

Asia Pacific  
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Project Paper Series  
#09-1  
January 2009



# Profiling Canadians in the United States and Hong Kong

By

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## Profiling Canadians in the United States and Hong Kong<sup>1</sup>

by

Don J. DeVoretz<sup>2</sup> and Michele Battisti<sup>3</sup>

“The review of the law allowing people to carry a Canadian passport along with the citizenship of another country appears to be on a fast track, particularly after the government began tallying the costs and results of evacuating thousands of dual-passport holders from Lebanon during the recent conflict between Hezbollah and Israel.” Dual citizenship faces review: Evacuation from Lebanon hastened rethinking, *National Post*, September 21, 2006.

### Introduction

Dramatic events such as the Canadian dual citizenship controversy arising in the Lebanese context *circa* 2006 often highlight long simmering issues which were formally the purview of a few Canadian academics or think-tank analysts.<sup>4</sup> The current debate about the efficacy of Canada’s dual citizenship policy highlights the more fundamental issues emanating from Canada’s growing diaspora. In his path-breaking work Zhang (2006) made the first attempt at estimating the size of Canada’s current diaspora. In short, he argues that, *circa* 2006, approximately 2.7 million Canadian citizens were living abroad; in turn this constituted approximately 8.8% of Canada’s total population. The purpose of this paper is to delve further into the issues raised by Zhang by investigating Canada’s diaspora in the United States and Hong Kong. In simple terms, we will look to several socio-economic dimensions to help us determine whether the strongest or weakest

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<sup>1</sup> This paper benefited from the financial support of the Asia Pacific Foundation of Canada under the Canadian Abroad Project. The comments of Florin Vadean are noted with appreciation.

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<sup>4</sup> See Chant (2006), Zhang (2006), DeVoretz and Ma (2002), and DeVoretz and Zhang (2004) for the underlying academic and think-tank literature on Canadian dual citizenship issues.

Canadian citizens leave Canada. The direction and the degree of sorting will help establish whether Canada's newly emerging diaspora represents a liability or a net benefit to Canadians. In other words, we ask, who leaves Canada and how do leavers perform relative to stayers?

This paper will look at the two major destinations for Canada's diaspora, namely the United States and Hong Kong. Approximately 52% of overseas Canadian citizens reside in one of these two regions. In particular, since 1997 Hong Kong has received substantial numbers of the fastest growing component of Canada's diaspora, namely naturalized foreigners. On the other hand, the United States has historically received Canadian-born citizens and, more recently, opened its doors to a substantial flow of foreign-born Canadian citizens. This latter movement has been accelerated under the NAFTA-based TN-visa policy provision which allows both Canadian-born and naturalized Canadian citizens to work in the United States in a limited number of highly skilled occupations. In the United States context we will document differential economic performances across these two vintages of Canadian émigrés. In a similar vein, we will analyze the sorting phenomenon comparing naturalized Chinese-born Canadian émigrés to Hong Kong to their Chinese-born counterparts who stayed in Canada.

### Stylized Facts

The growing Canadian diaspora described above is the result of Canadian immigration and citizenship policies that have evolved over the last 25 years.<sup>5</sup> One component of the diaspora is derived for those migrants who are part of the 'brain circulation' phenomenon. In fact, the latter is at the core of the increase in Canada's émigré population in the 21<sup>st</sup> century and represents a challenge to Canada's traditional immigration selection system. The brain circulation process is represented schematically in Figure 1.

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<sup>5</sup> DeVoretz has published empirical (2006a) and theoretical (2006b) works on how Canada's citizenship and immigration policies have contributed to the growth of the Canadian diaspora.

[Figure 1 here]

The motivation of modern immigrants to choose Canada and then stay in Canada, return home (e.g., Hong Kong), or move on to the rest of the world (e.g., the United States) is the presumed better economic return on their acquired human capital. Immigrants by and large initially choose Canada (move from A to B) to acquire subsidized human capital and free public goods. These subsidized goods include, for example, higher education, language training, skill certification, and qualifications upgrades.<sup>6</sup>

In addition, and crucial to this essay, is the provision of Canadian citizenship under generous terms.<sup>7</sup> After three years of residency in Canada, with minimal language requirements and a cursory knowledge of Canada's institutions, citizenship is granted with the immediate right to obtain a Canadian passport. Dual citizenship is permitted as well.<sup>8</sup> Thus, the preconditions for creating a new foreign-born Canadian diaspora are inherent in the minimal Canadian citizenship requirements and the accompanying provision of dual citizenship. Table 1 provides insights into this issue.

[Table 1 here]

Table 1 reveals two important trends.<sup>9</sup> First, 75% of foreign-born Canadians had taken up citizenship, and over 13.5% self-declared that they were dual citizens *circa* 2000. Furthermore, census data reveals an increase in the incidence of dual citizenship from a 7.15% rate for those immigrants who arrived before 1961 to a 15.8% rate for those who arrived between 1981 and 1990. The 75% naturalization rate shown in Figure 2 is

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<sup>6</sup> It is interesting to note that Canada is the only major immigrant-receiving country where an immigrant is eligible for more subsidized services than its citizens (see DeVoretz and Pivnenko 2006).

<sup>7</sup> Canada's citizenship requirements are outlined in the Appendix.

<sup>8</sup> Contrast the Canadian position to a typical European naturalization policy. For example, Germany requires 8 years of continuous residency and strict language fluency for naturalization, and dual citizenship is not allowed.

<sup>9</sup> In Table 1 the naturalization rate is calculated with the base population of all resident foreign-born. Thus, the values reported have a downward bias: some of the foreign-born resident stock are not eligible for naturalization since they have not been resident for at least three years.

extremely high. In fact, Canada has the second highest naturalization rate in the world and is clearly the leader in terms of numbers of immigrant arrivals.<sup>10</sup>

[Figure 2 here]

In sum, this brief review situates Canadian immigration and citizenship policies worldwide. First, Canada uses its generous subsidized integration policies to attract immigrants. Its citizenship policies with dual nationality provisions create the conditions for rapid ascension to citizenship and possible integration, or emigration. Canadian immigration and citizenship policies have given rise to both the necessary and sufficient conditions for a growing Canadian foreign-born diaspora. These conditions in turn have led to policy issues over integration, citizenship and passports, and we review these in the next section.

#### Issues Surrounding the Diaspora

Chant (2006) analyzed the economic liabilities derived from Canada's dual citizenship policies by noting the 'option values' that arise under dual citizenship. Chant's definition of 'options' in this context is predicated on the naturalized Canadian citizen with dual citizenship living in a non-Canadian context. Members of Canada's overseas diaspora with dual citizenship can exercise various options or rights. For example, children of diaspora families can receive preferential fee treatment whereas other non-Canadian foreign students cannot. Moreover, Canadian prisoners in foreign jails have the right to request a transfer to Canada. Chant estimates the value of these options and suggests that the Canadian authorities should charge that amount for issuing a passport to non-residents to insure that Canadian resident taxpayers are not subsidizing Canada's new diaspora.

Variants of the taxed passport suggestion have also recently appeared in print.<sup>11</sup> However, passports and the preoccupation with dual citizenship are somewhat peripheral

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<sup>10</sup> See Bevelander and DeVoretz (2008).

issues to considering Canada's diaspora as a net liability. Moreover, a preoccupation with these issues misses the main analytical point of sorting. In other words, which Canadians choose to leave Canada and why? Moreover, how does this sorting affect our calculation of the possible net benefits derived from a diaspora?

DeVoretz and Laryea (1998a) point to the historical importance that Canada's diaspora has played in Canada-United States economic relations. In the early 20<sup>th</sup> century economically unsuccessful Canadian immigrants or desperate Canadian-born émigrés moved in large numbers to the United States. This suggests a negative sorting process in which the weakest leave and the strongest stay in Canada. By the end of the 20<sup>th</sup> century the continued rhetoric of Canada's real or imagined 'brain drain' to the United States implied positive sorting of the emerging Canadian-born diaspora residents in the United States.<sup>12</sup> The central point of this modern analysis is that Canada's world-wide recruitment of skilled immigrants after 1990 was a by-product of an explicit attempt to offset the Canadian-born 'brain drain' to the United States. DeVoretz (2006c) argues that in some occupations (e.g., managers, doctors, nurses, and medical technicians) the Canadian outflow to the United States and beyond could not be compensated for by worldwide recruitment of similarly skilled immigrants to Canada. On the other hand, Canadian immigrants with scientific and engineering degrees more than compensated for the flow of similar talent to the United States.

In contrast to Chant's position that the foreign-born diaspora is a liability, Canadian economists often view the same diaspora benignly. For example, Helliwell (2005) contends that the one million Canadian-born citizens in the United States represent a small portion of Canada's human capital stock and, therefore, is not worthy of policy intervention to stem the flow. This favourable outlook is a by-product of the long-standing argument that, in some Canadian industries (cinema, arts, and fundamental research), Canadians were thwarted from achieving excellence due to the small Canadian market. In other words, Celine Dion and Robert Mundell are praised as Canadian-born

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<sup>11</sup> For example, an escalating passport renewal fee has been proposed for those Canadians living abroad for an extended period of time.

<sup>12</sup> See DeVoretz and Laryea (1998b).

superstars. The fact that they currently reside in the United States is perceived to reflect well on Canadian culture or scholarship and, therefore, stars are a Canadian asset to the extent that they showcase Canada's talent. There is, however, little evidence that the Canadian-born diaspora provides remittances, knowledge transfer, or foreign direct investment.<sup>13</sup>

In the 21<sup>st</sup> century, foreign-born Canadians living in the United States or elsewhere have not enjoyed the acclaim reserved for the Canadian-born in spite of studies documenting substantial remittances and knowledge transfer.<sup>14</sup> A paradox has thus arisen: unlike Canadian-born émigrés, foreign-born Canadian émigrés have become a political issue. One way to address this state of affairs is to document the performance of foreign-born Canadian citizens in the United States to see if the latter have received their just rewards in terms of admiration for their positive outcomes.

Beyond the prosaic issues of rights to dual citizenship status, passports, and the differential appreciation of various portions of the Canadian diaspora, a more fundamental set of issues affects Canada's welfare. In short, can Canada devise immigration and citizenship policies based on a 'Canada First' premise in a world of 'brain circulation' (DeVoretz 2006b)? In other words, regardless of the size and composition of Canada's foreign-born diaspora, is it possible to devise policies such that the net flow of economic and non-economic benefits accrues to the Canadian public?

The pessimists argue that Canada's new foreign-born diaspora exercises its options overseas and enjoys subsidized public goods while not contributing to the Canada's tax base (Chant 2006). For their part, the optimists speculate that a large overseas foreign-born Canadian diaspora can generate economic and cultural benefits to Canada's resident population (DeVoretz 2006b). Draconian policy measures have been proposed to insure this positive outcome, including differential passport fees and a tax on worldwide

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<sup>13</sup> Robert Mundell is a Nobel Prize laureate in Economics on staff at Columbia University. Celine Dion is a popular singer who lives in Las Vegas.

<sup>14</sup> See Vadean and DeVoretz (2006) who document reverse remittances – i.e., from rest of the world to Canada – by presumably erstwhile Canadian residents or their relatives in China and elsewhere.

Canadian income for those present in Canada or not.<sup>15</sup> We will return to these broader policy issues after our empirical analysis provides some insights into the dimensions of the sorting problem inherent in Canada's emigration flows.<sup>16</sup>

### Sorting

Assessing if Canada's diaspora is a potential liability or an asset to Canada requires knowledge of the characteristics of those Canadian citizens who stayed in Canada and those who moved on. If positive emigration sorting is the norm, then the fact that the economically strongest leave Canada and the weakest stay presents a unique challenge to satisfy any 'Canada First' principle. We will report some suggestive information on the sorting phenomenon for the United States and Hong Kong to evaluate the current state of Canada's diaspora policy with respect to satisfying the 'Canada First' principle.

#### *United States*

The best estimate of the number of permanent Canadian citizens resident in the United States *circa* 2000 is 1,062,640, i.e., approximately 40% of all Canadian citizens resident abroad. This estimate is derived from the 2000 United States Census and, while this source suffers from definitional faults, it appears to provide an estimate more accurate than those provided by alternative sample surveys. The total number of Canadian citizens resident in the United States can be further broken down into two components: Canadian-born émigrés (920,900) and naturalized Canadian citizens (141,740) who emigrated to the United States. The latter figure is an overestimate since the United States Census does not report citizenship, but place of birth and place(s) of previous residence.<sup>17</sup>

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<sup>15</sup> The United States currently applies such a policy for its citizens abroad.

<sup>16</sup> See DeVoretz 2006b.

<sup>17</sup> Thus we defined naturalized Canadians resident in the United States as foreign-born Canadians who lived in Canada five years prior to 2000 and now live in the United States. Three years of residency in Canada are required before the foreign-born can apply for citizenship. Clearly not all of this stock naturalized, so our estimates are biased upwards.



Growth in both components of the resident Canadian citizen stock in the United States is evident across the 1990-2000 decade. The 1990 United States Census reported the Canadian-born stock of Canadian resident citizens to be 865,180, implying a modest 7% growth over the decade, with the largest part of the growth attributed to naturalized Canadian citizens. This growth in the stock of Canadian citizens is no doubt due to the availability of NAFTA-derived TN visas. The said visas gave Canadian citizens direct access to the United States via minimal waiting time, no cap on the number of visas issued, and renewable one-year residency in the United States. For admission Canadians had to show a *bona fide* job offer in one of over 66 occupations and relevant credentials. Of course other entry visas were available to highly skilled Canadians (H-1B, etc.), but research has clearly shown that the TN visa dominated the inflow of Canadians during the 1990s and led to either long-term residency (one year or more) or conversion to a permanent residency status.

For the sorting analysis, our reference group will be those Canadian-born citizens residing in United States in 2000. For the naturalized Canadian component we chose the Chinese born in China and the Indians born in India who had resided in Canada in 1995 and also appeared in the 2000 United States Census.<sup>18</sup>

As shown in Figure 3, the age distribution reported for both the erstwhile Canadian resident Chinese and Indians in the United States is clearly bunched in the working years, with over 80% of the two sampled populations appearing in the 25-53 age bracket. This is the first evidence of positive sorting for these Canadian diaspora populations since the majority of the individuals have over 30 years of their working life remaining in the United States.<sup>19</sup> In other words, if economic benefits do accrue from this population, they will most likely accrue to those living in the United States. On the other hand, these two populations are negatively selected in the under-25 and over-50 age groups.

[Figure 3 here]

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<sup>18</sup> The 5% U.S. Population census yields 515 Chinese-Canadians and 295 Indo-Canadians in our sample. We use these sampled groups in the subsequent analyses.

<sup>19</sup> Of course, some will return and negate this positive selection over time.

Figure 4 depicts the two populations in terms of their marital status. Both groups are characterized by large proportions of married and single individuals. In particular, the Chinese-Canadian sub-sample is characterized by a large proportion of single émigrés, perhaps a by-product of their youth.

[Figure 4 here]

Did the Chinese-Canadians and the Indo-Canadians enter the United States with a great deal of human capital, as positive sorting would predict? One important dimension of human capital is language acquisition, and Figures 5 and 6 illustrate that the clear majority of individuals in both groups believe that they speak English very well. In particular, all Indo-Canadians reported that they spoke some English. The self-reported high degree of English-language skills may indicate that fluent Canadian immigrants tend to move to the United States, or that these émigrés learned English in Canada, or both.<sup>20</sup>

[Figures 5 and 6 here]

Within the framework of the triangular model presented in Figure 1, both the Chinese-Canadians and the Indo-Canadians subgroups should be well educated. Figures 7 and 8 show that the vast majority of Canadians in either group hold at least a bachelor's degree. Moreover, more Chinese-Canadians living in the United States have either a master's degree or a doctorate, a relatively scarce occurrence among Indo-Canadians. These findings illustrate the power of the policy instruments (TN visas and others) which require high educational levels to gain entry into the United States.

[Figures 7 and 8 here]

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<sup>20</sup> There could also be a selection bias in that only English speakers fill in the census forms.

As predicted by the triangular movement model, one final hypothesis can be formulated: Canadian foreign-born émigrés will be involved in professional activities. This is certainly true for the subgroups comprised in our sample, as noted below.

The most frequent occupations reported by Chinese-Canadians more than 16 years of age and in the labour force, are listed in order of decreasing frequency:<sup>21</sup>

- Computer Software Engineers (59),
- Computer Scientists and Systems Analysts (20),
- Medical Scientists (18),
- Electrical and Electronics Engineers (17),
- Physical Scientists (16),
- Accountants and Auditors (10),
- Postsecondary Teachers (9),
- Financial Managers (9).

These Chinese-Canadian émigrés are concentrated in highly skilled occupations as the triangular model would predict.

For the Indo-Canadian subgroup the most commonly reported occupations include:

- Computer Scientists and Systems Analysts (19),
- Computer Software Engineers (18),
- Physicians and Surgeons (14),
- Computer Programmers (10),
- Managers (7),
- Accountants and Auditors (6),
- Retail Salespersons (6).

As before, the vast majority of these occupations require high skill levels, which again is consistent with the hypothesis of positive sorting.

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<sup>21</sup> We only list those occupations that have frequencies of at least 6.

Positive sorting depends on more than intensive human capital content for Canada's émigrés: it also requires corresponding high rewards in the labour market. The mean and median values for the total personal income for our two sub-samples are shown in Table 2.<sup>22</sup>

Table 2. Total Personal Income in 2000 for Chinese- and Indo-Canadians in the U.S.

TOTAL PERSONAL INCOME	Number of observations	Arithmetic mean (USD)	Median (USD)
Chinese-Canadians	313	\$56,695	\$50,000
Indo-Canadians	175	\$58,050	\$43,000

Note: Table based on U.S. 2000 Census Data excluding individuals not reporting their income and including only the employed.

The arithmetic means for the two sub-samples, US\$56,695 and US\$58,050, are high, since the average total personal income *per annum* is US\$36,058 for the full sample of 6,443,292 individuals included in the 5% PUMF of the 2000 U.S. Census. If we concentrate on median income to remove the effect of extreme values of reported income, the median value of income for the Chinese-Canadian sub-sample is greater than that reported by Indo-Canadians. This rise is due to the fact that the income distribution is less skewed for the Chinese-Canadian sub-sample than the Indo-Canadian one. This fact is borne out by Figures 9 and 10.

[Figure 9 and 10 here]

For both groups, the distribution is not dramatically polarised, in the sense that a high average income is not a by-product of a few individuals with extremely high levels of income. However, in the case of the Indo-Canadian sub-sample, there is a significant proportion of people earning less than US\$10,000, and quite a high frequency for the group earning more than US\$100,000.

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<sup>22</sup> We report only employed individuals. This reduces the sub-sample sizes to 313 Chinese-Canadians and 175 Indo-Canadians.

We now turn to our reference population to detect differential sorting across the Canadian-born and naturalized Canadian populations in the United States. A brief inspection of Figures 11, 12 and 13 indicates that a small percentage of the Canadian-born population resident in the United States is in the prime employable period ranging from 21 to 50 years of age. In fact, as shown in Figure 11, the mean age of the Canadian-born citizens resident in the United States is 30.7 (median: 29) years owing to the large portion of the Canadian-born population below age 21.<sup>23</sup> Moreover, this reported mean age is well below the United States-born average of 36 years.

[Figure 11 here]

In Figure 12 the educational attainments of all Canadians in the United States are compared with those of the Chinese- and Indo-Canadian subgroups. The chart clearly shows that the Chinese- and Indo-Canadians have a higher level of schooling on average. Around 70 % of Indo-Canadians and Chinese-Canadians have a bachelor's degree or further studies, while 55 % of all Canadians in the United States obtain that level of education. This substantial difference can be explained by the exceptionally high number of Chinese- and Indo-Canadians with master's degrees and doctorates.

[Figure 12 here]

The reported incomes of the Canadian-born residents in the United States are heavily skewed to the left, with the vast majority reporting incomes lower than US\$60,000. This is strong evidence of negative sorting, although the existence of a relatively large number of Canadian-born residents in the United States earning in excess of US\$150,000 raises the mean value of the earnings for the entire group.

[Figure 13 here]

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<sup>23</sup> This large proportion of Canadian-born children in the United States is owing to the fact that Canadian-born residents in the United States are mature and have likely completed their families.

In sum, the Chinese- and Indo-Canadians living in the United States *circa* 2000 and who were resident in Canada in 1995 are very positively sorted by the emigration process in terms of their demographic, educational and labour-market outcomes. Thus, while it is clear that Canada is losing valuable human capital through positive sorting of the foreign-born component of its diaspora in the United States, positive sorting in the Canadian-born portion of its diaspora in the United States is less evident.

### *Hong Kong*

According to the 2001 Canadian Census, the total Chinese population in Canada was 1,029,400, more than half of which spoke Cantonese as a first language. About 40% of Cantonese speakers are from Hong Kong, and there were approximately 300,000 Canadians from Hong Kong in Canada *circa* 2001 (DeVoretz & Guo 2006b). There is no official estimate of how many of these immigrants have gone back to Hong Kong as Canadian citizens. The 2001 Hong Kong Census shows, however, that about 40,000, or 40% of the 85,793 Chinese who returned to Hong Kong between 1996 and 2001, previously resided in Canada (DeVoretz & Guo 2006a). After 2001 the number of returnees increased significantly and, according to Statistics Canada Daily (March 2006), about 50% of Hong Kong arrivals to Canada left within ten years after landing. If we assume that all these leavers went to Hong Kong, then about 150,000 Hong Kong-born Canadians currently live in Hong Kong.<sup>24</sup>

Two sources of information are available to document possible positive sorting in the Hong Kong portion of the Canadian diaspora. The necessary socio-economic data for this group, drawn from the 2000 Hong Kong Census, is shown in Table 3. Moreover, we will report further information obtained from a survey conducted by DeVoretz and Guo (2006a) on this group to expand on the causes of sorting.

[Table 3 here]

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<sup>24</sup> The Canadian Consulate in Hong Kong estimates at around 250,000 the number of Canadian citizens living in Hong Kong based upon passport renewals. This would be a combined population of both Canadian-born and naturalized Canadians.

Table 3 provides a partial answer as to whether Chinese returnees to Hong Kong from Canada *circa* 2000 are positively selected. In terms of age, these returnees were highly concentrated in either the “head” (34%) of household group aged 30-39, or appear as a young adult (37.8%) aged 20-29 in a household. In fact, comparing Hong Kong returnees from Canada to Hong Kong-born stayers in Canada reveals that more heads of households (33.5% vs. 28.3%) and fewer spouses (17.2% vs. 23.5%) comprise the returnee group. This fact indicates that Hong Kong returnees from Canada may be more likely to be heads of a household who left their spouse and/or children in Canada. One central argument bolsters this interpretation: under our triangular model returnees would want their children to receive a subsidized high-quality Canadian education and their spouses must stay in Canada to insure this outcome.

Table 3 also reveals that Canadian returnees to Hong Kong have a high degree of post-secondary education (50%) and lead all other returning groups to Hong Kong, except those *émigrés* emanating from the United States who report a 53% rate. Only 25% of Hong Kong stayers in Canada reported a post-secondary level of educational attainment, indicating that Chinese Canadian *émigrés* to Hong Kong are positively sorted in terms of education.

In addition, the distribution of *émigrés* across occupational groups reveals the effects of significant human capital differences across the mover groups. Returnees to Hong Kong from Canada are heavily concentrated in entry-level professional positions (34%) or high-level professional or managerial jobs (40%). In sharp contrast the corresponding stayer groups in Canada report that 27% of immigrants work in entry-level occupations while 46% appear in the managerial and professional grouping. In other words, there is negative sorting on the basis of occupational groupings *circa* 2000 for Chinese-Canadian returnees to Hong Kong. Finally, it is interesting to note that females dominate the Chinese-Canadian returnee group, with 53% of the movers being female whilst they make up less than 50% of any other returnee group.

The differences in human capital characteristics discussed above ultimately affect the returnees' earning levels. Those who returned to Hong Kong from the United States earned more than all other groups, with Canadian returnees earning the least among all groups, or about 30% less than those returnees from the United States. Although returnees from Canada earn less than other returnees, they still earn much more than Hong Kong-born stayers in Canada. This again supports the sorting argument inherent in the triangular model. In fact, as shown in Table 3, the mean monthly earnings of Canadian returnees to Hong Kong is 2.3 times greater than that earned by Hong Kong stayers in Canada *circa* 2000.

In sum, Canadian returnees to Hong Kong *circa* 2000 are more likely to be young and recent graduates from overseas institutions at the beginning of their careers. In addition, returnees to Hong Kong from Canada earn more than Hong Kong-born stayers in Canada. These facts suggest positive sorting.

Based on interviews with Hong Kong movers and stayers, a series of diaspora studies conducted by Deng (2007) and DeVoretz and Guo (2006a) help fill out the sparse statistical outline reported above.

In particular, DeVoretz and Guo (2006a) interviewed 380 recent Chinese immigrants living in Vancouver to find out what motivated them to move to Canada and if they had realized the goals that motivated their original movement. Their reported primary goals were to obtain Canadian citizenship and/or education for themselves or their children. Even though their motivation to come to Canada differed for stayers and returnees, both stayers (75%) and returnees (89%) achieved their main goals in Canada. Now we have a paradox: having achieved their goals, returnees still left Canada. What is the reasoning behind this? The answer to this question may lie in the attitudes of those who returned to Hong Kong, and these are reviewed below.

Deng (2007) interviewed the Hong Kong returnees from the original Vancouver-based Chinese cohort of immigrants to establish their level of satisfaction. As shown in Table



14, he found many barriers to the realization of their goals in Canada. Curiously, in his representative sample (188) those who left Vancouver for Hong Kong underperformed income-wise relative to the Chinese from Hong Kong who remained behind in Canada.<sup>25</sup>

[Figure 14 here]

In spite of their weak income performance, 60% of the returnees said they did not encounter any major difficulties in Hong Kong. Cultural adjustment (78%), social networking (63%) and pollution (58%) were the main difficulties reported by Hong Kong returnees, as shown in Figure 15.

[Figure 15 here]

### Discussion of Results

Canadians citizens resident in the United States and Hong Kong reveal evidence of mixed sorting prior to their decision to return. Moreover, the Chinese-Canadians and Indo-Canadians are more positively sorted than the Canadian-born in the United States across many socio-economic attributes. Canada's recent foreign-born émigrés in the United States have more human capital and higher earned incomes than the Canadian-born diaspora in the United States. In contrast, Canada's Hong Kong-based diaspora is not outperforming its main reference group (the Chinese-born residing in Canada). In short, fewer Chinese-Canadian émigrés reside in the United States than in Hong Kong, but they perform much better in the United States than in Hong Kong.

Given these conclusions on the sorting mechanism, should the outflow of Canadian citizens be a concern to Canada?

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<sup>25</sup> For stayers in this sample, the average annual household income was CA\$36,190 while residing in Canada. For returnees, the average annual reported household income was CA\$31,575. This confirms the weak income performance of Canadian returnees to Hong Kong as reported in the 2000 Hong Kong Census.

Many mainstream economists would argue that the positive sorting of émigrés is just evidence of the market forces at work. In other words, no government intervention is warranted. We have argued elsewhere, however, that the receiving country (i.e., Canada) should be concerned by return migration if returnees are positively selected and the movement generates externalities to be borne by Canadian residents. Two short-run, but not insignificant, externalities have financial and other impacts on the Canadian resident population.

First, the churning costs of subsidizing the integration and education of Canada's foreign-born diaspora are substantial. DeVoretz and Laryea (1998) estimated that each Canadian-trained immigrant who obtained a TN visa to enter the United States embodies from CA\$95,000 to CA\$183,000 of subsidized human capital (*circa* 2008) in post-secondary education alone.<sup>26</sup> Of course, a similar subsidy may also be embodied in the Chinese returnees to Hong Kong and elsewhere. The absence of foreign-born and Canadian-born émigrés from Canada precludes them from making tax payments to Canada to offset this subsidy. Canadian taxpayers also incur a dead-weight loss of CA\$3,300 per foreign-born émigré (*circa* 2008) for integration and processing costs.<sup>27</sup>

In sum, the combined educational and integration costs for a foreign-born and Canadian trained skilled émigré borne by the resident Canadian taxpayer is in excess of CA\$125,000 *circa* 2008.<sup>28</sup> In cases where Canadian foreign-born émigrés are educated outside Canada, the loss to Canadian taxpayers is trivial.

In addition, contingent liabilities arise which may impose costs on resident Canadians if the erstwhile Canadian immigrant has naturalized and left Canada. Chant (2006) has tried to estimate these possible costs to the taxpayers and concludes that the ensuing small sum could easily be internalized by an appropriate passport fee.

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<sup>26</sup> Admission to the United States via a TN visa requires at least a bachelor's degree.

<sup>27</sup> DeVoretz and Laryea (1998a) estimated the processing and integration costs of a representative immigrant to Canada at CA\$2300.

<sup>28</sup> DeVoretz and Laryea (1998a, p. 34) estimated the educational subsidy for the 34,000 highly educated Canadian émigrés to the United States *circa* 1982-1994 as CA\$3.4 billion in 1996 dollars.

In total, the well-known financial externalities derived from Canadian émigrés are minimal, except when their post-secondary education is obtained in Canada.

What benefits can be derived from this new diaspora? Would the potential benefits outweigh the identified costs? Is it possible to devise a set of Canadian policies which can benefit both resident Canadians and Canada's diaspora?

One natural starting point to increase benefits from Canadians resident abroad is to review their initial reasons for coming to Canada and see if they could be used as leverage to stem the outflow. Two public goods clearly attracted Chinese immigrants to Canada, namely subsidized high-quality education, including English-language training, and Canadian citizenship.<sup>29</sup>

As Chant has indicated, these two public goods, i.e., a Canadian education and Canadian citizenship, are intertwined. For example, students with Canadian citizenship may receive a preferential fee treatment. Unlike Chant, we do not see these options as perks to be monetized in higher passport fees. Rather, initiatives to encourage the second generation of the Canadian diaspora to attend Canadian secondary schools could both produce revenues and create a durable connection between the second-generation diaspora and Canada.<sup>30</sup>

The major policy instrument which will affect Canada's long-term relations with its diaspora consists of the set of rights and obligations that accrue from Canadian citizenship. The terms under which Canada's émigrés maintain their citizenship can influence their degree of connection with Canada. Currently two major obstacles preclude overseas Canadian citizens from voting. First, Canadian citizens who have resided abroad for more than five years are denied voting rights because of the length of their stay

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<sup>29</sup> See DeVoretz and Guo (2006a) for a complete list of the attractions of Canada as seen by Chinese immigrants.

<sup>30</sup> Simon Fraser University offers a program to enroll any eligible foreign student in its on-campus high school. Graduation automatically gives foreign students an advantage since they are treated as British Columbian high-school graduates when they apply to universities in British Columbia.

abroad. Next, Canadians abroad may feel that voting places them at risk from tax exemption and, thus, they avoid voting even if eligible.

Canada could indeed create a more inclusive political participation portal for its diaspora to break down barriers. This could include designating one or more overseas Members of Parliament to represent the interests of the Canadian diaspora. At a minimum, four overseas parliamentary seats should be designated; one each in North America, South Asia, Southeast Asia and the rest of the world. Canadian citizens in these designated regions would then vote in their respective constituencies for one candidate who may or may not be affiliated with a mainstream Canadian-based party.

The 2006 Italian experience with this system of diaspora representation is instructive. In a close parliamentary race the winning coalition headed by Romano Prodi owed its majority in the *Camera dei Deputati* (Chamber of Deputies) to its overseas delegates. Such a dramatic outcome does not have to occur to successfully engage Canada's diaspora. Both the act of voting and the attendant attention to campaign issues would help bring Canada's diaspora into the Canadian mainstream. In addition, like all Canadians, the overseas diaspora constituents could use their MP's offices to resolve the myriad of problems surrounding passports, visas, pensions, citizenship, etc., in lieu of local consular efforts. If Canada wanted to pursue an even more stringent political engagement with its overseas diaspora, then voting could be made a requirement for passport renewal.<sup>31</sup> In sum, political participation by voting for direct representation could insure the continued political presence of Canada's overseas diaspora.

Finally, the development of a voluntary fund to finance the health and retirement costs of returning Canadians would insure that any benefits derived from a vibrant overseas Canadian population is not offset upon their return.

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<sup>31</sup> Even more stringent requirements could include jury duty, which devolves from the voting list.

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## Appendix

### Canada's Citizenship Policy

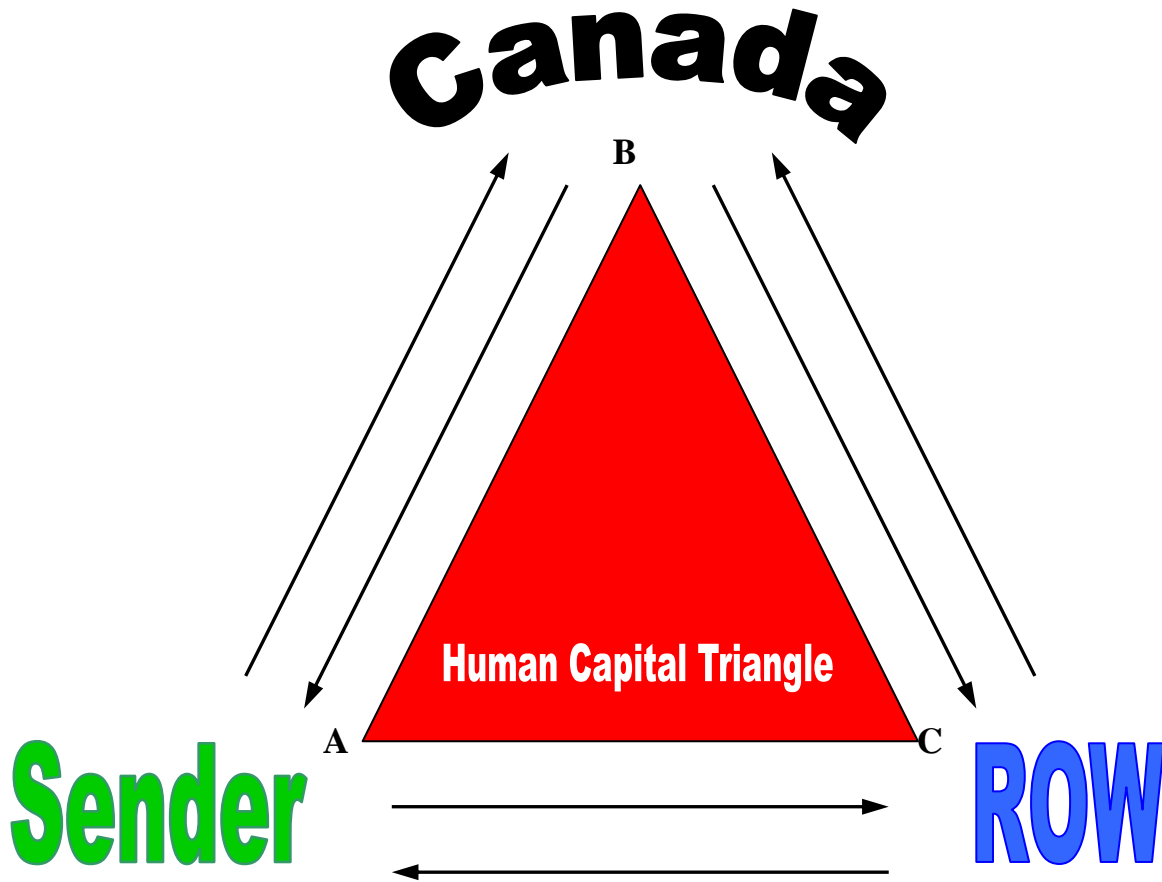
Excerpt from Canada's Citizenship Act:

#### Part I: The Right to Citizenship

- (1) The Minister shall grant citizenship to any person who
- (a) makes application for citizenship;
  - (b) is eighteen years of age or over;
  - (c) is a permanent resident within the meaning of subsection 2(1) of the *Immigration and Refugee Protection Act*, and has, within the four years immediately preceding the date of his or her application, accumulated at least three years of residence in Canada calculated in the following manner:
    - (i) for every day during which the person was resident in Canada before his lawful admission to Canada for permanent residence the person shall be deemed to have accumulated one-half of a day of residence, and
    - (ii) for every day during which the person was resident in Canada after his lawful admission to Canada for permanent residence the person shall be deemed to have accumulated one day of residence;
  - (d) has an adequate knowledge of one of the official languages of Canada;
  - (e) has an adequate knowledge of Canada and of the responsibilities and privileges of citizenship; and
  - (f) is not under a removal order and is not the subject of a declaration by the Governor in Council made pursuant to section 20.

Source: Department of Justice Canada, <http://laws.justice.gc.ca/en/C-29/34586.html>

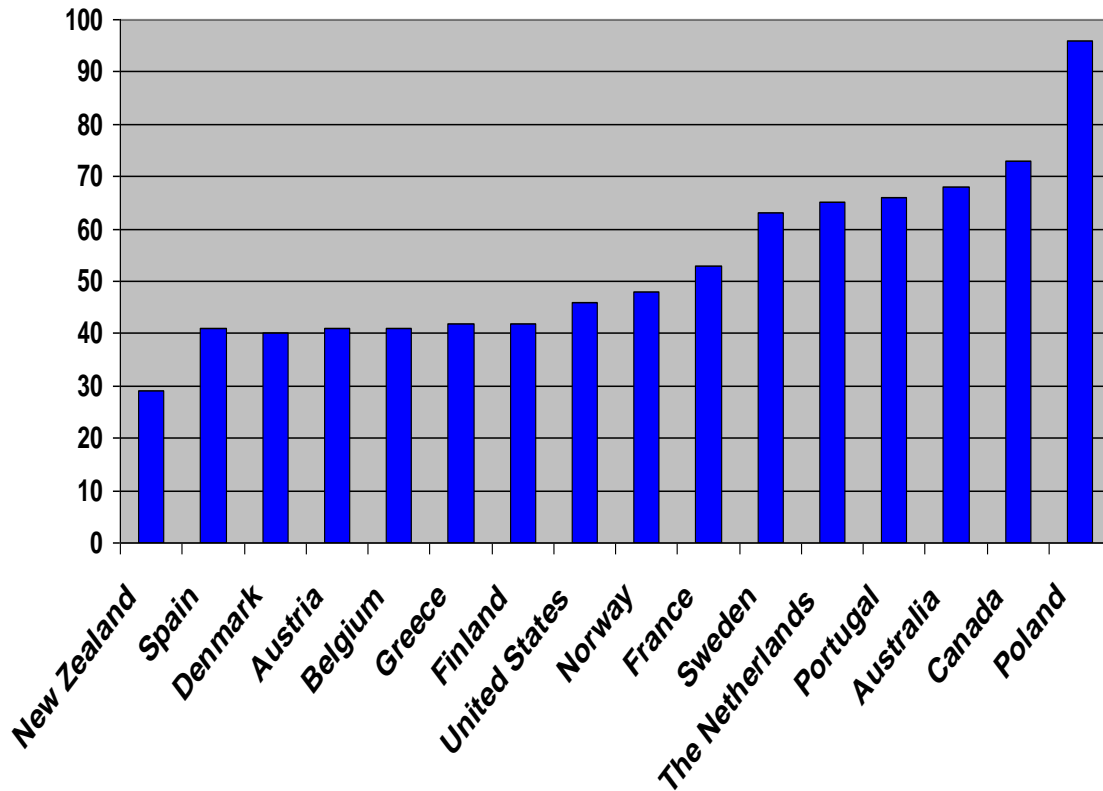
Figure 1. Triangular Model of Canadian Diaspora Movement



Source: DeVoretz and Ma (2002).

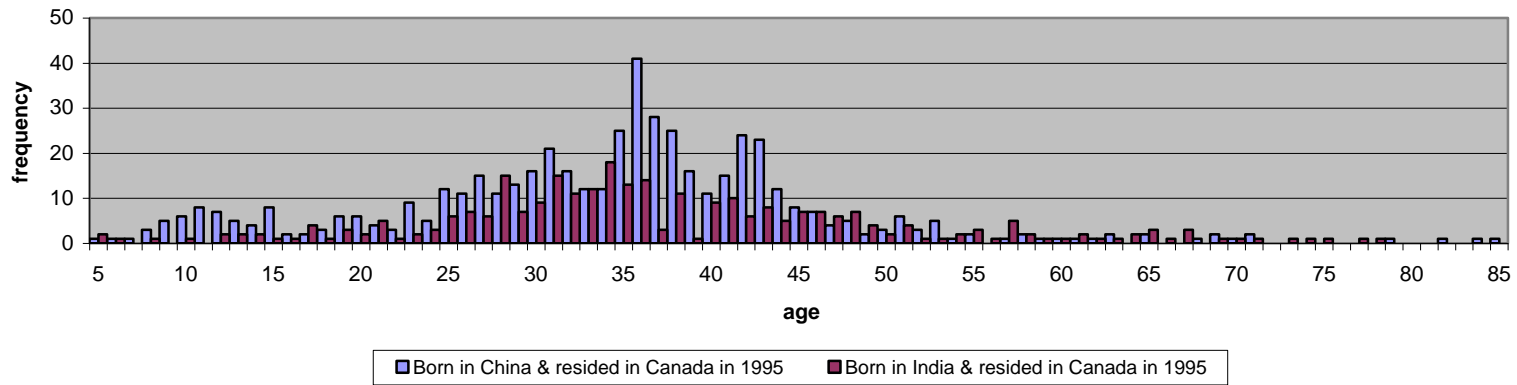


Figure 2. Naturalization Rates for Selected Countries: 2001-2003 (OECD 2005)

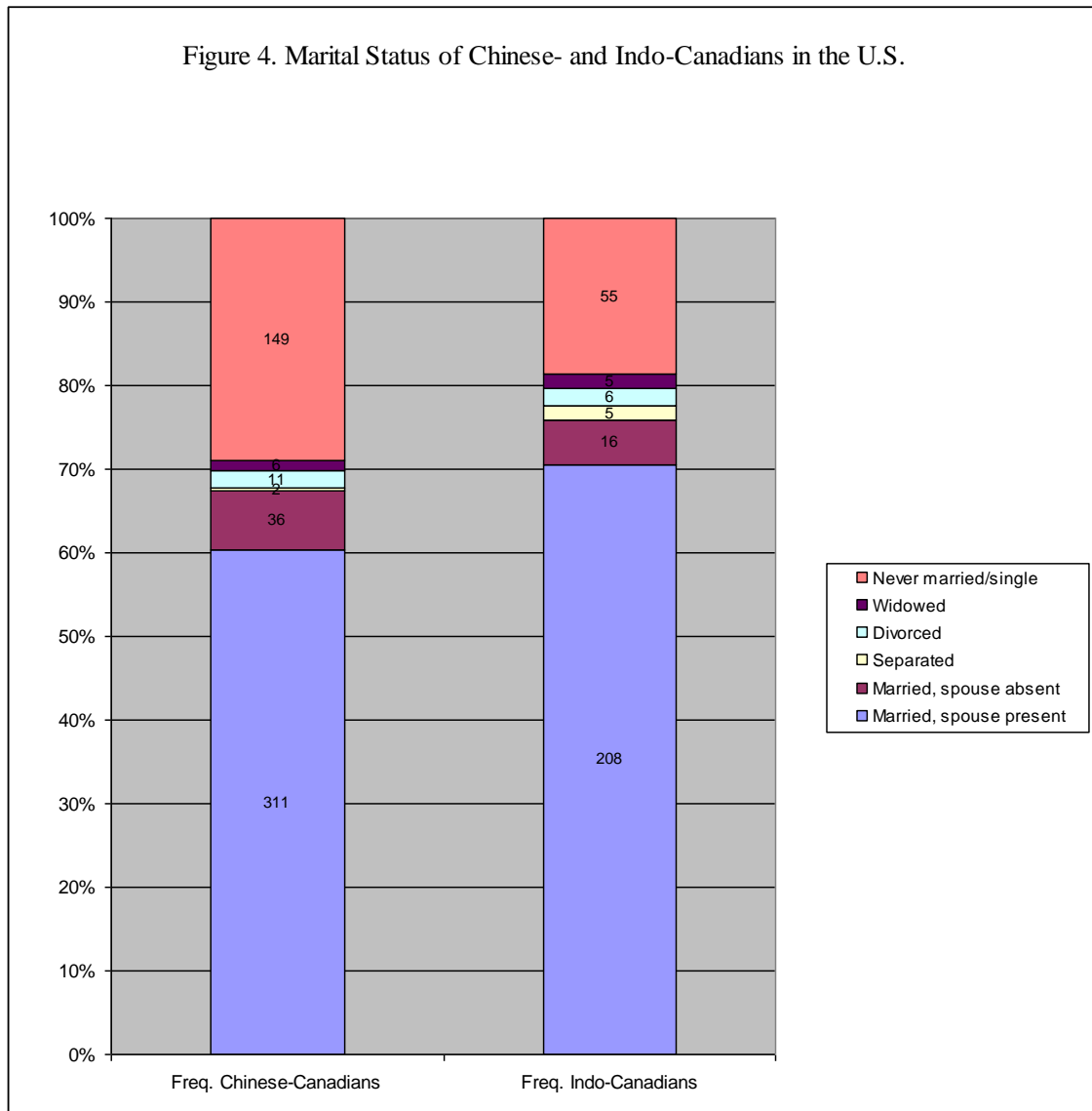


Source: Bevelander and DeVoretz (2008).

Figure 3. Age Distribution of erstwhile Chinese- and Indo-Canadians Resident in the U.S. circa 2000

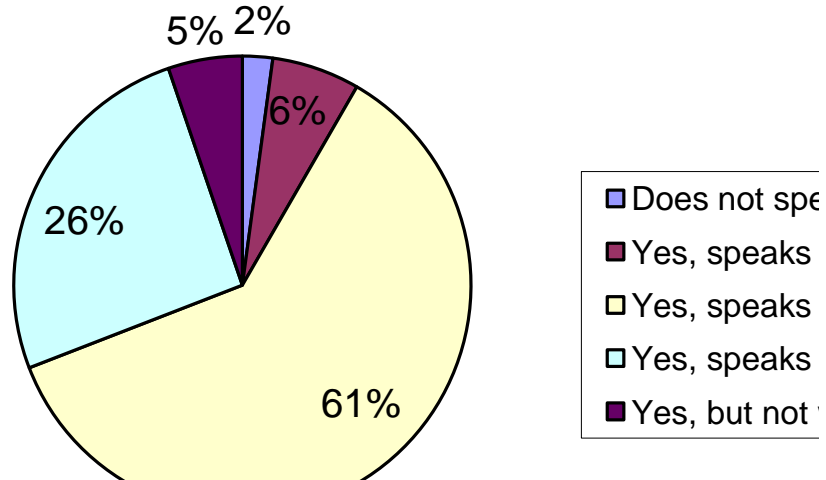


Source Source: Authors' calculations based on the 2000 U.S. Census.



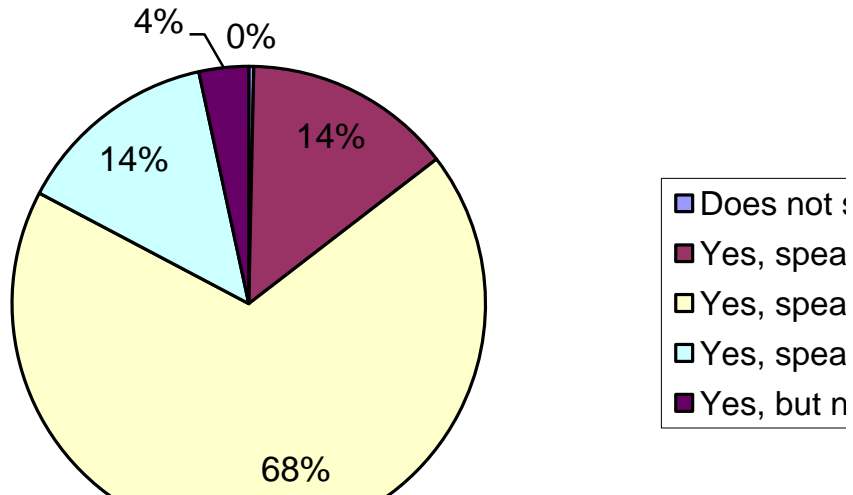
Source: Authors' calculations based on the 2000 U.S. Census.

Figure 5. Self-Reported English Skills for Chinese Canadians resident in the U.S.



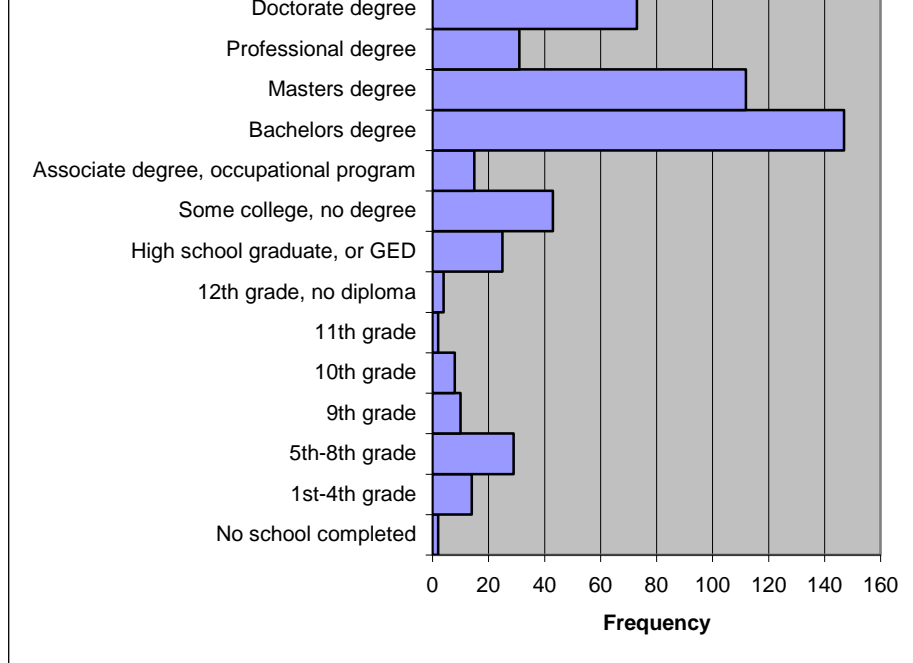
Source: Authors' calculations based on the 2000 U.S. Census.

Figure 6. Self-Reported English Skills for Indian Canadians resident in the U.S.

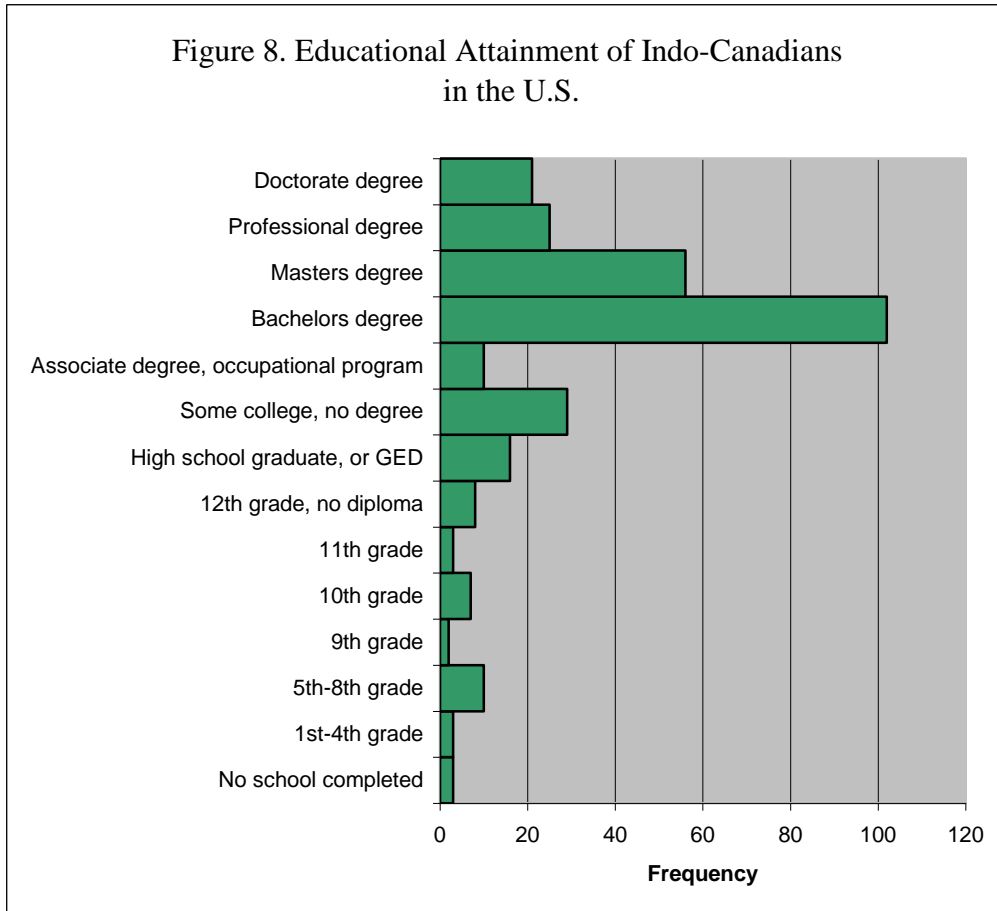


Source: Authors' calculations based on the 2000 U.S. Census.

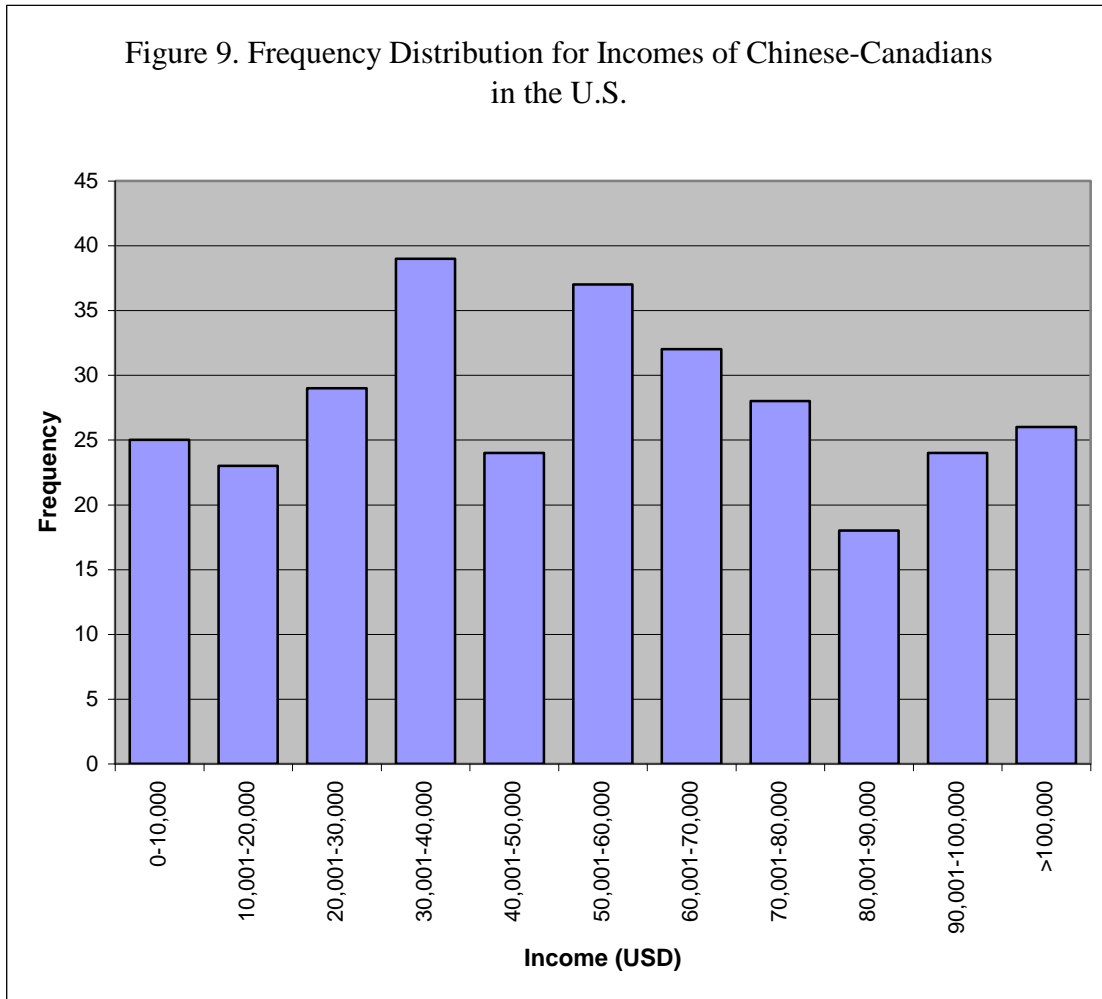
Figure 7. Educational Attainment for Chinese-  
Canadians  
in the U.S.



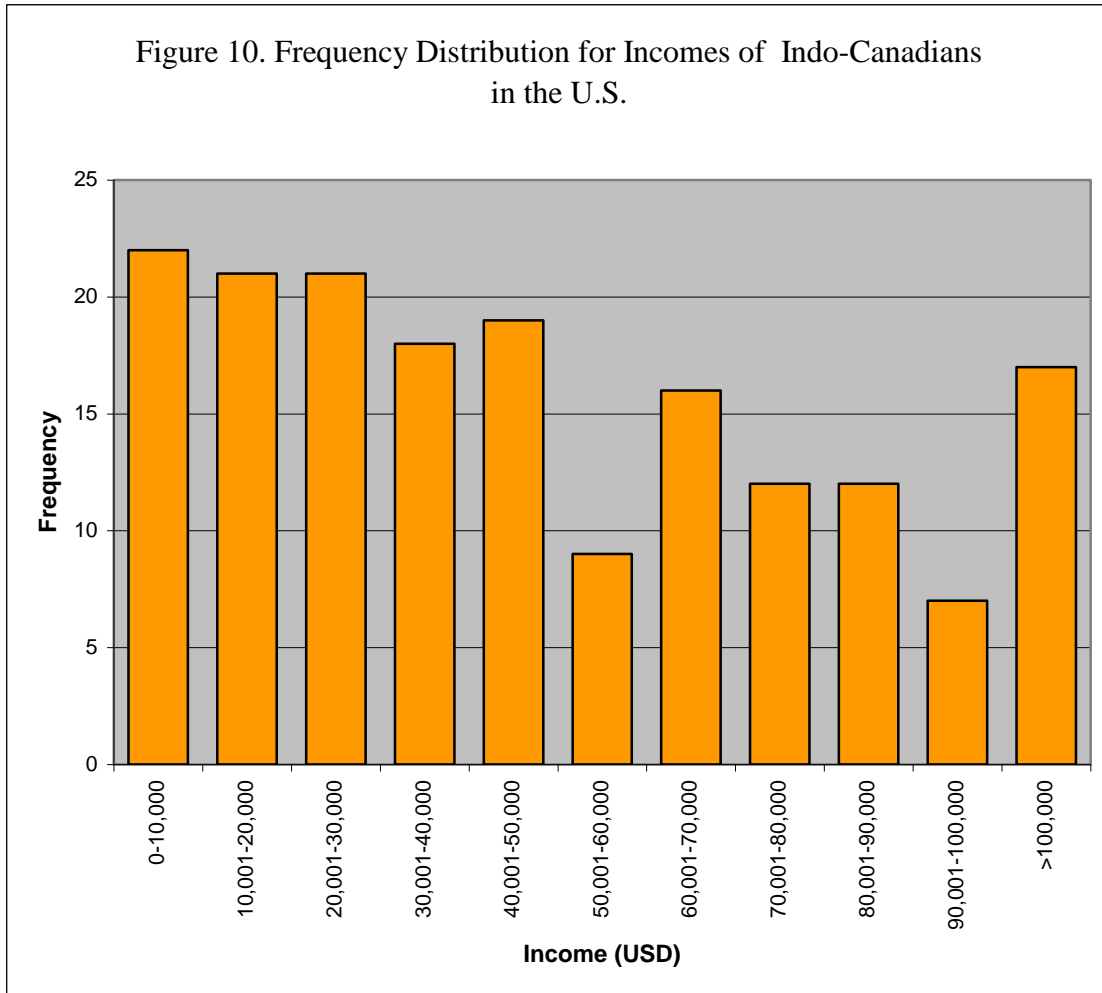
Source: Authors' calculations based on the 2000 U.S. Census.



*Source: Authors' calculations based on the 2000 U.S. Census.*

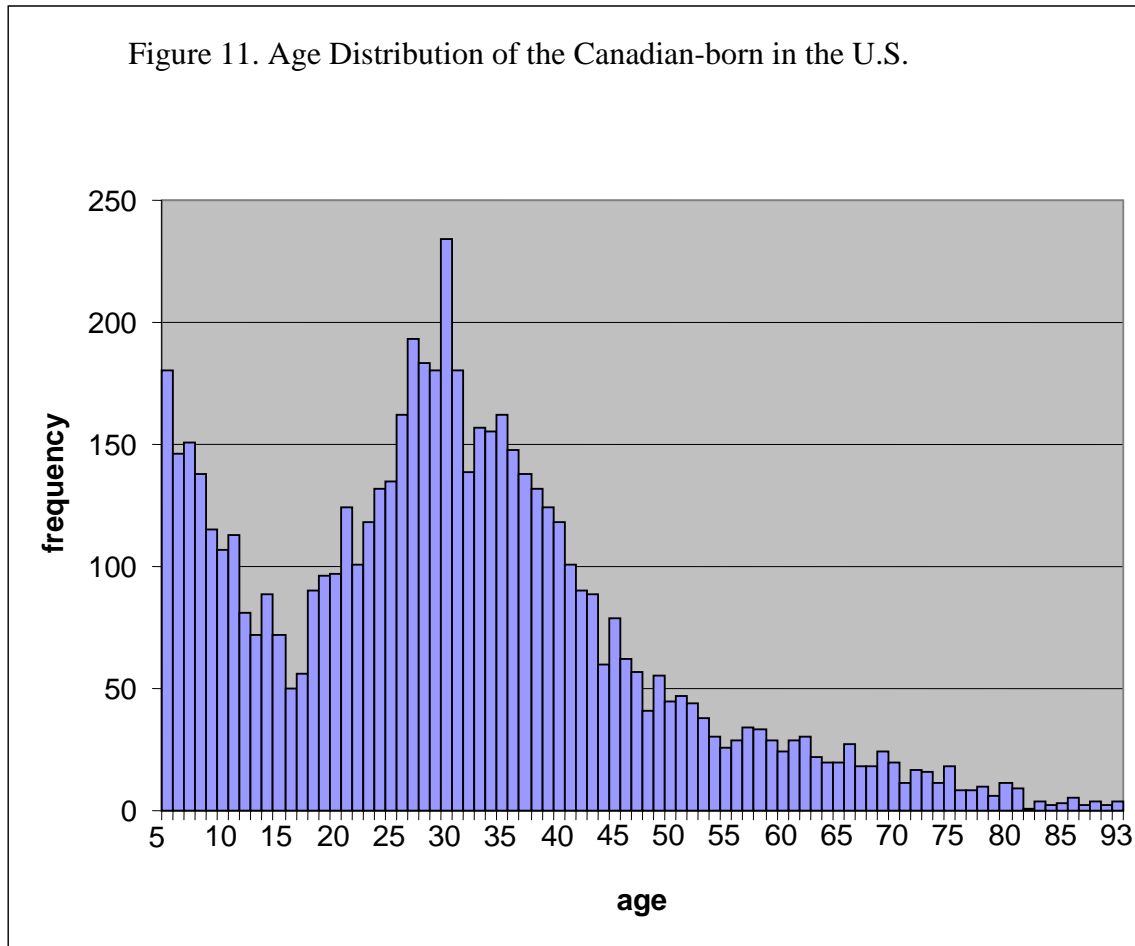


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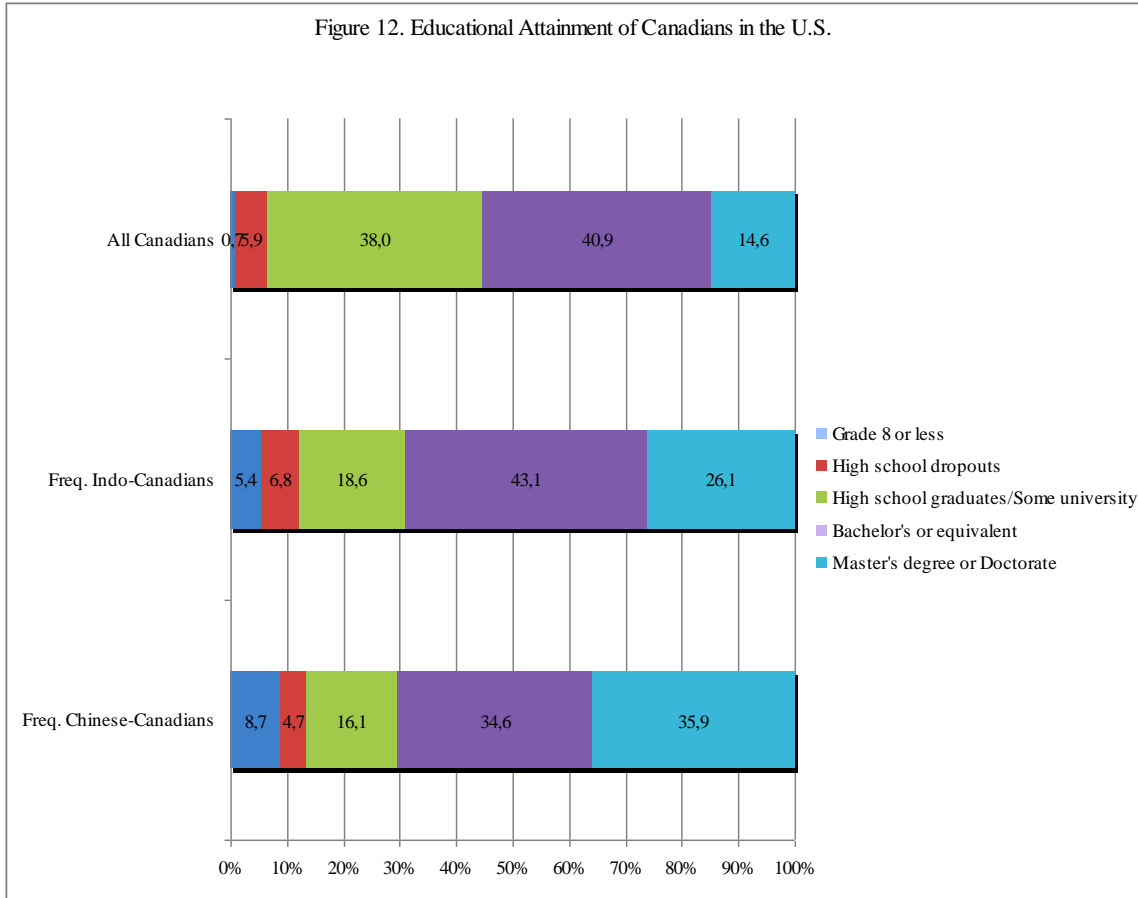


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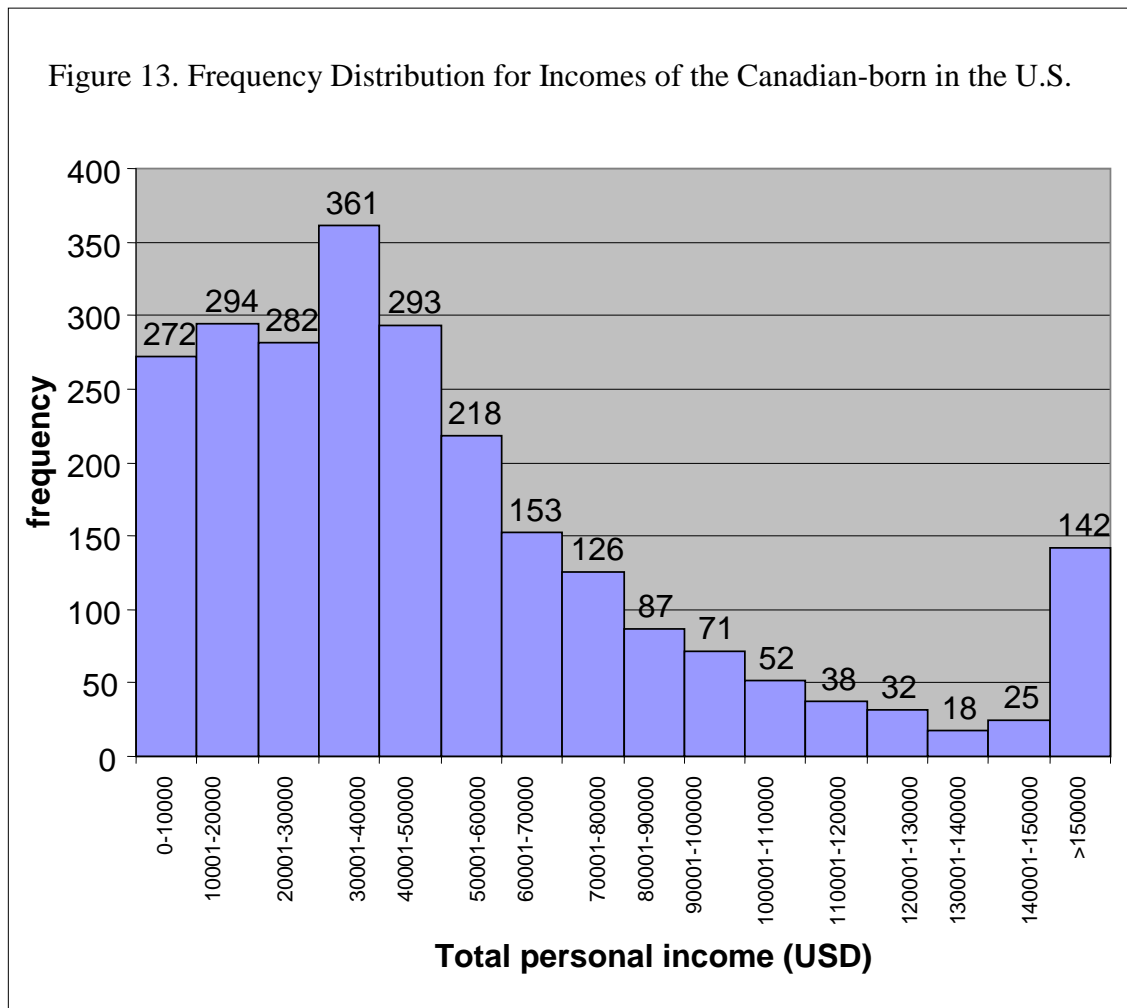




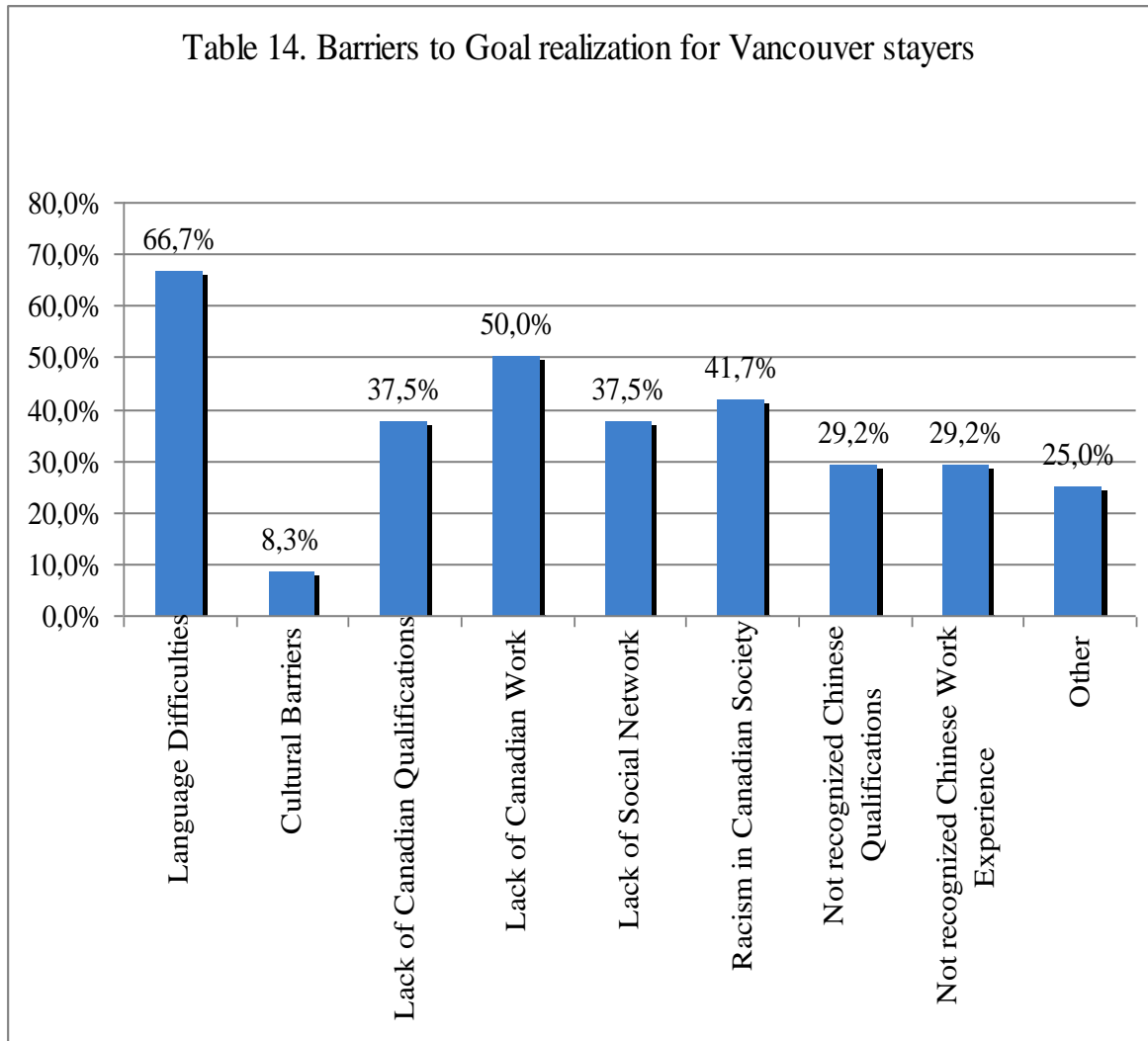
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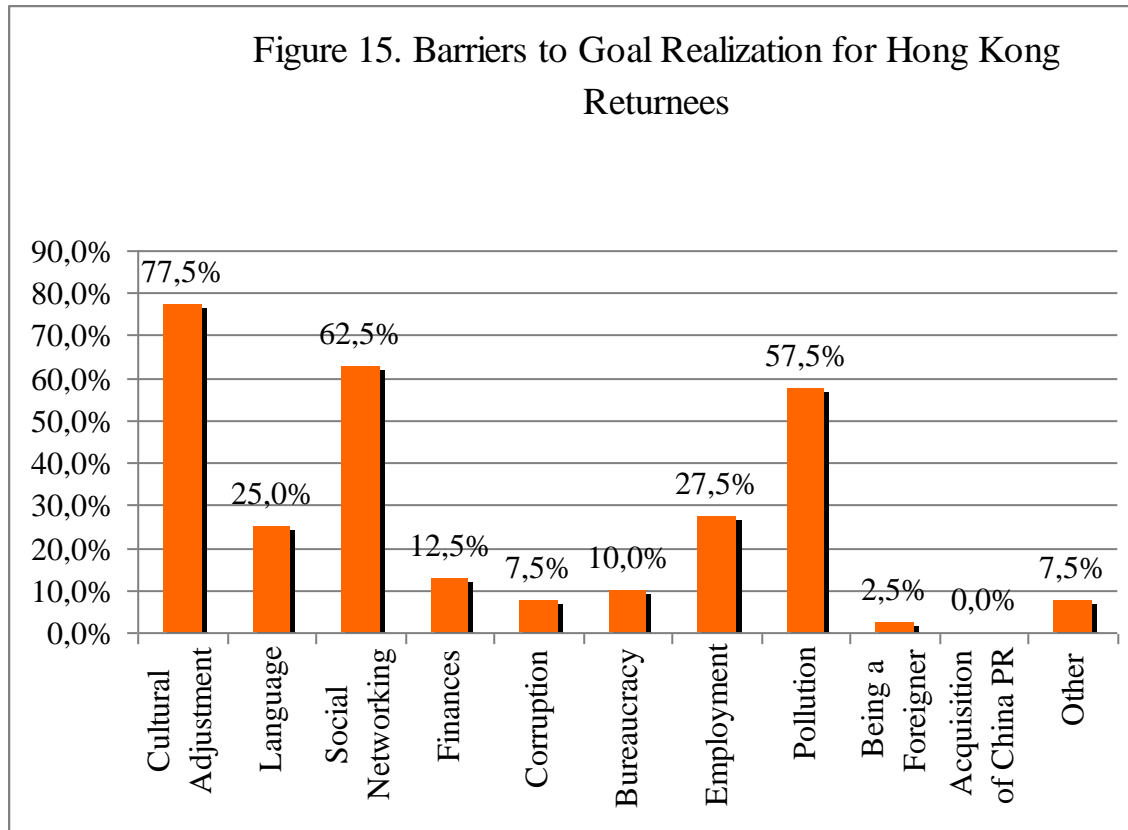
Source: Authors' calculations based on the 2000 U.S. Census.



Source: Authors' calculations based on the 2000 U.S. Census.



Source: Deng (2007).



Source: Deng (2007).

Table 1: Naturalization Stocks by Year of Entry and Dual Citizenship Status\*

Citizenship Status	Year of Entry					
	Before 2000	Before 1998	Before 1961	1961-1970	1971-1980	1981-1990
Total foreign-born population	5448480	4859565	894465	745560	936275	1041500
Naturalized foreign-born	4078480	4078480	833270	647875	810155	890330
Citizens of Canada only	3521570	3521570	773710	560695	705515	749380
Citizens of Canada and one other country	552880	552885	59310	86555	103820	139875
Citizens of Canada and two other countries	4030	4030	250	620	820	1075
Foreign-born with foreign citizenship	1370005	781085	61195	97690	126120	151170
Citizens of one other country only	1364805	778245	61100	97540	125765	150580
Citizens of two other countries	5195	2845	95	145	360	585
<b>Naturalized citizens (% among all foreign-born)</b>	<b>74.86%</b>	<b>83.93%</b>	<b>93.16%</b>	<b>86.90%</b>	<b>86.53%</b>	<b>85.49%</b>
<b>Dual citizens (% among naturalized foreign-born)</b>	<b>13.65%</b>	<b>13.65%</b>	<b>7.15%</b>	<b>13.46%</b>	<b>12.92%</b>	<b>15.83%</b>

\* All foreign-born are included, not just those eligible for citizenship due to the three-year residency requirement.  
 Source: DeVoretz and Pivnenko (2006); 20% of 2001 Census.

Table 3: Characteristics of Hong Kong-Born Returnees and Stayers in Canada *Circa 2001*

	Returnees to Hong Kong from*			Hong Kong-Born Stayers in Canada**			
	All		Canada	U.S.	Others		
Total	85793	100.0%	<b>33676</b> (39.3%)	17778 (20.7%)	34339 (40.0%)	6955	<b>100.0</b>
Age:							
0-19	8236	9.6	<b>9.4</b>	4.4	11.1	1506	<b>21.7</b>
20-29	32430	37.8	<b>37.5</b>	39.4	37.6	1272	<b>18.3</b>
30-39	19990	23.3	<b>21.5</b>	26.1	23.8	1745	<b>25.1</b>
40-49	12354	14.4	<b>14.9</b>	14.4	14.1	1630	<b>23.4</b>
50-59	6263	7.3	<b>8.5</b>	8	6.3	413	<b>5.9</b>
60	6434	7.5	<b>8.1</b>	7.7	7.1	389	<b>5.6</b>
Sex:							
Female	42811	49.9	<b>53</b>	48	49	3519	<b>50.6</b>
Male	42982	50.1	<b>47</b>	52	51	3436	<b>49.4</b>
Relation to Head of Household:							
Head	29170	34.0	<b>33.5</b>	35.9	33.9	1966	<b>28.3</b>
Spouse	14756	17.2	<b>18.2</b>	18.0	16.3	1634	<b>23.5</b>
Children	32430	37.8	<b>38.2</b>	37.1	37.7	2741	<b>39.4</b>
Maid	86	0.1	<b>0.0</b>	0.0	0.1	n/a	<b>n/a</b>
Others	9351	10.9	<b>10.1</b>	9.1	12.0	614	<b>8.8</b>
Education:							
Primary School or less	9180	10.7	<b>9.2</b>	6.4	13.1	392	<b>6.4</b>
Secondary School & Diploma	31314	36.5	<b>40.3</b>	23.6	37.5	4201	<b>68.2</b>
Local Uni. Degree	12612	14.7	<b>15.3</b>	15.8	13.9	1571	<b>25.5</b>
Overseas Degree	32687	38.1	<b>35.2</b>	54.2	35.5		
Occupation:							
Low Skill	13509	26.7	<b>25.8</b>	16.9	30.2	1068	27.7
Assistant Professional	15584	30.8	<b>33.7</b>	29.8	29.2	951	24.7
Professional	10726	21.2	<b>16.9</b>	28.4	21.9	1038	26.9
Managerial	10777	21.3	<b>23.6</b>	25.0	18.7	796	20.7
Total	50596	100	<b>100</b>	100	100	3853	100.0
Earnings:***							
1-5,999	2682	5.3	<b>5.1</b>	4.4	5.6	2382	<b>45.7</b>
6,000-9,999	5970	11.8	<b>10.0</b>	8.3	14.1	739	<b>14.2</b>
10,000-14,999	12345	24.4	<b>26.7</b>	17.6	24.7	753	<b>14.5</b>
15,000-19,999	7994	15.8	<b>17.0</b>	17.6	14.7	552	<b>10.6</b>
20,000-29,999	8348	16.5	<b>18.3</b>	17.5	14.8	525	<b>10.1</b>
>=30,000	13256	26.2	<b>22.8</b>	34.6	26.0	256	<b>4.9</b>
Total	50596	100.0	<b>100.0</b>	100.0	100.0	5207	<b>100.0</b>
Median (HK Dollar/month)		16520.38	<b>16500.00</b>	20000.00	15500.00		<b>7091.03</b>
Mean (HK Dollar/month)		25543.01	<b>23314.00</b>	33682.00	24657.00		<b>10234.78</b>
Gini Coefficient****		.11.	<b>.13</b>	.55	.15		<b>.34</b>

\* 2001 census data, Department of Census and Statistics, Hong Kong SAR, PRC.

\*\* 1996 Canadian census public use individual Microdata files, CHASS, University of Toronto, <http://datacentre.chass.utoronto.ca/census/mainmicro.html>.

\*\*\* Authors' calculations.

\*\*\*\* For earnings, sample selected: aged 15 and over; income > 0; adjusted to 2000 real CND dollar value; exchange rate as on Dec. 31, 2000 at CND\$1 = HK\$5.20777.