao, 2010). This time-lag in the shift of Chinese consumers' perception can be inferred by the fact that in the period comprised between 1998 and 2003, real estate prices grew by a mere 3.5% per year, while GDP per capita was surging at a much higher pace of 9.5% annually. Around the end of 2002, however, the market eventually took off and Chinese households started to pour an increasing share of their private savings into real estate (Qiao, 2010).

[9] State Owned Enterprises

In the attempt of finding the underlying reasons that led to this outstanding Chinese investors' rush towards the housing market, it is important to bear in mind that in the early 2000s China the domestic investment alternatives offered to private households and corporations in order to obtain some capital returns were severely limited (Qiao, 2010). This remains, to some extent, still true nowadays. Despite, in fact, the impressive growth experienced during the 1990s by the two newly instituted Shanghai Stock Exchange (SHSE) (1990) and the Shenzhen Stock Exchange (SZES) (1990) markets, starting from 2000 – and probably in response to the 1997 Asian financial crisis - the Chinese financial market lost approximately 50% of its total market capitalization. Thus, not surprisingly, the ratio between China's stock market capitalization and its aggregate GDP remained considerably below annual world averages during all the period comprised between 1998 and 2006 (Qiao, 2010).
The early 2000s dramatic financial market downturn, consequently, determined a furious development of the Chinese real estate market, which incredibly expanded between 2002 and 2006. Successively, however, despite the impressive growth re-experienced by Chinese stock market starting from 2006, China's real estate market prices appeared not to face significant declines (Qiao, 2010). This is odd because, generally, rational economic reasoning dictates that when stock markets appear to offer higher returns with respect to other forms of investments, both private individuals and corporations tend to modify their portfolios' compositions, opting always for the more profitable assets. This phenomenon could be probably explained – at least in part - by the fact that China's bond market is still generally perceived, both domestically and internationally, as relatively risky and underdeveloped (Qiao, 2010). In fact, as being, in some respects, still a developing country, China has not fully stabilized accounting or auditing systems yet, nor currently possesses reliable domestic rating agencies (Qiao, 2010). Furthermore, creditors still enjoy limited legal protection, meaning that potential recovery in the case of non-performant bonds is near to zero. Not surprisingly, all these characteristics are not encouraging domestic and foreign investors' trust, but rather, they are fueling their general and diffused wariness of the Chinese bond market (Qiao, 2010).
Another important factor contributing to the development of Chinese real estate market is China's loose monetary policy (Qiao, 2010). In 2010, accounting for total bank reserves and deposits, there were approximately 70 trillion yuan in China (Qiao, 2010). As previously mentioned, part of this gigantic liquidity was unintentionally created by massive foreign exchange reserves. However, unlike OECD countries' currencies – and especially the US dollar -, which are generally accepted as means of exchange in the global market, the Chinese renminbi is widely accepted mainly – if not only - within Chinese territory (Qiao, 2010). Consequently, such a considerable sum of domestic currency must necessarily find some domestic allocations, with the Chinese real estate market being one among the favorite ones since the early 2000s (Qiao, 2010).

It is thus rather unsurprising that from 2002 to 2006, Chinese real estate prices surged dramatically again, especially in the largest and most developed cities. Due to the widespread positive expectation of future real estate market prices inflation, in fact, "average land prices rose by 52.7% in 2002, 47.4% in 2007 and 37.4% in 2013", in turn deeply affecting real estate prices (Cao, 2015). In the same period, however, in cities like Beijing, Shanghai, and Shenzhen, citizens' average disposable household income growth remained well beyond the corresponding surge in real estate prices. Within this sample, in 2009, the average price of a house in Shenzhen eventually reached the impressive hit of four times the disposable income of an average city dweller (Qiao, 2010).

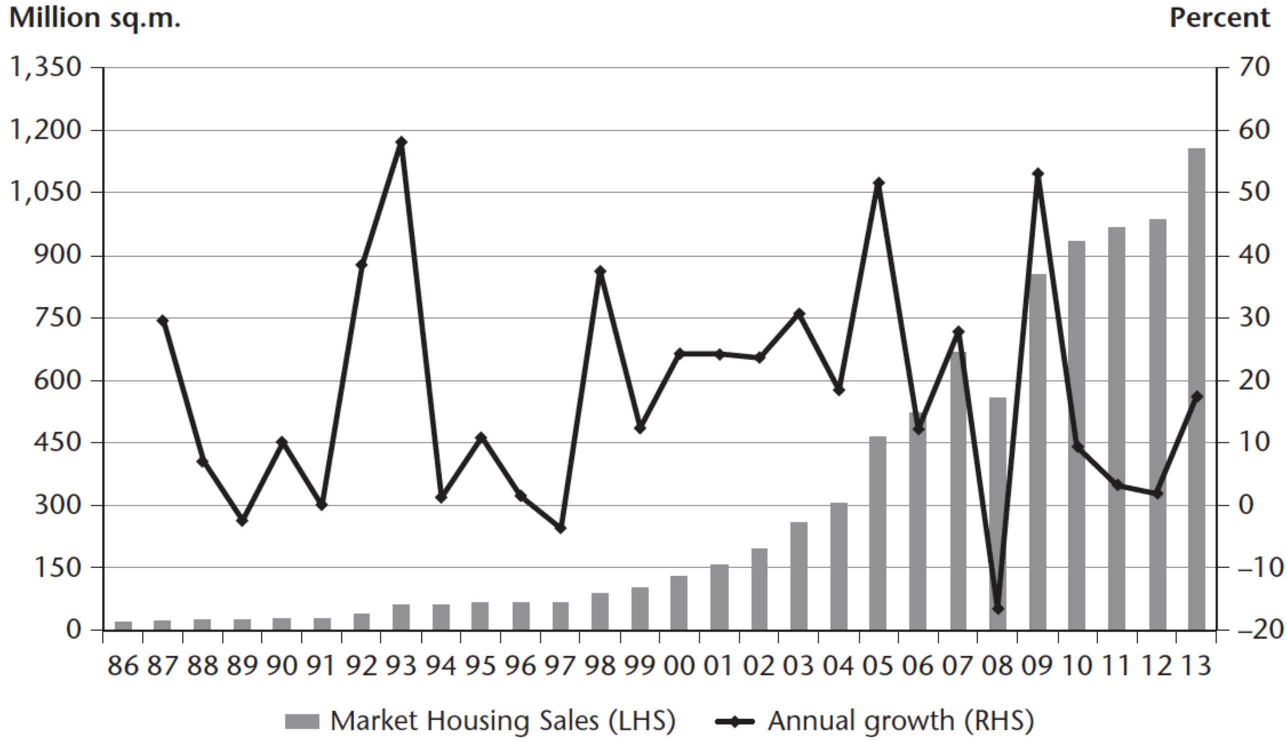


FIGURE 12 – COMMODITY HOUSING SALES AND ITS ANNUAL GROWTH RATE (1986-2013)

Sources: Cao, J. (2015). *The Chinese Real Estate Market.* Hoboken: Taylor and Francis. [Sources: NBSC (various years)]

Confronted with this worrying economic trend - and in an attempt to buff, to some extent, its negative social implications -, since 2003 the CPC[10] decided to enact several economic policies targeting the dramatic increase in Chinese real estate market prices (Qiao, 2010). These actions were undertaken in the hope of - at least - stabilizing the housing market through an in increase in affordable housing supply (lower end of the market spectrum) and a corresponding decrease in super-prime properties demand (higher end of the market spectrum) (Qiao, 2010). Consequently, on the one hand, the PBC[11] started to actively encourage Chinese commercial banks to increase the provision of preferential loans to projects and enterprises aiming at the development of low-income housing (Qiao, 2010). While,

[10] Communist Party of China
[11] People Bank of China

on the other hand, in order to cool down real estate speculation, Chinese authorities introduced several measures aimed at curtailing single ownership of multiple properties (i.e. real estate demand) (Qiao, 2010). The majority of these restrictions regarded Chinese commercial banks' lending practices and included: increasing the legal share requirement of commercial banks' PBC reserve deposit, augmenting households' equity down payments for first homes, discouraging the issuing of any mortgage by commercial banks for the purpose of buying third homes (as well as encouraging an increase in mortgage interest rates on any home purchase following that of a first property), and introducing a local properties tax (Qiao, 2010).

Eventually, 2008 represented a black year for the Chinese real estate market. Prices fell dramatically and housing demand leaking from the 2007 fiscal year resulted in many construction projects which were eventually left unfinished during the apex of the global financial crises. While, in fact, 700 million square meters of housing space were sold in 2007, in 2009 this number declined by more than 20% (Qiao, 2010).

Stages	*Main developments*	*Time scale*
Stage I: initiation	Embryonic housing market emerging in a few coastal cities; first housing boom and bust as dictated by government fiscal policy	1979–1990
Stage II: expansion	Market coverage extending to most of the country; boom and bust of the housing markets by macro control; property services marketisation and certification started	1990–1998
Stage III: policy boost	Housing market receiving policy support to become a growth engine; tax cuts to boost secondary market transactions; mortgage finance becoming available to the public; property services marketisation and certification expanding rapidly	1998–2002
Stage IV: macro control	Macro control to slow down market growth for financial sector security and to control housing price inflation; short downturn ended by government rescue packages; further control by demand management and monetary tightening	2003 onwards

TABLE 2 – THE FOUR STAGES OF HOUSING MARKET DEVELOPMENT IN CHINA

Sources: Cao, J. (2015). *The Chinese Real Estate Market*. Hoboken: Taylor and Francis.

2.3 The emergence of Chinese overseas property investments

Until 1997, Chinese authorities strongly curtailed domestic overseas investment, both for political and economic reasons. The latter, were mainly dictated by the severe hard currency and foreign exchange reserves shortage experienced by the Chinese government until the end of the 1990s (Cao, 2015). Starting from 2003, however, thanks to the enormous accumulation of foreign reserves experienced by China after WTO accession in 2001, the Chinese government eventually started to lift capital and currency convertibility constraints, increasingly allowing domestic enterprises and private individuals – especially UHNWIs - to invest abroad.

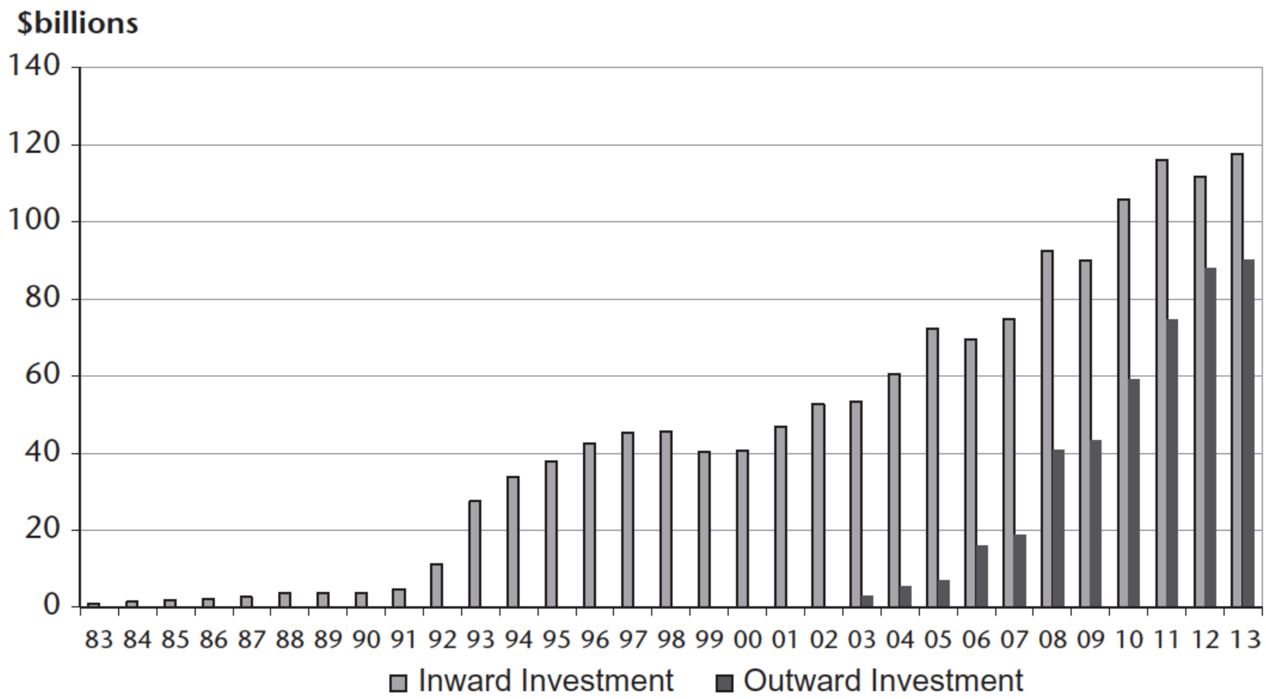


FIGURE 13 – CHINESE NON-FINANCIAL INWARD AND OUTWARD INVESTMENT AFTER 1982

Sources: Cao, J. (2015). *The Chinese Real Estate Market*. Hoboken: Taylor and Francis. [Sources: NBSC (2013; 2014b)]

Thus, at the very beginning of the new millennia, Chinese Foreign Direct Investment (FDI) dramatically surged. From a total non-financial outward FDI to total non-financial inward FDI ratio equal to 5.4% in 2003, this ratio skyrocketed to an outstanding 76.7% in 2013 (Cao, 2015). Nonetheless, Chinese outward FDI in real estate, still represents only a minimal part of total Chinese foreign properties investment. In the aftermath of the 2008 global financial crises, in fact, Chinese overseas real estate investment increased dramatically, accelerating even further around 2010 (Cao, 2015). According to some statistical researchers conducted on national data, total Chinese outward real estate investment in 2010 was approximately amounting to 3 billion US dollars, while, in 2013, slightly surpassed the double-digit figure of 16 billion US dollars (Cao, 2015). A recent study found

London as the most popular target for Chinese private individuals' real estate investment practices, which total investments approaching the 2.3 billion US dollars in 2014 (Forrest, Koh and Wissink, 2017). While, as second, come the USA, with the American National Association of Realtors stating in 2014 that, in the period comprised between April 2013 and March 2014, Chinese buyers spent approximately 22 billion US dollars on properties located inside the US territory and accounted for the majority of USA total housing purchases (Cao, 2015). Anyway, in the last decade, Chinese foreign real estate investors have been extremely active also in Australia, Canada and Singapore (Forrest, Koh and Wissink, 2017).

It is important to notice, however, that the largest share of total Chinese foreign property investment in the last ten years mainly came from private individuals, who were purchasing housing rather than commercial property. As previously mentioned, the majority of these individual investors consisted in Chinese UHNWIs, purchasing property for their personal consumption, or, in alternative, for speculative and buy-to-let purposes (Cao, 2015). With a national real estate market cyclically and consistently suffering from shocks caused by domestic oversupply, excessively intrusive macro control governmental measures, and rampant real estate prices inflation, in fact, starting from the early 2000s, extremely wealthy Chinese individuals started to look for alternative asset placements, possibly offering higher returns and major guarantees (Cao, 2015). Thus, they began to massively invest in foreign, relatively more secure and newly accessible real estate markets. Some precise foreign real estate investment trends started to emerge, having as main targets forefront global cities like London, New York and Vancouver (Cao, 2015).

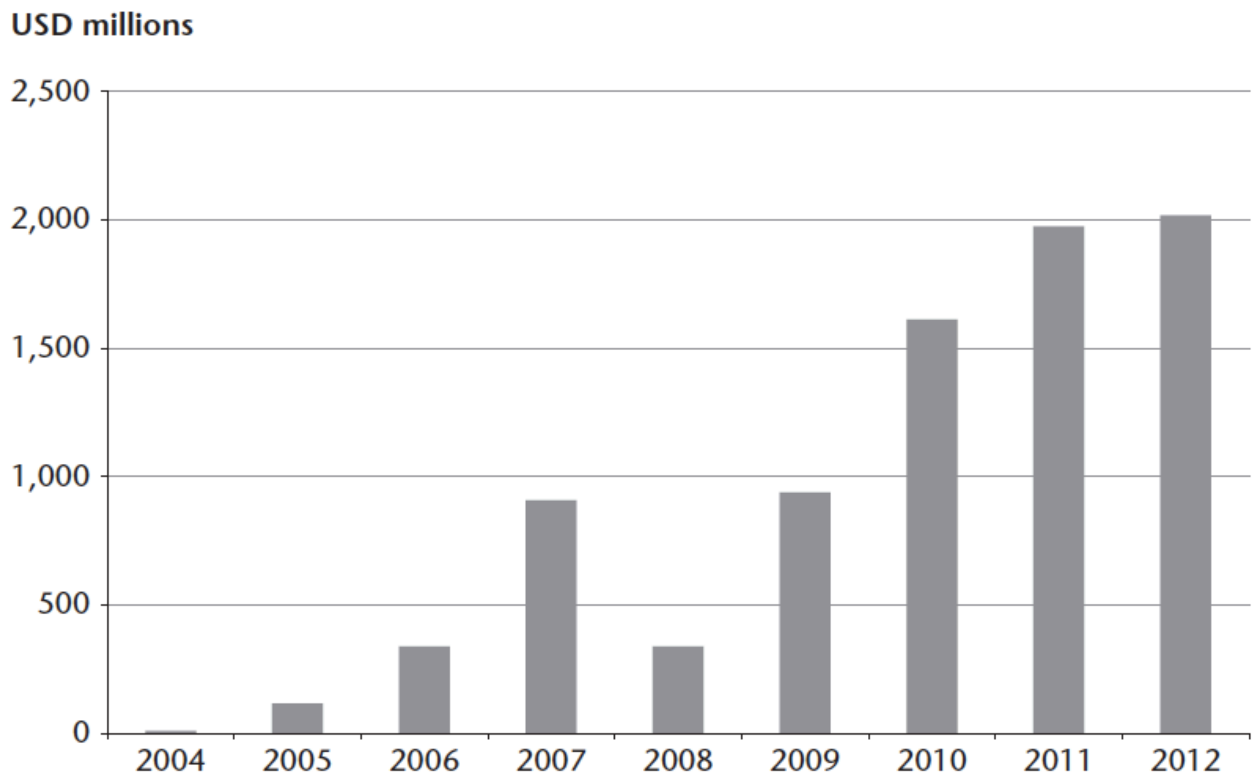


FIGURE 14 – CHINA'S OUTWARD FDI IN REAL ESTATE SINCE 2004 [SOURCES: NBSC (2013)]

Sources: Cao, J. (2015). *The Chinese Real Estate Market*. Hoboken: Taylor and Francis.

It is important to bear in mind, however – as previously introduced -, that the 2000s growth in Chinese foreign property investment was fundamentally in line with the 2000 CPC[12]'s "Go Abroad" economic strategy, formulated by the national government in occasion of its "Tenth Five Year Plan" (2001-2005) (Cao, 2015). In order to promote better Chinese economy integration into increasingly accessible global markets (China entered the WTO in 2001), in fact, at the start of the new millennia, Chinese Party planners lifted outward capital constraints and actively promoted firms' and private individuals' foreign investment (Cao, 2015). This "Go Abroad" commitment was renovated in March 2010, when the Third Plenary Session of the National People's Congress considerably streamlined and simplified capital outflows approval procedures (Cao, 2015).

Most economists agree on the fact that two main factors underpinned the outstanding growth of Chinese foreign real estate investment in the last 10 years (Cao, 2015). The first was the 2008 financial crises and its subsequent global recession. Being the major holder of foreign exchange reserves in the world, China actively promoted domestic companies' and private individuals' foreign investment in the immediate aftermath of the economic crises, rightly benefitting from that time real and dramatic depreciation of the US dollar (Cao, 2015). At the same time, the Chinese government economic reforms enacted at the beginning of 2011 in order to cool down the rampant inflation in

[12] Communist Party of China

domestic real estate market prices, by further restricting already limited investment channels for Chinese firms and individuals, did nothing but encourage Chinese capital outflows (Cao, 2015).
Yet, some recent studies appear not to be completely satisfied by these mere economic rationales, and they are increasingly searching for alternative, subtle and less obvious explanations.

2.4 Following still-open channels and life-style aspirations

The Academia generally appears to distinguish several and distinct waves of Chinese transnational migrations. In particular, in the last 40 years, three different Chinese emigration waves have been identified. The first one of these originated at the beginning of the 1980s and is nowadays commonly defined as a form of "reunion-oriented migration" (Liu-Farrer, 2016). During this first wave, in fact, thanks to the relaxation of emigration regulations enacted by Deng Xiaoping in the early 1980s, numerous Chinese individuals started to re-flow into some ancient migration channels opened by early communities of Chinese economic migrants at the end of the 19th century and emptied at the beginning of the Maoist era (Liu-Farrer, 2016).
The second wave, instead, started at the end of the 1980s and lasted until the early 2000s. Its protagonists were mainly Chinese skilled professionals and young students, emigrating in the search for better economic opportunities (Liu-Farrer, 2016).
Finally, at the time of writing, many academics, researchers and journalists tend to coalesce on the term "third wave migration" when referring to the current emigration of many Chinese super-rich (Liu-Farrer, 2016). Despite this third wave sprang in the early 2000s, this transnational mobility phenomenon gained worldwide resonance only recently, especially thanks to the increasing attention paid by OECD countries' experts and media. Nowadays, in fact, these latter represent the main targets of this "alternative" migration, as U.S.A., Australia, Canada, Singapore, Hong Kong and many European countries including the UK and Spain are consistently becoming the preferred setting for Chinese UHNWIs' real estate investments (Liu-Farrer, 2016).
As already mentioned in this text, the number of Chinese UHNWIs has increased steadily in the last 40 years, especially skyrocketing since the early 2000s. The number of those among them deciding to emigrate, however, remains relatively low in aggregate terms, consisting in approximately the richest 0.1 % of the Chinese population (Liu-Farrer, 2016). These super rich 0.1% is composed by rather young (averaging 39 years of age), and - for the most part - well educated individuals (55% of them having at least an undergraduate degree and nearly 30% possessing graduate degrees) (Liu-Farrer, 2016). According to some surveys conducted by a recent study, their wealth originates mainly from "private enterprises (55%), real estate investments (20%), stock market investments (15%) and high paying professional jobs (10%)" (Liu-Farrer, 2016).

Despite the relatively small number of physical persons involved in this exodus, the extraordinary amount of wealth implied by this latter had eventually resulted in new, sensational and quite unexpected social outcomes (Liu-Farrer, 2016), that will be thoroughly analyzed in the following chapter of this text.

A will to protect and expand their assets in a stable economic environment, the desire for a first-class education for their offspring, and worries about air pollution and climate change, are generally identified as some of the major drivers of this "wealthy migration" (Liu-Farrer, 2016).

Contemporary modernization, the advancement of technologies and globalization are all cooperating together in pushing successful Chinese entrepreneurs to expand their businesses, investments, and wealth accumulation and deposit outside national boundaries. Consequently, at first sight, the present-day transnational mobility of super rich Chinese could be regarded as generally following the standard economic logic of migration, like many other forms of migration (Liu-Farrer, 2016). In support of this view, Javorik et al. (2011) and Rogers and Dufty-Jones (2015) affirm that "economic policies, home ownership rules, taxation systems and housing policies of several Asian countries, […] are reportedly "pushing" local investors to source new foreign investment opportunities, including real estate, overseas" (Forrest, Koh and Wissink, 2017).

However, some recent works (Liu-Farrer, 2016) argue that also another less explicit, subtler driver, laying below all these open-stated economic factors, exists. Despite, in fact, Chinese super-rich increasingly have multiple dwellings and generally regard high-end real estate property as a relatively safe investment, they also look to cities like London, New York, San Francisco, Sydney and Vancouver as ideal places to live (Forrest, Koh and Wissink, 2017). It is exactly when this exodus starts to be interpreted and seen as "a form of class-based consumption, a strategy for class reproduction, and a way to convert economic resources into social status and prestige" that this underneath, additional and perhaps even more powerful driver comes to light (Liu-Farrer, 2016).

Then, nowadays, an increasing number of experts tend to understand the current super-rich Chinese transnational mobility, as one among other kinds of life-style consumption, which follows some specific social and anthropological logics. In other words, this exodus of the extremely wealthy is now regarded as being only partly informed by economic rationales, as it is rather found to fundamentally aim at the creation of a new, mobile, and global elite (Liu-Farrer, 2016).

At present-day, in fact, transnational mobility could be easily regarded as one among the most expensive and valuable commodities offered by the global market. Having access to it denotes conspicuous wealth, and, not surprisingly, implicitly signals the belonging to a relatively more advantaged social class (Liu-Farrer, 2016). Legal residence in a foreign country, in fact, is a commodity that only a well-defined minority of Chinese citizens can afford. In order to obtain a US

EB-5 business investment visa, for instance, a minimal capital sum of 500,000 US dollars is required, while in order to obtain an Australian visa of the same kind, the amount demanded can increase as high as 5 million AU dollars (Liu-Farrer, 2016). Consequently, a "*shenfen*" (a legal residency in a foreign country) is a luxury, "restrictive", upper-class good by itself, which is inherently not prone to "misrepresentative use" (Liu-Farrer, 2016).

Transnational mobility, therefore, is increasingly regarded by Chinese first-generation rich as a sort of plutocratic "*passepartout*", an extremely expensive gateway to current global (and especially western) elites – and if not for themselves, at least for their children -. Not surprisingly, in fact, the West had always possessed "utopian" and "paradisiac" features in the collective Chinese imagination, being diffusedly associated with the sparkling image of development, modernity and civilization (Liu-Farrer, 2016).

According to the aforementioned considerations, the exodus of Chinese UHNWIs to OECD countries, thus, could be regarded, at the same time, as an internal Chinese social phenomenon, as well as a transnational migratory one (Liu-Farrer, 2016). From one side, in fact, it can easily be ascribed to the process of class restructuration which still characterizes post-reformist China. There, in fact, old, institutionally based hierarchies together with new, lightly regulated market forces eventually triggered the pattern of rising income inequality and increasing salient social stratification previously described in this text (Liu-Farrer, 2016). It is important to add, however, that, because the current class distinction between an elite composed by "government officials, corporate managers, private business owners and technical professionals", a relatively small middle class, and a relatively poor and numerous "rest" is rather recent, a strong and general desire for class-consciousness and class signaling has emerged among the Chinese population (Liu-Farrer, 2016). In particular, especially due to the somewhat general uncertainty on whom the new elites at present-day are, the first-generation Chinese rich increasingly tend to "express their class identity through their consumption, ranging from food, clothes and leisure to housing" (Liu-Farrer, 2016). This explains why, as a relatively conspicuous number of Chinese Entrepreneurs entered among the ranks of UNHWIs in the 21st century, different, global and more flamboyant class-identity expressions are emerging (Liu-Farrer, 2016). And what better social-status signal exists, especially in a land forced to bear the burden of decades of an overwhelmingly regulated household registration system and of passport control restrictions, than the freedom to move? (Liu-Farrer, 2016).

Consequently, it is not surprising that, nowadays, many academics and researchers are starting to identify this "third wave migration" as a "lifestyle migration", defined as "relatively affluent individuals of all ages, moving either part-time or full-time to places that, for various reasons, signify, for the migrant, a better quality of life" (Liu-Farrer, 2016). Describing the contemporary exodus of

Chinese UNHWIs as "identity expression mobility" or, alternatively, as a form of "lifestyle migration" it is crucial in order to highlight the fundamental *performative* dimension of this relatively new phenomenon (Liu-Farrer, 2016). Super rich Chinese, in fact, are only partially – and, in any case, not primarily – informed by economic calculations in their emigration choices. On the contrary, each one of them, in slightly different ways, aspires to acquire and – somehow at the same time - publicly signal a *better*, *privileged* quality of life (Liu-Farrer, 2016). In the aggregate, in fact, this unusual form of "class consumption" turns into a "qualisign" which strongly testifies Chinese UHNWIs identification and belonging to present-day global elites (Liu-Farrer, 2016).
Furthermore, a peculiar Chinese social factor further contributes to this super rich's extreme appetite for transitional mobility: the popular and depreciative discourse of Chinese wealthy business people's "original sin" (Liu-Farrer, 2016). These latter, in fact, suffer the general, diffused and stereotyped popular recrimination of having increased their fortunes - at least initially - by collaborating with "corrupt government officials and by illegally appropriating public resources" (Liu-Farrer, 2016). The relatively recent election and anti-corruption policies implemented by Xi Jinping (2012/2013) have done nothing but riding this wave of widespread popular resentment, and, rather unsurprisingly, have increased Chinese UHNWIs worries and insecurities. In addition, the relatively recent and still vivid images of wealthy elites' prosecutions by the Maoist CPC, contributes in giving super-rich Chinese little assurance about the long-term safety of their liquid and illiquid assets deposited or invested in mainland China (Liu-Farrer, 2016).
Thus, it is not surprising that, also in order to gain access to different and *more secure* realities, relatively new UHNWIs started to emulate the urban rich consumption style of other global elites, mainly western ones (Liu-Farrer, 2016).
Here, however, it is crucial to make an important distinction between "*passive*" asset placement and "*active*" asset investment. The majority of successful Chinese entrepreneurs interviewed by several surveys conducted by recent studies (Liu-Farrer, 2016), in fact, were all agreeing on the statement that mainland China was the place were real economic opportunities nowadays lay, and that China still was the "playing field" which they felt most comfortable to operate their businesses in (Liu-Farrer, 2016). In other words, it was their preferred "*active*" asset investment setting. On the contrary, and perhaps even more importantly for the sake of this analysis, many of them candidly admitted that they had little clue on how to accumulate capital overseas, apart perhaps from buying and selling real estate properties (Liu-Farrer, 2016). Some of them even stated that they were not expecting particular capital returns from their property investments abroad, with some among this subset even declaring that they were ready for likely significant losses (Liu-Farrer, 2016). These results fundamentally and

crucially show that the majority of Chinese super rich generally regard overseas settings mainly as places of "*passive*" asset placement, rather than "*active*" asset investment.
This thirst for "*passive*" asset placement in overseas property, in some cases, also stems from some peculiar characteristics of the typical lifestyle of the successful businessman in mainland China. Chinese businessmen, in fact, generally give an extreme importance to social and relational practices among themselves. This "*over-devotion"* generally results in a significant range of noxious by-products, as for instance: increased alcohol consumption, unhealthy lifestyles, discontinuous sleep patterners, as well as recurrent promiscuous and extramarital practices (Liu-Farrer, 2016). These by-products, in turn, put considerable strains on businessmen's well-being, both at a psychical and familial level. It is exactly this "well-being" which is partly re-acquired through the purchase of foreign visas and overseas real estate properties. The latter, in fact, enable Chinese successful businessmen to establish traditional and tranquil domestic settings abroad – with legitimate wife and offspring transplanted in a foreign country –, while, at the same time, to continue their peculiar social practices in mainland China (Liu-Farrer, 2016). The splitting of their households, consequently, allowed and is still allowing many wealthy Chinese businessmen "to maintain the semblance of a normal, albeit long-distance [and somewhat unorthodox], family life" (Liu-Farrer, 2016).
Another important thing to notice is that Chinese UHNWIs' emigration patterns are by themselves highly influenced by their social capital and connections, which sometimes result in several super-prime properties in specific neighborhoods being sold to businessmen coming from the same working place or belonging to the same social circles (Liu-Farrer, 2016). Social comparisons, in fact, generally tend to considerably influence migration patterns, especially if those are undertaken by members of the elites. Because in fact, fashionable neighborhoods in OECDs countries' main cities – as well as ivy league Universities for their offspring – tend to have limited spots available, super-rich Chinese families in some cases appear to compete for these entitlements (Liu-Farrer, 2016). For these reasons, many researchers increasingly tend to stress how accessing transnational mobility does no longer represent a purely individual decision for Chinese super rich, but, on the contrary, it is starting to assume some collective, "herd mentality" connotations (Liu-Farrer, 2016). The Chinese extremely wealthy, in fact, tend to increasingly identify transnational mobility as multipurpose capital, able to be converted into alternative forms, such as cultural or social capital. For instance, as previously mentioned, one of the most important drivers of super rich Chinese emigration is the search for a better-quality education and school/academic environment for their offspring (Liu-Farrer, 2016).
Nonetheless, again, implicit social class motives are laying behind the surface. While, in fact, Chinese relatively affluent members of the middle class opt for private domestic schools and universities (in order to avoid that their sons and daughters happen to be – in their own words - "in the same school

as migrant children and the children of their maids"), the richest parents more radically decide to move abroad in order to truly give to their offspring an alternative to the rigid and demanding Chinese education system (Liu-Farrer, 2016). They decide to do so, also and substantially influenced by the image of the upper-class status that their children could eventually occupy in the future, after having acquired precious language skills, the best educational credentials, and the proper elite characters and dispositions (Liu-Farrer, 2016). In the same vein, also a concern about their children's marriage prospects inform widely super-rich parents' emigration patterns. Many of the survey respondents, in fact, conveyed their worries about the possibility that, because the majority of the member of the upper class were consistently purchasing foreign visas and sending their sons and daughters to study abroad, if their offspring would have remained in China, they would have probably ended up in marrying the children of their "drivers and employees" (Liu-Farrer, 2016).

To sum up, present-day Chinese UHNWIs real estate investment practices are not only informed by the targeted countries' economic, political and visa settings, but also by increasingly important cultural, educational and aspirational factors (Forrest, Koh and Wissink, 2017).

CHAPTER 3: CHINESE PROPERTY INVESTMENT: THE EFFECTS

3.1 The Vancouver Case: An Outline

Gently surrounded by majestic mountains from one side and the Pacific Ocean from the other, Vancouver is nowadays generally referred as one of the most enchanting cities in the world. Its perfect mix of nature, modernity and multiculturalism, together with the brilliance of its glassy skyline and the well-known civility of its people, in fact, have consistently gained it a top spot in recent years' global rankings of "best places in the world to live", and undoubtfully consecrated it as one of the most popular destinations for global real estate property investment (Lee, 2017). Two relatively recent events have especially thrown the city under the international spotlight: the 1986 World Expo, and the 2010 Olympic and Paralympic Winter Games (Lee, 2017). In both cases, the global television coverage of the events showcased Vancouver's beauty to billions of individuals around the world, eventually resulting in a conspicuous inflow of foreign investments, massive real-estate development and a consequent skyrocketing of the city's housing prices (Lee, 2017).

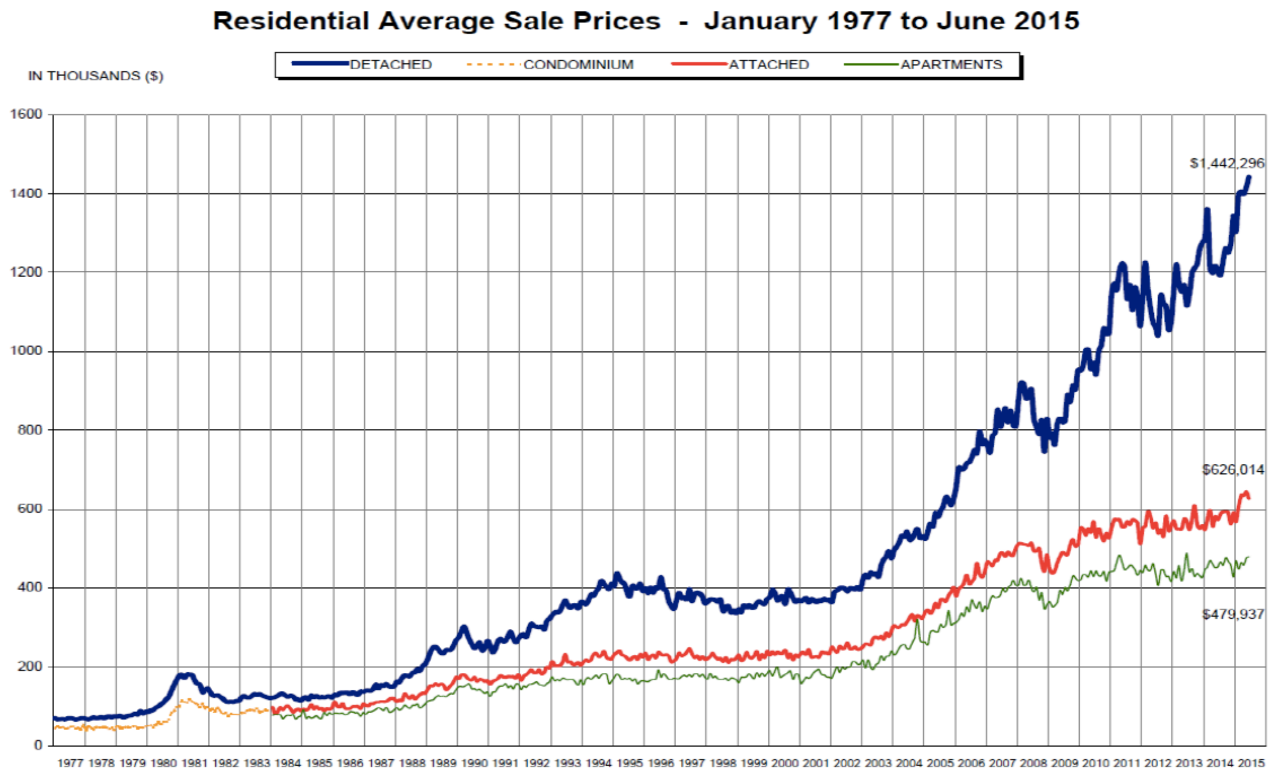


FIGURE 15 – VANCOUVER'S RESIDENTIAL AVERAGE SALE PRICES – JUNE 1977 TO JUNE 2015

Sources: Gordon, J. (2016). *Vancouver's housing affordability crisis: Causes, Consequences and Solutions*. (Real Estate Board of Great Vancouver) Simon Fraser University

Despite at first being welcomed as "godsend" for the local economy, these massive capital inflows have eventually had some unpleasant and unintended repercussions on Vancouver social, cultural and political fabric. Practically stagnant mean disposable incomes, soaring housing prices mainly due to foreign demand, together with all-time low rental availability and affordability of recent years, have resulted in an explosive mix of widespread popular resentment and discontent, putting considerable strains on local and provincial governments (Lee, 2017). In recent years, in fact, multiple reports, as well as research surveys monitoring the current situation at the Vancouver real estate market level, highlighted that an impressive number of local residents felt or declared themselves as having been "priced out" from the city housing market (Lee, 2017). In the last five years, national and local media depicted a very similar state of affairs as well, especially when describing how many Vancouverites, in particular those belonging to the younger generations, were increasingly forced to emigrate from Metro Vancouver in the search for alternative and more affordable places to live (Lee, 2017). Not surprisingly, several recent comparative studies have nowadays confirmed that Vancouver can be considered as one of the "least affordable places to live in the developed world" (Gordon, 2016). At the time of writing, one of the statistical methods most widely used in order to measure housing affordability is calculating the ratio between a certain area's average house price and the average income of individuals living in that same area (Gordon, 2016). Generally, a ratio around 3 or below is considered normal, while a ratio of 5 or above is considered as "seriously unaffordable" (Gordon, 2016). Notably, at present-day, the city of Vancouver stands at a ratio of 11/13, depending on how input data are calculated (Gordon, 2016).

City	Least Affordable Major Housing Markets (Price/Income Ratio)
Hong Kong	19
Sydney	12.2
Vancouver	10.8
Melbourne	9.7
Auckland	9.7
San Jose	9.7
San Francisco	9.4
London	8.5
Los Angeles	8.1
San Diego	8.1

TABLE 3 – LEAST AFFORDABLE MAJOR HOUSING IN SELECT COUNTRIES (DEMOGRAPHIA SURVEY, 2015)

Sources: Gordon, J. (2016). *Vancouver's housing affordability crisis: Causes, Consequences and Solutions*. Simon Fraser University

As far as the search for potential causes is concerned, the vast majority of studies on the issue rightly identify foreign – and especially *Chinese* – real estate demand, investment and ownership in the area as the major drivers of the current Vancouver's "housing affordability crisis" (Gordon, 2016). Others commonly alleged factors, such as: persistently low national interest rates, Vancouver's geographic "natural boundaries" and restrictive local government's zoning policies, in fact, despite being - for the major part - statistically significant, in the last analysis and all together, are only able to justify slightly less than 30% of the sharp increase in housing prices experienced by the Vancouver real estate market in the last decade (Gordon, 2016).

Several recent studies base their claims on three principal factors when ascribing foreign real estate ownership and investment as one among the major causes of the present-day Vancouver's "housing affordability crisis": the history of the Canadian Business Immigrant Program, the ethnic characteristics of Vancouver's real estate-high end buyers, and the analysis of recent years' Canadian Balance of Payments data, especially those regarding capital inflows from China (Gordon, 2016). Notably, all the studies in question seem to agree on the fundamental idea that a "demand – and especially a *foreign demand* - problem", rather than a "supply problem", is currently affecting the Vancouver real estate market (Gordon, 2016).

At present day, many commentators describe Vancouver, also thanks to its location on the west coast of North America - which has historically been a stage of diaspora communities *per se* -, as a perfect example of a modern cosmopolitan metropolis. However, at a closer look, the fact that the only long-term source of growing Vancouver's population come from immigration is extremely telling

(Gordon, 2016). A recent article published by the "*New Yorker*" reports, in fact, that Vancouver has become one of the most popular destination for real estate investment and migration from Mainland China, with many Chinese investors claiming that possessing a house in the "city of glass" represents nowadays a real *status symbol* within Chinese UHNWIs' communities (Gordon, 2016).

In the period comprised between 1980 and 2012, in fact, approximately 200,000 wealthy Chinese migrants came to reside in Metro Vancouver, eventually ending up in representing around 8/9% of the current BC[13] population (Gordon, 2016). All this, however, was mainly made possible thanks to the establishment of the Canadian Business Immigrant Program. This latter entered into force in 1978 and was fundamentally conceived by the Trudeau's (father) government in order to stimulate an "entrepreneurial stream" of (ultra) high net worth individuals "to migrate to Canada and set up their business [there]" and, by doing so, rejuvenate that time stagnant local economy (Gordon, 2016). It essentially required applicants to possess a minimum threshold of net worth (which over time would have been adjusted in order to account for inflation) and to start a business in Canada having at least one Canadian employee (Gordon, 2016). In 1986 the program was modified and enlarged, and a second stream was added to the "entrepreneurial" one: the "investor stream" (Gordon, 2016). This time, this new stream required high net worth applicants to concede a "5-year, interest-free loan of 400,000 CAN $" to the Canadian government and to possess a net private worth exceeding 800,000 CAN $ (Gordon, 2016). The proceeds stemming out from these loans were then to be divided among Canadian provinces, according to their admission rates (Gordon, 2016). Starting from 2010, these dollar requirements "were doubled to 800,000 CAN $, and 1.6 million CAN $, respectively", remaining as such since the official abrogation of the program in 2014 (Gordon, 2016). In essence, in exchange for the establishment of their businesses in Canada or in exchange for some conspicuous investments in the country, (U)HNWIs were guaranteed permanent Canadian residency (Gordon, 2016).

As previously stated, the initial aim of the first "entrepreneurial stream" within the BIP[14] was that (ultra) high net worth applicants would have eventually established some of their business activities within the Canadian territory in order to boost the local economy. However, the "businesses" Chinese UHNWIs predominantly engaged themselves in, ended up in being not the intended ones (Gordon, 2016). In fact, "48.8% of investor stream migrants reported that "real estate and rental" was the [principal] nature of their business operations" (Gordon, 2016). This means that, approximately one half of the Chinese UHNWIs emigrating to Canada in the period comprised between 1986 and 2014 essentially viewed Canada and especially Toronto and Vancouver – with the latter eventually

[13] British Columbia

[14] Business Immigrant Program

receiving around 65% of all investor stream migrants – as ideal locations for "passive" asset investment, having probably as one of their major proceeds the earning of Canadian citizenship. Adding strength to this claim, in the same period, a mere 10% of all the wealthy immigrants coming to Canada – and especially to Vancouver - declared any self-employment income in the country at all (Gordon, 2016). This, in turn, resulted also in an extremely unfair average income tax paid after 10 years since their admission - equal to a mere 1,400 CAN $ - with respect to local Vancouverites' standards (Gordon, 2016).

Apart from the sheer numbers of wealthy individuals emigrating to Canada in the period comprised between 1978 and 2014, from an economic point of view, even more interesting is the considerable amount of money these latter brought into the country, and especially into Vancouver (Gordon, 2016). According to some estimates produced during a study conducted by UBC Professor David Ley, in fact, in the period comprised between 1988 and 1997, an impressive amount of around 35 to 45 billion CAN $ was brought into Vancouver by UHNWIs immigrants (Ley, 2015), and, following the reasoning previously exposed, the major part of this enormous amount of capital found its way into the local real estate market (Gordon, 2016).

As far as the influence of high-ends buyers on the increase of housing prices experienced by Vancouver in recent decades is concerned, one of the most interesting studies on the matter was conducted by urban planner and UBC affiliate Andy Yan (Gordon, 2016). It consisted in the detailed study of a sample of 172 houses sold into three among the wealthiest neighborhoods of Vancouver between the summer of 2014 and the winter of 2015. The average house price for the period resulted 3.1 million CAN $, while total sales equaled 525 million CAN $ (Gordon, 2016). Analyzing specifically the typologies of buyers purchasing these prime properties, 6.6 out of 10 had non-anglicized Chinese names, a detail that normally tends to indicate foreign residency or at least recent arrival in the country. Even more tellingly, in the super prime properties market (those of houses exceeding a total market value of 5 million CAN $), this same category represented 88% of total buyers (Gordon, 2016). Considering that individuals possessing non-anglicized Chinese names or at least Chinese lineages represents around 28% of the total Vancouver population, this clearly appears to be an extremely "disproportionate share of high-end purchases" (Gordon, 2016).

Despite the substantially higher concentration of mainland China UHNWIs in the Vancouver "high-end" rather than "lower-end" real estate market - in 2014 Macdonald realty (Western Canada largest real estate firm) stated that while purchases from mainland China buyers amounted approximately to ¾ of their total sales over 3 millions CAN $ in that year, Asian buyers constituted only 21% of purchases involving lower valued properties - this did not necessarily imply that the effects of their purchases were not felt by other sectors of the market as well (Gordon, 2016). In fact, ballooned demand pressures at the highest-end of any market generally tend to create cascade price effects on the remaining sectors of the same market, fueling generalized inflation pressures. In other words, in the last decade, relatively wealthy local buyers who would have normally looked for properties in the top-end of the Vancouver real estate market, have been increasingly forced to opt for relatively less prestigious and more peripheral neighborhoods (Gordon, 2016). This shift, in turn, has resulted in the pricing out of the normal category of buyers from those latter neighborhoods, middle-class individuals, who have been forced as well to look for alternative neighborhoods to live, and so on. In the end, the concatenation of these events did nothing but trigger a vicious cycle of housing prices inflation, affecting all the Vancouver real estate market spectrum and especially damaging the urban poor (Gordon, 2016).

This phenomenon, furthermore, has been particularly harsh in Vancouver because, since – as previously mentioned - Chinese UHNWIs usually *do not engage* in economic activities within the *local labor market,* their impressive extra purchasing power substantially accelerated the process of "de-coupling" of local real estate market prices from local mean incomes (Gordon, 2016). Interesting here are some research studies conducted on Vancouver census data, which demonstrated that while income levels deeply affected the typology of housing purchases for the majority of the Vancouver population, in the case of Asian wealthy immigrants' income levels were not statistically significant in determining the total CAN dollars amount spent on buying real estate properties. Taking all the Vancouver population together, in fact, the higher was households' disposable income, the lower resulted their housing spending, meaning that those who spent the most on housing were paradoxically the least integrated into the local labor market (Gordon, 2016).

Finally, as far as studies focusing on Canadian and Chinese BOP[15] data are concerned, two further factors appear to give support to the statement that foreign – and especially Chinese – real estate investment represents the major driver of the current Vancouver "housing affordability crisis" (Gordon, 2016). First, according to Chinese BOP data, in 2015, around 1 trillion US $ flew out of China – a great share of which probably in response to 2013 Xi Jinping anti-corruption policies -, and, according to the National Bank of Canada, approximately 12.7 billion CAN $ were spent by Chinese investors in Vancouver alone (Gordon, 2016). Second, also in 2015, the CAD dollar lost around 10 to 15 % of its value against the Chinese renminbi and the USD, consequently making the Canadian real estate market more enticing for global investors (Gordon, 2016). It goes without saying that the incredible hit of 27% price increase for a detached home in Metro Vancouver from 2015 to 2016, as well as about a 20% increase for attached units and apartments in condos in the same period, appear now considerable more understandable (Gordon, 2016).

[15] Balance of Payments

3.2 *The Vancouver Case: The Consequences*

As already mentioned in the previous subsection, certainly one among the social groups most negatively affected by the current Vancouver "housing affordability crisis" are the younger generations of local Vancouverites, also referred as "millennials" (Gordon, 2016). At present day, in fact, an average individual coming from this category, considering a mean family income of around 80,000 CAN $ (after taxes) will have to spend an inconceivably high number of years saving in the hope of purchasing -or at least reaching the minimum down payment required by Canadian banks in order to provide mortgages exceeding 1 million CAN $ - a detached home in Metro Vancouver, whose average price in 2016 stood at about 1,340,000 CAN $ (Gordon, 2016). Even when looking to the mean price of apartments rather than detached homes, the situation is only slightly rosier, with an average 2-bedroom apartment in Greater Vancouver going for an average of 463,000 CAN $, but often being sold for considerably more (Gordon, 2016). Average rents are discouraging as well, at the end of 2015, in fact, a one-bedroom apartment and a two-bedroom apartment went respectively for $1,079 CAN $ and 1,368 CAN $ a month, on average. These latter are the most expensive monthly rents in the whole country, and there is some evidence that, with a total vacancy rate rarely exceeding 2% in recent years, their inflation pressures are unlikely to give any signs of cooling down, at least in the short run (Gordon, 2016). In sum, with respect to its real estate market, Vancouver is a perfect example of present-day *inter-generational inequity*, with younger generations of Vancouverites facing new challenges that were not equally encountered by previous generations of local citizens (Gordon, 2016).

A second disturbing by-product of massive property foreign investment in Vancouver are the increasingly risky debt practices undertaken by local citizens in order to prevent – or at least postpone - their pricing out from the local real estate market (Gordon, 2016). Unsustainable high housing prices, in fact, as the 2008 financial crises eloquently demonstrated, generally tend to lead average individuals towards equally unsustainable mortgage practices (Gordon, 2016). Even if this phenomenon happens to have nor particular nor evident consequences on the local economies in the short run - on the contrary at the height of a housing bubble economies tend to thrive -, these risky behaviors fundamentally undermine the stability of national financial systems, both in the medium- and in the long-run (Gordon, 2016). What is extremely telling here, is that the two Canadian cities which are nowadays experiencing the most inflated housing bubbles in the country, Vancouver and Toronto, never really experienced the crash faced by the vast majority of real estate markets on the planet after the Global Financial Crisis of 2008 (Gordon, 2016). Despite a moderate downturn of 10% in housing prices experienced in 2008/2009, in fact, in the last 15 years real estate prices in the two areas have increasingly and consistently surged (Gordon, 2016). Consequently, and rather unsurprisingly, in the period comprised between 2000 to 2014 the average individual debt-to-income ratio of Canadian citizens rose by a worrying 56%. A figure that is even more disturbing if compared with the average increase of 13% experienced in the same period by all the other G7 countries taken together (Gordon, 2016).

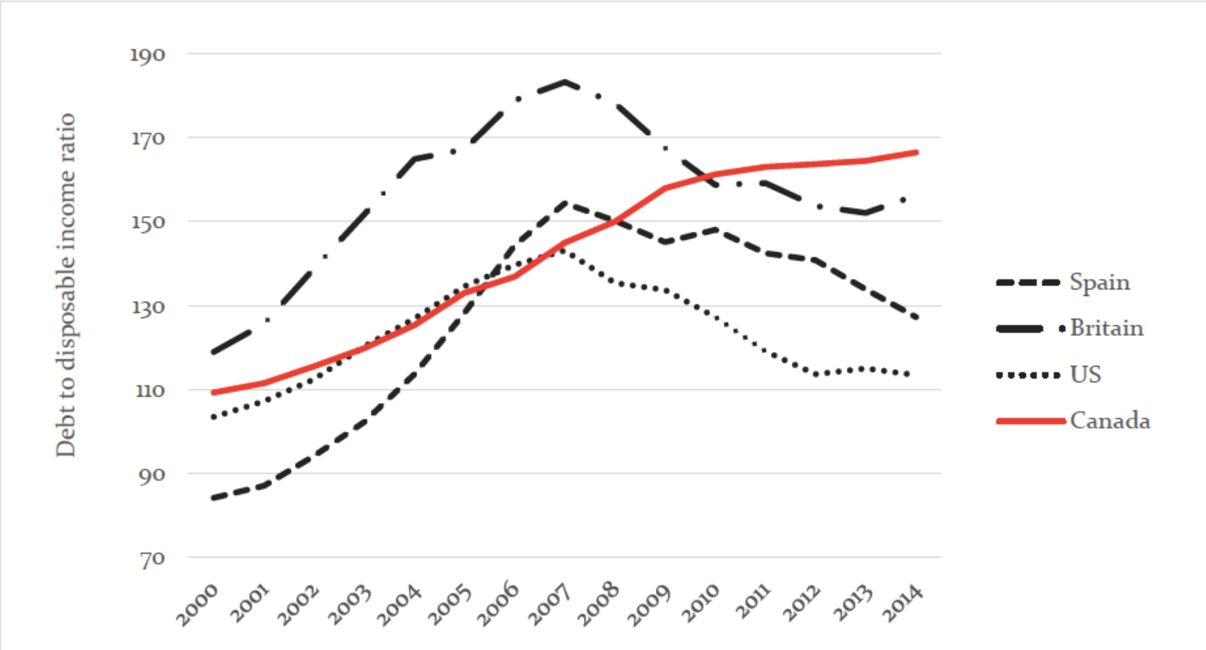


FIGURE 16 – PRIVATE DEBT TO DISPOSABLE INCOME RATIO, 2000-2014, SELECT COUNTRIES (OECD DATA)

Sources: Gordon, J. (2016). *Vancouver's housing affordability crisis: Causes, Consequences and Solutions*. Simon Fraser University

More specifically, data gathered by national authorities further showed that in 2009 the city of Vancouver alone possessed an incredible private household debt to disposable income ratio equal to 266%, which was impressively above other major Canadian cities such as "Calgary (234), Toronto (209), Ottawa (191), and Montreal (184)" (Gordon, 2016). Despite these extremely risky debt practices undertaken by Canadian citizens in recent years seem to be concentrated especially in the cities of Vancouver and Toronto, and it is thus likely that in the case of a sudden housing bubble burst the Canadian government will be eventually capable of gradually de-leveraging private debts at the national level, it is still difficult to predict with certainty if, in the end, the central government will manage to avoid a major economic crisis similar to that experienced by the US and many European countries ten years ago (Gordon, 2016).

Ever-increasing housing prices, however, are not only forcing numerous local – and especially first-time - buyers to search for alternative, relatively "more affordable" accommodations, but they are also unintendedly shrinking their social capital. By substantially increasing their commuting time and costs, they are in fact considerably reducing the frequency of their visits to family and friends (Gordon, 2016). Despite, nowadays, in many modern cities this process is generally considered as "normal" and to some extent "inevitable", it is undeniable that in Vancouver this latter has assumed particularly vicious characteristics. In Metro Vancouver, in fact, the most popular neighborhoods among foreign buyers are exactly those which are the nearest to “major amenities and workplaces” (Gordon, 2016). Thus, paradoxically, those with the least commitments to the local labor market, are enjoying the best locations and facilities in order to engage with it. What is even more unfortunate, is that a considerable number of the houses purchased by foreign buyers - many of which are located in the most “vital” neighborhoods of the city - reportedly remain largely unused, or better, underused for the majority of the solar year (Gordon, 2016). According to some researchers conducted by the Ecotagious report in 2014, during the period comprised between 2002 to 2014, Vancouver displayed a rather stable level of “unoccupied” housing units, approximating 4.8% of the total (Gordon, 2016). Despite this percentage is generally deemed as normal in big cities, according to many experts the categorization adopted by this report in dividing housing units among “occupied”, “under-occupied” and “unoccupied” was too restrictive, as the bar used in order to categorize a property as “under-occupied/unoccupied” was allegedly too low (Gordon, 2016). Calculations conducted by slightly increasing the number of days of energy usage needed in order to deem a property “occupied”, in fact, almost doubled Vancouver “non-occupancy” rate, reaching a level of around 10% (Gordon, 2016). Since, in general, a high under-occupancy/un-occupancy rate entails *per se* a considerable weakening of communities’ bonds within big cities - individuals, in fact, start to see less people walking in their neighborhoods, local businesses are rarely able to take off and the social incentives to integrate culturally and economically between fellow citizens shrink (Gordon, 2016) -, the present-day situation of Vancouver appears even more miserable.

Another important side-effect of consistently inflated housing prices is the fact that, in the long-run, it become increasingly difficult for a local economy to maintain - as well as to attract - “top, mobile talent” (Gordon, 2016). These individuals, in fact, which generally tend to -rightly- have relatively high expectations on their ideal dwellings, normally find little difficulties in moving were the best opportunities lie. The possibility of a potential “brain-drain” is extremely dangerous for any local economy in the long-run, since this kind of individuals generally form the professional backbone of economic innovation and productivity advancements (Gordon, 2016). Consequently, the state of affairs that currently characterizes the city of Vancouver is even more worrying, since it is dangerously suffocating the expansion of a broad and thriving middle class, which theoretically constitutes the most important pillar of any healthy and well-performant economy.

Lastly, the shining illusion of home equity gains by the local population in cases of prolonged housing prices inflation needs to be fundamentally dispelled. Private housing, in fact, is a particular kind of wealth, which has several peculiarities (Gordon, 2016). Normally, an increase in the value of any stock asset within an individual’s private portfolio, can be rather easily cashed out by selling on the financial market all or part of the stocks in question. Consequently, after this financial operation, the former owner of the stocks will generally dispose of additional disposable income, which he/she will be able to: spend on additional consumption, save, or re-invest in future processes of production. This is clearly a positive thing. In the case of an increase in home equity value, however, despite on paper the surge in a house value might appear to be substantial, immediately cashing out this positive value differential will result as a relatively costlier and more difficult operation (Gordon, 2016). For instance, let's assume that - as happened in Vancouver - the latest assessed value of a property almost quadruple in little less than 10 years. Now, the local owners of that property - especially if the property in question is the only one or the principal one that the individuals possess -, in order to truly liquidate their home equity gains, will be forced to: either move to a different neighborhood – if not even a different city - in which housing values have not risen by the same amount (thus losing important social capital), or to substantially downsize (thus considerably restricting their living comforts) (Gordon, 2016).

Naturally, this reasoning would be different in the case of long-term calculations, as for instance when considering the substantial inheritance that local Vancouverites, who are today lucky enough to own a house, would likely be able to pass to their offspring. Anyway, this is still rather arguable, since it is not given that the home equity gains which will eventually be passed to the descendants in question would amount to the same positive value differential they had at the apex of the housing bubble (Gordon, 2016).

3.3 A European Case: London

As already mentioned in this text, what has been illustrated so far is not an issue affecting Vancouver only. On the contrary, effects very similar to those outlined in the previous section are being experienced by several global cities around the world - sometimes referred as "*alpha territories*" - such as London, Tokyo, New York, Singapore, Sydney, Paris, and many others, even if by different extents (Forrest, Koh and Wissink, 2017). For the sake of this analysis, this subsection will briefly analyze the European case of London. This, in fact, has been chosen among many others in order to provide further and useful insights on the phenomenon also at a slightly different – but relatively more *familiar* – European level.

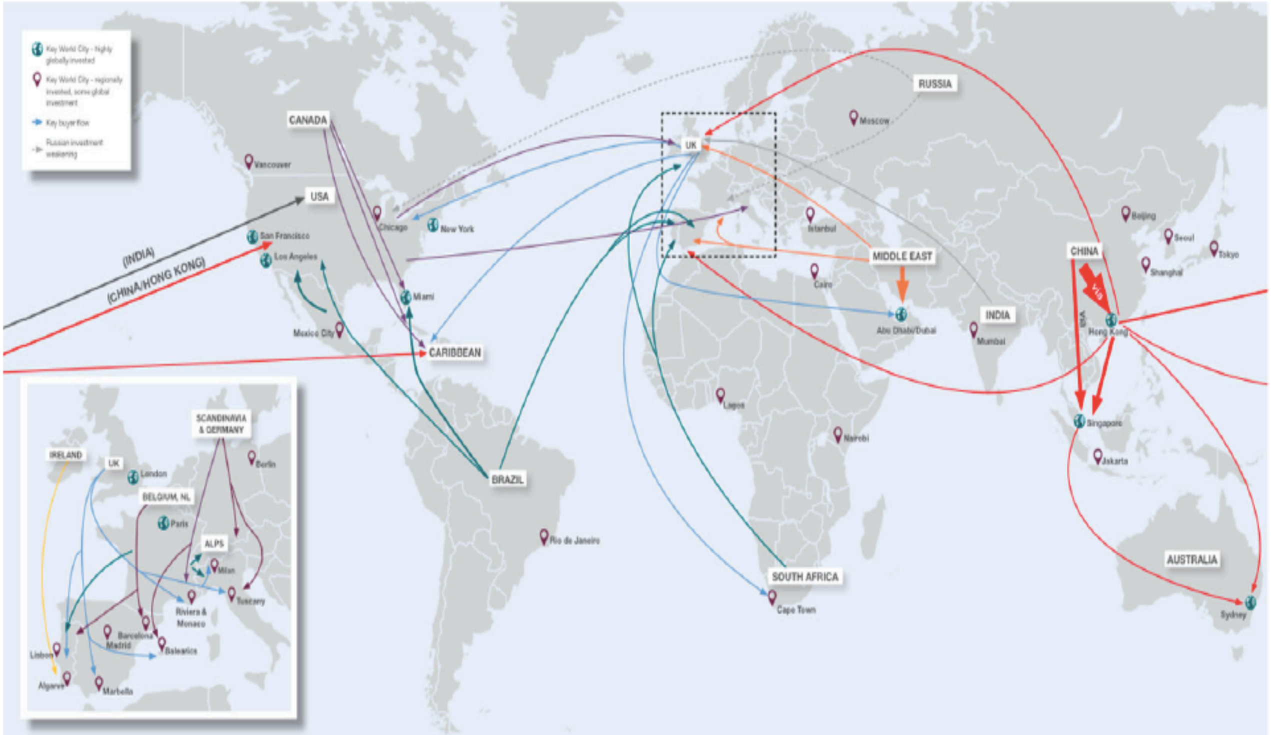


FIGURE 17 – BUYERS' FLOWS IN GLOBAL RESIDENTIAL MARKETS, 2015, (SAVILLS 2015)

Sources: Glucksberg, L. (2016). A view from the top. *City*, 20(2), pp.238-255

It is nowadays widely acknowledged that London is one of the most popular cities among the global super-rich (Forrest, Koh and Wissink, 2017). The city currently acts as a hub of numerous national and international financial institutions, drawing massive capital inflows from several European and non-European countries (Forrest, Koh and Wissink, 2017). The well-known transparency and accountability of London's financial institutions, together with its – current - access to the European common market, in fact, make the city a perfect investment setting for international investors seeking economic stability and security (Forrest, Koh and Wissink, 2017). This is especially true for UHNWIs investors coming from nation states such as Mainland China or Russia, characterized by a general lack of political security and of strong legislation protecting private property (Forrest, Koh and Wissink, 2017). Not surprisingly, many studies reveal an increasingly impressive concentration of extremely wealthy individuals in London in recent years (Forrest, Koh and Wissink, 2017). "*The Knight Frank Wealth Report*", in fact, showed that in 2014 London and New York held the uncontested primacy in UHNWIs' real estate investment preferences (Forrest, Koh and Wissink, 2017), with London being home to 6815 UHNWIs, according to a report conducted in the same year by the agency Wealth X (Glucksberg, 2016). Furthermore, a recent research undertaken by "*The Sunday Times*" in 2015, produced an annual "rich-list" specifically revealing that, always in 2014, a number as high as 80 London residents possessed a net private worth higher than 1.5 billion US dollars, by far the highest rate of millionaires living in a single city for that year (Forrest, Koh and

Wissink, 2017). For the sake of comparison, in 2014, New York had 56 residents meeting the aforementioned private net worth, San Francisco 49, Moscow 45 and Hong Kong 43 (Forrest, Koh and Wissink, 2017).
The current trend of massive international investment experienced by London's real estate market started gradually around 2007, but accelerated dramatically around 2011, when the city witnessed a surge of more than 7.5 billion US dollars in real estate investment by overseas buyers (Forrest, Koh and Wissink, 2017). It is consequently rather unsurprising that from the early summer of 2012 to 2013, international buyers constituted approximately ½ of all London's prime residential properties[16] sales according to some real estate agencies' reports (Forrest, Koh and Wissink, 2017). More specifically, "In 2012 and 2013, Chinese direct investment in Central London properties [stood at] US$1.24 billion and US$2.48 billion", respectively, while in 2014 this same amount exceeded 3.31 billion US dollars (Cao, 2015).
Analyzing further in depth, as far as Mainland Chinese UHNWIs investors are concerned, three main elements currently make the London real estate market extremely attractive for them (Forrest, Koh and Wissink, 2017). First of all, as already discussed in this text, it must always be taken into account that the majority of present-day Asian-Pacific UHNWIs' have accrued their considerable fortunes through financial and real estate investments. Consequently, these individuals could easily by regarded as "experts" on the matter, especially when it comes to residential properties (Forrest, Koh and Wissink, 2017). In light of this, considering that nowadays Chinese domestic financial investments are likely to yield very low interest rates and domestic real estate investments are likely to be very risky due to the continuous up and downs of the Chinese housing market in recent years, it is rather understandable that Chinese UHNWIs investors are increasingly investing in real estate property in London. Properties purchased there, in fact, are likely to yield an annual return up to 4/6% - even without considering residential asset appreciation over the years *per se* - (Forrest, Koh and Wissink, 2017). Secondly, Chinese investors generally tend to regard British legal and financial institutions as robust, accountable and trustworthy (Forrest, Koh and Wissink, 2017). They are, in fact, enticed by the multiple types of properties, arrangements and opportunities that such a big, liquid and transparent real estate market can provide, as well as by its relatively lightly regulated legal structure. All factors that taken together, few other destinations are able to offer (Cao, 2015). Furthermore, thanks especially to the impressive development of international real estate agencies in recent years, they also appear not to be particularly worried about the potential risks involved in transactions happening at a considerable geographical distance (Forrest, Koh and Wissink, 2017). Acquiring property in London at present-day in fact, is a rather straightforward process. Buyers do

[16] Properties possessing a latest assessed value of at least 1 million pound sterling

not even need to travel to the UK, they can comfortably remain seated in five-star hotels' conference halls – halls in which international real estate fairs are generally held – with real estate developers, relators and real estate agents doing all the rest (Forrest, Koh and Wissink, 2017). Thirdly, as already previously mentioned, Chinese UHNWIs tend to be rather educated individuals. Consequently, the majority of them is generally acquainted with the English language, language in which the aforementioned real estate transactions are held. Furthermore, many of them regard the UK as a desirable location in which to educate their offspring, both at a high-school and at a University level, and also as a perfect base in which to establish a relatively healthy and tranquil family life (Forrest, Koh and Wissink, 2017).

Massive capital investment in the London real estate market by extremely wealthy Mainland Chinese investors, however, has not been free from negative speculation. Especially in recent years, in fact, the English media did not fail to denounce the alleged inaction, disinterest, and at times complicity, of local governments with respect to several suspect illicit transactions perpetrated through real estate investment in the city (Forrest, Koh and Wissink, 2017). Billions of pounds, in fact, have been reportedly found their way towards the city housing market through untraceable agents and transactions, often using international companies addresses in order to evade national regulations and controls (Forrest, Koh and Wissink, 2017). Many of these super-prime mansions bought with enormous quantities of suspect foreign capital, in turn, have been eventually left empty, since renting them out would have entailed the need of disclosing additional information on the sources and origins of their buyers' funds. These "empty homes", consequently, have been essentially used in order to carry out the function of "capital storage" exactly like commercial banks (Forrest, Koh and Wissink, 2017). The great majority of these illicit behaviors seem to have been especially favored by the 2008 financial crises, in the light of which every extremely wealthy client, landlord or overseas buyer was generally regarded as a precious customer (Forrest, Koh and Wissink, 2017).

What is perhaps more important to notice for the sake of this analysis, however, is that in recent years, the financial metropolis of London appears to have, in some respects, fallen victim of her own success (Forrest, Koh and Wissink, 2017). New waves of inward super wealthy migration and massive capital investments targeting the city since the beginning of the new millennia, in fact, have eventually had profound effects on the social, political and economic fabric of the British capital (Forrest, Koh and Wissink, 2017). According to its own citizens views - aggregately gathered through numerous recent ethnographic surveys - London is a city which nowadays feels "qualitatively different" from how it was some decades ago, too different even when compared to other similar realities (Forrest, Koh and Wissink, 2017). Present-day Londoners, in fact, on aggregate, tend to describe London as a city "characterized by increasing gentrification, inequality, conspicuous wealth and […] a submissive market orientation by both national and local governments to the rich" (Forrest, Koh and Wissink, 2017). In a somehow similar vein - and understandably riding this wave of popular resentment -, many national and international media increasingly tend to coalesce in portraying London as an idyllic city for "*those who already have much*", while something far from being an enjoyable - if not even livable - metropolis for those who can dispose of relatively less (Forrest, Koh and Wissink, 2017). Thus, national and international media often appear to describe London as affected by a general trend towards fragmentation, dislocation and "hyper-gentrification". Especially regarding this latter concept, extremely illustrative is the work conducted by Butler and Lee in 2006, studying the processes of what they call "super-gentrification" in Northern London (Glucksberg, 2016). Their work, in fact, shed light on how relatively affluent middle-class individuals – such as "highly qualified professionals, doctors and lecturers" - living in some of the most prestigious neighborhoods of London at that time, were starting to be displaced by financially-pumped international buyers (Glucksberg, 2016). They consequently were among the first experts illustrating how patterns of "gentrification" at the beginning of the new millennia were affecting increasingly higher income groups (Glucksberg, 2016). What, as in the case of Vancouver, is important to notice, however, is that these "hyper-gentrification" patterns did not limit themselves to the high-end of the London real estate market, but eventually had multiple "trickle down" effects (Glucksberg, 2016). These "trickle down" effects, in turn, are doing nothing but leading to a general retreat of an already rather "thin" local public realm, which, in the case of London, is especially lacking when it comes to "affordable housing" (Glucksberg, 2016). All these phenomena taken together, consequently, are only accelerating a vicious cycle of disempowerment of the London urban poor, who often are forced to see themselves displaced – if not even ousted -, alienated and abandoned by the local community (Forrest, Koh and Wissink, 2017). Leaving apart any possible moral consideration about the matter, it is without doubt that, especially after the 2008 financial crisis, local politicians – no matter their political orientation – have done little in order to contrast what some experts define a modern process of market "social cleansing" (Forrest, Koh and Wissink, 2017). The neoliberal economic policies of "laissez-faire", austerity and rampant privatization pursued by all London's mayors of recent years, in fact, appear to have done nothing but "bowing to" this seemingly "limitless supply of capital", in an attempt to accommodate as best as possible to what they regarded as "vital" economic lymph for the city (Forrest, Koh and Wissink, 2017).

To recapitulate, at the time of writing, Londoners are facing a "housing crisis of unprecedented proportions" (Glucksberg, 2016), which can be interpreted as the outcome of an over-concentration of investment capital encouraged by modern globalization. This over-concentration has, in turn, further accelerated a general retreat of local welfare programs, eventually laying the foundation of a city economy centered all around money and very little around urban and social fabric (Forrest, Koh and Wissink, 2017). Unsustainable housing prices and new trends of diffused luxury consumption, in fact, have resulted in a dramatic "physical remaking of the city" (ex. new skyscrapers, the flourishing of certain type of luxury brands with respect to others, etc.), which helps to explain Londoners general concerns and resentments (Forrest, Koh and Wissink, 2017).

Here, however, it is important to stress again that local political elites are not completely extraneous to this process. The majority of the policies enacted by them in recent years, in fact, seem to have been guided more by the triumphalist logic attached to periods of gross economic growth, rather than by principles of stability and desirability of a healthy and relatively unite local social fabric (Forrest, Koh and Wissink, 2017). By failing to seize reasonable shares of these massive capital inflows through adequate taxation, and by not even attempting to buff the worst social by-products of the "hyper-gentrification" trends following from the former, the state has been largely ineffectual in curtailing the most negative effects of the current London "housing affordability crisis" (Forrest, Koh and Wissink, 2017). In the end, the city seems to have been left at the mercy of the extremely rich's "*moindres désirs*", while leaving all the others eating the remaining crumbs (Forrest, Koh and Wissink, 2017). At present-day, in fact, London appears as a sort of "social-sorting machine", in which pumped market pressures end up not only in evicting the poor from their dwellings, but also in eventually deny them any sort of mutual, communitarian or national support (Forrest, Koh and Wissink, 2017).

3.4 Current and Potential Countermeasures

After having thoroughly described, by dint of the two empirical cases of Vancouver and London, some of the major social disruptive effects provoked by massive Chinese international real estate investment of recent years, this section will now proceed in analyzing some national and international policies already – or still to be - enacted by several central and local governments in order to protect their real estate markets from aggressive global speculation. Furthermore, in its last part, it will also illustrate some of the main countermeasures taken by the Chinese government itself in order to curtail the impressive outflow of domestic capital of recent years.

Despite representing a global minority, at the time of writing, some countries have already enacted extremely tight controls and economic policies in order to shelter their real estate markets from massive UHNWIs' investments (Glucksberg, 2016). In the aftermath of the global financial crisis, for instance, after seeing its real estate market activity surging by more than 103%, and in order to curtail rampant speculation, Hong Kong authorities decided to increase the national "Stamp Duty" imposed over prime properties sold on the market for over 2 million HK dollars by 100% and started to impose economic sanctions on international buyers selling their Hong Kong properties before three years of full ownership (Glucksberg, 2016). In a similar vein, in the same period, the state of Singapore began to impose an additional national “Stamp Duty” of 15% as well, but, this time, only on properties purchased by foreign buyers (Glucksberg, 2016). In other words, they did nothing but levying “an extra property transfer tax on foreign purchases”, thus targeting even more aggressively foreign UHNWIs real estate investors (Gordon, 2016). It is important to notice here, that a very similar scheme has been introduced since 2015 in Australia as well, but this time at a considerably lower percent tax, equal to 3% (Gordon, 2016). Thus, in the end, the latter has resulted as substantially less effective than its Singaporean counterpart. Singaporean authorities, however, did not stop there. In fact, in order to be even more effective, they levied also additional taxes specifically targeting the sales and purchases of properties located in the high-ends of the domestic real estate market (Glucksberg, 2016). At present-day, Switzerland as well tightly regulates its foreign real estate purchases through its controversially famous “Lex Koller” (which has been introduced since the end of the 1990s). This latter consists in a law requiring an authorization by local authorities in the case of any real estate purchase (Glucksberg, 2016), which in turn is permitted “only within a tourist village, within the annual permit quota for each canton, for personal use only and with restrictions on renting and maximum size of the properties to 200 sq. m of living area and 1000 sq. m of land” (Knight Frank 2014).

As previously introduced, even though cities such as Hong Kong and Zurich, notwithstanding their aggressive legislation and control on foreign real estate investments, still manage to perfectly perform as major global financial cities, their example has been followed by very few other members of the international community. The majority of world governments, in fact, consider the previously described measures as something “akin to political suicide”, and has consequently opted for way “lighter” government regulations on the issue – if they have opted for government interventions at all - (Glucksberg, 2016). Despite this general trend is especially understandable when taking into account the great financial and economic distress brought by the 2008 global crisis, these submissive attitudes have eventually ended up in putting considerable social and political strains on “alpha-territories” national and local governments, as well as in representing an important economic missed opportunity for them (Glucksberg, 2016). For instance, some economists confidently argued that in the case of London, an increase in taxation of prime-property ownerships would probably not result in any particularly strong deterrent for foreign - and especially far eastern - real estate investment (Glucksberg, 2016). On the contrary, it would mainly entail considerable and additional revenues for the local government. Representing a key strategical location in present-day international business networks (as many other Western financial capitals), in fact, the additional value that possessing a

house in London inherently entails for many UHNWIs investors, would hardly be substantially diminished by somewhat higher taxes (Glucksberg, 2016). Thus, by continuing their practices almost undisturbed, UHNWIs would unintentionally provide to the local economy remarkable contributions, which, if wisely used by local government, would be able to buff – at least in part – some of the main side-effects associated with UHNWI's aggressive investment behaviors (Glucksberg, 2016).
At the time of writing, probably one among the most viable and interesting proposals for a tax arrangement targeting excessive foreign real estate demand is the Target Property Surtax (TPS) scheme developed by Canadian SFU[17] Professor Rhys Kesselman (Gordon, 2016). While it has been developed having fundamentally in mind the Canadian and especially the Vancouver "affordability crisis" case, this solution could be easily adapted also to multiple and different "alpha territories" realities (Gordon, 2016). It functions in a rather intuitive but extremely effective way. First of all, the sur-tax is intended to only apply on residential properties exceeding a certain "prime" value, according to Professor Kesselman first account: 1 million CAN $. It goes without saying that this value is inherently arbitrary, and, consequently, it can be easily adjusted in order to account both for the specific real estate market context in question and for inflation over time (Gordon, 2016). Furthermore, the sur-tax would apply only gradually, for instance: "at a 1% rate between 1 to 2 million CAN $, rising to 2% on the value above 2 million CAN $, and to 3% on the value above 3 million CAN $", and so on (Gordon, 2016). Most importantly, in order to specifically target foreign demand, while at the same time trying to bring to a minimum the damages incurred by local owners of prime properties, the surtax in question would be completely "deductible against any income tax paid [by the individual in question] in the previous year (or two)" as well as against "substantial or consistent contributions" to the national retirement income scheme (in Professor Kesselman's account, the CPP[18]) (Gordon, 2016). In other words, supposing that an individual possesses a prime property but she is in line with all her fiscal obligations and had consequently recently paid her income tax (or, in alternative, has paid substantial contribution to the national retirement plan), the additional property surtax will have no impact at all on her final tax bill. Thus, the effects of the proposed surtax would be mainly felt by: non-resident owners, owners not at all engaged with the local labor market, and, to somewhat a lesser extent, those owners who do not make fiscal observance one of their virtues (Gordon, 2016). Among these three categories, foreign owners in particular would see substantial shares of their annual housing investment equity eaten by the TPS. Thus, if the TPS scheme would ever be implemented in a certain area, foreign investment inflows are extremely likely to cool down – at least in the short term – in that same area (Gordon, 2016). Furthermore, a cooperative and

[17] Simon Fraser University
[18] Canada Pension Plan

contemporary implementation of this tax scheme - with all its necessary adjustments - by the majority of present-day "alpha territories", could even result in a more effective and generalized stall of rampant international real estate investment speculation (Gordon, 2016).

Property Value	Surtax Calculation	Surtax Amount Annually
\$800,000	0	0
\$1,000,000	0	0
\$1,500,000	\$500,000 x 0.01	\$5,000
\$2,500,000	(\$1,000,000 x 0.01) + (\$500,000 x 0.02)	\$20,000
\$4,000,000	(\$1,000,000 x 0.01) + (\$1,000,000 x 0.02) + (\$1,000,000 x 0.03)	\$60,000
\$8,000,000	(\$1,000,000 x 0.01) + (\$1,000,000 x 0.02) + (\$5,000,000 x 0.03)	\$180,000

TABLE 4 – SAMPLE CALCULATIONS OF THE TARGETED PROPERTY SURTAX

Sources: Gordon, J. (2016). *Vancouver's housing affordability crisis: Causes, Consequences and Solutions*. Simon Fraser University

Furthermore, even in the case in which – for any particular reason - investment flows would give no sign of cooling down, local governments would benefit –at least in the short-term - from increased revenues (Gordon, 2016). Furthermore, the TPS appears to be a relatively "administratively simple" scheme *per se*, since there seem not to be the necessity of establishing any new particular administrative body specifically oriented towards its implementation at the national or local level (Gordon, 2016). Another important advantage of the TPS would be its potential alteration of real estate market expectations (Gordon, 2016). Since its implementation, in fact, would entail considerably lower returns for foreign buyers, it would likely weaken the idea that seemingly infinite foreign capital inflows would continue to "endlessly" inflate present-day housing bubbles (Gordon, 2016). This, in turn, would eventually inhibit excessive demand price pressures, leading to a consequent fall in housing prices (Gordon, 2016). The TPS scheme idea, finally, possess also relatively solid moral bases. In case of market failures, in fact, - when, for instance, some aggregate economic behaviors appear to be sounding from a market perspective, but in reality, price mechanisms do not take into account negative impacts of these latter on society (negative externalities) – modern democratic polities had always tended to intervene on the market in order to disincentivize the activities they deemed problematic (Gordon, 2016). Levying taxes is one of the most classical examples of government intervention in the aforementioned cases. In fact, by reducing the economic incentives of certain socially negative activities, the problem in question could be either

solved – at least partially – or, in alternative, the whole society would get an appropriate compensation through higher government revenues (Gordon, 2016).
Another possible solution which has been recently proposed to international policy circles, is the idea of restricting foreign purchases within "alpha-territories" only to "new buildings" - i.e.: recently constructed vacant buildings - (Gordon, 2016). Some preliminary implementations of this idea already exist in Australia, Denmark, Switzerland, Singapore and Thailand (Gordon, 2016). Unfortunately, however, these early cases have clearly showed that systems like these are extremely vulnerable to evasion, since only a minor help by corrupt local officials/realtors/consultants/lawyers and so on, would be sufficient in gaming national legislation (Gordon, 2016). This also inherently means that, in order to be more effectively implemented, proposed legislation would entail great efforts, and consequently costs, by national and local administrations (Gordon, 2016). Similarly, the "strong stance" idea - which is, ironically, currently applied by China - of restricting "the number of properties a non-resident/foreign buyer can purchase to one" has its strong limitations. In fact, this legislative scheme appears extremely prone to evasion as well (Gordon, 2016). Here, in fact, the process of possible elusion is even more straightforward, as several members pertaining to the same family could easily purchase multiple real estate properties with funds coming in reality from a single – extremely wealthy – individual. Furthermore, the implementation of similar legislation could even result in a massive, detrimental "rush-in" of foreign investors in the real estate market in question before the law will officially come into force (Gordon, 2016).
It is important to stress, however, that, especially in recent years and after the ascent of Xi Jinping - by many defined as the most powerful Chinese leader since Deng Xiaoping (Dittmer, 2017) -, Chinese authorities as well are undertaking important countermeasures in order to curtail massive outflows of domestic capital. Especially some typologies of these outward flows, in fact, entails major destabilizing risks for the Chinese economy as well (Cao, 2015). Despite a consistent and considerable flight of domestic capital over the years from a single country is normally regarded as a worrying economic trend *per se*, in the present-day case of China this phenomenon acquires even more negative connotations, since it is also overwhelmingly financed by unsustainable bank lending practices (Cao, 2015). In the period comprised between 2008 and 2013, in fact, Chinese private debt to disposable income ratio impressively surged from around 40% to approximately 65% (Dittmer, 2017). It is now rather understandable why, since 2014, China's Balance of Payments "twin surpluses" - which have characterized the country since the 1990s - irremediably came to an end, replaced instead by a current account surplus and a financial account deficit (Chan, 2017). Probably as a consequence of this, starting from the same year, Chinese authorities decided to start implementing considerably tighter capital controls (Cao, 2015). Thus, starting from 2014, Chinese

citizens interested in investing abroad are now legally obliged to respect a national quota of maximum 50,000 US dollars of total capital invested abroad per year (Cao, 2015). In the case they still wish to invest sums exceeding this amount, they are obliged to fill a specific governmental form which provides detailed information about the transaction in question, and they have to wait for to the explicit approval of government authorities such as the SAFE[19] and the NDRC[20]. These two governmental curtailment measures introduced in 2014, have eventually ended up in substantially increasing Chinese foreign investment transaction costs and risks (Cao, 2015). For instance, nowadays, it can take up to six months in order for a Mainland Chinese investor to obtain the authorizations needed to invest sums higher than 50,000 US dollars abroad, while deals, and especially real estate deals, are normally concluded in considerably shorter time spans (Cao, 2015). Despite UHNWIs investors are increasingly finding some ways to bypass government restrictions – the most popular among which is that of combining the 50,000 US dollar limits of different individuals by creating networks of friend and relatives (FT, CF 2016) -, the growing difficulties imposed by Chinese monetary authorities, starting from the middle of 2014, were capable of considerably slow down Chinese international real estate investment (Cao, 2015). This inhibition, however, has been partial, since the gradually decreasing growth rates experienced by China since 2011, as well as the diffused expectations about a possible depreciation of the renminbi with respect to other foreign currencies, continued to generally fuel foreign exchange demand and foreign real estate investment especially at the private Chinese household level (FT, 2016).

[19] State Administration of Foreign Exchange
[20] National Development and Reform Commission

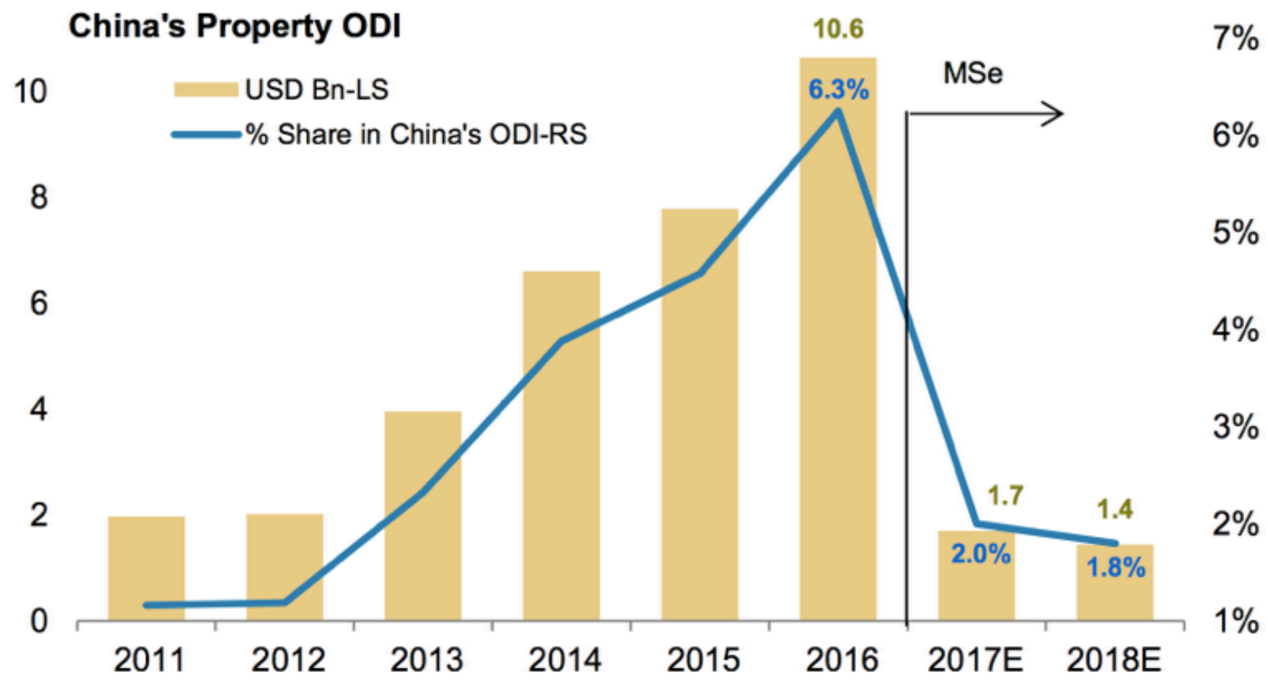


FIGURE 18 – CHINA'S PROPERTY ODI FROM 2011 TO 2018 (CEIC, MORGAN STANLEY RESEARCH)

Sources: Edwards, J. (2017). China has suddenly stopped buying foreign property. *Business Insider - UK*. [online] Available at: http://uk.businessinsider.com/china-overseas-property-investment-uk-2017-8?IR=T [Accessed 23 May 2018].

For this reason, the Xi Jinping government decided to introduce even stricter and more demanding controls on outbound investment since 2017 (Sheng and Öhvall, 2018). A new "Circular 11" announced at the beginning of 2017, published by the NDRC in December 2017, and come into effect in March 2018, in fact, eventually reinforced and tightened the foreign investment regulations which were imposed in 2014 ("Circular 9") (Sheng and Öhvall, 2018). Under "Circular 11", in fact, a major project of re-categorization of Chinese outbound investment took place, witnessing the shift of many investment operations previously categorized as "non-sensitive" investments - and thus subjected to simplified approval procedures - to "sensitive" investments - requiring more complex record-filling procedures - (Sheng and Öhvall, 2018). Among the investment operations in question, in August 2018, the Chinese State Council declared that "investments in real estate, hotels, cinemas entertainment and sport clubs", among others, were especially intended to fall into this category (Sheng and Öhvall, 2018). At the same time, some other investment defined as "strategically important" for the development and advance of the nation-state – the so called "the-belt-and-the-road" investments, aimed at strengthening Eurasian and Afric-Asian relations -, witnessed an opposite shift, moving from "sensitive" to the "non-sensitive" category (Sheng and Öhvall, 2018). Furthermore, "Circular 11" has also raised the stakes for individuals and companies caught in non-compliance, providing new and tougher legal and penal sanctions for "misleading or fraudulent submissions or breaches of relevant requirements under Circular 11" (Sheng and Öhvall, 2018). Furthermore, in parallel, the NDRC has also decided to further develop and homogenize national records on “illegal and non-compliant outbound investment activities”, in order to better curb repeat offenders (Sheng and Öhvall, 2018). At the time of writing, the monetary and time costs implied in the application, submission, processing and review operations required in order to invest considerable sum of capital aboard, have eventually resulted in a general stall of Chinese real estate foreign investments since 2017 (Edwards, 2017) and have also determined a considerable reduction in Chinese UHNWIs’ property investment activity in the first months of 2018 (Sheng and Öhvall, 2018).

CONCLUSIONS

As previously mentioned, the modern complementary forces of economic globalization and technological progress are certainly to be regarded as two of the main drivers of what many experts nowadays call the "Chinese miracle". Thanks to its giant, relatively well educated and flexible labor force, in fact, China is probably the nation who gained - and is still gaining - the most from modern economic globalization (Naughton, 2007). Nonetheless, despite immense progresses have been made in improving the living standards of the vast majority of the Chinese population, China is nowadays affected by a dramatic, ever-increasing and socially destabilizing private income inequality. In the last 40 years, in fact, disproportionally large shares of an impressively expanding GDP had increasingly accrued - and are still accruing – into the hands of a relatively small, new and extremely wealthy Chinese élite. This rapid growth of private income inequality, despite following a contemporary and generalized global tendency going in that same direction, was also unintendedly boosted by some specific characteristics of the two phases of Chinese economic reforms of 1978 and 1993. These latter, however, together with China's accession to the WTO in 2001, still represented the fundamental pillars of the country's extremely successful economic restructuration after the Maoist era. Without them, in fact, China would have never been able to rapidly acquire the uncontested domain of global trade it nowadays has, nor to eventually became the world largest holder of US dollar reserves (2.65 trillion US dollars) and the second largest economy in the world in 2010 (Qiao, 2010). Such enormous levels of export surpluses and foreign exchange reserves accumulation, however, eventually ended up in having some negative repercussions on the Chinese domestic economy. They resulted, in fact, in an impressive expansion of the national monetary base and, consequently, of domestic liquidity. It was exactly in response to the excessive inflation pressures induced by the former that, since the beginning of the 2000s, Chinese authorities decided to considerably relax their national capital controls, to launch their "Go Abroad Strategy" and – for the first time – to actively encourage corporate and private outward foreign direct investment (FDI) (Cao, 2015). Thus, starting around 2003 and especially after 2008, wary of a national real estate market cyclically suffering from profound shocks, confronted with unconvincing domestic investment alternatives and encouraged by national economic policies, Chinese individuals possessing considerable net worth increasingly started to opt for newly available foreign investment opportunities. Among these latter, which generally offered relatively high returns and major guarantees, foreign property investment soon emerged as Chinese (U)HNWIs' preferred financial strategy. Some precise Chinese foreign real estate investment trends started to emerge, having as main targets forefront global cities like London, New York, Vancouver and many others, urban areas nowadays increasingly referred as “alpha-territories” (Cao, 2015).

Yet, as this text has attempted to explain, all these economic processes represent only one side of the Chinese foreign real estate investment coin. One of the most fascinating characteristic of the issue at hand, in fact, is that its causal macroeconomic rationales tend to mix themselves to anthropological ones, often reaching such levels of interconnection that it becomes extremely difficult to discern where one of the two motives ends and where the other starts.

It is only when this “third wave migration” of the Chinese super rich starts to be interpreted as “a form of class-based consumption, a strategy for class reproduction, and a way to convert economic resources into social status and prestige” that the second underneath, additional, and anthropological driver of Chinese real estate foreign investment comes to light (Liu-Farrer, 2016). The “performative” side of the Chinese property investment coin, in fact, represents the missing piece of the puzzle connecting massive Chinese capital outflows to their specific and final geographical destinations. Super rich Chinese, in fact, increasingly appear to be only partially – and, in any case, not primarily – informed by economic calculations in their emigration choices. It is the fact that Chinese UHNWIs generally aspire to acquire and – somehow at the same time - publicly signal a *better*, *privileged* quality of life, in fact, that really determines *where* they will place their assets and their emigration choices (Liu-Farrer, 2016). Possessing prime dwellings in “alpha-territories”, thus, becomes one among other kinds of life-style consumption. In essence, transnational mobility - which could be regarded as one among the most expensive and valuable commodities offered by the present-day global market - becomes a status symbol, “restrictive”, upper-class good by itself, an elite “qualisign” inherently not prone to “misrepresentative use” (Liu-Farrer, 2016). Modern global elites, and especially Asian-Pacific ones, in their transnational foreign investment behaviors, thus, are absolutely not informed by *cosmopolitan rationales* - such as the idea that all humans belong to one and single moral community and that for this reason national boundaries in the age of modernity should be overcome -, on the contrary they are still fundamentally informed by very precise self-interested, class reproduction, and “herd mentality” logics.

Yet, is foreign real estate investment by a specific country’s elite really a new phenomenon? And if it is not, why - especially Western - national and international media are nowadays increasingly denouncing it? Is it for its new, unprecedented scale? Or is it rather for its present-day main protagonists?

It is certainly unquestionable that, in recent years, the urban domains of what are nowadays called “alpha-territories” have increasingly become the stages of both extraordinary opulence and growing immiseration (Forrest, Koh and Wissink, 2017). As it is undeniable that more flamboyant than ever

UHNWIs' - and especially Asian-Pacific UHNWIs' - lifestyles, activities and consumption patterns are now becoming more and more accessible to the eyes of the masses, both through their inherent physical concentration in certain urban areas, but also due to the increasing coverage and space that present-day television broadcastings and social media are devoting to them.

Yet, in the last analysis, realities like these had always existed in the history of human civilizations, albeit probably to somewhat different extents. As a comprehensive and extensive academic literature already testifies, in fact, patterns of wealth accumulation in the hands of the elites as well as urban gentrification trends are phenomena which have always characterized human societies and settlements since immemorial time. In the end, access to land and housing had almost always represented one of the main "qualisign" of upper-class belonging in practically all settled human civilizations, and the fact that in the present-day era of globalization the super-rich are extending this idea to a worldwide level should come as no particular surprise. In essence, and with the necessary caution, it could be even argued that nowadays -at least to a certain extent- a return to a sort of "transnational aristocracy", despite intended under plutocratic rather than genetic forms, appears to be gradually taking place. This concept is extremely well exposed by French economist Thomas Piketty in his 2013 best-seller "Capital in the twenty-first century". In his masterpiece Piketty powerfully argues, in fact, that there is nothing inherently "new" in present-day global wealth accumulation trends, super rich consumption patterns and increasing income inequalities, apart perhaps from their extraordinary speed. According to the French economist, we are now living in a rather "unoriginal" time, in which a "normal" state of wealth concentration in the hands of the global elites is gradually re-occurring. The thing, however, that is making the current period apparently "original" to our eyes, is the fact that it occurred after a unique and unprecedented historical period of considerable wealth redistribution, ascribable to the economic, social and cultural legacy of the two world wars (Piketty and Goldhammer, 2015). According to this reasoning, consequently, present-day elites are doing nothing but reestablishing an income gap and reaffirming a class division, with respect to relatively lower social groups, which in reality resembles very much to that experienced by western societies in the 19th century (Piketty and Goldhammer, 2015).

Despite Piketty's argument appear extremely convincing in the overall, there is still something which is nevertheless probably and fundamentally changed in present-day transnational elite's wealth accumulation and real estate investment patterns: the manner in which these latter are interacting with urban realities (Forrest, Koh and Wissink, 2017). The current ultra-wealthy patterns of urban "hyper-gentrification", in fact, are nowadays increasingly affecting higher income strata of the global population. They are thus starting to involve not only the relatively poorer strata of human societies

– as classic patterns of urban gentrification had always done – but also present-day "alpha territories" middle classes (Forrest, Koh and Wissink, 2017).
Furthermore, apart from the unprecedented "hyper" manifestation of urban gentrification processes, there is another element that starkly deviates from the past: the geographical dimension of international real estate investment patterns (Forrest, Koh and Wissink, 2017). While, in fact, since the beginning of the colonial era were the western elites the ones investing offshore, buying luxurious dwellings at the outskirts of colonial empires, and modifying the local urban fabric, nowadays, on the contrary, members coming from the global south - and especially from China - are increasingly those purchasing sumptuous properties in the "old economic heartlands", displacing their local inhabitants and upsetting their local economies (Forrest, Koh and Wissink, 2017).
In essence, present-day social disruptive effects of foreign – and especially Chinese – real estate investments within "alpha-territories" could be regarded as the curious reversal of some pre-existing trends, albeit considerably emphasized in their magnitude and involving inverted power relations.
It is without doubt that present-day extremely wealthy are fundamentally "implicated in, and symptomatic of, increased urban inequalities" (Forrest, Koh and Wissink, 2017). However, at the same time, it is of extreme importance to try to maintain an objective outlook on the matter and to avoid a "demonization" of a transnational global elite which, in the end, is nothing but a product of modern global capitalism. Despite pointing the extremely wealthy as the major culprits for present-day wealth re-concentration trends would be relatively easy and straightforward, it would lack of objectivity (Forrest, Koh and Wissink, 2017). Naming and shaming, in fact, are activities inherently sterile *per se*, and, on the contrary, as this text has attempted to do, caution should always be paid in looking beyond what appear to be a small set of "immoral" super-rich, in order to look at the structural characteristics of a system that is allowing, if not even encouraging, such realities (Forrest, Koh and Wissink, 2017).
Two of the main factors which have undoubtfully contributed to present-day wealth re-concentration patterns, are the modern neo-liberal trends of economic globalization and financialization. These latter, in fact, have profoundly modified – and to some extent accelerated – the wealth accumulation patterns of different societies all over the world, with some of the latter benefitting more than others (Forrest, Koh and Wissink, 2017). More specifically, as far as the real estate market is concerned, neo-liberal precepts - which have nowadays become the dominant paradigms of modern economic thinking -, through their push towards a general opening up of national markets to the global economy, have done nothing but expand the scope of properties purchasing and speculation, translating it from a national to an international phenomenon (Forrest, Koh and Wissink, 2017). Furthermore, for the inherent logics of financialization, as an ever-increasing amount of money is

concentrating in fewer hands, and global income inequality is surging, more and more capital is searching for higher returns, as well as for safer placements (Forrest, Koh and Wissink, 2017). "Alpha-territories" real estate markets are increasingly absorbing a substantial share of this global demand, resulting in a physical but also social remaking of local urban realities (Forrest, Koh and Wissink, 2017). Here it is necessary to remark another important historical variable: the legacy of the global financial crisis of 2008. Despite in fact, a disproportionate number of UHNWIs owe their wealth to the financial sector, in these times of extremely volatile global financial markets and decreasing savings rates, investing in real estate – in some respect the "primitive" or original form of capital accumulation – appears to be an increasingly popular financial strategy (Forrest, Koh and Wissink, 2017). Consequently, land and housing assets are increasingly shifting from a peripheral to a more "center stage position" in present-day slow-growth Western economies (Wetzstein, 2017).
In addition, it is always important to bear in mind that extremely high net worth individuals often operate in settings which go well beyond their will power, and it goes without saying that their capital is increasingly managed by "a [well] developed wealth management industry consisting of private bankers, financial advisors, auditors, tax lawyers and the like" who are extremely well-paid for the services they offer (Forrest, Koh and Wissink, 2017). In a somewhat similar vein, another crucial actor which is too often left out form the picture are local governments (Forrest, Koh and Wissink, 2017). They, in fact, have generally had - at least - the role of facilitators of growing income and wealth inequalities among international but also domestic social strata (Forrest, Koh and Wissink, 2017). More specifically, it appears that over the years "alpha territories" local authorities have tended not only to do nothing in order to prevent deep transformations of urban realities, but that they had even reshaped their policies and legislations in order to attract even further super-rich inward investment (Forrest, Koh and Wissink, 2017). Of course, it must be said that all this have been done having in mind a fundamental "cascade" or "trickle down" effects economic logic, consisting in the idea that extremely wealthy individuals' investments in the local real estate market would have eventually had some positive effects or "externalities" on other sectors of the local economy (Forrest, Koh and Wissink, 2017). However, as already previously exposed in this text, this have not always ended up being the case, or better, local aggregate economic growth has probably occurred, but not all the population at large have benefited in the same way – if it has benefited at all -.
But, is there something that could be done in order to, at least, alleviate some of the social disruptive effects brought by UHNWIs' – and especially Chinese UHNWIs' - real estate foreign investment in many "alpha-territories" urban realities?
Probably the best policy proposal reported in this text is certainly the Target Property Surtax (TPS) scheme, devised by Simon Fraser University Professor Rhys Kesselman. This scheme, which has

been conceived in order to be enacted by "alpha-territories" local governments, would in fact attempt to tackle the issue at hand not by directly intervening on the actual choices of super-rich individuals (ex. categorically prohibiting some economic behaviors), but, instead would try to modify - and somehow "correct" – the setting in which these same choices are made. In other words, by capturing conspicuous shares of foreign real estate capital investment returns, it will modify the economic incentives and payoffs UHNWIs will be confronted with when deciding where to place their assets. At the same time, it would be able to obtain – at least in the short term - considerable government revenues, which could be used by local politicians in order to buff some of the most grievous effects brought by massive foreign investment in local real estate markets.

On the contrary, probably one of the most effective policy enacted so far in this respect - even if it has been enacted by the country of origin *par excellence* of foreign real estate investment outflows - is the Chinese "Circular 11" enacted by Xi Jinping's government at the end of 2017. This legislative scheme, as well, tends more to heavily disincentivize rather than to completely forbid. Its aim is, in fact, that of diverting, of slowing down, rather than completely stop domestic capital outflows. Through its major project of re-categorization of Chinese outbound investment, in fact, "Circular 11", is able not only to slow down foreign real estate investment - which it regards as a "sensitive" and not particularly welcomed investment category - but also to provide some actual incentives towards more socially oriented, "non-sensitive" investment alternatives, capable not only of rendering equal if not even higher capital returns to domestic investors, but also to better contribute to what Chinese political authorities regard the economic, political and social interests of the nation at large.

Of course, government interventions in the economy are not always able to reach all the results they are intended for, and furthermore, as this text as already thoroughly pointed out, Chinese UHNWIs are often not only, nor principally, informed by "governmentally adjustable" economic rationales when undertaking their foreign real estate investment choices. Nonetheless, diffused trends of ever-growing real estate price inflationary pressures, "hyper-gentrification", urban alienation and popular resentment are realities which risk to dramatically sharpen micro as well macro socio-economic divisions in a present-day world which seem to have lost, at least, part of the cooperative spirit it slowly acquired during the second half 20th and the first years of the 21st century. In the end, in fact, despite massive foreign – and especially Chinese – real estate investments tend to concentrate in precise and restricted fore-front urban areas, tenths of millions of people are daily involved in these processes. The fact that the period comprised between the beginning of the Second World War and the middle 1980s was found and defined by Piketty as an "abnormal" period of wealth re-distribution, does not necessarily designate it as a period that is doomed to end and to never return. On the contrary, for the first time in history, this "unprecedented" period was able to demonstrate how wealth redistribution in the hands of relatively numerous, vigorous and dynamic global middle class was able to lead to an extraordinary, unconceivably rapid economic and technical progress for humanity at large. Returning to a "normal" wealth distribution state of affairs will risk to somehow suffocate this prodigious boost, and since we often tend to forget that market mechanisms operate in human settings rather than in the void by their own, trying to intervene in order to partly modify those same settings, having as ideal example what history happened to give us by almost chance, should be considered as an attempt that is worth a try.

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RIASSUNTO IN ITALIANO

L'argomento di questa tesi di laurea triennale prende spunto da un caso di studio odierno, da una realtà empirica da me vissuta in prima persona durante il mio periodo di scambio bilaterale presso l'Università della British Columbia di Vancouver, Canada. Nonostante la profonda meraviglia da me provata nel confrontarmi con una città di tale eleganza, armonia e civiltà come Vancouver, infatti, non è passato molto tempo prima che mi accorgessi di alcune realtà locali profondamente diverse da quelle cui io ero abituata. Lamborghini contrassegnate dalla lettera N[22] che rombavano per il campus della mia Università, un'impressionante quantità di senzatetto che vagava e "risiedeva" all'interno di alcuni fra i quartieri più centrali e prestigiosi della città, vaste aree residenziali composte da lussuose dimore di straordinaria bellezza, idiomi cinesi che risuonavano nelle strade e nei mezzi pubblici quasi più delle parole inglesi. Tutte piccole manifestazioni empiriche di una realtà a me prima sconosciuta, la realtà urbana di ciò che oggigiorno molti esperti definiscono: "territori-alfa".

A detta di molti esperti, le vere fondamenta dell'odierno "Miracolo economico Cinese" vanno ricercate all'interno delle moderne e complementari forze della globalizzazione economica e del progresso tecnologico. Grazie alla sua forza lavoro immensa, adattabile e relativamente ben qualificata, infatti, la Cina rappresenta, ad oggi, la nazione che ha più beneficiato – e sta ancora beneficiando – dei moderni processi di globalizzazione di mercato. Tuttavia, nonostante la stragrande maggioranza della popolazione cinese abbia sperimentato uno straordinario innalzamento dei propri standard di vita, la Cina è oggi afflitta da una diseguaglianza socio-economica drammatica, socialmente destabilizzante ed in continua crescita. Negli ultimi 40 anni, infatti, quote via via più consistenti di un PIL in continua crescita si sono sempre più asimmetricamente concentrate nelle mani di una nuova élite nazionale, una nuova classe sociale relativamente ristretta ed estremamente abbiente. Complici di questo crescente disavanzo di reddito fra concittadini - per quanto quest'ultimo riflettesse, in un certo senso, un'analoga tendenza a livello mondiale - sono anche state alcune specifiche caratteristiche dei due importanti periodi di riforma economica cinese avvenuti nel 1978 e nel 1993. Questi ultimi, tuttavia, assieme all'entrata della Cina nell' Organizzazione Mondiale del Commercio (OMC) nel 2001, rappresentano tutt'ora i pilastri fondamentali della straordinaria ristrutturazione economica cinese dell'era post-Maoista. Senza questi due periodi di riforma tra loro complementari, infatti, la Cina non sarebbe mai stata in grado di acquisire, perlomeno non con altrettanta velocità, l'incontestato dominio del commercio mondiale che oggi la caratterizza, né

[22] Nella provincia canadese della British Columbia, la lettera N posta sul vetro posteriore delle macchine equivale alla P italiana di "Principiante" (in lingua originale: "Novice Driver")

sarebbe divenuta la più grande posseditrice di riserve bancarie espresse in dollari americani (2,65 trilioni di dollari americani) e la seconda economia al mondo in termini di PIL nel 2010.
Livelli così elevati di surplus commerciale e un'accumulazione così alta di riserve in valuta estera, tuttavia, hanno anche avuto alcune ripercussioni negative sull'economia domestica cinese. Essi hanno prodotto, infatti, un'espansione smisurata della base monetaria nazionale, che ha, conseguentemente, indotto un incredibile innalzamento dei livelli di liquidità monetaria domestica. È stato proprio per controbilanciare le eccessive pressioni inflazionistiche determinate da quest'ultima che, sin dai primi anni 2000, le autorità cinesi hanno deciso di: alleggerire considerevolmente i loro controlli nazionali sul capitale in uscita, lanciare ufficialmente la loro "Go Abroad Strategy[23]" e – per la prima volta in assoluto - incoraggiare attivamente gli investimenti diretti all'estero (IDE). Conseguentemente, a partire dal 2003 e specialmente a seguito del 2008, i membri più abbienti della società cinese, generalmente guardinghi nei confronti di un mercato immobiliare locale ciclicamente affetto da profondi shocks, costretti a confrontarsi con alternative domestiche di investimento di dubbia solidità e rendimento, e incoraggiati da politiche economiche nazionali sempre più esplicite, hanno cominciato ad investire all'estero, e soprattutto nei mercati immobiliari esteri, in maniera sempre più consistente. L'investimento in proprietà estere da parte degli "UHNWIs"[24] cinesi ha poi presto cominciato a concentrarsi in precise aree geografiche - oggi denominate "territori-alfa" - sedi di città all'avanguardia come Londra, New York, Vancouver, Sydney, San Francisco, Miami e molte altre.
Tuttavia, i processi economici sopra sinteticamente esposti, rappresentano solo un lato della medaglia dell'investimento immobiliare cinese all'estero. Una delle caratteristiche più affascinanti della materia in questione è, infatti, il fatto che le sue motivazioni macroeconomiche spesso tendono a fondersi con motivazioni di natura più prettamente antropologica, e a raggiungere tali livelli di interconnessione, da rendere quasi impossibile il discernimento di dove una delle due motivazioni cominci e dove l'altra finisca.
È solo quando questa "terza ondata migratoria" dei super-ricchi cinesi comincia ad essere letta in chiave antropologica, quale forma di consumo basata sulla propria classe sociale di appartenenza, strategia di riproduzione di classe, e modo di convertire risorse economiche in status e prestigio sociale, infatti, che anche questa causa secondaria, nascosta, ma altrettanto importante, viene finalmente alla luce. La faccia più prettamente "performativa" della medaglia dell'investimento immobiliare cinese all'estero, infatti, rappresenta l'ultimo tassello capace di connettere gli enormi flussi di capitale cinese in uscita alle loro specifiche e finali destinazioni geografiche. I super-ricchi

[23] Letteralmente: "Strategia dell'Andare all'estero"
[24] "Ultra High Net Worth Individuals", letteralmente: "Individui in possesso di una ricchezza netta estremamente elevata". Con la definizione "UHNWIs" generalmente si intendono quegli individui che, a prescindere dalla loro nazionalità, posseggono una ricchezza netta privata superiore ai 30 milioni di dollari americani (relativi all'anno fiscale 2012).

cinesi, infatti, appaiono ad oggi essere solo in parte – e, in ogni caso, non primariamente – informati da calcoli economici nelle loro scelte di emigrazione. È il fatto che gli UHNWIs cinesi generalmente aspirino a ottenere – ed allo stesso tempo – manifestare pubblicamente un'appartenenza ad una classe sociale privilegiata, infatti, ciò che davvero va a determinare *dove* questi ultimi tenderanno a concentrate i loro beni. In altre parole, la mobilità transnazionale – da molti considerata come uno fra i beni più costosi e preziosi che il mercato di oggi possa offrire – diventa *status-symbol*, bene "restrittivo", proprio solo delle classi più abbienti, le odierne élite globali. Queste ultime quindi, nelle loro scelte di investimento transnazionali, non sono assolutamente guidate da motivazioni *cosmopolite* – es: l'idea che tutti gli esseri umani appartengono ad un'unica e singola comunità morale e che, per questa ragione, nell'era della modernità, i confini nazionali siano ormai un concetto obsoleto - ma al contrario, sono ancora fondamentalmente guidate da precise motivazioni utilitaristiche, basate su calcoli egoistici e soggette a logiche "di branco".

È certamente incontestabile che, negli ultimi anni, le realtà urbane delle aree geografiche oggigiorno denominate "territori-alfa" siano diventate scenari di sempre più straordinaria opulenza e crescente impoverimento. Come è innegabile che gli stili di vita, le attività e le scelte di consumo dei moderni "UHNWIs" – e specialmente di quelli Asiatico-Pacifici – stiano ad oggi assumendo caratteristiche sempre più estreme e stravaganti. Caratteristiche che, allo stesso tempo, stanno diventando sempre più accessibili agli occhi delle masse, sia a causa della loro strutturale concentrazione in certe aree urbane che al crescente spazio a loro dedicato dalla televisione e dai social media.

Tuttavia, in ultima analisi, si potrebbe tranquillamente affermare che realtà molti simili a quelle odierne siano sempre esistite nella storia delle civiltà umane. Come una vasta e dettagliata letteratura accademica oggi testimonia, infatti, processi di accumulazione di ricchezza nelle mani delle élite, come gli stessi processi di "gentrificazione" urbana, sono fenomeni che caratterizzano da sempre società e insediamenti umani. Pertanto, il fatto che nell'era della globalizzazione moderna i super-ricchi stiano estendendo questi stessi processi ad un livello internazionale più che nazionale, non dovrebbe risultare particolarmente sorprendente. Essenzialmente, e con la dovuta accortezza, si potrebbe anche avanzare l'idea che oggigiorno si stia assistendo ad un ritorno di una sorta di "aristocrazia transnazionale", per quanto intesa sotto caratteristiche plutocratiche piuttosto che genetiche. Questo concetto è estremamente ben esposto dell'economista francese Thomas Piketty all'interno del suo best-seller del 2013: "Capitale nel XXI secolo". Nella sua opera magna, Piketty sapientemente afferma, infatti, che non c'è niente di inerentemente nuovo nei moderni processi di accumulazione ed estrema concentrazione della ricchezza a livello globale, a parte, forse, la loro straordinaria velocità. Secondo l'economista Francese, stiamo ora vivendo un periodo storico piuttosto "ordinario", nel quale un "normale" stato di accumulazione delle ricchezze nelle mani delle élite mondiali sta gradualmente riemergendo. Ciò che, tuttavia, rende il periodo contemporaneo apparentemente "originale" ai nostri occhi, è il fatto che esso segua cronologicamente un periodo storico di redistribuzione delle ricchezze senza precedenti. Un periodo dalle caratteristiche uniche, ascrivibili alle tristi eredità economiche, sociali e culturali trasmesse dai due conflitti mondiali della prima metà del XX secolo. Seguendo questo ragionamento, quindi, le élite di oggi non starebbero facendo altro che ristabilire quelle differenze di reddito e divisioni di classe già proprie delle società occidentali durante il XIX secolo.

Per quanto l'argomentazione di Piketty possa risultare estremamente convincente nel suo insieme, negli odierni processi di accumulazione di ricchezza da parte delle élite transnazionali c'è tuttavia qualcosa che fondamentalmente differisce dal passato: la maniera in cui questi ultimi interagiscono con le moderne realtà urbane. Oggi, infatti, processi di drammatica "iper-gentrificazione" urbana stanno affliggendo strati sempre più benestanti della popolazione globale. Questi processi stanno quindi cominciando a coinvolgere non solo le classi sociali più povere – quelle da sempre affette dai normali processi di gentrificazione urbana – ma anche le classi medie che oggi risiedono all'interno dei "territori-alfa".

Inoltre, a parte questa "iper" manifestazione senza precedenti, c'è un altro elemento che si distingue significativamente dal passato: la dimensione geografica dei flussi di investimento immobiliare internazionali. Mentre, infatti, fin dagli albori dell'era coloniale sono sempre state le élite occidentali ad investire oltreoceano, comprare dimore lussuose ai confini degli imperi coloniali e a modificare il tessuto urbano locale, ad oggi, al contrario, sono sempre più i membri provenienti dal sud del mondo – e specialmente dalla Cina – a comprare suntuose magioni all'interno dell'"antico cuore del sistema economico internazionale", scacciando gli abitanti locali dalle proprie dimore e destabilizzando le economie del luogo.

È innegabile che i super-ricchi di oggi siano profondamente sintomatici e allo stesso tempo implicati nell'aumento delle odierne diseguaglianze socio-economiche, sia a livello globale che urbano. Tuttavia, è estremamente importante cercare di mantenere una visione oggettiva sulla faccenda e evitare di "demonizzare" una élite transnazionale che, in fin dei conti, non è altro che il risultato del moderno sistema capitalista globalizzato. Puntare il dito ed incriminare, infatti, sono attività sterili di per sé, e, al contrario, bisognerebbe sempre cercare di guardare oltre ciò che appare un piccolo gruppo "immorale" di super-ricchi, in modo tale da focalizzare la propria attenzione sulle caratteristiche strutturali di un sistema che permette, se non addirittura incoraggia, queste stesse realtà.

I moderni trend neo-liberali della globalizzazione economica e della finanziarizzazione sono certamente due tra i più importanti fattori alla base degli odierni processi di ri-concentrazione delle ricchezze. Questi ultimi, infatti, hanno profondamente modificato – e in un certo senso accelerato – i metodi di accumulazione delle ricchezze di tutte le società del mondo. Più specificatamente, per quanto riguarda il mercato immobiliare, i moderni paradigmi neo-liberali, attraverso la loro spinta verso un'apertura generalizzata dei mercati nazionali all'economia globale, non hanno fatto altro che traslare l'acquisto delle, come la speculazione sulle, proprietà immobiliari da un livello nazionale ad uno internazionale. A questo proposito, sarebbe poi necessario rimarcare un'altra importante variabile storico-economica: l'effetto della crisi finanziaria del 2008. Mentre un numero elevato di UHNWIs deve la sua straordinaria ricchezza al settore finanziario, in questi tempi di estrema volatilità finanziaria e decrescenti tassi di risparmio, investire nel mercato immobiliare – per certi versi la forma "primitiva" e originale dell'accumulazione di capitale – sembra essere divenuta, infatti, una strategia di investimento sempre più popolare.

In aggiunta, è sempre bene tenere a mente che i super abbienti spesso operano in contesti che vanno ben oltre le loro volontà o capacità decisionali, e che, ovviamente, il loro capitale è sempre più gestito da un complesso di professionisti composto da figure quali banchieri, consulenti finanziari, avvocati tributari, etc. Seguendo questo stesso ragionamento, bisogna anche ricordare l'importanza delle amministrazioni ed i governi locali, il cui ruolo centrale si tende spesso a dimenticare. Parrebbe, infatti, che nel corso degli anni le autorità locali dei "territori-alfa" abbiano non solo fatto assolutamente nulla per prevenire le profonde trasformazioni delle proprie realtà urbane, ma che abbiano addirittura plasmato le proprie politiche e legislazioni in modo tale da attirare più investimenti in entrata da parte dei super-ricchi. Certamente, bisogna tenere conto che tutto questo è stato fatto nell'ottica di alcune precise teorie economiche afferenti al "trickle down effect", cioè all'idea che gli investimenti da parte dei super ricchi nel mercato immobiliare locale siano in grado di avere alcuni effetti positivi o "esternalità" su altri settori dell'economia domestica. Tuttavia, è stato dimostrato empiricamente che non è sempre così, o meglio, una crescita economica generalizzata a livello locale tende solitamente a verificarsi, ma non tutta la popolazione sembra godere degli stessi benefici allo stesso modo – sempre che ne goda affatto.

Probabilmente una delle più interessanti proposte di policy suggerite fino adesso, volte a correggere - o quantomeno smorzare - gli effetti socialmente disruttivi di massicci investimenti cinesi in mercati immobiliari esteri, è la "Sovrattassa di Proprietà Mirata" ("Targeted Property Surtax" o TPS in lingua originale), ideata dal Professore dell'Università Simon Fraser Rhys Kesselman. Questo schema d'imposta, concepito per venire implementato dai governi locali dei "territori-alfa", tenterebbe di risolvere il problema in questione non tramite un deciso intervento diretto sulle scelte di investimento intraprese dai super-ricchi (es. proibendo categoricamente alcune di queste ultime), ma, al contrario, mirerebbe a modificare – ed in un certo qual modo "correggere" – il "setting", il contesto in cui queste stesse scelte vengono intraprese. In altre parole, andando a tassare quantità considerevoli degli

investimenti esteri in immobili di lusso locali, modificherebbe gli incentivi economici e i benefici netti confrontati dagli UHNWIs al momento di decidere dove allocare i propri beni. Allo stesso tempo, questa imposta d'avanguardia sarebbe anche capace di ottenere – almeno nel breve termine – cospicue entrate per il governo locale.
Al contrario, probabilmente una delle più efficaci politiche implementate fino ad oggi consiste nella "Circolare numero 11", adottata dal governo cinese di Xi Jinping alla fine del 2017. Questo schema legislativo, a sua volta, tende più a disincentivare pesantemente piuttosto che proibire categoricamente. Il suo scopo è quello, infatti, di divergere, rallentare, piuttosto che arrestare completamente, i flussi di capitale domestico verso l'estero. Attraverso il suo ambizioso progetto di ri-categorizzazione di questi ultimi, infatti, la "Circolare numero 11" è capace non solo di rallentare la fuga di capitale domestico verso i mercati immobiliari stranieri – che essa stessa definisce come categoria "sensibile" e per questo non particolarmente bene accetta– ma è anche capace di fornire alcuni importanti incentivi verso alternative di investimento più orientate verso il sociale. Alternative capaci non solo di fruttare di più, ma anche di contribuire maggiormente a ciò che le autorità politiche Cinese interpretano come i primari interessi economici, politici e sociali della nazione.
Senza dubbio, gli interventi da parte del governo nell'economia non sono sempre capaci di raggiungere tutti gli obbiettivi sperati, e inoltre ora sappiamo come, al momento di intraprendere le loro scelte di investimento, gli UHNWIs cinesi non siano solo, né principalmente, informati da calcoli economici potenzialmente "influenzabili" da parte di autorità statali. Ciononostante, i processi di crescente inflazione dei prezzi all'interno dei mercati immobiliari, di "iper-gentrificazione", alienazione urbana e risentimento popolare sono realtà che rischiano di inasprire ulteriormente un clima politico internazionale che sembra già aver perso una parte – per essere ottimisti – di quello spirito cooperativo che aveva lentamente e faticosamente acquistato durante la seconda metà del XX secolo e i primi anni del XXI. In fin dei conti, infatti, nonostante gli investimenti esteri – specialmente gli investimenti cinesi – nei mercati immobiliari internazionali tendano a concentrarsi in aree urbane specifiche, decine di milioni di persone vengono ogni giorno coinvolte in questi processi. Il fatto che il periodo compreso tra l'inizio della seconda guerra mondiale e la metà degli anni '80 sia stato definito da Piketty come un "anormale" periodo di re-distribuzione della ricchezza, non lo condanna necessariamente all'oblio e al non-ritorno. Al contrario, per la prima volta nella storia, questo periodo senza precedenti è stato capace di dimostrare come una re-distribuzione della ricchezza nelle mani di una classe media relativamente numerosa, vitale e dinamica sia stato capace di produrre uno sviluppo economico e tecnologico per l'umanità intera straordinario. Ritornare ad uno stato di distribuzione "normale" della ricchezza, rischierebbe infatti di soffocare in qualche modo questa spinta prodigiosa, e dato che spesso tendiamo a dimenticarci che i meccanismi di mercato operano in contesti umani e

non nel vuoto da e per se stessi, provare ad intervenire in modo tale modificare, almeno in parte, questi stessi contesti dovrebbe essere considerato uno sforzo che vale la pena tentare.