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CANADA

IN

CHINA

**DOING BUSINESS AT HOME AND AWAY**

**Policy Implications of Chinese-Canadian Entrepreneurship**

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April, 2007

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## CANADA IN ASIA PUBLICATIONS SERIES

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## ACRONYMS

<b>APF Canada</b>	Asia Pacific Foundation of Canada
<b>BIP</b>	Business Immigration Program
<b>CIC</b>	Citizenship and Immigration Canada
<b>CIDA</b>	Canadian International Development Agency
<b>CPAC</b>	Chinese Professionals Association of Canada
<b>DFAIT</b>	Foreign Affairs and International Trade Canada
<b>GTA</b>	Greater Toronto Area
<b>SMEs</b>	Small and Medium-sized Enterprises
<b>TIE Study</b>	The Transnational Immigrant Entrepreneurship Study
<b>ZSP</b>	Zhongguancun Science Park

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# EXECUTIVE SUMMARY



Entrepreneurship contributes to job creation, innovation and economic growth. Immigrants are a large, growing and dynamic source of entrepreneurship, with many engaging in transnational business. This has important policy implications as it affects immigrant integration in the host country, economic development in the countries of origin, and bilateral trade and investment.

This report presents findings from the Transnational Immigrant Entrepreneurship Study (the TIE Study) funded by the Social Sciences and Humanities Research Council of Canada, Initiatives in the New Economy (2003-2007). We first demonstrate the contribution of transnational entrepreneurship to economic ties between Canada and immigrant source countries. Second, we investigate the causes and dynamics of transnational entrepreneurship, in particular how it is facilitated by state policies, cross-border networks and the Internet. In the third section, we discuss the policy implications of transnational entrepreneurship. In this report, we adopt Portes and colleagues' definition of transnational entrepreneur as ethnic entrepreneurs whose business success depends on contacts and associates in their home countries or a third country.

The major findings of the study include:

- 42% of Chinese-Canadian entrepreneurs are transnational. Many Chinese transnational enterprises build their business on trading goods, services, technology, knowledge and culture between Canada and their countries of origin. This contributes to international trade. On average, international trade makes up 30% of transnational firms' annual revenue.
- Transnational entrepreneurs are bridge builders. Nearly three-quarters of transnational entrepreneurs have helped Canadian firms to do business in their home countries or home country firms to do business in Canada.
- Transnational enterprises comprise the more dynamic part of the ethnic economy. They tend to be larger in terms of revenue and employment than their domestic counterparts. Furthermore, transnational enterprises have expanded into the manufacturing and wholesale sectors, while domestic ethnic enterprises are more concentrated in the retail and service sectors.
- China is an important market that many Chinese transnational enterprises depend on. A growing flow of capital, goods, services and people between Canada and China on the one hand, and the cultural and geographic distance between the countries on the other hand, have created business opportunities for Chinese-Canadians.
- Exploiting resources among Overseas Chinese has become a national project in China. The Chinese government has established a series of policies to encourage Overseas Chinese to return and set up businesses. As a result, enterprises launched by transnational entrepreneurs have grown exponentially in China.
- By promoting cross-border exchanges of knowledge, technology and expertise, ethnic business and professional associations have become important players in prompting transnational entrepreneurship. Transnational entrepreneurs are significantly more likely to be members of business associations than domestic ethnic entrepreneurs.
- Except for immigration class, education, work experience, and gender, there are no significant differences between transnational and domestic entrepreneurs in most socio-demographic aspects such as age, marital status or place of origin.
- Cross-border networks and new communication technologies give ethnic entrepreneurs a head start for participating in transnational economic activities.

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- ❑ Transnational entrepreneurs depend on “glocalized” networks that have both global connections and local interactions. Transnational entrepreneurs have larger, more diverse networks with more resources than non-transnational entrepreneurs both in Canada and in their home countries.
  - ❑ Transnational entrepreneurs use the Internet more productively than non-transnational entrepreneurs. The Internet allows them to pool resources in multiple places along their immigration trajectory.
  - Entrepreneurship needs to be an important dimension of the policy mix for Canada to excel in the global economy. The Canadian government should develop a strategy to exploit the potential of transnational entrepreneurship. We conclude with policy implications of transnational entrepreneurship, specifically:
    - ❑ Setting up a database of the Canadian Diaspora, in particular returnee entrepreneurs in key international markets.
    - ❑ Bringing bilateral trade to the grassroots level by fostering collaborations between mainstream and ethnic firms, especially among small and medium-sized enterprises.
    - ❑ Establishing an integrated online resource database to facilitate networking and the dissemination of information.
    - ❑ Supporting transnational businesses by setting up pilot projects modeled on existing initiatives that promote entrepreneurship among women and aboriginal people.
    - ❑ Raising immigrants’ awareness of governmental resources by advertising in ethnic media and partnering with ethnic business and professional associations.
    - ❑ Funding regular, long-term and comparative

research on transnational entrepreneurship among multiple ethnic groups in Canada.

# INTRODUCTION

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## 1

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Entrepreneurship contributes to job creation, innovation and economic growth and immigrants have been a large, growing and dynamic source of entrepreneurship in North America and Europe (Li 2002; Zhou 2004). In Canada, immigrants account for more than one-fifth of the self-employed (Tal 2003). Increasingly, many ethnic entrepreneurs engage in transnational business. Close to 60% of Latino entrepreneurs in the US depend on contacts to their home countries or a third country for business success (Portes et al. 2002; Landolt 2001). Half of Indian and Chinese immigrant entrepreneurs in Silicon Valley “have set up subsidiaries, joint ventures, subcontracting, or other business operations in their native countries” (Saxenian et al. 2002, p.37). Ethnic minorities in Canada also actively participate in transnational economic activities (Hiebert and Ley 2003; Wong and Ng 2002).

Research on transnational entrepreneurship is emerging (Wong 2004). However, existing research often relies on small-scale ethnographic studies and researchers use different definitions for transnational entrepreneurs, entrepreneurship and enterprises. Thus, it is difficult to compare findings on the scope and intensity of immigrants’ participation in international business. In this report, we adopt the definition of transnational entrepreneurs in Portes and colleagues’ Comparative Immigrant Entrepreneurship Project (CIEP), one of the first large-scale studies combining qualitative interviews and quantitative surveys on transnational entrepreneurship. Transnational entrepreneurs are defined as ethnic entrepreneurs whose business success depend on contacts and associates in their home countries or a third country. Conversely, domestic entrepreneurs (in this context) are defined as ethnic entrepreneurs whose business success depends solely on contacts and associates in the host country.

Transnational entrepreneurship has important policy implications. First, it offers an alternative way of

immigrant economic integration into the host society (Zhou 2004). Second, by facilitating long-distance transfer of investment, knowledge and resources, transnational entrepreneurship contributes to economic development in the home countries. Third, bilingual and culturally versatile immigrants offer the host country a shortcut to enter international markets (Light et al. 2002). In Canada, each 10% increase in immigrant inflow leads to a 1% increase in exports and a 3% increase in imports (Head and Ries 1998).

There have been only a few studies on transnational entrepreneurship in Canada, and it remains a largely unexploited resource in this country (Filion et al. 2001). To exploit the potential of transnational entrepreneurship, the first step is to understand its dynamics. So, funded by the Social Sciences and Humanities Research Council of Canada, Initiatives in the New Economy (2003-2007), we conducted the Transnational Immigrant Entrepreneurship Study (the TIE Study). The TIE Study aims to use Chinese-Canadians as an example to understand the causes and consequences of transnational entrepreneurship. We collected data from Chinese-Canadian entrepreneurs from 2002 to 2006 through ethnographic study, in-depth interviews and a random sample survey. First, we interviewed 67 entrepreneurs and experts in Toronto and Beijing. Second, drawing on a random sample, we conducted a face-to-face survey<sup>1</sup> in Toronto with 308 Chinese-Canadian entrepreneurs from major sending societies in Asia Pacific and the global Chinese Diaspora. The data provide a good opportunity for systematically analyzing how factors at structural and individual levels affect transnational entrepreneurship. The random sample design of the TIE survey allows a generalization of the findings to the population of Chinese-Canadian businesses in the Greater Toronto Area. Our fieldwork in Beijing allows us to examine how policies and programs of the Chinese government affect transnational entrepreneurship.

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In this report, we focus on three aspects. First, we demonstrate the impact of transnational entrepreneurship on economic ties between Canada and immigrant-sending countries. Second, we investigate the causes and dynamics of transnational entrepreneurship, in particular how it is facilitated by state policies, border-crossing networks and the Internet. Third, we discuss policy implications of transnational entrepreneurship.



# MAKING THE HIDDEN ADVANTAGE VISIBLE

## 2

The TIE survey found that 42% of Chinese-Canadian entrepreneurs are transnational. Interviews with entrepreneurs and experts illustrate that many transnational entrepreneurs build their businesses on trading goods, services, technology, knowledge and culture between Canada and their home countries. Types of transnational business include international trade, finance, telecommunications, tourism, education, media and immigration services.

### 2-1 INTERNATIONAL TRADE

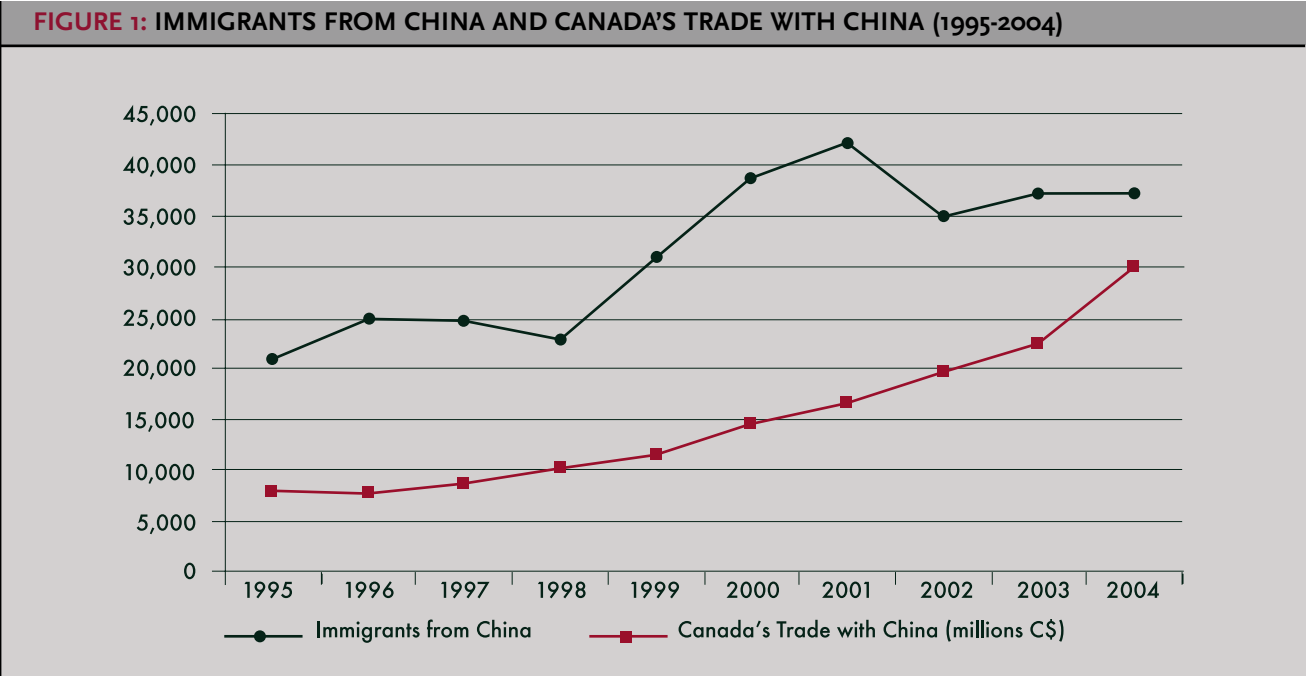
The growing Asian Canadian population has been viewed as “a not-so-secret weapon, a real asset, in this contest for the pocketbooks and wallets of booming Asia” (Martin 2004). Indeed, there is a positive relationship between the inflow of immigrants and bilateral trade. For instance, between 1995 and 2004, each 1,000 increase in the number of immigrants from China was

associated with about a \$700 million increase in Canada’s trade with China (Figure 1).

Table 1 shows that imports and exports combined account for 14% of ethnic Chinese firms’ revenue. Transnational entrepreneurs import and export significantly more than domestic entrepreneurs. International trade makes up 30% of the annual revenue in transnational enterprises, compared with only 3% of the annual revenue in domestic firms.

### 2-2 BRIDGING

A major barrier against firms going international is the lack of knowledge about the culture, politics and markets of a foreign country (Zaheer 1995). Our interviews with entrepreneurs illustrate that ethnic entrepreneurs have both the willingness and capability to be bridge builders, matchmakers, or intermediaries between Canada and their home countries. Ethnic entrepreneurs’



Source: Industry Canada (2006); Statistics Canada (2004).

**TABLE 1: TRANSNATIONAL CHARACTERISTICS OF ETHNIC CHINESE ENTREPRENEURS**

Transnational Characteristics	Entrepreneurs			F-Test
	All	Transnational Entrepreneurs	Domestic Entrepreneurs	
Percentage of Imports and Exports in Revenue	14	30	3	***
Percentage of Imports in Total Purchase	19	40	4	***
Percentage of Exports in Total Sales	9	19	1	***
Percentage of Playing a "Bridge" Role <sup>a</sup>	49	72	31	***

a: Entrepreneurs are considered as playing a "bridge" role between Canada and their home countries if they have arranged business contact or served as an advisor or consultant for Canadian firms to do business in the home country or home country firms to do business in Canada.

N=308 \*\*\*p<0.001

tacit knowledge about doing business in their home countries allows them to serve as "the antennae of Canadian firms" in international markets (Interviewee #33).

About half of the Chinese-Canadian entrepreneurs in the TIE survey have served as a bridge between Canada and their home countries. That is, they have arranged business contacts or served as an advisor or consultant for Canadian firms doing business in the home countries or home country firms doing business in Canada. Compared with domestic entrepreneurs, transnational entrepreneurs are significantly more active in bridging. Nearly three-quarters of transnational entrepreneurs have helped Canadian firms to do business in their home countries or vice versa, compared with 31% of domestic entrepreneurs.

### 2-3 THE MORE DYNAMIC PART OF ETHNIC ENTREPRENEURSHIP

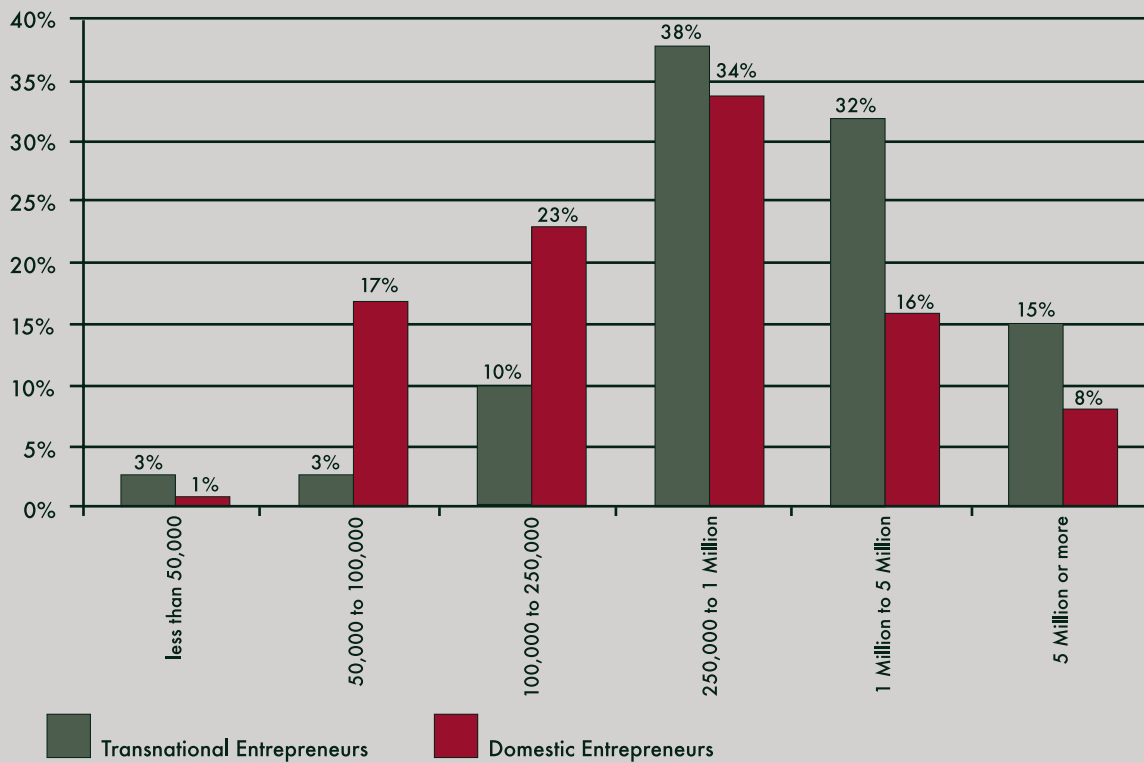
Transnational entrepreneurship comprises the more dynamic part of ethnic entrepreneurship. Compared to domestic entrepreneurs, transnational entrepreneurs have significantly higher revenues and number of employees. Close to half of transnational entrepreneurs had revenues above \$1 million in 2004, compared with only 24% of domestic entrepreneurs (Figure 2).

Like entrepreneurship in general, transnational entrepreneurship creates jobs and promotes immigrants'

economic advancement at the individual level and the community level (Guarnizo et al. 2003; Zhou 2004). Table 2 shows that transnational enterprises have significantly more employees both in Canada and overseas. Overall, more than 70% of transnational enterprises have five or more employees. Some 13% have 50 or more employees. By contrast, almost 60% of domestic enterprises have fewer than five employees, and only 6% have 50 or more employees.

Until the early 1980s, grocery stores and small personal service businesses such as laundries and restaurants had dominated the Chinese ethnic economy in Canada. While retailers still have an important presence, Chinese ethnic businesses are shifting to professional services, technology industries and manufacturing (Wang 1999). As shown in Table 3, firms run by transnational entrepreneurs are more diversified in terms of industry distribution. Transnational enterprises have expanded into the manufacturing and wholesale sectors, while domestic businesses are more concentrated in the service and retail sectors. Close to 30% of transnational enterprises are in the wholesale sector, compared to 6% of domestic businesses. Close to 18% of transnational businesses are in the manufacturing sector, compared with 6% of domestic businesses.

**FIGURE 2: REVENUE OF ETHNIC CHINESE ENTREPRENEURS IN 2004**



N=308 Chi-Square=36 \*\*\*p<0.001

**TABLE 2: EMPLOYMENT SIZE OF ETHNIC CHINESE ENTREPRENEURS**

Employment Size	Entrepreneurs (%)			Chi-Square
	All	Transnational Entrepreneurs	Domestic Entrepreneurs	
<b>Canada and Overseas</b>				
0-4	46	28	58	33.9 ***
5-9	22	24	21	
10-49	23	35	14	
50-99	5	8	3	
100 or more	4	5	3	
Total	100	100	100	
<b>In Canada</b>				
0-4	48	33	59	23.7 ***
5-9	24	27	22	
10-49	20	30	13	
50-99	5	6	3	
100 or more	3	4	3	
Total	100	100	100	
<b>Overseas</b>				
0-4	94	87	98	17.9 **
5-9	2	4	0	
10-49	4	7	2	
50-99	1	2	0	
100 or more	0	1	0	
Total	100	100	100	

N=308 \*\*\*p<0.001 \*\*p<0.01

**TABLE 3: INDUSTRY DISTRIBUTION OF ETHNIC CHINESE ENTREPRENEURS (%)**

Industry Distribution	Entrepreneurs			F-Test
	All	Transnational Entrepreneurs	Domestic Entrepreneurs	
Manufacturing	11	18	6	***
Wholesale	15	28	6	***
Retail	34	22	43	***
Services	40	32	45	*
Total	100	100	100	

N=308 \*\*\*p<0.001 \*p<0.05



# UNDERSTANDING THE DYNAMICS

## 3

Transnational entrepreneurship relies as much on macro level forces as the entrepreneurial spirit and resources of individual immigrants. In this section, we will first analyze the larger social context in the host and home countries in which transnational entrepreneurs operate. State policies play a critical role in facilitating or constraining immigrant transnationalism (Levitt and Glick-Schiller 2003). Macro conditions such as immigration policies in the host country and development strategies in the home countries set the stage for transnational entrepreneurship. Without such conditions, there would be little room to manoeuvre for even the most creative and networked entrepreneurs. Just as importantly, the political and economic relation between the host and home countries are important to immigrant transnational activities. For instance, Roberts and colleagues attribute the rise of transnational enterprises between Mexico and the US to the North American Free Trade Agreement and the General Agreement on Tariffs and Trade (1999). Yet, the same macro conditions have different impacts on individual entrepreneurs. We will also discuss the impact of entrepreneurs' sociodemographic characteristics, networks and Internet use on transnational entrepreneurship.

### **3.1 IMMIGRATION POLICIES AND THE CHINESE-CANADIAN POPULATION**

The Chinese population in Canada has been growing steadily since 1967 when Canada adopted the points system to select immigrants based on skills rather than on racial quotas. There are at least one million Chinese-Canadians, forming the third-largest ethnic group in Canada (Statistics Canada 2004). Post-1967 Chinese immigrants differ from long established Canadian-Chinese in place of origin and in socio-economic background. Close to one-fifth of the Chinese immigrants landed in Canada between 1980 and 2000 had a bachelor's degree or higher (Wang and Lo 2004). After

landing in the new country, immigrants often face labour market disadvantages such as depreciated human capital or the lack of English proficiency, which hinders them finding jobs in the mainstream economy. The impeded mobility leads many of them to entrepreneurship (Henry 1994). Aiming to attract investors and entrepreneurs, the Business Immigration Program was introduced to the Immigration Act in 1978. Chinese from Hong Kong, Taiwan and China accounted for more than half of the 85,000 business immigrants who landed in Canada between 1986 and 2004 (CIC 2006).

A fast-growing immigrant population provides the market, labour and capital for ethnic entrepreneurship. Research shows the proliferation and diversification of the Chinese ethnic economy in major Canadian metropolitan cities (Fong, Ooka and Luk 2005). The great majority of the Chinese-Canadian population is foreign born. Their tastes create a demand for "authentic" goods and services imported from their countries of origin. Their desire to maintain ties with their home countries creates demand for telecommunication services, travel agencies, financial services for remittance transfers, as well as for legal, notary and translation services (Guranizo 2003). Furthermore, as the Chinese-Canadian community consists of immigrants from different places of origin, immigrant entrepreneurs are able to explore links to various export regions, particularly to markets in Hong Kong, Taiwan and China.

### **3.2 GLOBALIZATION AND THE RISE OF CHINA**

With an annual growth rate of 9% over the past two decades, China is playing an increasingly important role in the global economy, both as the world's workshop and as an emerging market. Many entrepreneurs see China as being in an historic period with rich entrepreneurial opportunities similar to the Renaissance in Europe, the Meiji Restoration in Japan, or the take-off of the Asian Tigers in the 1970s. The

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word “opportunity” repeatedly appears in our interviews with entrepreneurs: “China provides opportunity” or “there is much room for development and such an opportunity is once in a life time.” As one entrepreneur explains:

The rise of China is our competitive advantage. Ten years ago, you could only wash dishes in Chinese restaurants and work your way up to be a small business owner. Now, you come to Canada and a growing market in China backs you up. People see you in a different light . . . There are successful entrepreneurs who focus on the [Canadian] local market. Yet, the room for growth in the local market is quite limited. That’s why many immigrant entrepreneurs are doing international trade. This is our strength. (Interviewee #41.)

On the other hand, many industries in China are still backwards by international standards. Entrepreneurs are eager to fill such gaps, as the following quotation reveals:

I am excited to see that the data mining industry in China is almost blank . . . I sense there is a niche for me. (Interviewee #46.)

There has been a growing flow of capital, goods, and services between Canada and China. From 1995 to 2005, Canada’s trade with China increased from \$8 billion to \$30 billion. China has become Canada’s second largest national trading partner since 2003. Canadian direct investment in China has also grown quickly. By 2002, Canadian firms had invested \$667 million in China, an increase of almost 15 times over a decade earlier. Chinese investment in Canada increased from \$54 million in 1991 to \$220 million in 2004. About 400 Canadian companies have established a permanent presence in China, while China has set up 120 firms in Canada (Chen 2006; Jia 2006; Industry Canada 2006; DFAIT 2005; Baglole 2004). Many of our interviewees believe that there is much room for the

two countries to increase trade with each other. As one entrepreneur analyzes the situation:

Canada is rich in natural resources and strong in science and technology. Many Canadian environmental and high-tech products fit the Chinese market. On the other hand, the economy in China has been growing fast. It is a country in transition and there are many new projects. We have a lot of opportunities to export Canadian products to China and import consumer goods that can be made relatively cheaply in China to Canada. As Chinese immigrants, we can do business in both directions. (Interviewee #63.)

International firms have been actively exploring the Chinese market, while Chinese governments and firms have become increasingly interested in “going global” (Zhang 2005). The social, cultural, and geographic distances between Canada and China have created opportunities for Chinese-Canadians to act as bridges. For instance, firms in China often lack the linguistic, cultural and business knowledge needed to operate in Western countries. They need transnational entrepreneurs with international experience, bilingual skills and a Chinese cultural background to facilitate their entry to the international market. The following quotation makes the point:

When many private enterprises in China try to find ways to enter the international market, we finally figure out our strength — language and culture. We help them introduce their projects to the international market and set up branches in North America. They need us and we have the resources to serve them. (Interviewee #38.)

### **3.3 POLICIES AND PROGRAMS OF THE CHINESE GOVERNMENT**

Given the importance of immigrant remittances and investments, many sending countries have modified

citizenship laws, set up programs and created government agencies. Their aim is to accommodate immigrants' participation in the social and economic life in the home country (Levitt and Glick-Schiller 2003). For example, Israel, Ireland, South Korea, Portugal and India benefit greatly from capital, technology and connections brought in by their diaspora communities (Ionescu 2006). Estimates of the population of Overseas Chinese range from 30 to 70 million people (Siddiqui 2004; Zhou 2005; Zhang 2006). Exploiting resources in the global Chinese diaspora has become China's national project, as one Chinese governmental official put it:

The competition among nations is in essence a competition for economic power. In the final analysis, it is about the competition of talent. Our central government, our Party, our State Council, and the whole nation are paying great attention to talent. We place an unprecedented expectation on the elite of the Chinese people — Overseas Chinese — to strengthen the nation. (Interviewee #7.)

### **Building the Infrastructure**

Since the 1980s, the Chinese government has established a series of policies designed to encourage Overseas Chinese to return and set up businesses. By 2005, more than 100 industrial incubators for returnee entrepreneurs had been launched, accompanied by favourable programs and policies that provide funding capital, tax breaks and expedited government services (Xu 2005). For instance, the Zhongguancun Science Park (ZSP), established in 1999, is the flagship of the state-sponsored transnationalism. Located in northwest Beijing, Zhongguancun is home to a dozen of the most prestigious institutions in the country such as Peking University, Tsinghua University, the Chinese Academy of Sciences (CAS) and the Chinese Academy of Engineering (CAE). The aim of the government is to develop the area into China's Silicon Valley.

### **Rolling out the Red Carpet**

Utilizing Overseas Chinese as a strategic resource has become an important part of China's diplomatic effort. Various levels of the Chinese government routinely send business missions abroad and invite Overseas Chinese entrepreneurs to visit China. Chinese diplomats

frequently hold or join events in immigrant communities to promote entrepreneurship programs. Trips to China are sometimes reimbursed and local accommodation is usually free. The following excerpt shows the welcome awaiting ethnic Chinese entrepreneurs:

Within one year, I visited more than 20 cities and met at least eight leaders at the highest level, including governors and ministers . . . In China, people like extravagance. They rolled out the red carpet for us. Wherever we went, there were always motorcycle escorts, welcome parades and huge banquets. All these made us feel very excited. (Interviewee #23.)

The ZSP has established offices in Toronto, Silicon Valley, Amsterdam and Tokyo, to organize Overseas Chinese visiting and eventually starting up high-tech businesses in the Science Park. Since 2000, the ZSP has received more than 20,000 individual Overseas Chinese visitors and 79 start-up teams or delegations.

### **Streamlining the Bureaucracy**

A cumbersome bureaucracy is widely viewed as a daunting barrier when doing business in China. Hence, the ZSP has set up a "green policy channel" to reduce red tape for Overseas Chinese entrepreneurs. A special office under the administrative committee of the ZSP provides information and counseling to Overseas entrepreneurs. A brochure of 80 FAQs has been edited, distributed, and posted on the web to explain laws, regulations, requirements and procedures. The Science Park has also set up a one-stop service centre to assist entrepreneurs in registering businesses.

### **Providing Financial Support**

The Chinese government provides Overseas Chinese entrepreneurs financial assistance in various forms: free start-up funding, rent subsidies, loan guarantees, and direct investment. For instance, the ZSP holds large-scale project promotion fairs two or three times a year. It also organizes a monthly meeting to bring investors and returnee entrepreneurs together. By 2004, the Science Park had provided a total of 344 million Yuan<sup>2</sup> in financial assistance to 418 returnee firms. Moreover, 85 firms obtained a total of 623 million Yuan in bank loans through loan guarantee provided by the ZSP (Li and Zeng 2005).

As a result, enterprises launched by transnational entrepreneurs have grown greatly. The number of returnee firms in the ZSP increased from 1,357 in 2002 to 3,049 in 2005 (ZSP 2006). According to an estimate of the Overseas Chinese Affairs Office of the State Council of the People's Republic of China, Overseas Chinese own 70% of foreign invested enterprises in China (Jia 2006).

### 3.4 ETHNIC BUSINESS AND PROFESSIONAL ASSOCIATIONS

Ethnic business and professional associations actively promote the transnational exchange of knowledge, technology and expertise. As the founder of an ethnic Chinese business association states, “the goal of our association is to help immigrants to combine their advantages in both sides of the Pacific.” (Interviewee #54.) An Asia Pacific Foundation survey identified 85 Chinese business associations in Canada, with more than half of them reporting that a majority of members were involved in transnational businesses (2004). Our TIE Study found that transnational entrepreneurs are significantly more likely to be members of business

associations than are domestic entrepreneurs. Forty-five percent of transnational entrepreneurs are members of a business association, compared with about 30% of domestic entrepreneurs.

Ethnic business and professional associations organize workshops, seminars, networking events, trade shows and missions and invite and host delegations and trade missions from the home country. Many associations organize delegations of ethnic Chinese entrepreneurs to visit their home countries. With over 16,000 members, the Chinese Professionals Association of Canada (CPAC) is the largest association of its kind in Canada. CPAC has a centre for international exchange and cooperation and each year sends several business delegations to visit industrial incubators and science parks, participate in high-tech expos and trade shows, and network with central and local government officials in China.

### 3.5 SOCIO-DEMOGRAPHIC CHARACTERISTICS

Table 4 presents the socio-demographic characteristics of the Chinese-Canadian entrepreneurs in the TIE survey.

**TABLE 4: SOCIO-DEMOGRAPHIC CHARACTERISTICS OF ETHNIC CHINESE ENTREPRENEURS**

Socio-demographic Characteristics (Mean or Percentage)	Entrepreneurs			F-Test
	All	Transnational Entrepreneurs	Domestic Entrepreneurs	
Age	48.8	48.6	48.8	
Percentage of Women	21	15	25	*
Immigration				
Years of Residence in Canada	23	22	24	
Percentage of Business Class Immigrant	10	16	6	***
Percentage of Canadian Citizen	87	85	88	
Place of Birth (%)				
China	35	32	37	
Hong Kong or Macau	46	50	42	
Other	20	18	21	
Education				
High School or Less	26	19	31	**
University	58	61	56	
Postgraduate	16	20	13	
Highest Degree Obtained in Canada	41	38	43	
Years of Industry-specific Work Experience	8.8	9.8	8.2	*

N=308 \*\*\*p<0.001 \*\*p<0.01 \*p<0.05

Sixteen percent of transnational entrepreneurs are business class immigrants, compared with 6% of domestic entrepreneurs. Transnational entrepreneurs are better educated than domestic entrepreneurs — more than 80% of transnational entrepreneurs have university or higher education, compared with about 70% of domestic entrepreneurs. Transnational entrepreneurs also have more work experience than domestic entrepreneurs. However, except for immigration class, education, work experience, and gender, there are no significant differences between transnational and domestic entrepreneurs in most socio-demographic characteristics such as age, marital status, or place of origin.

**3.6 CROSS-BORDER NETWORKS**

The TIE Study suggests that cross-border networks and Internet use give ethnic entrepreneurs a head start in participating in transnational economic activities. The contours of networks on both sides of the Pacific affect transnational entrepreneurship. Our interviews with entrepreneurs show that many have extensive kin and friendship ties abroad. The survey found that the average size of an entrepreneur’s network is 34 people, with 20 living in Canada and 14 living elsewhere. The percentage of global ties — network contacts outside Canada — is significantly higher in transnational entrepreneurs’ networks than that in domestic entrepreneurs’ networks (35% vs. 26%).

Moreover, transnational entrepreneurs are more widely connected than domestic entrepreneurs both in Canada

and in their countries of origin. Their networks are more extensive, more diverse and richer in resources. Transnational entrepreneurship depends on cross-border networks that have both global outreach and local interactions. Such “glocalized” networks allow immigrants to discover opportunities and enable them to combine resources in entrepreneurial ways. The following excerpt is a case in point. Lisa and her husband originally planned to set up a software company in China to take the advantage of low labour costs there. Yet,

. . . talking with friends and meeting with firms in the industry, I found out that there is a great demand for qualified programmers [in China] as many software firms are doing work outsourced from North America. However, there are few good trainers with real hands-on North American software programming experience. Isn’t that a good niche for us? Our team consists of five IT engineers from Toronto with extensive North American experience. Our friends in Canada and the States serve as a pool of potential trainers. Instead of entering the competitive market of software programming that requires more investment, we reinvented ourselves as an IT training company. (Interviewee #24.)

**3.7 INTERNET USE**

The TIE survey shows that entrepreneurs use new technologies intensively. The overwhelming majority of entrepreneurs use mobile phones (92%), personal computers (86%) and the Internet (84%). Our data indicate that the need for communication and

**TABLE 5: ETHNIC CHINESE ENTREPRENEURS’ SOCIAL NETWORKS**

Network (Mean or Percentage)	Entrepreneurs			F-Test
	All	Transnational Entrepreneurs	Domestic Entrepreneurs	
Size	34	36	32	
Geographic Distribution				
Number of Ties in Canada	20	21	20	
Number of Ties Overseas	14	16	12	
In the Home Country	11	12	10	
In Other Countries	3	4	3	
Diversity				
Percentage of Global Ties	29	35	26	**

N=308 \*\*p<0.01

coordination of business activities across geographic distance leads to a high rate of Internet use among transnational entrepreneurs. Figure 3 shows that 92% of transnational entrepreneurs use the Internet, compared with about 80% of domestic entrepreneurs. Some 60% of transnational entrepreneurs have a business website, almost twice the level of domestic entrepreneurs (Figure 3). In multivariate analysis not shown here, we found that having a business website is positively related to both the likelihood and the intensity of transnational entrepreneurship. For many entrepreneurs, it has become a conscious effort to build and maintain a business website, as the following quotation shows:

We made a great effort to set up our website. It has been bilingual — Chinese and English — right from the start. Our website caters to Google’s searching technologies . . . If you google our products, we always show up in the front page. Most clients now come from the web. (Interviewee #53.)

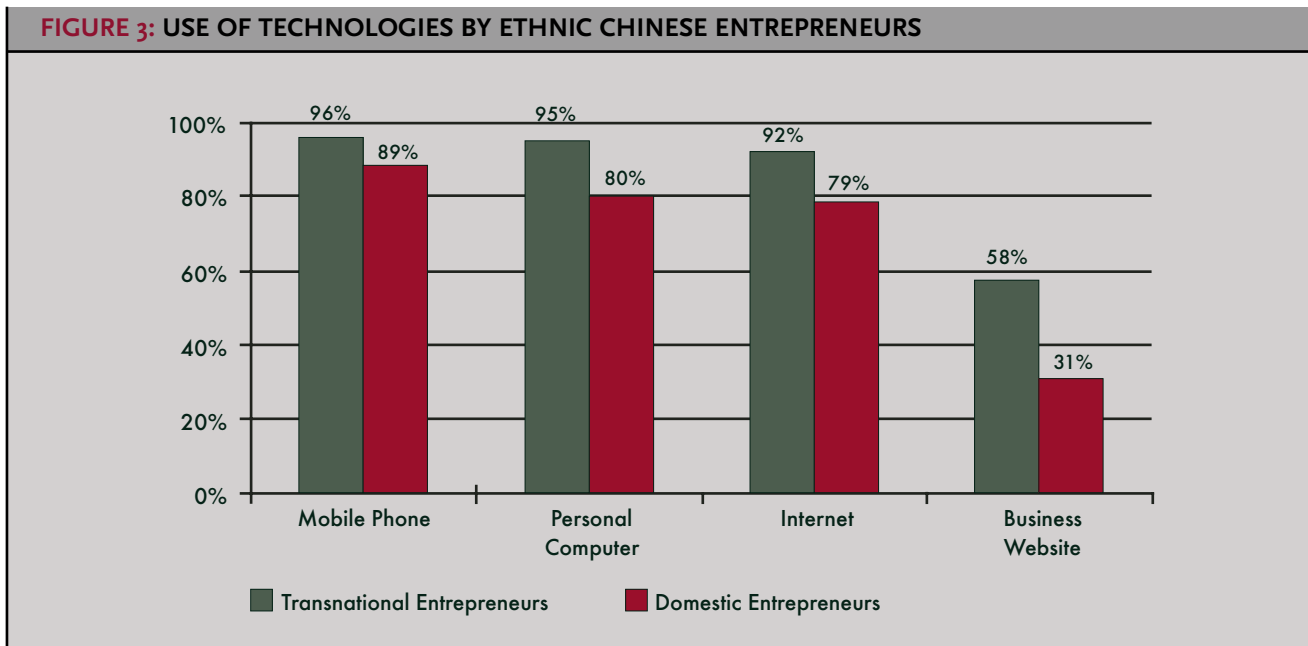
Entrepreneurs perform various tasks on the Internet, as revealed by the following excerpt: “the Internet has become an integral part of our daily operation, such as communication with clients, analyzing data, financial activities, or transferring data.” (Interviewee #46.)

Table 6 reports the activities that entrepreneurs carry

out online. Transnational entrepreneurs lead their domestic counterparts in all categories. For instance, 32% of transnational entrepreneurs market or sell products or services online, compared to 12% of domestic entrepreneurs.

Border-crossing networks are spatially dispersed and require continual maintenance. Table 6 illustrates that 82% of transnational entrepreneurs use the Internet for communication, compared with 62% of domestic entrepreneurs. Our interviews reveal that by affording easy, fast and border-spanning communication, the Internet helps entrepreneurs maintain connections with existing ties and create new ties with people of shared interests who are often outside their restricted physical world. The Internet helps entrepreneurs pool resources embedded in their networks, which are often scattered in different places along their immigration trajectory. The following comments illustrate this:

We began our operation as a guerilla war. There are three of us. The tech guy is in Boston, the sales guy is in Vancouver, while I am the guy for everything else and based in Toronto. We are lucky that we live in the Internet era. The Internet makes it handy to put dispersed resources together. We keep in close contact through instant messaging, email, phone and fax. (Interviewee #52.)



N=308

**TABLE 6: ETHNIC CHINESE ENTREPRENEURS' INTERNET ACTIVITIES**

Internet Activities (percentage)	Entrepreneurs			F-Test
	All	Transnational Entrepreneurs	Domestic Entrepreneurs	
Communication	70	82	62	***
Online Banking	59	68	52	**
Finding Information about Leisure Activities	41	48	36	*
Finding Information about Entrepreneurship or Business Events	40	51	33	**
Buying Products or Services	37	42	33	
Finding Information about Community Events	37	45	31	*
Downloading or Uploading Files	36	39	34	
Being Entertained, Release Tension	29	38	22	**
Announcing Business Related Information or Events	23	31	17	**
Market or Selling Products or Services	20	32	12	***
Maintaining Personal or Business Website	20	28	15	**
Participating in Online Discussion Groups	12	17	9	*
Meeting New People for Social Purposes	7	12	3	**

N=308 \*\*\*p<0.001 \*\*p<0.01 \*p<0.05



# POLICY IMPLICATIONS

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## 4

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Canadians — native or foreign born — are increasingly mobile. It is estimated that there are 2.7 million Canadians living outside Canada, notably in the US and Asia (Zhang 2006). A growing Canadian Diaspora has important economic, political and security ramifications. Discussions about Canadians living abroad — for instance, the brain drain debate in the late 1990s, or the ongoing debate on dual citizenship spurred by the evacuation of Lebanese Canadians during the Israel-Lebanon crisis in 2006 — tend to emphasize potential costs to Canada of the expatriate community. Relatively little attention has been paid to how Canada can benefit from this Diaspora. Transnational entrepreneurs, especially those who have returned to their countries of origin to pursue business opportunities or those who travel frequently back and forth between Canada and their home countries, are an integral part of the Canadian Diaspora. They are sometimes caricatured as calculating opportunists who obtain citizenship as a travel document or an insurance policy against potential social or political turmoil in their countries of origin. Our interviews with returnee entrepreneurs in Beijing suggest that this view may be exaggerated. Just as they did not cut off their home country ties when they emigrated to Canada, most returnees keep close social and business relations with Canada.

These findings from our TIE Study suggest that a sizeable proportion of Chinese-Canadian entrepreneurs build business success on their connections and associations in their home countries or a third country. The results confirm Portes and colleagues' research (2002) that transnational entrepreneurship is a dynamic and successful part of ethnic entrepreneurship. Our research is also consistent with Halabisky's finding (2005) that Canadian firms that engage in exports create more jobs than those that do not. The analysis suggests that a number of factors at the macro and micro level contribute to the growth of transnational entrepreneurship: Canada's liberal immigration regime,

globalization, the rise of China in the global economy, China's national strategy of recruiting Overseas Chinese for economic development, and the facilitating role of ethnic business and professional associations. Moreover, cross-border networks and Internet use enable ethnic entrepreneurs to participate in transnational business activities.

Canada has a positive image in the Asia Pacific region and good relations with Asian countries. The increasing flow of immigrants from Asia Pacific to Canada further enhances the people-to-people link. However, many of our interviewees point out that Canada's economic performance in China is disproportionate to the size of the Chinese-Canadian population. As a director of a prominent Canadian business chamber in Beijing comments:

China is the hotspot now. Canada has a very positive image in China . . . However, if you look at the results, Canada is not doing very well in China. (Interviewee #31.)

Overall, Canada's trade with China has been growing. However, in comparison, Canada has been left behind in the Chinese market by key competitors such as Australia, as well as smaller players such as Brazil and the Philippines. Important economic indicators — Canada's share in China's imports and exports and Canada's investment in China — have been hovering around 1%: what experts call "the 1% relation" (Gee 2004). The latest Statistics Canada data revealed an even more alarming picture. While Australian and US exports to China soared, Canada's exports declined in 2005 (Scofield 2006). Indeed, a pessimistic view has become dominant in the discussion of Canada's role in China (Francine 2004). Many are concerned about an even bleaker future, where Canada's role in the Chinese market might be limited to that of an exporter of natural resources. More recently, concerns have emerged that China may compete with Canada in its major export

market — the US (Boileau 2006).

Entrepreneurship has a positive impact on economic growth and job creation. The vitality of SMEs is critical to sustain Canada's international competitive advantage. Compared to many sending countries, such as India, China, Ireland or Israel, Canada still lacks a strategy to tap into the potential of transnational entrepreneurship. Facilitated by border-crossing networks, immigrants "have serious natural advantages in trade promotion" (Light et al. 2002, p.705). How can Canada translate the rising tide of transnational entrepreneurship among its Asian immigrant population into economic competitiveness? In the following section, we discuss policy implications for strategically promoting transnational entrepreneurship.

### **Rallying the Troops**

Frank McKenna, former Canadian Ambassador to the United States, has spoken about the need to "communicate on various issues with this expatriate community and hopefully to receive their support on issues important to Canada." He believes that "challenge number one is for us to assemble all of these databases and to find where all of these Diaspora Canadians live, in what communities and find means to communicate with them" (2005). Countries like the Philippines and Italy have set up national databases for citizens living abroad (Ionescu 2006). Many of our interviewees share the view that the Canadian Diaspora that they feel part of remains an invisible and under-utilized asset for Canada. One interviewee gives an example of how the British tapped into the potential of returnees:

Along with the British embassy, the British Chamber of Commerce organized a business plan competition for returnees from Britain in Beijing. I was invited to give a keynote speech there. The VP of BP was there too. That was a brilliant idea as they built a database of returnees from Britain and provided a foundation for networking. The prize was a roundtrip ticket to London. It did not cost too much. The best part was that they got this opportunity to screen business plans, which led to further collaborations. (Interviewee #32.)

### **Bringing it to the Grassroots Level**

Under the Liberal government, there had been seven

Team Canada missions since 1994, and five of these went to the Asia Pacific region. The latest Canada trade mission to China and Hong Kong in 2005 consisted of "close to 375 Canadian delegates from 279 companies and various government departments and agencies" (Team Canada 2005). During this visit, "more than 100 agreements were signed between Canadian and Chinese companies" (Team Canada 2005). Participants "have reported that missions add momentum to their business efforts, that their company benefits from the overall profile of missions and that their involvement in missions generally results in more leads than they anticipate" (Team Canada 2005).

While the governments should further support multinational corporations in their exploration of the Asia Pacific market, SMEs also need attention. Many of our interviewees believe that bilateral trade with China mainly remains at the level of multinational corporations and call for initiatives to bring it to the grassroots level by assisting SMEs, particularly the collaboration between mainstream and ethnic SMEs. Our interviews with ethnic business and professional association leaders suggest that many of them lack the capacity and experience in advocacy and in networking with their mainstream counterparts. Government agencies can help bring together mainstream and ethnic businesses through facilitating inter-ethnic mentoring programs. Role models and best practices can be featured and celebrated, which would benefit both mainstream and ethnic businesses.

### **Integrating Resources, Providing Tailored Services and Reaching Out**

All levels of Canadian government have been committed to developing an environment conducive for entrepreneurship. During our fieldwork, we found that there are valuable information and resources relevant to transnational entrepreneurship. However, there is a lack of integrated government policy and programs promoting ethnic entrepreneurship and their participation in transnational business activities. Information and resource links have not been integrated into comprehensive databases in a user-friendly fashion. Federal departments such as Industry Canada, the Ministry of International Trade, Citizenship and Immigration Canada, and Human Resources and Skills

Development Canada can develop horizontal policies and provide more one-stop information and services. By collaborating with think-tanks, research institutes and business associations, the federal government can establish an integrated resource database at a limited cost. Immigrants are using new communication technologies intensively and transnational entrepreneurs, in particular, are Internet savvy. A resource database linked to key websites could facilitate networking and the dissemination of information.

While government agencies, financial institutions, and non-profit organizations offer entrepreneurs various seminars and counseling services, few programs address the specific need of ethnic entrepreneurs. For instance, the website of Industry Canada has special sections for women, young and aboriginal entrepreneurs, but not for ethnic entrepreneurs. While there are various programs supporting exports (the Business Development Bank of Canada, Canadian Commercial Corporation, CIDA's Industrial Cooperation Program or Export Development Canada), few programs offer services targeted at ethnic entrepreneurs. The government may offer more tailored services by identifying the specific need of ethnic businesses. For instance, business skill and language training that can help ethnic entrepreneurs integrate into the mainstream economy.

Specific programs can be developed to support transnational businesses, modeling on initiatives promoting aboriginal and women entrepreneurship. This can be accomplished by setting up pilot projects with Export Development Canada, the Business Development Bank of Canada and DFAIT's program for Export Market Development Grants.

Our TIE survey found that ethnic Chinese entrepreneurs have obtained relatively little assistance from Canadian government agencies. Six out of ten entrepreneurs do not obtain any government assistance. Our interviews reveal that many ethnic entrepreneurs are not aware of government programs and resources that are available to assist entrepreneurship. A cost-effective way to reach out to ethnic entrepreneurs is to advertise in ethnic media (Collins 2003). Another way is to partner with ethnic business and professional associations, to

facilitate information flow and identify challenges that ethnic entrepreneurs face.

### **Funding Research and Advocacy**

Up until now, there has been limited Canadian research on transnational entrepreneurship. Among the few existing studies, most have been qualitative and focused on one ethnic group. We still know little about the scope, mechanisms and long-term impacts of transnational entrepreneurship at the macro socio-economic level (Lowell and Gerova, 2003). Regular and comparative research on transnational entrepreneurship among multiple ethnic groups is needed. This will provide policy-makers with valuable information and knowledge for engaging key international markets through the promotion of transnational entrepreneurship.

# CONCLUSIONS

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## 5

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Chinese transnational entrepreneurship is rapidly growing with the influx of immigrants and China's rise in the global economy. Border-crossing networks and the use of new communication technologies enable immigrants to mobilize resources in multiple locations and participate in transnational entrepreneurship. If current trends continue, Chinese transnational entrepreneurship will follow an upward curve in the near future. As one entrepreneur reflects:

First, China provides many opportunities. Second, Canada and China have been on good terms. Third, Canada and China complement each other economically. Fourth, Chinese immigrants like us have facilitated economic ties between China and Canada, especially since the mass migration of Hong Kong people to Canada. People migrate from this side of the Pacific to the other. They see an adequate space to make a good living across the Pacific. (Interviewee #38.)

In this report, we have presented the pattern and dynamic of transnational entrepreneurship among Chinese-Canadians. Although the study has been focused on Chinese-Canadians, transnational entrepreneurship is part of the large process of globalization for the members of many Canadian ethnic groups engaged in transnational entrepreneurship. We hope this study will stimulate more research on transnational entrepreneurship among Canadian ethnic groups and that the evidence presented here may encourage further discussion on how Canada can better capitalize on the increasing diversity and mobility of our population.

Entrepreneurship needs to be an important dimension of the policy mix for Canada to excel in the global economy. The Canadian government needs to develop a strategy to leverage the great potential of transnational entrepreneurship. We conclude with several policy implications of transnational entrepreneurship.

- Setting up a database of the Canadian Diaspora, in particular returnee entrepreneurs in key international markets.
- Bringing bilateral trade to the grassroots level by fostering collaborations between mainstream and ethnic firms, especially among SMEs.
- Establishing an integrated online resource database to facilitate networking and the dissemination of information.
- Supporting transnational businesses by setting up pilot projects modeled on existing initiatives that promote entrepreneurship among women and aboriginal people.
- Raising immigrants' awareness of governmental resources by advertising in ethnic media and partnering with ethnic business and professional associations.
- Funding regular, long-term, and comparative research on transnational entrepreneurship among multiple ethnic groups in Canada.

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# NOTES



<sup>1</sup> The TIE survey was conducted from May to October 2005 in Toronto. Eight hundred ethnic Chinese entrepreneurs were randomly selected from a combined business directory issued by the City of Toronto Economic Development Office and the Planning & Development Services Department in the Regional Municipality of York in 2004/2005. The survey questionnaire had 54 questions covering individual sociodemographic characteristics, entrepreneurship and business, technology use and social networks. In particular, name generator and position generator techniques were used to measure the composition, density, diversity and content of the entrepreneur's personal and business networks in Canada and their home countries. Overall, 308 questionnaires were completed face-to-face with a response rate of 53%. A total of 221 out of the 800 selected respondents were excluded because the telephone number was no longer in service, the business was taken over by non-Chinese owners, the business had shutdown, the business had moved out of GTA, or the respondent was seriously ill or taking maternity leave.

<sup>2</sup> One Chinese yuan is worth about 15 Canadian cents.



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