

Silicon Valley Immigrants Forging Local and Transnational Networks

Although many studies of economic transformation have focused either on entrepreneurship or on globalization, there is mounting evidence that the two phenomena are often linked. Foreign-born entrepreneurs are becoming agents of global economic change, and their increased mobility is fueling the emergence of entrepreneurial networks in distant locations. In California's Silicon Valley, for example, Taiwan-born entrepreneurs have built social and professional networks to support American ventures, which they use to accelerate the formation of new firms in Taiwan as well. There is evidence, too, of a similar process among Indian immigrant entrepreneurs, and scholars have begun to document the emergence and economic significance of transnational activities among Latin-American immigrants in the United States.

Because these developments have attracted relatively little attention, many questions about them remain unanswered. To what extent are first-generation immigrants creating transnational networks that link their native countries and California? What role do ethnic networks play in transnational firm formation? Is the much discussed "brain drain"—the migration of the best and brightest from poor to rich nations—accelerating, declining, or being replaced by two-way flows of highly skilled workers between highly developed and less-developed economies?

In *Local and Global Networks of Immigrant Professionals in Silicon Valley*, AnnaLee Saxenian addresses these questions by conducting the first large-scale survey of foreign-born professionals in Silicon Valley. Focusing on first-generation Indian and Chinese immigrants, the largest groups of skilled immigrants in the region, the study compares their participation in local and global networks both to one another and to that of U.S.-born professionals. The 2001 survey, which received almost 2,300 responses from members of 17 ethnic professional associations in the San Francisco Bay Area, addressed three general issues:

- The involvement of foreign-born professionals in the area's economy and professional associations,

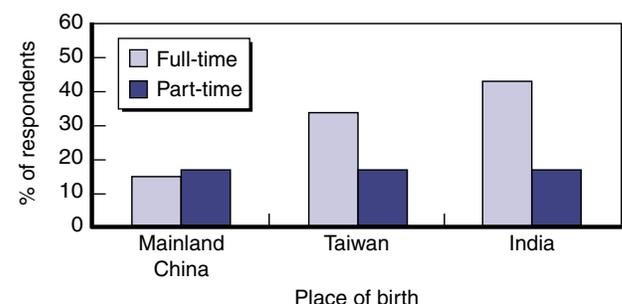
- The professional connections that first-generation immigrants are building to their native countries, and
- The extent to which immigrants are establishing business operations in those countries.

In general, the results of the survey indicate that local institutions and social networks within ethnic communities are more important to entrepreneurial behavior than are national or individual characteristics.

Immigrant Professionals Have Adopted Silicon Valley Business Techniques

One of the most striking findings is that first-generation immigrants have quickly adopted the start-up models and networking patterns that distinguish the Silicon Valley business environment. Seventy-three percent of U.S.-born respondents and 67 percent of the foreign-born ones ranked business associates as a very important source of business and technology information. This result seems to confirm the importance of informal networking in the region. Although most immigrants surveyed had arrived in the United States within the last ten years, over half (51 percent) have been involved in founding or running a start-up company (Figure 1). The timing, location, and financing of these firms closely

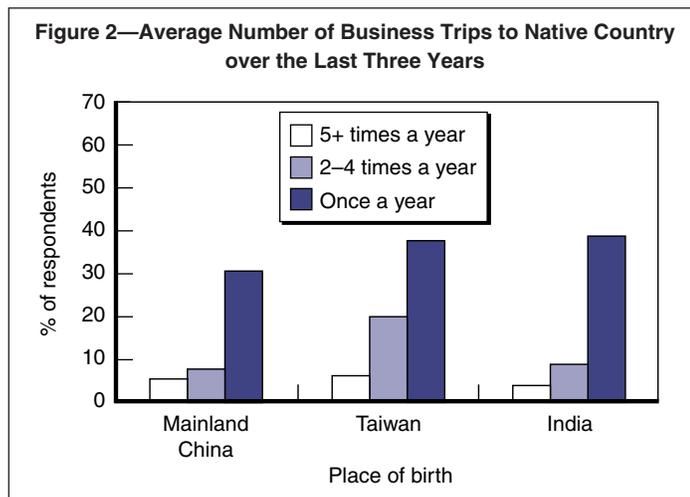
Figure 1—Percentage of Immigrant Professionals Involved in Founding or Running a Start-Up Company



A significant percentage of Silicon Valley immigrant professionals have founded or run a start-up company.

resembled those of the companies founded by U.S.-born entrepreneurs. Moreover, almost two-thirds of the foreign-born respondents said that they intended to start their own companies—despite the fact that the survey was conducted during one of the least active periods in recent history for financing start-ups.

Although Chinese and Indian immigrants have adapted to Silicon Valley's business environment, they have also maintained extensive professional ties to their native countries. Many exchange technology and labor market information with colleagues and friends from their native countries, which they visit regularly for business purposes (Figure 2). Twenty-seven percent of those surveyed advise or consult for companies in their country of origin, and about 30 percent meet with government officials. An even greater share (40 percent) had arranged business contracts in those countries. Half the entrepreneurs identified in the survey had set up subsidiaries, joint ventures, subcontracting, or other business operations in their native countries—and most of the other respondents would consider doing so in the future.



Immigrant professionals travel frequently to their native countries for business purposes.

Between 40 and 50 percent of those who started businesses did so with two to four co-founders from their native countries. However, this ethnic dominance steadily decreased as the companies grew. For those who had founded business operations in their native countries, the preferred locations were fast-growing urban areas in or around Taiwan, Beijing, Shanghai, Bangalore, and Bombay.

Brain Drain or Brain Circulation?

The survey results indicate that the so-called brain drain from India and China has been transformed into a more complex, two-way process of “brain circulation” linking Silicon Valley to urban centers in those countries. These two-way flows are developing quickly and are likely to expand in the future. The majority of Silicon Valley's Indian (76 percent) and Chinese (73 percent) immigrants, particularly those in the younger age groups, reported that they would consider starting businesses in their native countries in the future.

The respondents also identified important advantages to establishing a firm outside the United States. The most prominent was the availability of skilled labor. Labor costs were deemed important by only 29 percent of the respondents, making it the least important factor considered in the survey. This result suggests that foreign investment, at least in the high-technology sector, is motivated more by the search for skilled labor than by the search for lower labor costs. The respondents also ranked the disadvantages of starting a business outside the United States. The most important were unreliable infrastructure (especially in India) and government regulation and bureaucracy (especially in Mainland China).

The entrepreneurial activities identified in the report have significant consequences for economic development in other countries, but they also have important policy implications in the United States. At the federal level, the bottom-up globalization of entrepreneurship may require new policy approaches to trade, immigration, and intellectual property rights, many of which assume more limited one-way flows of skills and technology largely within multinational corporations. These patterns of entrepreneurial activity may present policy opportunities at other levels of government as well. Because these firms cluster in specific urban areas both in California and abroad, the author notes that local, regional, and state governments may be the most appropriate bodies for building cross-national relationships. These relationships might be useful in shaping specific policy efforts, such as coordinating standards for software training or monitoring health and safety risks in the high-technology sector.

This research brief summarizes a report by AnnaLee Saxenian, Local and Global Networks of Immigrant Professionals in Silicon Valley (2002, 106 pp., \$10.00, ISBN 1-58213-048-5). The report may be ordered by phone at (800) 232-5343 [U.S. mainland] or (415) 291-4400 [Canada, Hawaii, overseas]. A copy of the full text is also available on the Internet (www.ppic.org). The Public Policy Institute of California is a private, nonprofit organization dedicated to independent, objective, nonpartisan research on economic, social, and political issues affecting California. This project was supported by PPIC through an Extramural Research Program contract.