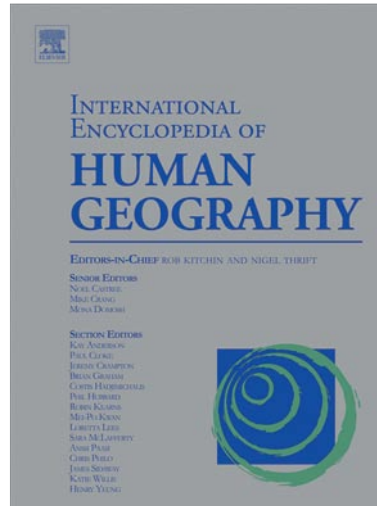


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Transnational Ethnic Networks

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Glossary

Diaspora It refers to ethnic groups whose sizable parts have lived outside their country of origin for at least several generations, while maintaining some ties to the homeland.

Overseas Chinese Business Networks Chinese business people can exploit their privileged ability to recognize worldwide market differences, or knowledge arbitrage. From this perspective, market differences can be translated into geographical market differences, and then into regional comparative advantage.

Social Network Analysis Social network has been used as a metaphor to connote complex sets of relationships between members of social systems at all scales. But social network analysis needs to move from being a suggestive metaphor to an analytic approach to a paradigm. It takes account of the structure of a network, the relations among network members, and the location of a member within a network as critical factors in understanding social behaviors.

Transnationalism The processes by which immigrants build social fields that link together their country of origin and their country of settlement.

One of the most promising contributions to recent debates about globalization is the literature in which Cox *et al.* analyze the interplay between the various scales of economic activity, from the local to the global. These theorists recognize that the process of globalization constitutes of the complex relationships between multiple, different local systems – that we are in an era of glocalization, rather than globalization. The key challenge for this perspective is to understand how producers cope with the interface between the local and the global, or the governance mechanism in the glocalization process. Some writers take the multinational corporation as the core economic actor in a global hierarchical fiat system, others like Scott and Dicken conceive of the global system as a network of regional worlds. Within this network-governed economy, social ties between communities in the interacting regions are a central concern. Rather than taking the large corporation as the major actor, the network approach focuses on the social embeddedness of the ostensibly profit-oriented business world. Scholars adopting this network approach to globalization have focused on the role of ethnic ties, in particular, to explain the accelerated growth of cross-

border economic transactions. They see social networks, not asocial economic rationality, as the basis for the emergence of economic transnationalism.

Transnationalism has become a key field of study in international migration since the later part of the 1990s. Across a range of disciplines, academicians sought to define and trace the development of transnational communities and practices, and examine the ramifications for identity and citizenship in an increasingly globalized world. Glick Schiller *et al.* (1992) define transnationalism as “the processes by which immigrants build social fields that link together their country of origin and their country of settlement.” The transnationalist approach is based on the observation that expatriates keep close personal and financial relationships with the source country and they retain a strong national identity even years after migrating. Driven by shared national identity, migrants establish social networks with other expatriates from the same source country. This common identity perpetuates a commitment to the source country that drives cross-border linkages among nationals and decisions to return. A migrant has thus a natural gravitation toward the home country and repatriation takes place once enough resources, whether financial or knowledge, have been gathered and when the social and economic conditions at home are perceived sufficiently favorable. Hence, the main motivating factor, according to Portes, is not one of personal utility but an identity marked by an attachment to one’s birthplace.

The operation of social networks from below, through the mechanisms of transnational migration, would tackle the issue of the articulation of people’s everyday lives (both of elites and ordinary ones) with the macro forces of sociocultural and political–economic institutions in different geographical scales. Smith (2001) suggests that the globalization–localization process articulated in the global city is manifest in ‘transnational social space’ or the ‘translocality’, through the agency of ‘transnational migrant networks’. Among these networks, the transnational connection made possible by a community of people, no matter whether elite or refugees, is the key agent in the emergence of transnationalism. In particular, the international migration of skilled people and wealthy people was identified as the actor in cross-fertilizing both the sending and hosting cities with the traveling back and forth of highly specific knowledge, capital, and professional networks. Evidence of the transnational hypermobility of this highly skilled and capitalist class is the development of a growing population of ‘astronauts’ who

work in 'both' places and spend much of their lives on airplanes. While their families may be based on either side of the Pacific (most often they stay in California, Vancouver, or Toronto because of the lifestyle advantages), these wealthy migrants join their families for a couple of weeks every 3 or 6 months, taking advantage of the opportunities to play middlemen bridging the cross-Pacific regional economies.

Central to concept of transnationalism is the reconfiguration of the geographical space and territorial boundaries to accommodate intricate and flexible interactions engaged in by migrants at a global, regional, and local level. Such personalized networks used to be dismissed as outdated or marginal modes of transactions under modernism. Now they command new respect under the condition of late capitalism, globalization, and flexible accumulation.

As demonstrated by [Portes \(1998\)](#), the transnational immigrant communities often actively bridge the donor and host regions, and constitute another network for capital, information, and people flow, besides, although not necessarily contradictory to, the mainstream channels of foreign direct investment and international trade. Some of the members of the diaspora simply settle abroad and become progressively integrated into local ways and constitute an enclave economy; others cultivate their networks across space, and travel back and forth in pursuit of reciprocal ventures. The reciprocal collaboration between the diaspora and the homeland can be in different forms: technology transfer and financial contributions, including both remittances and investments. While the former move along the course of assimilation, the latter refuse to be confined in either one space or the other. It is the latter that links their members with their countries of origin and turn the brain drain into a brain gain.

Conventionally, the human capital paradigm refers to a substantialist view of skills as a stock of knowledge and abilities embodied in the individual and takes the concept of brain drain to denote the phenomenon whereby a country suffers an outflow of its educated elite, on a scale threatening the needs of national development in the long term. In contrast, the network approach, adopting a connectionist viewpoint, claims that skills cannot be understood without their social definition, construction, and integration, and consequently, individuals should be presented as being involved in knowledge-intensive activities, deeply rooted in their networks, with their own skills historically and physically contextualized. More often, a transnational technological community can provide an alternative and potentially more flexible and responsive mechanism for long-distance transfers of skill and know-how, particularly between very different business cultures or environments.

[Mohann \(2002\)](#) classifies three types of linkages of diaspora and homeland development: development

'in', 'through', and 'by' the diaspora. The first one, development in the diaspora relates to the pooling of financial capital, intellectual capital, and political capital by members of an ethnic community for the purpose of growing wealth in the homeland country. Lots of sending governments have sponsored programs to get access to the pooling for development. For example, the Chinese government runs the *Chun-hui* Program which grants financial and manpower support to entrepreneurs who have returned, to start ventures in China. A number of 'returning students venture parks' were established to target returning entrepreneurs.

The second type, development through diaspora means development as a result of networking within and between diasporas of the same ethnic group in different parts of the world. A classic example involves the networks of overseas Chinese from Taiwan, Hong Kong, Singapore, and the U.S. who contribute to economic development after China's economic reform in late 1970s (see below). Another well-noted example comes from the investigation made by [Michell and Olds](#) on the Pacific Place in Vancouver, a property project invested in by the Hong Kong-based property tycoon Li Ka-Shing who took advantage of a long-term North American base for his family and friends to build a cross-Pacific Chinese business network in the pursuit of property development opportunities.

Finally, the third type, development by diaspora refers to the diaspora working chiefly in helping the homeland development. For instance, many Jewish associations have been established to work with the Israelis to articulate the needs of Israel to Washington, raise and contribute funds to elect congressional members who support Israel, and help defeat those who do not.

The Overseas Chinese Business Networks (OCBN): An Illustration

The dominant example of the transnationalist approach is the analysis of the Overseas Chinese Business Networks (OCBN). The OCBN argument claims that Chinese business people can exploit their privileged ability to recognize worldwide market differences, or what [Kao \(1993\)](#) refers to as 'knowledge arbitrage'. From this perspective, market differences can be translated into geographical market differences, and then into regional comparative advantage, as [Boruss \(1997\)](#) argues for Asian production networks. It is referred to as the 'global web' of Chinese business and sees the close ties between the overseas Chinese and local Chinese communities as a central mechanism for economic cross-fertilization in the Pacific Rim.

By the same token, it has been argued that there is a distinctive and crucial synergy between overseas Chinese investors and local governments in Mainland China, one

not found to the same extent or in the same form with non-Chinese FDI. [Yeung \(1998\)](#) also demonstrated, based on his research about the investments made by Hong Kong based Chinese firms in the Southeast Asia, the Chinese cultivation of personal relationships institutionalized the trust, loyalty, reciprocity, and reputation that facilitated efficient business operations. Synergy is seen among the specific skill set of Chinese investors (experience with labor-intensive exports to the West and with managing to achieve high quality and productivity from unskilled labor), cultural similarities and propensities (shared culture and language, ability to form trustworthy relationships, values of authority and hard work), knowledge of how to get things done in contexts of policy uncertainty while minimizing transaction costs, and industrial structures that tolerate higher levels of regulatory uncertainty and risk.

In this view, global economic transactions are enhanced by the advantage of blood bonds. Ethnic ties render the utilization and coordination of resources among firms of the cross-border regions flexible and economical, reinforcing their competitiveness. Such a system is seen as particularly advantageous in the current economic environment as it allows the members of the network to quickly identify complementary assets and build close partnerships at a global scale.

Moreover, today's learning economy involves more than purchasing technology and includes social dimensions such as the absorption of tacit knowledge which is embodied in technical staff. Consequently, the key to success in the rapidly changing market lies in capabilities to identify the right people (know-who), and accordingly fix the right technologies and products (know-how), as most innovations are human-embodied and involve teamwork.

More recently, growing empirical evidences suggest that highly skilled engineers and professionals are returning in large numbers. In many cases they have become key players in generating new technological practices and capacity in their home countries. [Saxenian \(2006\)](#) has found active engagement of Chinese and Indian engineers in the technological startups in Silicon Valley, California and noted the attempts of these émigré to contribute to technology development in their home countries. [Saxenian and Hsu \(2001\)](#) also discovered that the international circulation of technical expertise has become institutionalized by the local ethnic associations in California, that promotes the transnational ties and activities of émigré entrepreneurs or professionals in their home countries. These findings led to the term: 'brain circulation' that describes the phenomenon of skilled immigrants being of increasing benefit to both home and hosting nations.

All of these possible links are established smoothly not on an individualistic base, but with the mediation of overseas organizations. Take the Silicon Valley–Taiwan connection as an example. One of the most important

overseas organizations for high-technology industries is the Monte Jade Science and Technology Association. It was formed to promote cooperation and mutual flow of technology and investment between Taiwan and Silicon Valley. The activities of the Monte Jade include monthly dinner meetings, which encourage and promote networking among members, special-topic seminars that are put on in cooperation with other professional organizations, and social events and entertainment. Through Monte Jade's efforts, many networking opportunities are created and proliferated.

Similar to the Silicon Valley–Taiwan connection, China's link became institutionalized by establishing a transnational community. One of the key associations, the Hua Yuan Science and Technology Association was formed in Silicon Valley in 2000 to 'promote the technological, professional, and scientific development of the Chinese business community'. Hua Yuan and other Chinese professional associations also sponsor regular business tours to China, receive government delegations, and serve as conduits for Chinese firms recruiting in the US. Through the forums provided by these organizations, two-way channels were established for Silicon Valley's high technology capital and China's emerging market and manpower.

Instead of focusing on personal linkages and 'natural' gravity towards home, the institutionalization argument emphasizes the importance of voluntarily created linkages that are targeted on specific objectives. Expatriates are not passive respondents to social and economic conditions in the home country, but social actors that are motivated by their linkages with home institutions and social capital from which they benefited before migrating. Not only are acceptable social and economic conditions an important factor for returning, but also opportunities that the home country provides for making use of the migration experience and established networks. Expatriates are thus regarded as well-informed agents that gather information about context and opportunities in their countries of origin.

Cautionary Remarks

Critics have pointed out a number of flaws in the transnational economic network model which presumes that shared language, culture, and history facilitates the construction of shared identities among ethnic diaspora. First, it tends to assume both the continuation of cultural commonalities and the power of shared identity to facilitate trustworthy business networks which can then operate efficiently with lower transaction costs. This culturalist position ignores internal differentiation among diaspora and takes identity as an unproblematic given. Second, it assumes that even while social connections are used for business purposes, their basis in solidarity and

commonality resolves the problems of conflicting economic interests. Third, even if business ties are more easily constructed and maintained among ethnic diaspora, and even if they do generate effective and stable cooperation, the approach still risks oversocializing economic behavior that is rooted in business and technological considerations and thus assumes that social relationships determine economic transactions and outcomes. While economic relationships are clearly socially and culturally embedded, markets and industries have their own dynamics that reward certain types of organizations and practices and drive others toward bankruptcy and failure.

In fact, the 'Chinese business system' should be examined in a dynamic and transformational way. Based on his case studies of the internationalization of a large number of Chinese firms from Singapore and Hong Kong, [Yeung \(2004\)](#) clearly illustrated that their business networks have been broadened in the globalization process. The growing involvement of nonfamily, or even non-Chinese members in the entrepreneurial activities of key actors in Chinese business networks showed that dynamic transformation process (e.g., professionalization) can propel these ethnocentric firms to survive in the relentless competition of world economy.

Moreover, the role played by ethnic ties varies by sectors. Rather than arguing that ethnic social capital won't work in the technology-intensive industries, the critics contend that its role and style is changed. For example, [Smart and Hsu \(2004\)](#) find that ethnic social capital was crucial for reducing transaction costs (or indeed even making investment possible at all in certain circumstances) and enhancing mutual trust in the early stages of overseas Chinese investments in Mainland China. After the business environment became clearer and technology-intensive investment became more sought after, ethnic ties became more important as collective assets which assisted in the identification and recruitment of appropriate talents among overseas Chinese in the United States and across the Taiwan Strait. In brief, the economy is not reducible to interpersonal relationships, but composed of multiple production worlds that are defined by product configuration, market principles, and technology and production process. Dense social ties cannot substitute for the sophisticated managerial and technological learning that is required to compete in a particular sector in spite of the fact that the social dimension of learning is critical.

Another controversy with the thesis of transnational ethnic network involves the role of the state. The students of developmental state attack against the ignorance of the state leadership in the transnationalization process. Rather than counting for the rise of transnationalism as 'globalization from below', they argued that it is the state, particularly in the latecomer industrialization, which initiates and fosters the cross-border networking, and

sponsors the returnee program to take advantage of the diaspora connection in industrial upgrading.

Such a developmental statist argument reveals a partial truth that the late-industrializing state pushes aggressively in encouraging spinoffs from public labs to take shape from dense social-technical networks, and recruiting overseas experts back to start up new ventures. However, the key challenges met by the developmental states are the construction of network development to participate in the new economy which becomes imperative to integrate local, regional, and global structure of innovation into a system. In other words, if the developmental state is argued to be a top-down, bureaucratic rationality-based governance mechanism, how can it build up and articulate with the supposedly bottom-up, trust-based social networks? How can the potential tension between the top-down and the bottom-up be settled?

As a matter of fact, while making a distinction from the argument of 'globalization from above', transnationalism does not contradict with the role played by the state in controlling borders and regulating migration, as critiqued by [Waldinger and Fitzgerald \(2004\)](#). In contrast, transnational social relations are usually anchored in, while also transcending, one or more nation-states. The transnationalist discourses insist on the continuing significance of national borders, state policies, and national identities, while simultaneously crossing over them, and constituting a hybrid social space. Instead of maintaining a kind of zero-sum assumption of exclusiveness of nation-states and globalization, the transnationalist discourses take them as engaging in a process of mutual construction.

Finally, the idea of transnational ethnic network bases its conceptualization on the network governance approach which revolves around Granovetter's embeddedness notion. As observed by [Peck \(2005\)](#), the Granovetterian reading of embeddedness epitomizes a highly versatile key concept in the economic geography of the so-called 'cultural turn'. Invariably, economic geography until more recently turns networks into shorthand for enduring, trust-based ties, and focuses on the indeed very human side of family, friendship, and kin in economic relations. Consequently, network, in most economic geography literature, is used as a metaphor or governance form, rather than an analytic tool.

In contrast, as suggested by [Grabher \(2006\)](#), economic geographers can alternatively take social network analysis seriously and systematically investigate the behavioral consequences of network configuration. In light of the analysis, the critical role of network position and structure fundamentally departs from the cohesion-fixated ideas of networks. [Burt's \(2001\)](#) social network analysis invites an understanding of arbitrage and innovation that sharply contrasts with the trust-based relations prevailing in the study of transnational ethnic networks in particular, and economic geography in general. From the standpoint

of network analysis, the arbitrage advantage and lock-in disadvantage of transnational ethnic network can be analyzed by exploring the interdependencies between accounts on structure and context.

See also: Embeddedness; Ethnic Economies; Global Production Networks; Networks; Transnationalism and Technological Transfer.

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