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Can Chinese Migrants Bolster the Struggling Economies of Europe?

FELIX B. CHANG†

This article examines new Chinese migration into Europe during a period of economic stagnation - more specifically, the movement of Zhejiangese merchants in Southeast Europe. The Zhejiangese migration pattern is diversifying from a predominantly petty merchant phenomenon to include the sophisticated operations of large-scale investors. It is therefore in the interests of host countries to foster, rather than restrict, this progression toward institutionalization. As such, governments should shape immigration and antidiscrimination policies to harness the potential of these migrants.

By now, enough academic literature has amassed on Chinese migration into Europe that it is no longer a novel phenomenon. Scholars have examined Chinese migrants in host societies as diverse as post-World War I Northern and Western Europe, Communist Russia and Eastern Europe, and contemporary Central, Eastern, Southern, and Western Europe.1 From their work, we can glean two general patterns among new Chinese migrants across the vast majority of European countries. Comprising one group are wageworkers in the stronger economies of Western Europe, of whom Fujianese restaurant workers are the prime example (Pieke et al. 2004). Meanwhile, the weaker economies of Central Europe, Southern Europe, and Southeast Europe tend to see more petty merchants and traders hailing from Zhejiang province, who comprise another distinct group. Current literature indicates that both groups exhibit limited appetite for diversification into other economic sectors. The Fujianese and Zhejiangese also customarily move into a host society through chain migration, whereby a small number of pioneers set up in a new country and then send for relatives and acquaintances from their hometowns to help man the nascent businesses (Pieke 1998; Chin 2001). Finally, both types of new Chinese migrants are bound by a particularly strong sense of entrepreneurship. The desire to stake out on one’s own is so strong that shortly after their arrival in a new society, migrants who have saved sufficient money and experience under their employers will start their own restaurant, wholesale, or retail business, often in areas not greatly penetrated by existing shops, and in turn send for other compatriots from their hometowns to assist.

Despite the headway that has been made on the study of Fujianese workers and Zhejiangese merchants, however, much still needs to be learned about how their migration patterns change over time within any given host country. Proprietors of Chinese shops and restaurants cannot expect to remain in the same area running the same business at the same margins while co-ethnic compatriots crowd into the same niche market. For the Zhejiangese in particular, who tend to thrive in volatility, a nation’s economy simply does not stagnate for so long that other market entrants are perpetually kept out while consumer demand remains constant. An uptick in the economy can propel domestic and institutional suppliers of cheap consumer goods to jump in; a severe downturn can spur drop-offs in consumer demand, as well as xenophobia and

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1 For comprehensive overviews, see the edited volumes of Chang and Rucker-Chang 2011; Benton and Pieke 1998.
tougher immigration regimes. Faced with variable competition, demand, and host society attitudes, how do migrants adapt? It is certainly true that Chinese migration is a transnational phenomenon (Chang 2011a; Nyíri 2007; Pieke et al. 2004), with supply, distribution, and labor networks which can be easily moved to other countries in times of crisis or excessive competition. Yet relocation will not always be the solution. As noted by Frank Pieke, one of the foundational scholars of the Chinese in Europe, migrants may pursue permanent residence for reasons as diverse as social benefits and freedom of employment (2004). Empirical evidence also suggests that Zhejiangese merchants are beginning to diversify into other sectors, such as light industry. These sectors entail far greater technical and logistical knowledge – and therefore require more capital and coordination among suppliers, distributors, and financiers.

Zhejiangese migration into some developing economies is therefore at an interesting juncture where the volume of migration may be tapering off but the features of migration are becoming more institutional. I use “institutional” in the sense that the Zhejiangese are delving into activities traditionally reserved for large multinational corporations with ample investment capital at their disposal, and also in the sense that these activities are beginning to enjoy the types of governmental support traditionally reserved for Chinese state-owned companies. This phenomenon is doubly interesting because it coincides with a period of intense constriction for Europe’s economies. The instinctive impulse among lawmakers and policymakers toward migrants during such a period will be get-tough legislation and enforcement. Such measures often lead to a decline in the overall number of new migrants while complicating the lives of migrants already in a host country. Yet new Chinese migrants may hold the propensity to cushion the downward spiral of some of these economies, by spurring foreign direct investment.

This article examines the concomitant phenomena of new Chinese migration and European policy in a period of economic stagnation. I focus on one subset of new Chinese migrants - Zhejiangese merchants - in a narrow part of Europe - namely, Southeast Europe, and particularly Serbia. In choosing the Zhejiangese, I aim to highlight the evolution of a group of migrants who are unexpectedly conducive to foreign direct investment. At the same time, the choice of Serbia serves to set the stage for Chinese migration in an economy that has been besieged by corruption and embargoes. Serbia is, furthermore, a state that has seen a large and sustained volume of Chinese migrants since the mid-1990s, as well as state at the doorstep of the European Union (EU) that has adopted a slew of legislations to appease the gatekeepers of EU membership. Thus, this article focuses neither on highly skilled workers who are part of state-backed investment projects nor students who would be part of the brain drain, but on semi-skilled merchants. With its lens on Serbia, this article does not purport to extrapolate any theories of general applicability to all of Europe, though there are numerous similarities among Zhejiangese in Serbia and elsewhere in Europe.²

I begin this article with a primer on the evolution of the Zhejiangese migration pattern, from the predominance of petty merchants at its inception to the sophisticated operations of Wenzhouese investors today. Then I will attempt to make the case that it is in the interests of host countries to foster, rather than restrict, the progression of this pattern toward institutionalization. Finally, I end with a discussion on how governments can shape immigration and antidiscrimination policies to harness the potential of these migrants.

² Note that in speaking of “Europe”, I am excluding Russia. By virtue of its long border with China and longstanding history of Chinese immigration, Russia is anomalous in many ways, hosting a large and diverse population of Chinese. These populations include merchants, students, and laborers, as well as descendants of settlers, deportees, and soldiers who crossed from China into Russia throughout the centuries. For a comprehensive history of the Chinese in Russia, see Datsyshen 2011.
1. Merchant Beginnings

Throughout the 1990s, steady waves of Chinese migrants swept through Eastern Europe, either en route to Western Europe as wageworkers or as entrepreneurs bent on selling cheap consumer goods in Eastern Europe itself. In Western Europe, the migrants usually worked in restaurants or factories. As befits chain migration, employment patterns tended to fall along qiaoxiang (migrant sending areas) lines (Tan 2007, 1), so that, for instance, the Fujianese from counties around Fuzhou dominated the restaurant sector. The Chinese communities of Eastern Europe, by contrast, were the products of shuttle traders who had started out in the Russian borderlands and then moved westward, into European Russia, Hungary, Romania, Czech Republic, and the Federal Republic of Yugoslavia (FRY) (Chang 2011a; IOM 1998; Nyiri 2007, 1998). These countries were popular destinations because the collapse of Communism opened up new markets for consumer goods, while strong diplomatic ties with the People’s Republic of China (PRC) often meant that visa requirements were waived for Chinese entrants. A large contingent of the migrants hailed from the towns of Qingtian and Wenzhou in Zhejiang province, areas which specialize in entrepreneurship and overseas migration. The Zhejiangese saw in each of these receiving countries conditions which enabled them to succeed. The low barriers to entry meant that Zhejiangese merchants could set up with minimal capital expenditures, and the thinly patrolled borders meant that they could conduct shuttle trade - or resettle in neighboring countries - with ease.

In the FRY in particular, the wars of independence and their legacy had so ravaged industry and infrastructure that there was little viable competition against the Chinese, who had ties to low-cost manufacturers back home. Further, the chaos meant that borders were badly patrolled and officials were willing to overlook infractions of law - if adequately bribed. This made the Yugoslav successor states attractive targets both for wageworkers looking to steal into Western Europe and petty traders trying to establish small-scale consumer goods businesses. The traders customarily run shops called kineske prodavnice (“Chinese shops”), which can be found throughout former Yugoslavia but are especially numerous in Serbia and Republika Srpska. Proprietors of kineske prodavnice were almost always Zhejiangese from Qingtian or Wenzhou.

In their early years, the Qingtianese and Wenzhounese were not well received in the Yugoslav successor states. Their large-scale settlement during the late 1990s in the Blok 70 neighborhood of New Belgrade spurred resentment among many locals, leading often to skirmishes with youths in the area (Petrovic 2007; Chang 2011a, 167). Later, when Serbia promulgated the Law of Fiscal Registers in 2003, a law that required receipts for all sales transactions, corrupt tax officials were given a tool to harass kineske prodavnice proprietors by singling them out for enforcement or demanding bribes to avoid citation. For their part, the Zhejiangese displayed a remarkable disregard for local customs and laws: Chinese shops routinely ran afoul of the Law of Fiscal Registers, even as the rest of the country grappled with reforms in the hopes of gaining EU membership. (Indeed, the Law of Fiscal Registers itself was passed in an effort to bring Serbia’s sales and tax recordkeeping up to EU standards.) Meanwhile, in all but the smallest towns, where there were no co-ethnic compatriots, the Chinese avoided socializing with their Serbian neighbors, choosing instead to import their own foods, send their children back to China for schooling, and remit their earnings to the qiaoxiang. The image that emerges of the Chinese communities in Serbia, then, was of a

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3 The migration of Zhejiangese into Eastern Europe has been covered extensively in Benton and Pieke 1998, Chang and Rucker-Chang 2011; Nyiri 2007; Nyiri and Saveliev 2002; Pieke and Mallee (1999) and will only be briefly discussed here.
hardworking but isolated and sometimes unscrupulous group of middlemen minorities who benefited from the country’s instability and yet established few lasting ties with the country itself. Ironically, for a community that arose from globalization and transnational networks, Zhejiangese merchants were curiously unworldly and provincial in their outlook, preferring to replicate their entire qiaoxiang experience rather than to become immersed in their host country.

Over time, however, the Zhejiangese began to organize. In 2005, the merchants of Blok 70 shut down their businesses for several days in protest of the Law of Fiscal Registers, which they said was discriminatorily enforced against them. Hence, an unaffiliated group of petty merchants, who despite shared qiaoxiang are fiercely competitive, organized into a powerful block which paralyzed large segments of the Serbian economy during their strike, including downstream retailers who procure from the kineske prodavnice and Roma (Gypsy) employees of kineske prodavnice. The Chinese embassy was called in to mediate, and eventually two sides agreed that the Law of Fiscal Registers would be laxly enforced in Blok 70 - to give time for the merchants to adjust.4

Such was the state of relations between Chinese and Serbs around 2008, aptly characterized as a state of grudging mutual acceptance. Zhejiangese merchants had made few inroads into the sociocultural fabric of Serbian society, but then again, the host society too was slow to embrace the Chinese presence. A few films, news articles, and educational television programming tangentially addressed the Chinese presence or Chinese culture, suggesting a movement from acceptance to tolerance.5 But for the most part, the merchant migrants and their hosts lived in entirely different and entirely separate social spaces, coming together only to effect commercial transactions. This segregation was facilitated by the economic niche within which the petty merchants operated - wholesale and retail sales of cheap consumer products - which sees virtually no domestic competition. The supply routes run from China, where merchants can cheaply source products, and the distribution networks in Serbia rely purely on Chinese intermediaries. The Zhejiangese therefore seem to be a wholly segregated, self-sufficient niche of migrant entrepreneurs who can set up in a transition economy with ease and minimal intrusion into the social fabric. When the economy or local opinion sours to the point of hostility, however, these petty merchants can easily move to another country, taking their supply and distribution chains with them.

It must be conceded that Serbia is not necessarily emblematic of all of Central and Southeast Europe. Serbia is anomalous in a number of respects, including the breadth of damage to the political and economic infrastructure done by the Milošević regime. That regime and its legacy, which can best be described as a kleptocracy, left behind a culture of corruption permeating all levels of bureaucracy as well as an economy where numerous industries have been decimated.6 All of these factors enabled the Chinese to flourish, by undermining domestic competition while allowing harsh laws to be bent. Elsewhere in post-Communist Europe, the societies were not always so dire. Therefore, while some countries might have seen sizeable influxes of Chinese early on, those magnitudes were not always sustained, whether because an improved economy rendered cheap consumer goods out-of-step with market demand or because well-enforced immigration and tax laws drove down the margins for Chinese entrepreneurs. In Hungary, for example, shortly after experimenting with a visa-free regime, the government instituted more restrictive immigration measures that imposed visas requirements and imperiled extensions of residency permits (Nyíri 2007).

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4 For a fuller account of this episode, see Chang 2011a.
5 For more indicators of the depiction of Chinese in Serbian film, see Rucker-Chang 2011.
6 For comprehensive coverage of contemporary Serbia, see Ramet and Pavlaković (2005).
Thus, one of the largest Chinese populations in the region at that time fanned out into neighboring countries. In the Czech Republic, another early recipient of large influxes of Chinese, migrants also did not stay long either, but those who did would begin to diversify into economic sectors beyond consumer goods (Moore 2006). Yet the unique precariousness of Serbia has enticed a sojourning culture of Zhejiangese merchants stay longer and in larger numbers than they have in any other central or Southeast European country. If characteristics about the Zhejiangese can be gleaned from anywhere, it would be from Serbia, where they have remained primarily engaged in petty trade, isolated from society, and disengaged from politics.

2. Reincarnation as Institutional Investor

Today’s popular understanding of Chinese movement into transition economies is not the influx of petty merchants but, rather, technical personnel attached to large, state-backed development projects such as dams or roads, or the aggressive overseas acquisitions of Chinese businesses (Roberts and Balfour 2009; Walt 2009). These are the ventures that draw alarm from US commentators over Chinese expansionism. There is a disparity, then, between these institutional investments and the forays of small-scale entrepreneurs such as the Zhejiangese. At first glance, these two trends appear to have nothing to do with one another: the colossal infrastructure and investment projects are typically supported by a nexus of China’s political and business elite and often have a diplomatic dimension; whereas Zhejiangese merchants hardly ever work in concert, other than the efforts of migration brokers who link would-be migrants from the qiaoxiang with employers in the niche economies of receiving countries. The entrepreneurial drive of the Qingtianese and Wenzhouese, it turns out, was born of centuries of exclusion from the anti-business Confucianism of imperial China and the command economy of Communism (Forster and Yao 1999). Without being able to avail themselves of aid from the state, denizens of these areas fended for themselves by running small businesses and emigrating to trade in distant lands.

Such were the characteristics of the Zhejiangese in Serbia around 2008 - entrepreneurial and disassociated from the state. Vis-à-vis the host society, relations had stalled at grudging mutual acceptance; vis-à-vis each other, the merchants were co-ethnic competitors, having only come together for the narrow purpose of protesting the Law of Fiscal Registers. Yet the Chinese community was moving from this stasis to deeper economic penetration. In 2008, a consortium of Chinese investors had poured 15 million Euros into a large shopping complex called the Kineski Tržni Centar in New Belgrade; by the time the Kineski Tržni Centar opened in December of that year, it had become the largest Chinese investment in the country (B92 News Online 2010; SrbijaNet 2009; Politika Online 2008). The project had lined up the Chinese embassy, local Serbian government, and commercial organizations as allies, breaking with the formerly apolitical nature of the Chinese in the country. It appears, therefore, that the petty merchants in Serbia had become a catalyst for institutional investment.

The same pattern of Zhejiangese pooling their capital to invest in large-scale ventures is being replicated across Africa, Europe, South Asia, Southeast Asia, and even North Korea. Wenzhou merchants have bought or planned to buy interests in shoe manufacturers in Italy, broadcasting stations in Spain and the United Arab Emirates; industrial parks in Russia, the US, and Vietnam; and mines in North Korea and Zimbabwe (Chen 2008). While many of these enterprises stem directly from efforts out of Wenzhou, some of the capital is drawn from consortia or organizations of Wenzhouese merchants already in the target
country – for example, the Wenzhou Fellow Countrymen Association in South Africa, which has over a thousand members. Even if the capital comes ultimately from the qiaoxiang, the transnational nature of Zhejiangese migrant networks is doubtlessly crucial to scouting out and acting on investment opportunities. Notably, these investments are spread across a diverse array of industries, from footwear, clothing, and leather goods (which used to be the paradigmatic industry for Wenzhounese investment) to real estate, commodities, construction, and high tech. These ventures are also drawing support from the Chinese political apparatus, as evident from the accompanying of Chinese officials on Wenzhounese trade group visits (Xinhua 2011). The attention of government officials is usually reserved for sizeable projects, so this development is remarkable, both in signaling the willingness of Zhejiangese merchants and Beijing political elites to work together and in revealing the size and sophistication of Zhejiangese ventures overseas.

Zhejiangese delegations are also being welcomed by the political leadership in potential target countries. An investment the magnitude of the Kineski Tržni Centar has the propensity to create jobs, spur construction, and broaden tax revenues. In this climate of global recession, any tangible improvement to the livelihood of locals will be welcomed by the governments of host nations. It is not surprising that for the most part, Serbian officials have rushed to support the establishment of the Kineski Tržni Centar. Coincidentally, the banner year of 2008 for the Kineski Tržni Centar also marked the onset of the global recession. Investment projects such as this can only become more frequent, as the purchasing power of a relatively solvent China grows while most economies of the world continue to sour. Indeed, it has been said that China will lead the world out of recession, the sense that its healthy growth rates will mean greater imports from all over the world (Strauss-kahn 2009; Wessel 2010); these injections of capital into struggling economies will doubtlessly be part of that effort.

3. Incentivizing Chinese Investment through Policy

Assuming that Zhejiangese merchants can serve as conduits to large-scale investment, governments in receiving countries can pursue policies which encourage – or at least do not unreasonably hinder – the entry and operation of Zhejiangese. For Serbia, this means instilling a measure of predictability to the enforcement of the Law of Fiscal Registers, which remains on the books and, outside of Blok 70, is still widely regarded among Zhejiangese merchants as being discriminately enforced against them. Allegedly, undercover tax officials still stake out kineske prodavnice for violations, sometimes entrapping proprietors by paying and then leaving before receipts can be handed out, only to return later to demand bribes. This is part of a greater pattern of corruption endemic to Serbian society; for the Chinese in Serbia encounter graft at numerous levels of bureaucracy, from the customs clearing process to tax enforcement. Yet the Law of Fiscal Registers is unique because it disproportionately affects one type of Chinese migrant: Zhejiangese petty merchants. Furthermore, while businesspeople of all nationalities within Serbia, including Serbian nationals themselves, are routinely shaken down by government officials, the Law of Fiscal Registers is said to be disparately enforced against the Chinese in a way that is close to violation of human rights norms. Whether selective enforcement of a facially neutral law rises to the level of discrimination is not

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7 There were, however, some snags at the outset with the Kineski Tržni Centar, due to impediments by local government (Chang 2011b).
conclusively answered by the Serbia’s landmark Anti-Discrimination Act of 2009, nor by the International Covenant on Civil and Political Rights, nor by European anti-discrimination law. Yet the surest way to reshape this law will not be to challenge it in court but to transform its enforcement through top-down directives, so that officials refrain from specifically targeting Chinese merchants. If this is done, it would be an efficient way of incentivizing longer-term settlement of Zhejiangese merchants, and hence their maturation into investment pools or conduits, while steering clear of the impression among locals that the Chinese are treated preferentially (as would be the case if Chinese had an easier time clearing customs, for example).

For Europe’s weaker economies that could stand to benefit from Chinese investment, a comprehensive policy toward the Chinese that attempts to lure and retain small-scale merchants must remove barriers to business, in a way that does not stir local resentment. Prevention of the disparate enforcement of laws figures prominently into that effort. These measures would greatly ease the lives of Chinese migrants once they have arrived in a host country. But what about barriers to entering a country, in the form of immigration laws? Counterintuitive though it may seem, my view is that for Serbia, which borders the EU but is not part of it, immigration laws do not need major overhaul to attract Chinese migrants. The sizeable Chinese population has managed to cope with the country’s visa and registration requirements through its ebbs and flows for nearly two decades. In the past, Serbia was used as a springboard into the EU because Serbia was easy to enter for Chinese citizens and bordered countries contiguous with the EU. Even after Serbia phased out its visa-free regime, the Chinese continued to come and try to make a livelihood. Their numbers have been relatively high compared with the rest of Southeast Europe, Central Europe, and Eastern Europe (except Russia) but modest compared to countries with strong pull factors for immigration, such as the United Kingdom. Barriers to entry therefore do not have to be very stringent, though that would change if Serbia were to ever join the EU.

In terms of migration pull factors, Serbia contrasts quite starkly with EU members in Northern and Western Europe, which draw Chinese migrants more strongly because wage differentials with sending areas in China are more severe. To protect their own labor pool and social resources, these countries stem the influx of migrants through stringent immigration laws. Nevertheless, the magnetism of these countries is intense, and Chinese migrants continue to devise novel schemes to sneak across the borders. Once inside, they may be subject to exploitation and abuse by employers and migration brokers. Concomitantly, in response to strict immigration policies, migrants may abuse the asylum process, through submitting false asylum claims so as to remain in the country (Pieke 2004). In Serbia, on the other hand, as in other Southeast and Central European countries where immigration laws are less drastic but the economy does not support a large imported labor population, the Chinese question does not implicate these immigration and refugee policy issues; for such issues are intimately related with labor issues, and Serbia’s Chinese population consists primarily of petty merchants rather than wageworkers. Bearing in mind this difference between merchants and wageworkers, as well as empirical and anecdotal evidence which suggests that the former category are more likely to catalyze institutional investment, governments who want to lure sojourning merchants such as the Zhejiangese should ensure that their laws and law enforcement does not single out these populations.

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8 For fuller discussion, see Chang 2011b.
9 By my estimate, there are 20 000-30000 Chinese in Serbia (Chang 2011, 149 n.2).
As the economies of Europe worsen, however, this will become more difficult to ensure. Voting constituents will demand stricter policies on immigrants and refugees, who are vulnerable scapegoats. While the pursuit of evenhanded enforcement of nondiscriminatory laws should be uncontroversial, such efforts may be moot if the entry of petty merchants is severely curtailed. The irony is that to some extent, it is a weakened economy which draws migrants such as the Qingtianese and Wenzhounese, so a balance must be struck between an economy where domestic competitors are immobilized and an economy that is so bad that governments restrict immigration unnecessarily.

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