



# MIGRAÇÕES JOURNAL

SPECIAL ISSUE

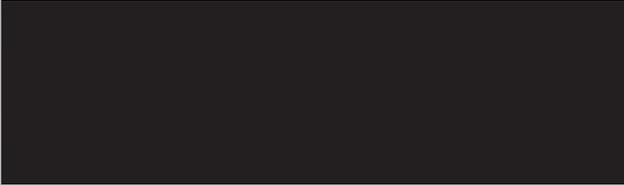
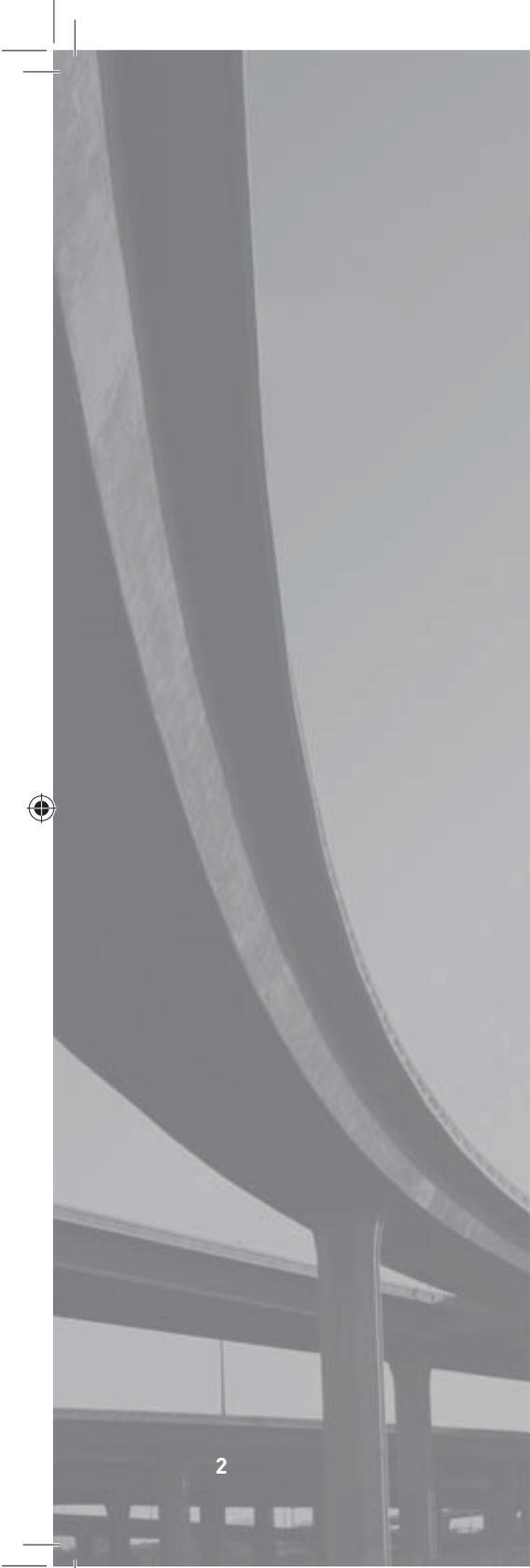
## IMMIGRANT ENTREPRENEURSHIP

Edited by Catarina Reis Oliveira and Jan Rath



OBSERVATÓRIO DA IMIGRAÇÃO, ACIDI I.P.





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**MIGRAÇÕES**  
Journal of the Portuguese Immigration  
Observatory

No. 3, October 2008

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**Title Ownership and Publication:**  
ACIDI – High Commission for Immigration and  
Intercultural Dialogue, I.P.  
Rua Álvaro Coutinho, 14  
1150-025 Lisbon - Portugal

**Frequency of Publication:** Biannual

**ISSN:** 1646-8104

**Contact information:**  
Migrações Journal  
Rua Álvaro Coutinho, 14  
1150-025 Lisboa – Portugal  
Email: [migracoes@acidi.gov.pt](mailto:migracoes@acidi.gov.pt)

**Circulation:** 1,000 copies  
**Printing:** Europress  
**Legal Deposit Classification:** 274574/08

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## Rosário Farmhouse

High Commissioner for Immigration and Intercultural Dialogue

A dictionary of the Portuguese language defines an entrepreneur as “someone who ventures; enterprising; active”. According to this semantic definition, all immigrants without exception are entrepreneurs.

To dare to set off for a foreign country in search of work and better living conditions is a sign of enterprise, evidence of a refusal by human beings to resign themselves to adverse circumstances in their society of birth.

This gesture of setting off – so intrinsically human – represents courage.

It is true that we are accustomed to seeing migrants as salaried workers, working in the toughest jobs which, most of the time, the workers of the receiving society refuse.

Nevertheless, the labour integration of migrants is much richer and more complex than the situation of salaried workers, as there are immigrants whose vision creates employment and wealth for the receiving society.

Despite the fact that every professional situation has its function and social utility, I would say that we tend to value the salaried worker more, undermining the visibility of the immigrant entrepreneur who creates employment and generates wealth in our country.

In truth, we have known for a long time that the bravery of immigrants is not limited to this reductive vision of the migratory phenomenon restricted to people who work for others.

For a long time in contemporary societies, patent signs of the capacity for entrepreneurial initiative of many of our immigrants have been observed, though they have not always been duly valued nor publicly recognised.

Here in Portugal, the new immigration law – Law no. 23/2007 of 4 July 2007 – recognises for the first time a distinct access regime for entrepreneurs and independent workers as opposed to salaried workers. The Plan for Immigrant Integration – RCM no. 63A/2007 of 3 May – also foresees a measure (13) for incentivising immigrant entrepreneurship. In the field, the National Immigrant Support Centre



# introductory note

in Lisbon already has a Support Service for Entrepreneurship that provides relevant information on setting up businesses and applying for micro-credit, seeking to be an incentive for the creation of self-employment with a view to immigrants' professional realisation.

This was the theme chosen for our *Migrações* Journal, with the title of Immigrant Entrepreneurship, already in its third issue. In this Special Issue there is a comparative analysis of different international policies with implications for immigrant entrepreneurship and of the important role of civil society organisations in promoting this reality.

It remains for me to conclude with a word of appreciation for the two editors – and, I should say, entrepreneurs in the social sciences – Catarina Reis Oliveira and Jan Rath, whom I thank for the excellent work undertaken.





## Roberto Carneiro

Coordinator of the Immigration Observatory

The social representation of immigrants that still prevails in the majority of European countries is associated with salaried work of low added value through occupation in jobs that do not attract the active native population.

Although this image corresponds to the reality of the majority of immigrant workers, the truth is that the stereotype has suffered a rapid transformation. On the one hand, flows of highly qualified immigration have acquired increased importance while, on the other, phenomena of immigrant entrepreneurship have been identified, which create wealth, add value and provide employment in the context of the receiving economies.



Furthermore, it should not be assumed that these entrepreneurial initiatives are confined to restricted markets for 'ethnic' goods or services. Without questioning the relevance of Chinese restaurants or yoga schools, the analysis of the economic reality in our societies has highlighted the emergence of new – and powerful – entrepreneurial phenomena in the most diverse sectors of activity, which directly or indirectly involve a strong presence of immigrants.

The more open economies are and the more societies promote equality of opportunities, the higher the probability is that the playing field will be even for all of those who wish to take the risk of initiating or diversifying a business.

In other words, for immigrant entrepreneurs the World is Flat or, at least, it is inclined to present itself to be less uneven than in the recent past. Furthermore, innovation economies and industries of creativity increasingly require the intersection of cultures and the encounter with diversities to sustain them.

Issue No. 3 of the Migrações Journal dedicates to the theme the attention it deserves, and it deserves to be read, and considered, by all those who are interested in the issue of population movements.

Primarily, because the editing of the issue was undertaken by two researchers of the theme and consummate specialists in the study of the economy of immigration: Catarina Reis Oliveira and Jan Rath.

preface



# preface

Also, however, for the simple reason that a brilliant group of researchers accepted the invitation to contribute to the publication of this issue from the most varied angles of approach but united by their rigour and the quality of their analysis.

The Migrações Journal fulfils therefore, the principal purpose for which it was created: to provide a forum for the publication of original research on seminal issues, stimulating the academic community to open up new frontiers of analysis and systematic research.





## Catarina Reis Oliveira\* and Jan Rath\*\*

Editors of the Special Issue on Immigrant Entrepreneurship

Many advanced economies, especially in their larger cities, acquired a more cosmopolitan aspect in the closing decades of the twentieth century. This is reflected in an ever-broadening product range, which now includes not only such obvious items as Coca Cola, hamburgers and Levi's jeans but also Chinese bubble tea, Turkish döner kebabs and Indian saris. It is not just the appearance of these 'exotic' products in shops in Amsterdam, Berlin, Copenhagen or Lisbon that reveals the deepening links between economies of origin and of receiving countries. The demographic composition of many advanced economies has also significantly changed as flows of long-distance migration from more and more locations increased during the second half of the twentieth century. International migrants embodied the complex process of globalisation in a very palpable sense. Increasingly diverse product ranges and populations, as two highly visible features of globalisation, are often directly related as immigrants themselves introduce products from their origin countries to far-off places. They start businesses in their countries of settlement and become 'self-employed', 'immigrant entrepreneurs' or 'ethnic entrepreneurs'.



Notwithstanding the ever increasing numbers of ethnic entrepreneurs who have set up shop, according to the American magazine *Business Week* they have long remained 'unsung heroes' in Europe. In socio-economic terms, for a long time these immigrants were largely viewed as *workers*. Immigrants were predominantly depicted as suppliers of cheap low-skilled labour in advanced economies. More recently, attention has shifted towards immigrants who start their own businesses.

By becoming self-employed, immigrants acquire quite different roles to those of immigrants who are employees and also to those of mainstream entrepreneurs. By starting their own business, immigrant entrepreneurs create their own jobs and/or create job opportunities for other co-ethnics. This enables them to circumvent some of the barriers that they may encounter in looking for a job. Immigrants are especially likely to come up against these barriers. They may lack or be seen to lack educational qualifications; they may not have sufficient access to relevant social networks for transmitting information on job vacancies; or local

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employers may simply discriminate against them. Becoming self-employed does not mean that all these barriers become irrelevant – for example, banks may still discriminate against immigrants when they request business loans or qualifications may not be recognised - but entrepreneurs still seem to be less vulnerable.

Despite the apparent diversity of both the origins of the entrepreneurs and the types of businesses they have established in the various countries, there are clear similar underlying processes. Although there have been notable cases of successful immigrant entrepreneurs in advanced economies (Kloosterman and Rath, 2003), most of these immigrant entrepreneurs are funnelled towards sectors at the lower end of the market. Lacking in many cases access to significant funds of (financial) capital and also deemed lacking in appropriate educational qualifications, most fledgling ethnic entrepreneurs can, in principle, only establish their business in markets with low barriers of entry in terms of capital outlays and required educational qualifications. In these markets, production is mainly small-scale, low in added value, and often very labour-intensive. Consequently, earnings are typically relatively low and days are long and hard for many ethnic entrepreneurs.

Yet, European, national and municipal governments and business associations, as well as a wide array of third-sector institutions, have attached great value to ethnic entrepreneurship. They have tried with varying degrees of involvement to promote the development of Small and Medium Enterprises (SMEs) by introducing support measures that facilitate small entrepreneurs in general, and ethnic entrepreneurs in particular. Many of these interventions focus on improving the performance of ethnic entrepreneurs, for example by providing training and coaching, and other forms of support in the fields of entrepreneurial skills, finance and networking. Other interventions aim at removing obstructions in the regulatory framework for SMEs, which vary from lowering the license requirements for starters and getting preferential access to credit systems to allowing for a period of trial and error without losing the right to receive social security benefits (for an overview, see Van Niekerk, Rath *et al.*, 2008). In so doing, they have emphasised the positive effects of entrepreneurship.

If successful, ethnic entrepreneurs can create jobs for others. This can benefit relatives, friends and acquaintances and, more generally, co-ethnics, as social networks are often interfaces for information on the recruitment of new workers by small firms. Creating jobs then helps to alleviate unemployment among immigrants. Ethnic entrepreneurs can also contribute different forms of social



capital to that of immigrant workers to the immigrant ethnic communities. Because of their links to suppliers and customers, ethnic entrepreneurs can be useful in constructing bridges to other networks outside the inner circle, thus improving chances of upward mobility. Moreover, ethnic entrepreneurs often act as self-appointed leaders for their communities. Most importantly they show that immigrants are not necessarily restricted to filling vacancies on the job market - they can be active agents and shape their own destinies by setting up their own businesses. Even where they are confined to sectors of businesses with few prospects, they are still actors in a very literal sense.



Ethnic entrepreneurs, moreover, may provide goods and services that indigenous entrepreneurs are not as likely to offer. Ethnic entrepreneurs may have expert knowledge on specific demands or specific sources of supply relating to foreign products as in the case of foodstuffs (for example, spices from Indonesia), music (for example, rai music from North Africa), clothing (for example, Indian saris, Brazilian flip-flops and bikinis), health products (such as Chinese traditional medicine, herbal remedies, Asian massages) or videos (for example, Bollywood movies from India). In many cases this almost unrivalled expertise can be based on first-hand knowledge from back home or it can be generated through transnational networks that connect the country of origin with the sometimes extensive diaspora of a specific group of immigrants.

By introducing new products and new ways of marketing, even immigrant entrepreneurs at the bottom end of a market can be innovators - Joseph Schumpeter's 'new men', albeit in a more modest form. One example is the introduction of the döner kebab by Turkish entrepreneurs in Germany. Indigenous entrepreneurs might lack the credibility for specific kinds of businesses, as in the case of Chinese restaurants where the owner and staff need to have at the very least a Chinese appearance. Preferences may keep indigenous entrepreneurs out of certain sectors that require long hours of hard work at low pay that only immigrants may be prepared to put up with. Ethnic entrepreneurs may thus broaden the range of goods and services in a country and hence expand the consumers' choice. In an indirect sense, this may even allow indigenous entrepreneurs to focus more on activities where they can exploit their own specific comparative advantages.

From a geographical perspective, ethnic entrepreneurs can add vitality to particular streets or even neighbourhoods in cities. If streets are deserted by indigenous businesses and replaced - in an invasion-and-succession sequence - by immigrant entrepreneurs, deterioration can be reversed. As owners of local business-

es, they have a clear stake in the prosperity, accessibility, and safety of the street or neighbourhood. In many cases, these businesses are also where members of local social networks gather. They are thus an important component of the social fabric sustaining civic society at the grassroots level.

Whether or not these optimistic expectations are justified remains to be seen. A host of studies has sufficiently demonstrated that entrepreneurial success - and consequently also the effects of it - is contingent on a plethora of social, political and economic conditions (see: Rath, 2002). The sheer complexity of entrepreneurial processes prevents us from envisaging entrepreneurship as a simple one-dimensional phenomenon. That also explains why promoting entrepreneurship is not a self-evident process.

This Special Issue aims to provide an extensive mapping of policies in the promotion of ethnic entrepreneurship in a number of countries. It is motivated by the desire of national and municipal Governments to create an environment conducive to setting up and developing SMEs in general and immigrant businesses in particular. Furthermore it also highlights how the third sector has also had a crucial role in the reinforcement of immigrant entrepreneurship, and provides indications of how best to address this issue at a Governmental level in the future.

### **The emergence of immigrant entrepreneurship in Europe: National and local variations**

Despite the fact that entrepreneurial activities among immigrants have always been present to a certain extent throughout Europe since the formation of the first Nation-States, three historical circumstances made them more visible during recent decades. The first historical circumstance is associated with the growth in twentieth-century mass immigration flows,<sup>1</sup> essentially from mid-1945 onwards, which led to the concentration of foreign communities in various urban centres initially in North and Central Europe, and then in the South of Europe from the mid 1970s onwards (Castles and Miller, 1998: 6). Economic growth and expansion in many markets during the 1950s and 1960s led to a decline in traditional small and medium enterprises and the flourishing of large commercial and industrial production concentrations (Waldinger *et al.*, 1990: 80). It is exactly in this context that the entrepreneurial initiatives of immigrants began to become more visible. The second conjuncture was related to the 1973/74 oil crisis which resulted in an economic recession and the concomitant restructuring of the global economy.



That restructuring implied the reconversion of the modes of production of many companies, the investment of capital in new industrial areas, the shift in patterns of global trade and the introduction of new technologies resulting from the micro-electronic revolution (Castles and Miller, 1998: 78). These changes provoked an inevitable increase in unemployment in the main European economies, which had a high contingent of unskilled labour. This situation resulted in an increase in the number of immigrant employers and self-employed. Immigrants and their descendents, whether unskilled or semi-skilled, managed in this way to find alternative methods of economic insertion in European societies, creating their own jobs or finding employment in the businesses of co-ethnics. As a result, between 1970 and 1980, rates of immigrant entrepreneurship increased in many European countries (Light and Rosenstein, 1995: 12-13; Waldinger *et al.*, 1990: 80).



Finally, many researchers believe that shifts in consumption and production resulting from internationalisation and globalisation in this Post-Fordist Era define the conditions for the continuous development of immigrant entrepreneurial initiatives and those with an ethnic character (Mars and Ward, 1984; Boissevain, 1984; Sassen, 1991). The opportunity structure of European societies therefore became favourable to the entrepreneurial activities of immigrants, as the number of small- and medium-scale immigrant entrepreneurs was augmented (Waldinger *et al.*, 1990: 79).

In sum, the entrepreneurial development of immigrant communities was associated with the decrease in traditional small and medium enterprises and the growth in large industrial productions and large commercial concentrations from the mid-1950s. Later, from the mid-1970s, with the ethnic segmentation of the labour markets and the growth of both institutional and informal discrimination in access to the labour market, there was a proliferation of immigrant entrepreneurs in various European societies (Castles and Miller, 1998: 182-3). In the globalised and cosmopolitan cities of today, where there is an increased demand for ethnic products, conditions are propitious for the propagation of immigrant entrepreneurial activities (Rath, 2007).

According to OECD data, the relative weight of immigrants in the total number of entrepreneurs has increased in many countries (see Table 1).

**Table 1 - Foreign-born in self-employment in OECD countries, 2000-2005**

Country	Share of foreign-born in total self-employment		Share of self-employment in total foreign-born employment	
	2000	2005	2000	2005
Australia		27.7		12.7
Austria	6.7	9.3	7.3	7.5
Belgium	10.2	12.7	17.0	15.1
Denmark	4.8	6.3	9.1	8.5
France	11.1	12.7	11.4	11.6
Germany	9.7	12.8	8.6	10.1
Greece	2.0	3.7	13.7	12.6
Ireland	7.7	8.1	17.4	11.0
Luxemburg	33.5	38.9	7.5	6.9
Netherlands	10.3	10.3	10.4	10.8
Norway	6.0	7.4	7.6	7.6
Portugal	3.6	5.4	14.9	14.2
Spain	3.0	8.1	18.9	10.3
Sweden	11.4	14.4	12.0	11.3
United Kingdom	10.7	11.6	15.2	14.4
United States		14.1		9.6

Source: *International Migration Outlook, SOPEMI 2007: 75.*

However, the pattern is not uniform in all countries. In some cases, there was an increase in the share of foreign-born in total self-employment, accompanied also by an increase in the share of self-employment in total foreign-born employment. This trend could reflect either an improvement in the social position of immigrants in the receiving society, or indeed an increase in the difficulty for immigrants in accessing the labour market in that same society. In other words, entrepreneurial initiative could be being reinforced as an alternative to the constraints experienced by immigrants (e.g. discrimination in accessing the labour market, lack of knowledge of the receiving country's language(s), difficulties in the recognition of qualifications, working at a level below their qualifications, low salaries, unemployment).



In contrast, in other countries the share of self-employment in total foreign-born employment decreased between 2000 and 2005, which could be explained by, among other factors, the increase in the flow of immigrant populations with less of a propensity towards entrepreneurial initiatives - thereby reducing the relative weight of entrepreneurs in the total of active foreigners in the country -, the definition of policies to incentivise insertion in the labour market as salaried workers, or policies restricting the creation of businesses by immigrants.

The European Commission has shown itself to be particularly sensitive to the importance that immigrant entrepreneurial initiatives can have, taking into account its own relatively low rates of entrepreneurship compared to other OECD countries (such as the United States of America).<sup>2</sup> The Flash Eurobarometer no. 192: *Entrepreneurship survey in the 25 Member States, United States, Iceland and Norway* concluded that while the EU-25 and EU-15 prefer the status of employee (50% and 51%, respectively) - because they like the idea of a fixed income and they feel the need for security -, the US population is more inclined towards self-employment (61%).<sup>3</sup>



Indeed, as entrepreneurial initiative emerges as an alternative to the options of economic insertion for immigrants in various receiving societies, the European Union increasingly sees in immigrants the possibility of achieving growth in its rates of entrepreneurship.

Nevertheless, the European Commission itself recognises that immigrants feel some difficulties in undertaking entrepreneurial activities in the various member-states. In the *Common Agenda for Integration* (COM 2005, 389) the Commission recommended that all the member-states support migrant entrepreneurship, namely through facilitated access to banking and credit services.

Some business support services for immigrants are already being provided in several European countries. A recent study carried out under the aegis of the European Commission provided an inventory of policy measures or support schemes in no less than 32 European countries (Van Niekerk, Rath *et al.*, 2008). The study showed a marked distributional pattern, revealing wide national and local variations. It appeared that the number and type of measures and support schemes are contingent on:

- the specific immigration histories of the countries involved and especially the period in which these countries experienced immigration on a sizeable scale;

- the degree to which the countries involved have welfare regimes that include regulatory frameworks and social policies for the economic and social integration of immigrants;
- the national or local political ideologies vis-à-vis immigrants, and national or local models of immigrant integration that determine to a large extent whether group-specific measures are advisable.

Most measures or schemes were to be found in the Northwestern European countries, to a lesser degree in Southern Europe and least in the Central and Eastern European countries.

The 146 policy measures that were identified differ in several respects. The policy measures were grouped according to their policy level: supranational, national, regional and local. Most policy measures were initiated at the national, regional or local level, with the majority of local initiatives occurring in the United Kingdom, Germany, The Netherlands and Belgium. The level of policy initiation did not necessarily correspond to the funding level: most policy measures were financed by European and/or national funding and most local policy initiatives were (co-)financed by higher-level sources of funding.



The large majority of policy measures identified contributed to the capacity for service delivery to immigrants. These services aimed at empowering immigrant entrepreneurs by strengthening their human, social or financial resources. The main focus was on enhancing the human capital of aspiring entrepreneurs (providing information, educational services, training, advice). Services that explicitly foster social networking were small in number, but many promoted networking implicitly. Fewer measures focused on providing financial services, but in fact, many programmes facilitated access to finance by strengthening the entrepreneurs' skills and knowledge. Occasionally, measures provided material assistance, for example incubator services.

To summarise, these types of service delivery focused on the *agency* of the entrepreneur as opposed to the structural societal conditions of entrepreneurship. Only a few measures identified focused on structurally enhancing the opportunities for immigrant entrepreneurs. These included for example the renewal of certain run-down city districts or structurally embedding immigrants and their organisations into mainstream organisations.

Roughly half of the measures or support schemes focused exclusively on immigrants; the rest focused on a general public, including immigrants. Both seemed to have their advantages and disadvantages. The most difficult-to-reach or vul-



nerable groups seemed to be best served by specific measures that advocated a personal or tailored approach with services in immigrant languages, intercultural mediators or outreach officers. Participation in homogenous groups of co-ethnics or with other immigrants seemed also to increase the effectiveness of services. On the other hand, participation in multi-ethnic programmes introduced people to mainstream networks and, hence, fostered contacts in the business world. This could contribute to successfully developing immigrant businesses, since it facilitated access to mainstream business institutions.

It is recognised, therefore, that the trends identified reflect the involvement of many and varied explanatory factors for immigrant entrepreneurial initiative, and the fact that its impact can differ from group to group and from country to country. The existing literature on immigrant entrepreneurial initiatives has sought to specifically explain the involvement of these explanatory dimensions.

### Theoretical context



Numerous researchers have highlighted the economic dynamism of immigrant entrepreneurs and their positive effects for the economic growth of various receiving societies and the social mobility of the immigrant populations themselves.

Ethnic entrepreneurship has been an important field of study, especially in classical immigration countries like the United States since the early 1970s and also in European countries since the late 1980s. The relevance of this field of study relates to at least two important policy areas. Ethnic entrepreneurship not only contributes to *economic development* in certain sectors or cities of the receiving societies, but entrepreneurship may also be a viable route for the *economic incorporation* and, thus, integration of immigrants and their children. However, this does not hold true for all cities and countries and for all immigrant groups to the same degree. As has been shown, the rate of self-employment and the success of ethnic entrepreneurship vary. Depending on the circumstances in the receiving society and the background of immigrants, some groups are more likely than others to successfully start up their own business.

Studies of ethnic entrepreneurship have examined the issue from different points of view and perspectives. Some argue that ethnic entrepreneurship is a response to blocked opportunities in the general labour market and that, as a consequence, the growing number of entrepreneurs is not necessarily an indication of success. Rather, self-employment is viewed as an economic dead-end for immigrants.

Long working hours, unpaid family labour and low incomes are some of the indicators that support this dead-end hypothesis (see, for example: Barrett *et al.*, 1996; Waldinger *et al.*, 1990).

At the other extreme we find the point of view according to which ethnic entrepreneurship is seen positively as a viable route to upward social mobility. Immigrants are assumed to possess additional 'ethnic' resources which may place them in some respects in a favourable position relative to other entrepreneurs (Light, 1972; Werbner, 1984). Others point primarily to the social cohesion of immigrant communities and the importance of ethnic solidarity and relations of trust (for example, Portes and Sensenbrenner 1993; Waldinger, 1996). The emphasis is on the positive effects of these resources in channelling immigrants into entrepreneurship.

Both perspectives are valid in analysing immigrant entrepreneurship and one viewpoint will apply more to certain situations or groups than the other - depending on specific conditions of time and place.

In contemporary studies on ethnic entrepreneurship, there is a consensus that first-generation immigrants often serve their own ethnic community with products or services and thereby develop their own 'ethnic markets'. It is suggested that ethnic businesses operating within co-ethnic markets are eventually doomed to a marginal existence, and need to break out of the ethnic market in order to succeed (cf. Barrett *et al.*, 1996; Jones *et al.*, 2000; Metcalf *et al.*, 1996; Waldinger *et al.*, 1990). Others have pointed to the one-sidedness of this view and have questioned the inevitability of this breaking out (see: Engelen, 2001).

Explanations for the success of ethnic entrepreneurship have often stressed the role of individual entrepreneurs and their resources in terms of human, cultural and financial capital, that is: the emphasis is on the agency of the 'ethnic' actor. On the other hand, there are those who emphasise the economic, social and political conditions that immigrants encounter in the receiving society. Obviously, few would doubt the importance of both - the agency of the entrepreneur and the structural societal conditions. The question is how and to what degree they influence the development of immigrant entrepreneurship.

One of the most widely known examples of this interactional approach, combining agency and structure, is *Ethnic Entrepreneurs* by Waldinger, Aldrich, Ward *et al.* (1990). According to the authors, ethnic entrepreneurial strategies emerge in this



interaction between the opportunity structure and the characteristics of groups of immigrants. In this context, they believe that: “[t]he strategies adopted by the various ethnic groups in capitalistic societies around the world are remarkably similar” (Aldrich and Waldinger, 1990: 131).

Although the interactive model provides an important contribution to the debate in this academic field, mainly because it defined the first inclusive perspective of the entrepreneurial strategies of immigrants which paved the way for the theoretical discussion and empirical research, it presents some limitations. As Rath (2000: 7) underlines, Waldinger and his associates assume that immigrants naturally define ethnic entrepreneurial strategies just because they share an ethnicity and/or identify themselves with one group with specific ethnic features and cultural traditions.



Nevertheless, if one considers only ethnicity as a differentiating factor in the economic activities of immigrants, how can one explain the entrepreneurial initiatives of groups without entrepreneurial experience or traditions? How can we explain the diverse entrepreneurship rates of the same immigrant group in different receiving contexts? Empirical research shows that even immigrants who are rooted within their origin group and share common cultural practices have different forms of integrating themselves economically, not necessarily reproducing the choices of the majority of their co-ethnics (Oliveira, 2005).

Hence what defines an immigrant entrepreneurial strategy is not only his or her ethnic background but the degree of resources and opportunities that are mobilised in the start-up process. In other words, immigrant entrepreneurial strategies are not diverse just because of individuals’ different cultural and ethnic references, but because of their options and unequal opportunities of access. Hence immigrants with different ethnic structures, cultural boundaries and even genders, can in fact define similar entrepreneurial strategies in receiving contexts. Indeed it is even possible to identify immigrants with similar strategies to those of nationals (Oliveira, 2007).

Consequently, this model is still influential, although several amendments to the model have been developed since then. Several researchers, notably Portes and his colleagues (Portes and Sensenbrenner, 1993; Portes, 1995) have pointed to the importance of the ‘social embeddedness’ of entrepreneurs. In an attempt to reconcile the emphasis on individual characteristics of entrepreneurs with a macro structural analysis, they stress the importance of the social networks in

which entrepreneurs are embedded and their relevance to successful entrepreneurship. A more recent approach builds on the models of Waldinger and Portes, but is more inclusive. This model of 'mixed embeddedness' also includes the political and economic context in the explanatory model of ethnic entrepreneurship, which was often absent in much of the earlier empirical research (Kloosterman and Rath, 2003). Political and economic institutions are crucial in understanding both the obstacles and opportunities for aspiring entrepreneurs to start their own business.



The policy context in which ethnic entrepreneurship develops, and the institutions that govern it, are relevant for the present study. These institutions relate to both formal and informal regulations. Engelen (2001) points to the distinction between legislation and regulation. The term regulation should not be taken as a mere synonym for state regulation. In fact, various modes of regulation exist, from formal to informal, and various agencies are involved in regulatory processes, ranging from state agencies (local, regional, national or supranational) to non-profit organisations and voluntary associations. Regulatory frameworks can be imposed or enforced, or may be based on voluntary action (Engelen, 2001: 210). Economic actions are always regulated in one form or another, even in cases where legislation per se seems non-existent - as in the informal economy (Rath, 2002).

Regulatory regimes sometimes turn out to be obstacles for ethnic entrepreneurs, in particular for low-skilled immigrants coming from economic contexts with less complex regulation than in the country of settlement. Thus, regulation may be an obstacle to setting up their own businesses for some immigrant groups. On the other hand, regulation does not always constrain business start-ups; it may also provide an enabling business environment. This is manifested in different ways, ranging from tolerance towards illicit practices to positive action and business support programmes.

In sum, the examination of immigrant entrepreneurship in the various receiving countries analysed in this Special Issue (Australia, Canada, England, France, Greece and Portugal), both for the purposes of research and for the definition of policy, takes into account the interplay of ethnic and individual resources and the opportunity structure – economy, social, political and regulatory frameworks. As set out below, each article provides an insight into specific opportunity structures, ethnic resources, gender, business support programmes and other elements that contribute to shedding light on explanatory factors for the emergence and success – or otherwise – of immigrant entrepreneurship.

## Contents of the Special Issue

In order to provide a more in-depth analysis of the impacts of the diverse policies of the various receiving countries in relation to immigrant entrepreneurial initiatives, this thematic issue presents some examples: Canada, Australia, England, Greece and France (section I). The case studies selected are particularly interesting as they allow us to compare countries that chose to develop a policy of promoting immigrant entrepreneurship and/or the entry of immigrant entrepreneurs into the country – as is the case with Australia and Canada –, countries that focus on having a relatively liberal regulatory regime combined with a high level of third-sector intervention – such as England – and other countries that have regulations that inhibit immigrant entrepreneurship – like Greece and France.

In Hiebert's contribution on the immigration of entrepreneurs and investors – 'Business Class' immigrants – to Canada, it becomes clear that a regulatory regime that explicitly attracts and promotes the entry of immigrant entrepreneurs has not served to promote immigrant entrepreneurship itself, as it is based on the flawed assumption that "success in one political-economic-institutional context" guarantees success in another. Thus we see that, as analysed above, immigrant entrepreneurs experience difficulty in adapting to the regulatory and tax environment. Similarly to Canada, the Australian 'Business Migration programme' focuses on promoting immigrant entrepreneurship, though as Collins demonstrates in his article, 'one size' does not fit all, as immigrant entrepreneurial trajectories are diverse in terms of ethnicity, business sector, gender and other factors, as mentioned above in relation to entrepreneurial strategies. He therefore suggests various policy directions in order to improve the situation, such as reducing administrative and regulatory burdens, improved communication strategies, a whole-of-government approach and the promotion of the ethnic economy and urban ethnic tourism.

In the European context, the United Kingdom is characterised by a low level of regulation and an increasing number of support initiatives. As Ram and Jones observe, the over a quarter of a million Ethnic Minority Businesses in the UK are faced with the difficulty of breaking out of low value-added sectors – the marginal existence identified in the literature above –, questioning the perception of self-employment as a means of upward mobility. In contrast, as Hatziprokopiou demonstrates, Greece presents restrictive rules and structures, confining many immigrants to salaried employment. However, in considering both the socio-economic and the institutional context, the author identifies diverse types within the nascent

immigrant entrepreneurial sector: disadvantaged survival entrepreneurs; value entrepreneurs; ethnic entrepreneurs; and the Chinese 'commercial diaspora', recommending a reduction in bureaucracy and discrimination as beneficial to all. Finally, concluding Section I, Dinh and Ma Mung provide an analysis of the effects of policy on immigrant entrepreneurship in France, particularly focusing on legislative discrimination in the labour market as a motivation for self-employment, despite the entrepreneurial option only being open to long-term residents and French nationals.

As Portugal is also experiencing many political shifts in this area – for example, the 2007 Immigration Law now provides for a special status for immigrant entrepreneurs and the *Plan for Immigrant Integration 2007-2009* includes several measures to support immigrant entrepreneurship –, it is also relevant to place particular emphasis on this theme. In section II of this Special Issue, there is an analysis of immigrant entrepreneurship in Portugal, in relation to both the legal and institutional context of recent decades, and the characteristics of the immigrant populations themselves. Oliveira's article highlights the shift in Portuguese policy in recent years from a regulatory framework that had inhibited immigrant entrepreneurship for some decades (such as labour law and immigration acts) to newer legislative developments that seek to stimulate immigrant entrepreneurship. The latter forms part of a more general integration policy, where immigrant entrepreneurship is seen as a way of improving economic insertion in the labour market and combating social exclusion. Oliveira further characterises the impacts of the previous regulatory framework on the entrepreneurial initiatives of different immigrant groups, arguing that in times of regulatory restriction, ethnic and personal resources take on a more relevant role in succeeding in business.

Furthermore in this section the impacts of immigrant entrepreneurship are considered at two distinct and complementary levels: on the one hand, as incentivising the exchange between the economies of the countries of origin and the receiving societies; and on the other, as providing the potential for the flourishing of creative strategies in the local contexts or destination cities. Malheiros' article on immigrant entrepreneurs of Indian origin in the Lisbon Metropolitan Area clearly demonstrates how that community contributed to revitalising run-down areas and introducing new products and new features to the urban landscape. He nevertheless concludes that while the strategies of these entrepreneurs incorporate innovative and creative features, they do not fully correspond to Socially Creative Strategies.



Shifting the perspective somewhat to the countries of origin, Santos Neves and Rocha-Trindade's article explores the impact of Chinese immigrant entrepreneurs as members of a diaspora, functioning within a globalised information society. The authors highlight these entrepreneurs' multifaceted role as importers of Chinese goods, promoters of foreign investors in China, sources of information on business and markets, and agents of Chinese regional 'paradiplomacy'. They represent, as such, an informal instrument for China's 'soft power.' A similar strategy for the Portuguese diaspora is consequently recommended.

Also, recognising that the research has often overlooked immigrant women entrepreneurship, Padilla provides a contribution on the initiatives of Brazilian women entrepreneurs in Portugal. She demonstrates how gender can interact with discrimination and racism in the opportunity structure of the receiving society, presenting obstacles such as lack of recognition of qualifications and family obligations. Nevertheless, Brazilian women are seen to have identified and capitalised upon an ethnic niche in Brazilian products. As experiences vary between survival entrepreneurial strategies and mobility entrepreneurial strategies – or even loss of the status of entrepreneur through the migration process –, further research and support policies are recommended.



Taking into account that immigrant entrepreneurship is also a result of the existence of various support programmes and initiatives, both Governmental and from civil society, section III of this journal furthers the sharing of examples in the area of incentivising entrepreneurial initiatives among immigrants in the United Kingdom, Spain and Portugal. These range from financial support for targeted support programmes by the Phoenix Fund in the UK, to specific training and advisory services by Bolton City Council and the Lanzadera project in the UK and Spain, respectively, and the Immigrant Entrepreneur of the Year Award in Portugal. Other initiatives by the National Association for the Right to Credit and the Jesuit Refugee Service build on the concept of microcredit to finance entrepreneurial initiatives in Portugal, while two other NGOs active in the Portuguese context, K'CIDADE and ASI's Predictive Factors in the Employability of Migrants project also provide examples of ways of supporting immigrant entrepreneurs.

Finally, section IV of this journal comprises two issue papers where the authors present critical reflections on the theme, identifying the main opportunities and obstacles associated with immigrant entrepreneurship in the European Union in general and Portugal in particular, providing recommendations for overcoming these difficulties. These recommendations include: analysing individual needs

and the embeddedness of immigrant entrepreneurs; raising awareness of immigrant entrepreneurs and improving lines of communication about support programmes; and creating the conditions for the creativity and success of entrepreneurs while at the same time channelling part of this success towards other segments of the population in order to benefit economies and societies overall.

### Notes

<sup>1</sup> To a large extent, these first migratory flows emerged in the context of the 'guest worker system' and colonial relationships.

<sup>2</sup> See the issue paper by Thomas Jaegers from European Commission - DG Enterprise and Industry in this Special Issue.

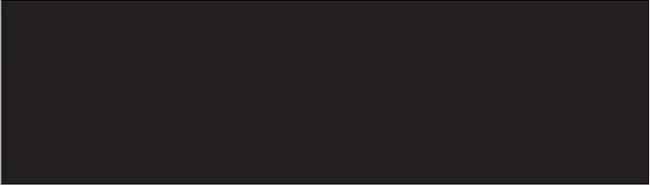
<sup>3</sup> Although it might be argued that the famous American propensity towards entrepreneurship is not reflected in actual self-employment rates, but only in attitude surveys. In terms of rates, they hardly differ from those in some European countries.

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**I. THE IMPACT OF POLICIES AND REGULATIONS  
ON IMMIGRANT ENTREPRENEURIAL INITIATIVES:  
INTERNATIONAL PERSPECTIVES**







■ **Big potential, small reward?  
Business Class immigration to Canada**

Daniel Hiebert\*

**Abstract** The Canadian system of admitting Business Class immigrants is considered within the broader context of Canadian immigration policy. The basic assumptions of the programme are presented and evaluated. The level of economic participation and success of Business Class immigrants is compared with that of other groups admitted into Canada. Available data suggest that Business Class immigrants fare poorly in Canada's labour market and do not make a substantial entrepreneurial contribution. The reasons for this apparent failure are discussed, and I argue that the Business Class immigration programme is based on flawed assumptions.

**Keywords** Canada, immigration policy, business immigration, immigrant entrepreneurship, economic integration.



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## ■ **Big potential, small reward? Business Class immigration to Canada**

Daniel Hiebert

### **Introduction**

Canada has experimented, for nearly four decades, with a variety of programmes designed to attract entrepreneurially-inclined immigrants. These programmes are predicated on several critical assumptions: that a person who has been successful at entrepreneurship is likely to repeat that success; that business strategies that work in another country can also work in Canada ('business is business', regardless of the national context); and that people who apply to these programmes do so in good faith and actually intend to establish businesses in Canada (that is, rather than applying to the Business Class programme as an easy way of gaining admission to Canada). If these assumptions are correct, we should expect to see immigrants who arrive in Canada through the business programme having a high rate of entrepreneurship and earning substantial incomes.



In this paper I provide an outline of the major features of Canada's immigration system, emphasising the development of the Business Class and its basic characteristics. This is followed by a brief summary of recent immigration patterns to Canada. I then go on to examine recent data on the economic participation of immigrants in Canada to assess the relative degree of success of Business Class immigrants compared with those who were admitted to Canada through other programmes. I argue that available data - which are imperfect but relatively good - suggest that the programme is not meeting its objectives. I believe that this negative finding reveals that the assumptions underlying the programme are generally false.

### **Canadian Immigration Policy**

Canada is identified both domestically and internationally with immigration. Along with only a handful of other countries, Canada has a long history of active programmes encouraging immigration and facilitating settlement. In recent years, gross permanent immigration to Canada has hovered at around 0.7 per cent of the national population annually, a very high ratio by international standards. Currently nearly 6.2 million Canadians, of a total population that is approaching 32 million, were born abroad (2006 census figures). The overall level of immigration to Canada is established by the Federal Government, after consulting with provinces and territories, and presented to parliament each year as a set of targets for



the short-term future. For most of the post-war period, targets have been shaped in accordance with the business cycle. This longstanding policy was abandoned in the mid-1980s in favour of a more consistent policy framework. Since then, targets have remained in the general vicinity of 200,000 – 250,000 immigrants per year, though actual landings fell substantially in the wake of the Asian economic crisis that began in the late 1990s – and rebounded a few years later. Significantly, these targets have been consistent despite a wrenching recession in the early 1990s and also during an economic boom in the past decade.

Jurisdiction over immigration is arguably more complex in Canada than in any other industrialised country. Constitutionally, jurisdiction is shared between the Federal and Provincial Governments. For many years, the Federal Government assumed total responsibility for selection and admission, while provinces played a broad role in providing settlement services, especially healthcare and education. Following the Cullen-Couture Agreement of 1978, however, the province of Québec gained more responsibility. Since then, prospective immigrants have had the option of applying to Canada or directly to Québec, and differences in the assessment systems are clearly explained on official websites. Québec also has the right to select certain other categories of immigrants, though all admissions are processed by the Federal Government.



In the 1990s the Federal Government began to sign agreements with other provinces. These have facilitated the development of Provincial Nominee Programs (PNPs), which are now in place for all provinces. As the title implies, employers or, in some cases, prospective immigrants, can apply directly to provinces, which have set independent criteria for admission. In all cases, admission is processed by the Federal Government. Provinces, through PNPs, have been particularly interested in attracting Skilled Workers and Business Class immigrants. It is important to note that landed immigrants, regardless of their means of entry, have full mobility rights in Canada. A newcomer who arrived through the Québec system or a PNP, therefore, does not have to settle in that province.

The key point is that Canada has one national, overarching immigration programme but also eleven quasi-independent programmes which differ in important ways. Prospective immigrants – business immigrants particularly – therefore have twelve possible systems of application to select from. No other country has such a flexible system with so many institutional actors. Australia comes closest but it has fewer states and none has the degree of independence enjoyed by Québec in Canada. Most of these programmes are relatively new and there has been no systematic evaluation of their economic outcomes.

Broadly speaking, Canada distinguishes between economic and humanitarian immigration. On the economic side, the major categories are Skilled Workers and



Business Class immigrants (smaller categories will not be discussed here). In each of these a single individual applies for admission but may be accompanied by a spouse and/or dependents. From the Government's point of view, the spouses and dependents who accompany the Principal Applicant are recorded as economic immigrants, even though they have not themselves been assessed under the points system. The humanitarian side of Canadian immigration is composed of sponsored family members and refugees.

Principal Applicants within the economic programme are assessed using the points system directly for Skilled Workers and under a modified points system for Business Class immigrants. The points system is designed to ensure that immigrants will quickly be able to make an economic contribution to Canada. Applicants to the Skilled Workers programme face the full test of the points system, which assigns points to the following characteristics of the applicant: educational attainment (up to 25 points); language facility in English and/or French (up to 24 points); labour market experience (up to 21 points); age (up to 10 points); and personal adaptability (up to 10 points). Applicants with employment already arranged in Canada are given 10 points. Currently, the passing grade for this test is 67 points out of a possible 100.



This system is predicated on a general human capital model. Prevailing wisdom suggests that it is difficult for governments to micro-manage the labour force required in the present context of the new - or knowledge-based - economy. There is also a widespread belief that individuals can expect to have several careers over their working lives, and that they need to have core capabilities of literacy, numeracy and so on. In other words, specific competences, in the long run, may be less important than general competences. The previous priority granted to specific occupations has, in the new points system, given way to the principle of attracting well-trained, flexible individuals to Canada, who have experience in the labour force - those who will be able to adapt to rapidly changing labour market circumstances.

During the last few decades of the twentieth century, the Canadian Government began to see immigrants as a vital source of capital and entrepreneurial experience. Three sub-categories of the Economic Class were created in an effort to attract these types of immigrants to Canada. They are collectively known as the Business Classes (Nash, 1987, Harrison, 1996). The Self-Employed category was created in 1969 to facilitate the entry into Canada of small-scale entrepreneurs. Individuals in this group are expected to establish a business immediately and, in essence, take care of their own needs in the labour market. Self-employed immigrants are assessed according to the same points system as Skilled Workers but, provided they show evidence of business expertise and have sufficient capital, the threshold for this class is 30 points instead of the 67 required of Skilled Workers.



The features of this and other Business Classes are clearly explained on the website operated by the Government of Canada: [www.cic.gc.ca](http://www.cic.gc.ca). This programme has generally fallen out of favour and is now mainly used for special cases such as professional athletes, performers, artists and farmers.

The Entrepreneur Class was designed in 1978 to attract individuals with larger ambitions, those who had sufficient capital and a track record of successful corporate management and/or entrepreneurship. In simplified form, applicants must have owned and operated a successful business and have a minimum net worth of at least C\$300,000 (€195,000) and a credible plan for establishing a firm in Canada that will employ at least one person apart from the entrepreneur. Entrepreneur Class immigrants have three years to fulfil their obligation to establish a business, and must furnish proof of doing so to maintain their status as permanent residents. Under these conditions, the applicant need only achieve 35 points to qualify for permanent residence in Canada.



Finally, in an effort to attract wealthy individuals and associated investment capital, the Investor Class was established in 1986. As in the case of Entrepreneur immigrants, the threshold for Investors is 35 points. However, they also must have a net worth of at least C\$800,000 (€515,000) and must invest a minimum amount of approximately \$400,000 (€260,000) - though this varies between different provincial jurisdictions in Canada - in an approved venture capital fund for a minimum of three years.

Within these business programmes, the Government is particularly eager to admit immigrants who have experience in manufacturing. This is a chronically under-performing sector of the Canadian economy and many believe that highly motivated, experienced immigrants from Europe, the USA and newly industrialising economies could contribute vital technical knowledge and capital (Froschauer, 1998). However, business immigrants who come to Canada have shown little interest in establishing factories, and instead are drawn to real estate and commerce (Froschauer, 1998).

### **Recent immigration patterns: Contemporary patterns of business immigration to Canada**

According to the administrative records of the Federal Government, 1.43 million immigrants officially landed in Canada between 2000 and 2005.<sup>1</sup> Of these, 70,600 were either Principal Applicants or their accompanying family members, admitted through the three business programmes (just under 5 per cent of the total number of immigrants). This number included approximately 3,250 Principal Applicants accepted as self-employed immigrants, 6,650 as entrepreneurs and



9,620 as investors. That is, the business programme attracted nearly 20,000 Principal Applicants plus approximately 50,000 members of their families. Eighty-five per cent of the Principal Applicants were male. Forty-three per cent indicated that they had facility in English, French or both (self-reported), while 57 per cent did not come with an ability to communicate in either of Canada's official languages.

Just over 35 per cent arrived with a completed university degree, a much higher proportion than had been the case a decade earlier. This figure is higher than for the Canadian population at large, but substantially lower than the corresponding statistic for immigrants admitted as Skilled Workers, who are subject to the full force of the points system. Almost exactly two-thirds came from Southern, Eastern or South East Asia, the principal source of immigrants to Canada more generally. An additional 16 per cent came from the Middle East or Africa (mainly the former) and 13 per cent were from Europe. Nearly two per cent came from Latin America and, finally, nearly two per cent came from the United States.

### **Exploring economic outcomes: The literature**



Researchers have begun to investigate the case of business immigrants in some detail. Initial assessments, which generally strongly endorsed these programmes, were based on the intended transfers of capital and business plans provided by prospective immigrants on their application forms. The reported statistics were indeed impressive. An official report noted that entrepreneur immigrants landing in Canada between 1992 and 1995 intended to create or maintain some 24,000 jobs (CIC, 1996). Those who were selected as investor immigrants between 1986 and 1996 anticipated adding over \$3 billion (€2 billion) of additional venture capital to Canada. These figures were seen to more than justify the Government's decision to establish the entrepreneurial and investor programmes. Early academic research generally reached similarly positive conclusions about the economic impacts of the programme (e.g. Li, 1992, 1993; Wong and Netting, 1992).

Some commentators have begun to question these results. In a discussion of the moral implications of the business programme, Nash (1987) questions the validity of statistical studies based on intentions, though he concludes that, on balance, the programmes make a positive contribution to Canada's economy. Given the absence of quantitative statistics on business immigrants, in the 1990s researchers began to initiate interview-based studies. While these studies are all based on relatively small samples, their results are sobering.

Froschauer (1998) contrasts the behaviour of European and Asian immigrants who entered Canada under the entrepreneurial programme, showing that the former are more active in the manufacturing sector - as intended by the



programme - than the latter. According to Froschauer, this important difference reflects pre-migration circumstances. Entrepreneurial immigrants from European countries have a better grasp of English and typically have had rigorous apprenticeship training in factories. In contrast, most of the East Asian entrepreneurs in his sample did not have shopfloor training and had a lower level of language competence. The Europeans he interviewed were able to start small manufacturing firms, while those from Asia were limited by their inadequate mastery of the language and their lack of basic knowledge about production systems.

In a study of Chinese-origin entrepreneur immigrants living in Vancouver, Wong and Ng (1998) also report problematic results. As is generally common in studies of ethnic entrepreneurship, their interviewees speak of the importance of kinship and co-ethnic capital and labour resources. They work long hours and achieve low profit rates, and in fact many of their businesses are in precarious circumstances. While these findings are typical of research on ethnic enterprise, they are surprising in light of the objectives of the business programme. Entrepreneur immigrants are selected on the basis of their previous business record and the credibility of their future plans, so one would expect more successful outcomes.



In another interview-based study, Woo (1997) confirms Froschauer's conclusion that immigrants from Hong Kong are reluctant to enter the manufacturing sector. In contrast to Froschauer and Wong and Ng, Woo includes investor immigrants in his sample. They complain bitterly about losing money in the venture capital investments they are required to make as a condition for coming to Canada. According to Woo, these funds are often poorly managed.

Ley (2003) combines interviews and statistical data from the Longitudinal Immigrant Database (see below) to examine the case of business immigrants in British Columbia. He also observes expectations that were not met, and a great reluctance among investor immigrants to invest money in new ventures after their first business failure. Ultimately, many have begun to see Canada in general, and Vancouver in particular, as a poor place to conduct business - with high tax rates, high wages, powerful trade unions, and too much regulation - but a pleasant place to live ('Hong Kong for money; Canada for quality of life'). Ley concludes that the individuals he interviewed were unprepared for the economic climate they encountered, and questions the assumption that business skills can be transferred from one cultural or economic and regulatory setting to another. Nevertheless, as noted earlier, this assumption is at the core of the business immigration programme.

Several of the authors cited in this discussion of Canada's business programme have noted, mostly in passing, an important strategy used by many of the entrepreneurs and investors that they interviewed: that of operating a



business in their origin country while living in Canada or commuting across the Pacific on a regular basis (Ley, 2000; Wong and Ng, 1998; Woo, 1997). These 'astronaut families', as they are known locally, reveal a key aspect of immigrant entrepreneurship that is under-represented in the literature - the growing significance of transnational networks of small- and medium-sized businesses associated with diasporic groups. While there is an extensive literature on Chinese overseas business networks, few authors have connected this complex set of business practices with immigration and ethnic entrepreneurship (some exceptions are Olds, 1996, and Olds and Yeung, 1999). Virtually all studies of ethnic enterprise are conducted in local settings (usually in single settings, with single groups), but many entrepreneurs obtain capital, recruit labour and conduct trade across national borders.

### **Exploring economic outcomes: The IMDB**



The source of information analysed in this paper is the Government of Canada's IMDB (Immigrant Database), a resource that has been built by linking the landing records filled out by immigrants when they arrive in Canada with their annual tax forms (Langlois and Dougherty, 1997). On their landing forms, immigrants report their general demographic characteristics as well as their level of education and language competence, and their country of last permanent residence. Citizenship and Immigration Canada officials add to the form a detailed code indicating class of entry. Later, immigrants provide extensive information about their economic activities on their annual tax forms. This study is based on a special tabulation of tax data that includes (for those who filled out a tax form) income from paid employment and total income (which includes net self-employment income).

There are two missing ingredients, however: the IMDB does not include any indication of use of Canada's settlement services, or education subsequent to arrival in Canada. I have explored the quality of IMDB data in an earlier paper and concluded that it generally conforms to the information provided in the census (Hiebert, 2002). However, there is one area where the two data sources diverge: respondents to the IMDB - based on tax files - indicated lower net self-employment incomes than respondents to the census. Apparently, some individuals exaggerated in the census, or underestimated their incomes when they filled out their tax forms - or perhaps both. Ley (2003) has also used the IMDB to assess the economic contributions of Business Class immigrants and, likewise, suggests that the data may under-represent incomes. He also notes that the number of Business Class immigrants who are in the IMDB is surprisingly small given the number admitted in the 1980-1995 period he surveys, and believes that this may mean that many have returned to their countries of origin.



Unfortunately, under-reported self-employment earnings constitute a rather serious limitation for the study of business immigrants, since they would be expected to rely most on this form of income. Further, there is anecdotal evidence that some immigrants do not report their off-shore earnings on their tax forms, as is required by law. The extent of this under-reporting is unknown. In any case, I doubt that these potential errors in the IMDB seriously undermine the argument of this article.

The extraction of IMDB data used in this paper includes immigrants who arrived between 1985 and 2001, and who filed a tax return in 2001.<sup>2</sup> Due to the limited number of Business Class immigrants in the IMDB, I analyse all three of the business admission classes together, and compare their employment earnings and total incomes (which include self-employment and other forms of income) with those of immigrants arriving in different classes.

#### **Exploring economic outcomes: Data analysis**



The IMDB reveals a number of sharp distinctions in the human capital and labour market characteristics of immigrants based on their class of entry into Canada. Two important indicators of the human capital of individuals admitted under the major categories of the Canadian immigration system are shown in Tables 1 and 2, which also provide an indication of the earnings and income dynamics of the different classes. I have used the proportion with a completed university degree as a measure of the relative educational attainment of each category. The next column in the tables shows the proportion of each group who are able to communicate in one or both of Canada's official languages (based on self-assessment).

The first and entirely predictable point is that the average educational attainment and familiarity with English and French varies a great deal between classes, with Skilled Workers distinctly better prepared for the Canadian labour market than members of all other groups. The priority placed on education in the points system yields the expected result - 60 per cent of the Principal Applicants in the Skilled Worker programme have completed a university degree. Meanwhile, 87 per cent claim proficiency in one of Canada's official languages. It is interesting to see that the spouses of those admitted in the Skilled Worker class also have quite a high level of human capital, with nearly 27 per cent having completed a university degree and about 64 per cent able to communicate in English or French.

Next, we see that just over one-quarter of the Principal Applicants who were admitted into the Business Class have a university degree (a figure that has increased in recent years), and about 55 per cent are proficient in an official language. In fact, this group is fairly similar in these characteristics to the total immigrant

population. The spouses and dependants who accompany business immigrants, however, are the least educated sub-group in the table, and also have the least linguistic preparation for settlement in Canada.

Family Class immigrants have considerably less education than the average, with less than 15 per cent arriving with a university degree. Only about half arrive with knowledge of one of the official languages. The situation for refugees is even more challenging, with even lower levels of university education and ability to communicate in the official languages.

These characteristics are registered in labour market participation and earnings. A sense of participation can be gained by comparing the number who report employment earnings on their tax form (the first column of Table 1) with the number reporting income of any type (the first column of Table 2). In general, about 73 per cent of those who have an income also reported employment earnings. This was the case for nearly 80 per cent of Skilled Workers, the group with - by far - the highest level of reported earnings, for both men and women. Apparently the human capital of this group has been acknowledged in the labour market, with a high proportion working at relatively well-remunerated jobs.

**Table 1 - General characteristics of the Canadian immigrant population by class, 2001 (landing years: 1986-2001): Employment earnings, 2001 tax year**

	Total Number	University Degree %	Official Language %	Female %	Total Average Income \$	Male Average Income \$	Female Average Income \$
<b>Total</b>	1,228,050	25.0	63.6	53.4	24,723	29,269	19,509
Skilled Worker PA	262,900	59.9	86.8	72.5	36,600	39,441	29,110
Business PA	16,415	26.0	55.2	87.6	21,524	22,230	16,518
Skilled Worker Spouse & Dependents	198,450	26.5	63.8	36.0	19,769	22,141	18,436
Business Spouse & Dependents	41,585	6.9	42.8	41.6	16,315	18,193	14,978
Family	408,860	14.4	53.1	48.5	21,645	25,983	17,555
Refugee	177,130	11.3	44.2	61.8	22,319	25,513	17,143

Source: IMDB special tabulation.



Secondly, the other classes fall into two general categories. For men, the next most successful groups in terms of employment earnings and total income are individuals sponsored by family members and refugees. Business Class Principal Applicants, and the spouses and dependents of all economic immigrants, earn the least of all groups. The same general structure is evident for women, with one exception: the spouses and dependents of Skilled Worker Principal Applicants earn approximately the same incomes as Refugees and Family Class immigrants.

The situation of business immigrants is particularly interesting. Principal Applicants and their spouses have the lowest level of participation in employment. In fact, less than 40 per cent of all Business Class Principal Applicants who report an income also report employment earnings (the corresponding figure for spouses and dependants is 58 per cent), far below that of immigrants generally. Moreover, even those who have found employment are not paid very well. In other words, the skills brought by business immigrants to Canada are not particularly well received in the labour market. Of course this may not be a problem. After all, Business Class immigrants are not admitted for their potential to work for others (and obtain employment earnings), but to be entrepreneurs. In that sense it is better to look at total income statistics rather than those for employment earnings.



Before turning to these, though, it is useful to reflect for a moment on the unexpected situation of refugees. This group arrives with the greatest challenges, yet receives employment earnings that are similar to those of Family Class immigrants and actually higher than those of Business Class Principal Applicants and their family members. Many Canadians would be surprised to learn of this outcome, as it is not widely publicised.

**Table 2 - General characteristics of the Canadian immigrant population by class, 2001 (landing years: 1986-2001): Total income, 2001 tax year**

	Total Number	University Degree %	Official Language %	Female %	Total Average Income \$	Male Average Income \$	Female Average Income \$
<b>Total</b>	<b>1,686,060</b>	<b>24.6</b>	<b>60.7</b>	<b>51.1</b>	<b>20,777</b>	<b>25,429</b>	<b>15,922</b>
Skilled Worker PA	331,215	59.5	85.7	72.2	32,073	34,600	25,501
Business PA	41,525	27.2	49.8	86.7	14,822	15,242	12,083
Skilled Worker Spouse & Dependents	267,360	29.4	62.6	32.8	16,535	19,952	14,867
Business Spouse & Dependents	75,350	9.1	38.3	35.4	11,965	13,994	10,854
Family	563,750	14.0	50.3	44.9	18,132	22,998	14,168
Refugee	248,405	11.2	44.1	58.7	19,424	23,040	14,293

Source: IMDB special tabulation.

The figures on total income presented in Table 2 include all forms of income (including net self-employed income as well as interest earned on investments). They paint a bleak picture of the fortunes of Business Class immigrants. For both men and women, the Principal Applicants and family members who were admitted within this programme report the lowest incomes of all groups. It is important to recall, though, that researchers analysing this group tend to be sceptical about its reported taxable income (for example, Ley, 2003). Business immigrants have a high propensity to be self-employed and the IMDB traces only their *net* self-employment earnings. Arguably, the economic activity that they generate might be better revealed by gross self-employment earnings. Also, of course, it is in the interest of the taxpayer to minimise reported net self-employment income. Statistics Canada and CIC are investigating better methods of monitoring the economic engagement and success of this group. For now, however, it is clear that none of the data available in Canada suggest that individuals admitted in this category are, in general, economically successful.

Additional information on the relationship between the human capital of immigrants and associated economic outcomes is provided in Figures 1 and 2, whi-



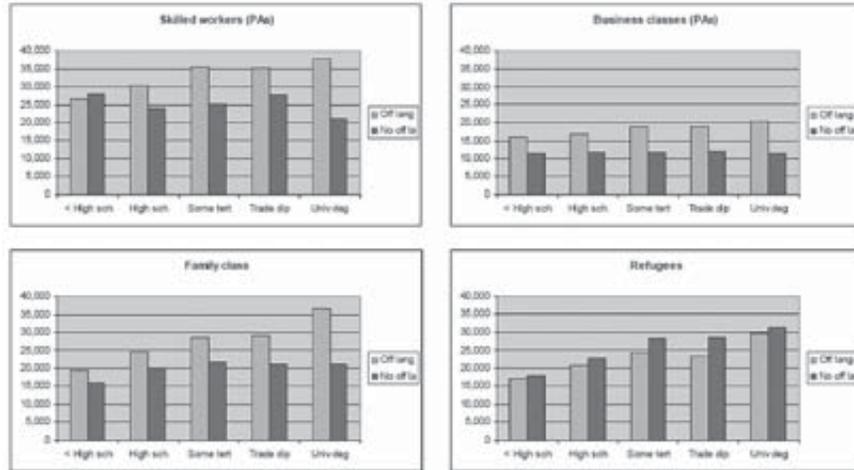
ch explore the contribution of language skills and education to total income, for different admission classes. These figures show that, for all admission classes, earnings rise quite steeply in accordance with educational attainment. However, for all but one class, this pattern is true only for those who arrived with the ability to converse in an official language. Without the language, immigrants are far less able to capitalise on their educational background. In fact, in a number of specific cases, earnings are flat regardless of educational attainment. This is true for both men and women.

Refugees represent the only exception to this pattern. Refugees, regardless of their *language ability*, earn higher incomes if they have a higher level of education. In fact, refugees who arrive without knowing an official language earn more than any other category of immigrant in the same linguistic circumstances, except Skilled Workers. Why? In another paper I have argued that the most plausible explanation is that those who enter Canada through the Refugee Class, particularly Government-Sponsored Refugees, receive the most extensive settlement services (Hiebert, 2002). Significantly, they are the only group who receive both free language training and income support while learning English or French. Thus refugees are able to fulfil their need to learn the local language more quickly and efficiently than other immigrant groups. Those who arrive without knowing English or French therefore do not face a substantial income penalty in the labour market.



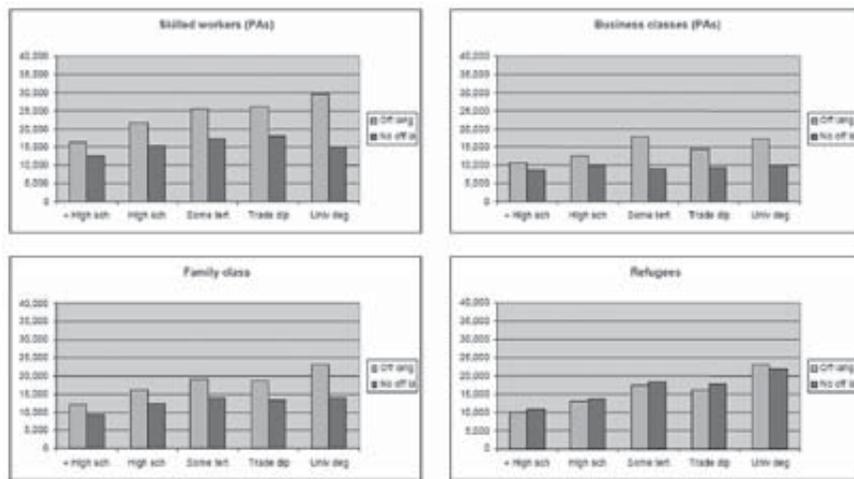
The statistics on Business Class immigrants are also distinctive. Total incomes for this group are flat, regardless of education, for those entering without an official language. Even for those with an official language, the premium received for additional education is rather modest. This is in sharp contrast to the situation for Skilled Workers; in that case, higher levels of education are directly correlated with correspondingly higher levels of income (again, provided the individual arrives with an official language, which is the case for over 85 per cent of the Principal Applicants in this group).

Figure 1 - Average total income, Canada, males (2001)



Source: IMDB special tabulation.

Figure 2 - Average total income, Canada, female (2001)



Source: IMDB special tabulation.



## Conclusion

Canada's immigration programme is multifaceted, with a certain level of tension between its instrumental-economic and humanitarian objectives. The different intentions for immigration have crystallised into specific admission classes and the rules for these are under constant evolution. Meanwhile, the Federal and Provincial Governments are in a period of profound transition, leading to ever more complex jurisdictional practices. Within this dynamic system, the Canadian Government has framed particular categories of economic immigration to serve the needs of the Canadian labour market (the Skilled Worker Class) and to enhance the economy through greater entrepreneurial activities and investment (the Business Classes). Provincial Governments have also adopted this logic and have framed their own programmes to facilitate the admission of skilled workers and entrepreneurs.

The Business Class programme is designed to attract immigrants who will either establish private companies or inject investment into the economy. The programme assumes that immigrants who have demonstrated business success in their original country will replicate it after landing in Canada. Admission criteria have been set to ensure this outcome.



The programme has been relatively successful in numerical terms, with Business Class immigrants accounting for approximately five per cent of Canada's very large annual intake of newcomers. By all accounts, business immigrants bring substantial sums of capital when they come to Canada. This issue is not explored in this article, but I have documented the extensive investment of this group in the Canadian housing market in another paper (Hiebert et al., 2008). Available evidence points to a far less successful integration into the economy more generally. In fact, it seems that the annual total income of Business Class immigrants is actually the lowest of any of the categories examined in this study.

The reasons behind the apparent failure of these immigrants in the economy are no doubt complex, but the general pattern of low human capital, low returns to human capital and low incomes is unmistakable. As Ley (2003) has shown through interviews with business immigrants in the Vancouver area, many who entered Canada through the Entrepreneur Class programme experience great difficulty adapting to the regulatory and tax environment in which they find themselves. They are unaccustomed to the labour codes of British Columbia, resent higher tax levels than they were accustomed to in East Asian countries, and are unsure about the nature of consumer demand. Many simply give up and either return to successful businesses overseas or decide to take early retirement funded by savings and investments generated from profits made before immigrating. These findings from a relatively small qualitative study, coupled with an exploration of

IMDB data specifically for British Columbia, coincide with those of this Canada-wide study.

I would add an important caveat about the precision of data to this plausible explanation. As noted earlier, the particular way that incomes are registered in the IMDB - with net self-employment earnings included in total income rather than gross self-employment earnings - may serve to under-represent the economic activity of this group.

In any case, the business immigration programme was not designed with these outcomes in mind. Although the data explored here cannot be considered definitive, it seems that success in one political-economic-institutional context does not guarantee success in another. The assumption that immigrants can come to Canada and quickly adapt to the new environment appears to be unfounded.

## Notes

<sup>1</sup> Landing statistics reported in this paper have been taken from the Landed Immigrant Database System, a compilation of administrative records held by the Government of Canada. I thank Citizenship and Immigration Canada for access to these data, as well as the Metropolis British Columbia research centre, which houses the data.

<sup>2</sup> It is difficult for researchers to obtain administrative data in Canada. I thank the Ministry of the Attorney General, British Columbia, for enabling me to order a custom tabulation of the IMDB, and researchers in Citizenship and Immigration Canada and Statistics Canada for helping me to understand the structure of the data. It may be confusing to readers that access to national data was facilitated by a provincial government. This is actually an indication of the complexity of jurisdiction over immigration noted above. Provincial governments have special access to administrative data because of their growing responsibility in the area of immigration.

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## ■ Immigrant entrepreneurs in Australia: Regulations and responses

Jock Collins\*

**Abstract** Australia has a long history of immigrant entrepreneurship. Immigrant enterprises, mainly small businesses, generate significant economic growth, employment opportunities and import-export activity across a broad range of industries in Australia. Drawing on Australian research into immigrant entrepreneurship, this article seeks to explore the different forms of regulation and policy enacted by Federal, State and local governments that impact on immigrant entrepreneurs. The article interrogates the important policy question of how to best promote immigrant entrepreneurship and the establishment and survival of immigrant enterprises. The experiences of immigrant entrepreneurs in Australia vary considerably, with a diversity in pathways to immigrant entrepreneurship in Australia evident for both male and female immigrant entrepreneurs. Some cluster in ethnic precincts in the cities as owners of restaurants, cafés, shops and immigrant services. Others set up businesses in the suburbs or regional towns. This means that 'one size' will not fit all, pointing to the need for a diverse, complex policy response to immigrant entrepreneurship in Australia today.



**Keywords** immigrant entrepreneurship, Australia, policy responses, gender, diverse pathways, ethnic precincts, business migration.

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## ■ Immigrant entrepreneurs in Australia: Regulations and responses

Jock Collins



Australia has a long history of immigrant entrepreneurs,<sup>1</sup> dating back more than a century in the case of Chinese, Greek, Italian and Lebanese immigrants (Collins *et al.*, 1995: 39-46), and some decades for Korean, Indian, Thai, Malaysian, Sri Lankan and other 'minority' groups in immigrant entrepreneurship (Lever-Tracy *et al.*, 1991; Collins *et al.*, 1995: 84-90). Their immigrant enterprises, mainly small businesses, generate significant economic growth, employment opportunities and import/export activity across a broad range of industries in Australia and many Western countries (Rath, 2000; Kloosterman and Rath, 2003; Collins, 2006). While most immigrant entrepreneurs in Australia are male, an increasingly significant number are female. Their immigration histories, including the human and financial capital they possess, and their family background, play out in complex ways in determining the nature of the immigrant entrepreneurship experience in Australia. These different individual experiences are embedded within family and ethnic community networks locally, nationally and internationally, as well as within regimes of governance, regulation and policy (Kloosterman and Rath, 2001).

Drawing on Australian research into immigrant entrepreneurship, this article seeks to explore the different forms of regulation and policy enacted by Federal, State and local governments that impact on immigrant entrepreneurs. The important policy question is how best to promote immigrant entrepreneurship and the establishment and survival of immigrant enterprises.

Firstly, it is important to provide a broad outline of the immigrant entrepreneurship experience in Australia. Rates of entrepreneurship vary considerably among ethnic or immigrant groups in Australia. Korean, Taiwanese, Greek, Italian, Dutch, German, Czech, Slovakian and Hungarian immigrants have relatively high rates of entrepreneurship compared with the Australian-born average. Other immigrant groups from China, Singapore, Malaysia, Egypt, Lebanon, Poland, Ukraine, the former Yugoslavian countries, the United Kingdom, New Zealand, Canada and the USA have rates of entrepreneurship similar to the Australian average. Immigrants from Japan, India, Sri Lanka, Vietnam, Indonesia and Turkey have lower rates of entrepreneurship. Female immigrant entrepreneurship is becoming increasingly significant in Australia (Low, 2004; 2005). Immigrant women tend to have similar rates of entrepreneurship to those of their co-ethnic males.



The Australian research on immigrant entrepreneurship (Lever-Tracy *et al.*, 1991, 1999; Stromback and Malhotra, 1994; Collins *et al.*, 1995; Collins, 2002) shows that there is increasing diversity in the paths that new immigrants take to entrepreneurship: some were previously unemployed, while others were manual labourers before opening a small business. Some must attain university qualifications that are prerequisites for entering the professions (such as doctors, dentists, accountants and lawyers) and opening a private practice, others leave corporate jobs to become entrepreneurs, while still others – business migrants – were already established as entrepreneurs before migrating to Australia. The Australian research also points to a diversity of class background among and between birthplace groups of immigrant entrepreneurs (Collins, 2000) and a great diversity in educational achievement. One survey of immigrant entrepreneurs in the mid-1990s found that while one in four had university qualifications, another one in four had not completed secondary school (Collins *et al.*, 1997). Some immigrant entrepreneurs are recent immigrants; others have been here for decades. Finally, most immigrant entrepreneurs, like 90 per cent of entrepreneurs in Australia, are engaged in small businesses.



The Australian research has also indicated that immigrant women who start businesses in Australia structure their business life around their relationship with their husband, children, family and community, as well as their household responsibilities (Low, 2004). Put another way, the business decisions of immigrant women are embedded in family and community networks. In a similar way, as Kloosterman and Rath (2001) point out, the experiences of immigrant entrepreneurs are embedded within the broader structures and social relations of the society in which they settle.

In Australia, this means relatively easy access to citizenship, though during the recent Howard administration, the Australian government introduced a citizenship test and a constrained form of multiculturalism (Collins, 2008). Most immigrants, like most Australians, live in the city, so that most immigrant enterprises are located in the urban metropolis, but a number have also had a long history in regional and rural areas (Krivokapic-Skoko, Jordan and Collins, 2007).

Australian immigrant enterprises are very diverse, and so policy is required to respond to that diversity. While many immigrant enterprises produce or sell ethnic products such as food, coffee or artefacts, many others do not. Immigrant entrepreneurs are spread across the economy, with businesses in the services sector of the economy, including retail, real estate, finance, media and tourism. Others are professionals such as doctors, dentists and architects who run their own private practices. Some immigrant enterprises are clustered within ethnic precincts such as Sydney and Melbourne's *Chinatown* and *Little Italy* (Collins 2006a; 2006b); others are located in the suburbs of Australia's major cities and towns and in regional centres.



This diversity in pathways to immigrant entrepreneurship, in the resources that different cohorts of new immigrants bring to Australia, and in the networks that they draw on once in Australia means that 'one size' will not fit all, pointing to the need for a concomitantly diverse and complex policy response to immigrant entrepreneurship in Australia today.

### **Policies and regulations for immigrant entrepreneurship in Australia**

This section reviews relevant policy and regulatory frameworks from Federal, State and local authorities and other institutions, beginning at Federal Government level, through to State and local government authorities.

#### *Federal Policies*



The Federal Australian Government promotes immigrant entrepreneurship directly through its permanent and temporary immigration policy (Collins, 2008). Australia introduced an Entrepreneurial Migration Category in November 1976 to allow immigrant entrepreneurs with detailed business proposals and capital to enter Australia under the permanent migration programme as migrant settlers. No minimum amount of investment capital was set, but in practice at least \$200,000AUD (€120,000) was required. The entrepreneurial category was renamed the Business Migration Program (BMP) in November 1981 and in order to qualify, immigrants had to demonstrate a successful business record, have substantial assets – between \$300,000 (€180,000) and \$850,000 (€520,000) – that could be transferred to Australia, and intend to permanently settle and establish a business in Australia (Borowski and Nash, 1994).

Over the years this policy has been fine-tuned in the wake of the identification of anomalies in the programme. Evaluations of this programme suggest that it is largely successful. A 36-month longitudinal survey of those who arrived within the business category, commencing in 1993, found that 77 per cent had engaged in a business; 78 per cent of the businesses were newly created; an average of 4.3 jobs were created per new business; an average of \$677,062 (€415,000) was transferred to Australia; an average of \$317,022 (€195,000) was invested in the business; 11 per cent of businesses had a turnover of \$1 million (€610,000) or more; and 63 per cent of businesses generated exports.<sup>2</sup>

Today business owners, senior executives and investors can apply for a visa under the Business Skills category. The main problem appears to be in attracting a sufficient number of entrants under this category, with Australia facing strong competition from other Western countries, including Canada. In March 2003 three Business Skills Processing Centres were opened and a two-stage process was in-



roduced, whereby business migrants are granted a Business Skills (Provisional) visa for four years. If they establish a business or maintain their legal investment over the four-year period they become eligible to apply for a Business Skills (Residence) visa, an entrepreneurial pathway to permanent residence in Australia.

A direct permanent residence category is still available for high-calibre business migrants sponsored by State and Territory governments, known as the Business Talent visa. In 2006-7, 4,881 Business Skills visas were granted, with China, the United Kingdom, Malaysia, South Africa, Singapore, Taiwan, Zimbabwe, South Korea, Hong Kong and Indonesia the most important source countries.



The Australian Government has also introduced new pathways for immigrant entrepreneurs willing to settle in regional and rural areas. The Regional Established Businesses in Australia programme, introduced in 2003, was designed to encourage new immigrant entrepreneurs to settle in regional and rural areas. If they establish a business and live in regional and rural areas for three years, they then qualify for permanent residency in Australia. A new Skills Designated Area Sponsored (SDAS) visa allows regional businesses - including those owned by immigrants - to find suitable applicants for skilled vacancies who can then be sponsored through the Regional Skills Migration Scheme (RSMS). The number of SDAS migrants has increased from 1,000 visas granted in 2000-01 to 7,547 in 2003-4 (DIMIA, 2005: 2).

In addition to these immigration policy initiatives, a number of Federal Government agencies assist immigrant entrepreneurship, directly or indirectly. One Federal scheme, the New Enterprise Incentive Scheme (NEIS), was designed to assist cash-poor unemployed people in entering the setting-up phase of a business enterprise, allowing them to take advantage of business training and draw on future unemployment benefits during the period in which the business enterprise is being established. An evaluation of this pilot programme in 1994-5 found that migrants comprised 20 per cent of the people who had started their own businesses through the NEIS programme, significantly higher than their percentage in the overall population (DEETYA, 1995).

These migrant entrepreneurs identified their low level of English language and literacy skills as barriers that caused a variety of problems: a lack of awareness of training opportunities; a reluctance to participate in mainstream 'classroom-style' training; difficulty in establishing networks; and difficulty in approaching financial institutions for loans. The review noted that lack of cultural understanding among those managing and running the programme also played a part. It mentioned the inadequate cultural-awareness skills of some employees in mainstream bodies, and the presence of a stereotypical view that migrants were too difficult to assist.



Other problems faced by immigrant entrepreneurs were identified, including their lack of familiarity with the Australian business environment, taxation and legal requirements, and the problem that some immigrants had had in getting their foreign qualifications recognised in Australia. The report recommended that policies be introduced using marketing strategies based on links with local migrant organisations and a combination of English and community languages in advertising strategies. It also emphasised that staff involved in training immigrant entrepreneurs be culturally and linguistically sensitive (DEETYA, 1995).

#### *State Government*

The State governments play a key role in the regulation of enterprises in Australia, including those owned by immigrants. These regulations relate to issues such as health and safety requirements and employment conditions, including wages, impacting on immigrant and non-immigrant entrepreneurs. For example, a decision in the 1980s to permit outdoor dining in the State of New South Wales meant that *al fresco* eating became possible for the first time. Today many immigrant enterprises are concentrated in the food industry, with ethnic restaurants and cafes, most with outdoor tables, in evidence across metropolitan and regional Australia (Collins, 2003).



Another key policy area relating to immigrant entrepreneurship is education and training, mostly a State government responsibility in Australia. Most small business entrepreneurs in Australia do not invest in education and training. The literature suggests that only 18 per cent of small businesses committed funds to vocational education and training for themselves or their employees (Employment and Skills Formation Council, 1994: xiv). Inadequate or inappropriate education and training is often a barrier to entrepreneurship, particularly for immigrant women (Ip and Lever Tracey, 1999).

One major study of the educational profile and needs of ethnic entrepreneurs in Australia (Collins *et al.*, 1997) confirmed the finding that ethnic entrepreneurs invested little in education and training. Most of those who did invest in training themselves spent less than \$1,000 (€610) in the last financial year and generally spent less than \$5,000 (€3,050) on training their staff. The ethnic entrepreneurs surveyed stated that the major areas of education and training that they themselves needed further training in were IT, financial management, personnel management and marketing. Collins *et al.* (1997) also found that the major constraints to participation in training, according to the ethnic entrepreneurs surveyed, were the cost of the training itself and the cost in terms of the time the entrepreneur or workers must take out from the business. There was strong support for online courses among the ethnic entrepreneurs.



### *Local Government*

Ethnic precincts are key spatial sites – though, significantly, not the only sites – of the ethnic economy in the city (Collins, 2006b). In central or suburban parts of the city, ethnic precincts are essentially clusters of ethnic or immigrant entrepreneurs in areas of the city that are designated as ethnic precincts by place marketers and Government officials. They are characterised by the presence of a substantial number of immigrant or ethnic entrepreneurs who populate the streets of the precinct selling food, goods or services to co-ethnics and non-co-ethnics alike.

Ethnic precincts come in a number of forms. Often they tend to be associated with one ethnic group, as evinced by districts named *Chinatown*, *Little Italy*, *Little Korea*, *Little Vietnam*, *Little Turkey* and so on. Other precincts take on a broader multicultural identity such as *Little Asia* or the *Latin Quarter*. Local government has the responsibility for the development, planning and marketing of ethnic precincts. Each of these ethnic precincts has been developed with the financial and marketing support of local government. Ethnic festivals become key moments in promoting the precinct to a broader clientele, including tourists. Promotion of ethnic festivals is a key element of any strategy to promote immigrant entrepreneurship.



### **Discussion and policy recommendations**

The Australian research into immigrant entrepreneurship highlights the increasingly diverse paths to entrepreneurship that immigrants take. Policy responses to immigrant entrepreneurship must respond to this diversity. One of the key areas of support for immigrant entrepreneurship in Australia comes in the form of admissions policies designed to attract immigrant entrepreneurs to settle in Australia. The long-running but continually refined Business Migration programme, together with recent initiatives to attract immigrant entrepreneurs to regional and rural Australia are examples of this.

Despite the growing importance of immigrant or ethnic entrepreneurs in Australia, most policy responses, other than immigration policies, do not distinguish between immigrant and non-immigrant entrepreneurs. These relate to education and training and finance, areas of difficulty for many entrepreneurs in Australia regardless of ethnicity and gender. Business failure rates are high for small businesses, including immigrant enterprises, so policies designed to respond to issues related to education, finance, business planning, trade, taxation and marketing for immigrant entrepreneurs could assist in reducing the failure rate of immigrant enterprises.



One key area of policy development for immigrant entrepreneurs relates to the issue of administrative red tape at the interface between immigrant entrepreneurs and all levels of government and other regulatory bodies. Many policy initiatives for entrepreneurs in the small business sector of OECD countries like Australia have concentrated on the need to reduce the administrative burden and compliance costs of regulation and governance – the so-called ‘red tape’. The OECD estimates that the paperwork involved in establishing an enterprise in Australia takes about one week. This is similar to the situation in the USA, Japan and Sweden, and is considered to be ‘a straightforward matter’ (OECD, 1998: 20). However, red tape does not end there, with businesses required to respond to a range of Government administrative, regulatory and reporting requirements. Compliance costs have been estimated to siphon off as much as one-third (32 per cent) of the profits of small enterprises in Australia (OECD, 1998: 149).

Another policy issue across jurisdictions relates to the adequacy of existing Government communication strategies for ethnic or immigrant entrepreneurs. One study (Collins *et al.*, 2000) explored this issue through the setting up of focus groups of ethnic entrepreneurs in Sydney. The focus groups revealed that most of the ethnic entrepreneurs were not satisfied with the existing attempts of relevant Government departments and agencies to communicate their policies and procedures. Many ethnic entrepreneurs complained of the difficulty of having to work their way around the bureaucratic maze of legislation, red tape and policy developments that impacted on their businesses. While most ethnic small businesses needed to engage with a range of Government departments and agencies at the Federal, State and local government level, they complained that these different levels of Government appeared not to communicate effectively among themselves, creating problems and uncertainty for small businesses.

A number of policy implications for local, State and Federal agencies emerged from these consultations. First, Government agencies need a whole-of-government approach and a better sharing of resources to improve inter-departmental cooperation before approaching ethnic or immigrant small businesses. Second, diverse strategies are required, both within and between ethnic groups. This is to respond to the diverse backgrounds – education, linguistic and business – of ethnic entrepreneurs themselves. These strategies should crucially acknowledge the ‘time-poor’ features of many ethnic entrepreneurs’ lives.

Third, the ethnic media should be a critical component of Government strategies to communicate with ethnic small business. Fourth, one of the most important aspects of any strategy to communicate with ethnic small business is identifying and tapping into existing networks, formal and informal. To this end, governments could consider working more closely with ethnic business associations and ethnic community organi-



sations in planning and operating multicultural marketing campaigns. Fifth, in many instances, ethnic small business requests for a one-stop shop or whole-of-government contact number, website or publication can be responded to by simply introducing campaigns to inform ethnic small business of what is already there. Sixth, new policy initiatives should aim for a whole-of-government approach, with one suggestion for an “Ethnic Business Expo” in each of the capital cities, advertised widely in the ethnic media and including bi-lingual and/or multi-lingual capacities where appropriate.

Policies designed to develop and promote ethnic precincts (Collins and Kunz, eds, 2007), the ethnic economy (Kaplan and Li, eds, 2006) and urban ethnic tourism (Rath, ed, 2007) will, in turn, help the immigrant entrepreneurs whose small businesses are located in clusters in particular. The important growth in female immigrant entrepreneurship in Australia, like other countries, also suggests a need for policies to be sensitive to matters related to intersection of ethnicity and gender. This area requires further research in Australia. Moreover, minorities face barriers in respect to language difficulties and racism and prejudice, issues that do not confront non-immigrant entrepreneurs.

## Notes



<sup>1</sup> The terms immigrant entrepreneurs and ethnic entrepreneurs, though not identical (Collins *et al.*, 1995: 35-8) are used interchangeably in this article.

<sup>2</sup> Data previously available of the website of the Department of Immigration and Multicultural Affairs (DIMA) at: <http://www.dima.gov.au/facts/14labour.htm>. The Department has since been transformed into the Department of Immigration and Citizenship (DIAC).



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## ■ Ethnic minority businesses in the UK: An overview

Monder Ram and Trevor Jones\*

**Abstract** So rapidly have ethnic minority businesses (EMBs) multiplied in the United Kingdom over the past four decades that they now number over a quarter of a million and are regarded as significant contributors to the nation's small business population. Such impressive growth has been facilitated by a deregulated economic policy regime and further boosted by a growing range of support initiatives. Despite vigorous quantitative development, however, quality is markedly uneven, with EMBs largely concentrated at the bottom of the value-added chain and located in some of the most deprived areas of the UK. Breakout from this situation is hampered by problems of access to finance (particularly for African-Caribbeans) and to public sector business support. To address these barriers, support initiatives now include at least five approaches: specialist programmes focused on EMB clients; the incorporation of an ethnic dimension within mainstream provision; sector-based approaches; access to finance initiatives; and strategic initiatives. Even so, policy-makers are still left with a daunting range of challenges, including improving data on EMBs; engaging EMBs in business support programmes; promoting sectoral diversification; sharing good practice and improving evaluation.



**Keywords** ethnic minority entrepreneurship, United Kingdom, policy, regulatory change.

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## ■ Ethnic minority businesses in the UK: An overview

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### Introduction

For various reasons, British interest in ethnic minority businesses<sup>1</sup> (EMBs) has developed at a rapid pace in recent years. First, ethnic minority enterprise is 'an emerging economic force' (Barclays Bank, 2000), with growth in EMB start-ups at twice that of the wider small firm populations (Barclays Bank, 2005) and likely to further increase since the ethnic population is expected to double over the next 25 years.



Second, at a national level, the government has signalled its commitment to supporting EMBs through its remit to encourage and support entrepreneurship in all social groups (DTI, 1999). Boosting enterprise in disadvantaged areas is an important strand of Government policy on small firms; and it is clear that the overwhelming majority of ethnic minorities reside in the most disadvantaged areas of the UK (Mascarenhas-Keyes, 2006). Finally, there continues to be a low take-up of business support services by EMBs, despite their significance to many metropolitan areas (Ram and Smallbone, 2002). Hence on the grounds of equity, there is a pressing policy concern to ensure that public sector business support is being utilised by all communities.

In this paper our aim is to provide an overview of policy developments relating to EMBs in the UK, with particular emphasis on the most important challenges for policy-makers and practitioners. Before this, however, it is vital to note that policy operates, not in a vacuum, but within an overarching context of economic deregulation. The comparatively neo-liberal UK regime generally is less subject to interventionist state control than is the case in most of mainland Europe, where EMB is often seen as hampered by stifling restrictiveness. In reality, however, deregulation is a mixed blessing for ethnic minority entrepreneurs, often producing outcomes in direct contradiction to the goals of the EMB support system.

### The UK regulatory context and its impact on EMBs

According to Kloosterman *et al.*'s (1999) theory of mixed embeddedness, any ethnic community's business development is shaped not only by its own social capital networks but also decisively by the surrounding commercial environment. As they argue, outcomes will be powerfully influenced by the "wider economic and institutional context into which immigrants are inevitably also inserted" (Kloosterman



*et al.*, 1999: 257). Explicitly presenting this context as a duality, they insist that the role of the state be given at least equal prominence with that of the capitalist market upon which it impinges.

This heralds a major departure from the formerly dominant interactionist model (Waldinger *et al.*, 1990), which had little to say about EMBs at the political-institutional level, concentrating principally on the structure of economic opportunities and constraints created by market forces. By downplaying the State, this approach is unable to explain sharp international variations in the performance of EMBs, instead depicting a post-industrial world in which favourable conditions for EMBs are in effect universal. At the same time as globalisation and rising immigration have expanded the supply of potential ethnic minority entrepreneurs, so manufacturing outsourcing and the explosion of consumer services have opened up the kind of easy entry labour-intensive opportunities classically suited to immigrants. Despite the near ubiquity of such conditions, however, EMB development has leapt ahead in the Anglo sphere while significantly lagging throughout most of mainland Europe.



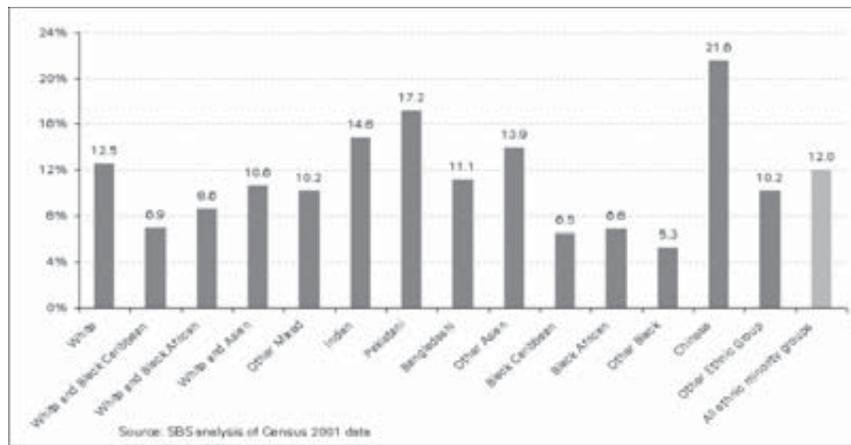
Such international variations are only explicable by reference to the rules and regulations governing economic activity. Not only does the regulatory regime do much to shape the general commercial environment for new small firms as a whole but, as the contributors to Kloosterman and Rath (2003) show, various forms of immigration and labour legislation may bear down specifically on ethnic minorities, often posing almost insurmountable obstacles to their would-be entrepreneurs.

In the case of Austria, Haberfellner (2003: 1) speaks of a “tradition of exclusionary mechanisms for newcomers in general and foreigners in particular”. In strong contrast, Britain is free from virtually all such official restraints on ethnic minority entry to any part of the labour market and additionally presents a lightly regulated regime post-entry. Not only are controls themselves relatively few but many of those that are in place are often weakly enforced, as the authors of this article have demonstrated in studies of non-compliance with National Minimum Wage legislation (Ram *et al.*, 2007a).

At first sight, this neo-liberal regime has led to the entirely predictable outcome of large numbers and rapid growth of EMBs in Britain. Drawing on Mascarenhas-Keyes (2006) and Ram and Jones (2008), we note that by 2004 EMB in the UK had created a quarter of a million firms contributing at least £15 billion (€19 billion) to the UK economy and accounting for 11 per cent of new business start-ups, a growth rate double that for total business start-ups (Barclays Bank, 2005). Seen against a non-white ethnic minority population of eight per cent of the total, it is evident that racialised minorities are substantially over-represented as entrepre-

neurs (though with marked inter-group variations – see Table 1). All this ostensibly confirms the expected negative correlation between regulation and ethnic self-employment, suggesting that neo-liberal economic policy is indeed the master key to unlocking the entrepreneurial potentials of socially excluded groups. In reality, however, unregulated breakneck expansion has produced sheer quantity at the expense of quality (Barrett *et al.*, 2003), and created a number of seemingly intractable issues to be addressed by policy-makers.

**Table 1 - Self-employment Rate of All Economically Active People Aged 16-74, England and Wales**

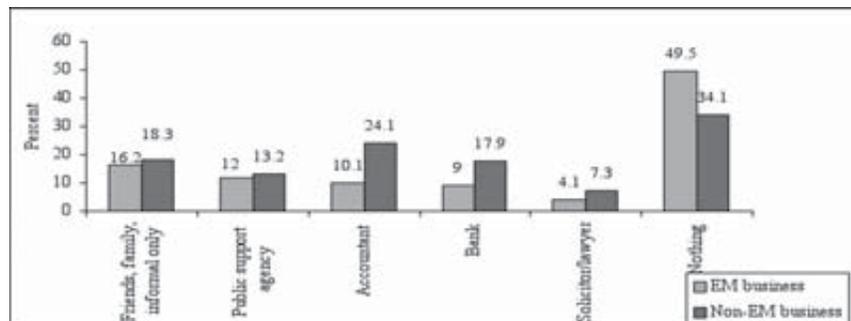


While numerically impressive, EMBs are decidedly less so in terms of performance, being lamentably skewed towards a narrowly constricted range of poorly rewarded and fiercely competitive sectors - catering, clothing and low-order retail sectors for South Asians (Ram and Jones, 2008), the take-away food trade for Chinese (Song, 1999), and corner shop retailing and hairdressing for African-Caribbeans (Ram and Jones, forthcoming). Not only do all these sectors demand punishing work for poor rewards, but prospects for business development are threatened by competitive market pressures, continually exacerbated by regulatory change. All of this means that the promotion of market diversification, or 'breakout', by policy-makers has to be a top priority (Ram and Smallbone, 2003). Furthermore, problems of market access are aggravated by spatial disadvantage, with 32 per cent of ethnic minorities living in the UK's most deprived wards (Mascaresnas-Keyes, 2006), with an impoverished local customer base and the inherent problems in raising finance and insurance (Ram and Jones, forthcoming).

Essentially, then, a liberal regulatory regime is far from a guarantee of EMB success and indeed may operate in the precisely opposite direction by encouraging the creation of a host of firms that are completely ill-equipped to thrive under conditions of unbridled competition. Financial capital is the resource with which they are most ill-equipped. Access to finance is a perennial issue for EMBs (and often for small firms in general). Recent survey evidence confirms that it is the African-Caribbean business community that finds it most difficult to access start-up capital from the credit market, a problem compounded by the paucity of informal sources from family and community (Ram *et al.*).

Alongside this, we would also argue that ethnic entrepreneurs tend to be motivationally ill-equipped. Although South Asian entrepreneurialism has been persistently explained positively as a voluntaristic expression of 'cultural' attributes (Basu, 1998), weighty evidence suggests that the Asian drive into self-employment is better seen as largely a survival mechanism during a period of de-industrialisation and catastrophic job loss which, in a racist job market, affected ethnic minorities even more severely than other workers (Jones *et al.*, 1992; Ram, 1994). More recently, work by Clark and Drinkwater (2000) and Mascarenhas-Keyes (2006) confirms the continuing prevalence of 'necessity entrepreneurship' amongst EMB owners. Furthermore, given this obvious neediness, it is also an issue of concern that EMBs are actually less likely than others to turn to formal sources of business support (Ram and Smallbone, 2003; Deakins *et al.*, 2003; Ram *et al.*, 2002). This is confirmed by Table 2, which shows that half of EMBs do not seek advice, compared to one-third of non-EMBs.

**Table 2 - Sources of Advice about Starting up a Business  
(Percentage in each category of all businesses trading for less than 4 years)**



Source: Ethnic Minority Boost (2003), Annual Survey of Small Business.



## Policy developments and ethnic minority businesses

A growing awareness of the disadvantageous context in which EMBs operate has spurred attempts to develop more effective business support policies, a move given extra impetus by the Small Business Service (SBS)'s remit to cater for all businesses (Ram and Smallbone, 2003) and the promotion of enterprise as a means of tackling disadvantage in deprived areas (Blackburn and Ram, 2006). The creation of an advisory body, the Ethnic Minority Business Forum, within the Department of Trade and Industry has also kept the issues to the fore in the agenda on small business policy. Finally, the Race Relations Amendment, giving public authorities a statutory duty to promote racial equality, has provided yet further stimulus.

In a comprehensive review of the ends and means of EMB support policy, Ram and Smallbone (2003) trace its evolution from an essentially one-dimensional strategy in the 1980s to a wide-ranging system now employing at least five distinct approaches. The first of these – *specialist agencies or programmes directed explicitly at EMB clients* – emerged in response to the Scarman Report on the 1981 urban riots, which recommended enterprise promotion as an antidote to what is now termed 'social exclusion'. From this came five Black-led enterprise agencies targeted at African-Caribbeans, followed rapidly by a proliferation of other ethnic-orientated bodies.



Subsequent concern about the potential isolation of these ethnic-specific agencies from the mainstream support system has led to moves to incorporate an *explicit EMB dimension within mainstream provision*. Typically this approach includes establishing targets for assisting EMBs within generic programmes; involving ethnic minority advisors in programme delivery; and recognition of the need to translate promotional material into the relevant languages.

In a third approach, *sector-based initiatives* have also been used to support EMBs. For example, the Coventry Clothing Centre offers a potentially fruitful synthesis between the sectoral logic of enterprise support, and credibility derived from being embedded in appropriate community and business networks. Beckinsale and Ram (2006) report on an initiative to promote the uptake of Information and Communications Technologies (ICT) amongst EMBs in the retail and catering sectors. Inspired by USA precedents, efforts are now underway to engage the corporate sector in supplier diversity initiatives, in which EMB firms are encouraged to become involved in the tendering process (Migration Policy Group, 2002; Ram *et al.*, 2007b). Despite the friction of transplanting this approach across the Atlantic, results so far are encouraging.

Initiatives to improve *access to finance* comprise the fourth element of the Ram and Smallbone typology. As noted, members of ethnic minority communities face



additional funding barriers compared with other firms, particularly at start-up (see Ram *et al.*, 2002 for review). In response, there have been a number of attempts to provide financial support for EMBs, one notable case being the Muslim Loan Fund, an innovative finance initiative for business owners unable to access interest-bearing funds for religious reasons.

The fifth and final component relates to *strategic initiatives* that aim to locate and identify the key characteristics of EMBs. This can be seen as a response to the widely noted problem of inadequate information on the scale and dynamics of EMBs. To this end, a number of Business Links<sup>2</sup> in Birmingham and London have made strenuous efforts to improve data on the scale and dynamics of EMBs in their catchment areas (Ram and Smallbone, 2003).

### **Supporting EMBs: Key challenges**

#### *Data capture*



A “widespread lack of intelligence on the characteristics and needs of EMBs” (Deakins *et al.*, 2003: 857; see also Ram *et al.*, 2002) makes it difficult to assess the extent of EMB participation in these support programmes. Consequently support agencies are denied the data necessary for an accurate picture of the needs and potential of EMBs and hence to devise appropriate responses. The problem is heightened by the growing diversity of EMBs (Ram and Smallbone, 2003), with support services now needing to tailor their responses to widening differences by ethnicity, generation, sector and developmental stage.

#### *Engagement*

In response to under-use of business support, urgent attention is now being accorded to pro-active engagement with ethnic minorities under-represented among Business Link clients. Key elements in this engagement strategy include

- Representation for EMBs across the business support system
- An outreach strategy to engage EMBs
- Promotional approaches through the media
- Transparent monitoring and annual reporting of performance of individual business support intermediaries with respect to EMB targets (Ram *et al.*, 2002).



*'Integrated' system of business support*

A key theme highlighted above is the increasingly divergent experiences of ethnic minority groups in business, with differing trajectories contingent upon a variety of factors, not solely ethnicity. For policy-makers and practitioners, this presents the challenge of redefining the mainstream 'market' for business support around this principle of diversity. As well as recognising the heterogeneity that characterises the small business sector as a whole, policy makers are also beginning to re-evaluate the question of whether it is useful and/or appropriate to treat EMBs as a single category from the standpoint of access to finance and business support.

*Sectoral diversity*



By far the most pressing practical challenge is to enable EMB to escape from its disadvantageous sectoral concentration through diversification into higher value-added activities, both by helping new enterprises to become established in non-traditional sectors of activity and by helping existing businesses to adjust and/or upgrade. To the extent that the barriers are attitudinal – lack of awareness, lack of confidence to compete in white-dominated mainstream markets – there is a clear role for support bodies in supplying vital market intelligence and in confidence-building. At last some progress is being made here, with a number of initiatives now combining sensitivity to the needs and aspirations of members of different ethnic minority groups with an explicitly sectoral focus (Ram and Smalbone 2003). Essentially, of course, the function of this particular policy thrust is to provide a corrective to the distortions encouraged by macro-economic policy, a further reminder that EMB is caught between two policy forces pulling in opposite directions.

*Sharing good practice, dissemination and evaluation*

For all these policy advances, however, there is still a dearth of knowledge on what constitutes good practice, a lack of systematic dissemination of key developments, and very little independent evaluation. Though these issues are now being directly addressed, more work needs to be undertaken on the content and impact of such initiatives. In particular, there is a need for evaluation of good practice and for promoting policy learning (Sanderson, 2002).

*Self-employment: An escape from poverty?*

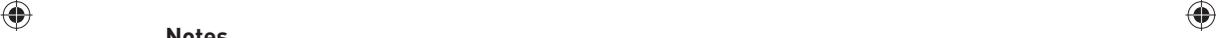
Ultimately, we would argue that questions need to be asked about enterprise itself as the best means of tackling disadvantage. As many critics have long argued, high levels of self-employment among groups like South Asians should not be seen as an unqualified indicator of 'upward mobility', especially when, as we



have seen, many Asian small business owners are stuck in highly competitive and unstable market niches where survival is a precarious struggle (Ram and Jones, forthcoming). Indeed it is probable that the recent shift away from self-employment into professional employment (Jones and Ram, 2003) is more economically beneficial for groups like Indians and Chinese. Though enterprise support does have a role to play in promoting higher performing business, its main impact may well be in achieving 'social' objectives rather than business competitiveness (Deakins *et al.*, 2003; Ram, 1998). Certainly business ownership should not be regarded as a panacea for the social inclusion of ethnic minorities.

## Conclusion

While the lightly-regulated UK economic regime certainly encourages large quantities of EMBs, too many of these are marginal firms in low value-added markets. As a result, the great flurry of policy initiatives for EMB support have implicitly functioned as a corrective, increasingly aimed at improving quality. Even here, however, questions remain over claims about self-employment as a means of upward mobility and hard evidence on the effectiveness of such initiatives is still scarce, with much remaining to be done in the area of policy evaluation.



## Notes

<sup>1</sup> For the purpose of the current research, EMBs are defined as businesses that are either wholly or at least 50 per cent owned by people of ethnic minority origin, who are from a different cultural and linguistic background to those businesses that are managed predominantly by 'white', European, English-speaking people.

<sup>2</sup> For further information on the Business Link network, please see: [www.businesslink.gov.uk](http://www.businesslink.gov.uk).

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## ■ Migrant entrepreneurship in Greece

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**Abstract** Immigrant entrepreneurship in Greece is a new phenomenon, still marginal but rapidly evolving. Restrictive immigration rules and labour market structures have confined the vast majority of migrants to paid employment. Specific measures have been scarce and fairly recent, while relevant policies are closely tied to the general framework of immigration policy. This article sketches out the overall picture by examining policy developments, official statistics and the existing literature. In doing so, it explains the broader institutional context and identifies the factors conditioning the entrepreneurship of migrants in the country.

**Keywords** immigrant entrepreneurship, Greece, institutional context, immigration policy.



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### Introduction

Immigrant entrepreneurship in Greece is a relatively recent and hence still marginal - though rapidly developing - phenomenon. The increasing visibility of immigrant businesses, particularly in the principal cities of Athens and Thessaloniki, has lately been depicted in the media and reflects a reality that has become more and more common. However, immigrant entrepreneurship rarely features in official accounts, whether political or scholarly. Academic research on the topic has been limited to date, and most relevant publications only appeared during the last two years or so.



Because of the lack of empirical studies and reliable data, it is perhaps too early to analyse the processes shaping the entrepreneurial activity of migrants in full detail. It is however possible to outline the factors conditioning immigrant entrepreneurship in Greece through a critical overview of the current situation, allowing us to sketch the overall picture and identify emerging trends. This article discusses the institutional context by examining relevant policy developments, official statistics and the existing literature. As will be shown, specific measures governing migrant entrepreneurship are scarce and very recent. From the beginning, policies in this area have remained closely tied to the general framework of immigration policy. An overview of developments in this field since the early 1990s is therefore useful.



### Migrant entrepreneurship in Greece: the institutional framework

In the aftermath of political and economic transitions in Eastern Europe, Greece experienced a rapid shift, receiving large numbers of undocumented migrants mostly from the Balkans and the former USSR, and predominantly from neighbouring Albania. To deal with what emerged as an emergency situation, the State adopted a legal framework that determined immigrants' lives throughout the 1990s. Law 1975/1991 has been criticised as highly exclusionary. Placing excessive emphasis on policing and control, it failed to realistically acknowledge the new reality and kept the majority of migrants in a limbo, with no opportunity to access regular status. Further criticisms pointed out that this *de facto* illegality constituted a conscious laissez-faire approach by the Greek State to foster a cheap labour supply and boost flexibility in the labour market at a time of economic restructuring and internationalisation, even at the cost of a flourishing un-



derground economy (Hatziprokopiu, 2006). Any entrepreneurial attempt during the best part of the 1990s was thus impossible for the majority of migrants, unless it took place within the informal economy.

The situation started to change in 1997, when the first regularisation programme was initiated. By the end of the 1990s, immigrant-run shops were already mushrooming in Athens city centre, and the presence of immigrants as street vendors became noticeable in major cities. During the early 2000s, empirical research for the first time acknowledged the trend of migrants moving towards self-employment and small entrepreneurship.<sup>1</sup> Two subsequent regularisation programmes in 2001 and 2005, on foot of the Immigration Bills passed in those years, resulted in legal status for the majority of immigrants, while the EU accession of ten Central and Eastern European states in 2004 and 2007 eased requirements for a great number of nationals of countries like Bulgaria, Romania and Poland.



Meanwhile, a parallel framework has developed relating to migrants of ethnic Greek origin. The peculiarity of the Greek experience lies partly in the importance of ethnic migrations, mainly from Albania and the former Soviet Union. These migrants have been subject to differentiated legal treatment, largely diverging not only from the policy regulating 'foreign' migrants, but also between the different populations in question, reflecting Greece's diplomatic relationships with sending countries together with ideological factors (Hatziprokopiu, 2006).

On the one hand, ethnic Greek Albanians have been given special documents privileging them over other migrants, but still with limited access to citizenship. On the other, Greeks from former Soviet countries have been treated as 'repatriates', initially passing from a reception and integration scheme that facilitated access to employment to being eventually granted full citizenship. In view of their possession of the additional asset of the Greek language, entrepreneurship has been easier for these groups, who sooner or later acquired rights equal to those of nationals. Ethnic Greeks from the former USSR in particular have benefited from special grants targeting their labour market integration, which some used for setting up a business.<sup>2</sup>

The new legal framework for other immigrants takes into account the issue of integration and includes provisions regulating their entrepreneurial activity. Law 2910/2001 acknowledged for the first time Greece's role as a host society and set the conditions for a 'managed' immigration regime combining effective border control, labour market regulation and immigrant integration. Here we find a distinction between 'aliens' coming to provide 'dependent employment' and those who are in the country to exercise 'independent economic activity'. The conditions for the latter required applications to be submitted to Greek consulates abroad, accompanied by a business plan and other documents.



Some of the provisions, however, were vaguely defined in statements suggesting that activities “should contribute to the development of the national economy” or that applicants “should have sufficient resources”.<sup>3</sup> Decisions taken later on the basis of the Law clarified a further distinction between residence permits for ‘Independent Economic Activity’ (IEA), aimed at migrant entrepreneurs as well as foreign investors, and those for ‘Independent Services or Projects’ (ISP), as a specific type of permit covering the self-employed.

This distinction is maintained with the latest Law, 3386/2005, which places explicit emphasis on integration, resolves problematic features of the previous Bill and regulates in detail most issues concerning third-country nationals in Greece. Residence permits for ISP are now listed as a special type of permit issued for employment, while the category of IEA permits distinguishes between independent activity and investment. ISP permits are only issued after one year’s holding of a permit for dependent employment, thus making dependent work a prerequisite for migrants aspiring to self-employment. Moreover, while most provisions of the previous Law regarding IEA are maintained, the ‘sufficient resources’ a migrant must possess in order to apply are specified at a minimum of €60,000, while the decision is transferred to the regional immigration authorities in the area where the migrant wishes to start a business.<sup>4</sup>



Although conditions are now clearer, certain problems remain, above all the very short period the permits are issued for (a maximum of two years initially, though in practice usually just one) and the bureaucracy and delays involved in the process, which generate insecurity among migrant entrepreneurs. The latter are nevertheless universal features of the general framework conditioning entrepreneurship in Greece. A recent OECD survey (2005: 5) highlighted the paradox of a country exhibiting “both a high rate of self-employment and a low rate of firm creation”, where “registering and licensing a business is complex and very time consuming” and “access to finance seems more difficult than in most other EU member states”.

Not only does this pose additional difficulties for migrants, but also its legal specifications sometimes clash with immigration requirements. For instance, a business licence is required for issuing or renewing a residence permit, while a residence permit is considered as a prerequisite for a business licence (Halkias *et al.*, 2007: 26-7). Another difficulty is caused by discrimination against immigrants, as in the case of the legal requirement of Greek ethnicity for street selling - an activity common among different groups of migrants (Mavromatis, 2006: 15-8) and until recently largely unregulated (Metoikos, 2003: 8).<sup>5</sup>

Difficulties are also created by the lack of initiatives to encourage the participation of non-ethnic Greek migrants in mainly EU-funded programmes for the pro-



motion and support of entrepreneurship among segments of the population 'at risk of social exclusion' (or 'vulnerable social groups').<sup>6</sup> None of the initiatives under the 'Entrepreneurship' actions of the Equal programme targeted immigrants, while schemes by national bodies (OAEΔ, EOMMEX)<sup>7</sup> involving grants for business start-ups and additional support appear to have had little impact. The only exception has been a series of schemes providing training, mentoring and access to finance (initially with grants, later with loans) exclusively to refugees, operated since the 1990s by two NGOs, with over 100 beneficiaries between 1995 and 2001 (Mestheneos, 2000).

Two recent measures are worth mentioning for their potential to benefit migrant entrepreneurs, although no such evidence is available to date. TEMPME SA has been providing credit guarantees for small and very small enterprises since 2003, targeting the general population. IMMENSITY is an EU project locally administered by the Region of Central Macedonia, seeking to promote immigrant entrepreneurship with a special focus on women. In addition, the Hellenic Migration Policy Institute recently published an information leaflet that includes legal advice concerning self-employment and entrepreneurship in six languages (IMEPO, 2008). In general, recent reforms towards market liberalisation (OECD, 2005: 5-6), combined of course with the rationalisation of immigration policy, may positively affect migrant entrepreneurship in the near future. As for the present situation, data from various sources are examined in what follows.



### **Migrant entrepreneurship in official statistics**

The 2001 Census recorded 762,191 foreign nationals, 7 per cent of the country's population. More than half were from Albania, 9.2 per cent from the former USSR, and about 8 per cent from Bulgaria and Romania. Some 56.6 per cent were economically active, compared to 41.1 per cent of Greeks; nearly 91 per cent of them were in dependent employment, with less than 3 per cent being employers. Not only were their shares in the self-employed and employer categories significantly lower than the equivalent for Greeks, but also a good proportion of the self-employed and employers who were recorded were nationals of the EU-15 and other developed countries (Cavounidis, 2006).

**Table 1 - Residence permits by type and nationality, 2004 (top 15 nationalities)**

	all residence permits		for independent economic activities			for independent services or projects		
		%		%	% of nationality		%	% of nationality
1	Albania	63.2	Albania	33.7	0.2	Albania	62.6	11.8
2	Bulgaria	9.7	Bulgaria	7	0.2	Romania	5.8	16.1
3	Romania	4.3	Nigeria	7	10.4	Bulgaria	5.6	6.9
4	Ukraine	3.4	Syria	6.8	2.8	Ukraine	4.8	16.7
5	Pakistan	2.5	China	6	5.2	Moldova	2.6	18.3
6	Georgia	2.2	Bangladesh	4.7	1.9	Egypt	2.6	19
7	Moldova	1.7	Egypt	4.6	1	Georgia	2.1	10.9
8	Egypt	1.6	Pakistan	4.1	0.6	Pakistan	2.1	9.9
9	India	1.5	Romania	3.3	0.3	Syria	1.6	23.6
10	Russia	1.5	Serbia	3.2	1.6	Russia	1.3	10
11	Poland	1	Ukraine	2.8	0.3	China	1.1	33.6
12	Philippines	0.9	Armenia	2.3	1	India	1	7.8
13	Bangladesh	0.8	Georgia	1.8	0.3	Nigeria	0.9	48.9
14	Syria	0.8	Poland	1.7	0.6	Philippines	0.9	11.5
15	Armenia	0.8	India	1.6	0.4	Armenia	0.5	7.3
	Total	672,584	Total	2,282	0.3	Total	79,832	11.9

Source: Ministry of the Interior, Residence Permit Statistics, 2004 [available online at: <http://www.antigone.gr/statistics/>].

The Ministry of the Interior's data give a more detailed account as far as third-country nationals are concerned. As of the end of 2004, there were 672,584 migrants with valid residence permits. As shown in Table 1, the vast majority held permits for dependent employment: only 0.3 per cent had permits for IEA, and nearly 12 per cent for ISP. Interestingly, the distribution of immigrant nationalities in those categories differs from that in the total of permits, suggesting that entrepreneurship is far more common among certain groups. Indeed, Nigerians, Chinese, Syrians and Bangladeshis, while not appearing among the most numerous groups overall, rate high in those types of permits. Needless to say, since that year the situation has changed with the new EU accessions, with migrants from most Central and Eastern European countries now being EU citizens.



During the same year, about 14,000 foreign nationals were insured with TEBE, the Fund for Craftsmen and Small Traders, 2.4 per cent of the total but with a good share of EU-15 nationals (IMEPO, 2005). Of the remainder, one-third were Albanians, followed by Bulgarians, Syrians, Romanians and Pakistanis. The most common activities were the retail trade, cafes and bars, clothing and street vending.

The situation locally may be examined on the basis of registration data obtained from the Professional Chambers of Athens and Thessaloniki. In summer 2007, foreign nationals constituted 2.1 per cent of members of the Athens Professional Chamber: about half were Albanians, followed by migrants from Turkey, the Middle East, South Asia and EU countries. The picture was similar at the Athens Chamber of Commerce, though here migrants from the Balkans were represented in significant shares, while the Chinese were in seventh place. Data from Thessaloniki's Chambers reveal that the vast majority of businesses owned by third-country nationals were small personal enterprises.



Finally, recent Labour Force Surveys update the general picture, allowing for interesting comparisons between 2006 and 2007, as well as by nationality and country of birth.<sup>8</sup> Overall, high shares (exceeding 10 per cent) of independent employment appear among Russians, Ukrainians, Chinese, Nigerians, Serbians, Armenians and Bangladeshis. The most important sectors of economic activity among foreign employers are construction (40 per cent), hotels and catering (20 per cent), transport and communications (12 per cent) and real estate (11 per cent), while the self-employed are concentrated in construction (28 per cent), trade and repair (29 per cent) and private households (12 per cent).

**Table 2 - Employment status of labour force by country of citizenship and country of birth, 2006-7**

	Country of citizenship 2006*			Country of citizenship 2007**			Country of birth 2007**		
	Greek nationals	Foreign nationals	Total	Greek nationals	Foreign nationals	Total	Born in Greece	Foreign born	Total
Employers	8.6	2.2	8.2	8.7	1.6	8.2	8.7	2.6	8.2
Self-employed	22.7	6.7	21.6	22.2	7.1	21.0	22.3	7.9	21.0
Employees	61.9	89.4	63.6	62.6	89.7	64.7	62.4	87.7	64.7
Family assistants	6.9	1.6	6.5	6.5	1.6	6.1	6.5	1.8	6.1
Total	4,163,016	289,800	4,452,816	4,174,271	344,854	4,519,125	4,104,500	414,622	4,519,122
% of total	93.5	6.5	100.0	92.4	7.6	100.0	100.0	9.2	100.0

\* Data for Labour Force Survey 2006, 2nd trimester 2006. Source: Mavromatis, 2006: Table 1).

\*\* Data for Labour Force Survey 2007, 4th trimester 2007. Source: G.S. National Statistical Service of Greece.

Table 2 reveals that the number of foreign nationals significantly increased between 2006 and 2007, as did their share in the total labour force, a development likely to reflect the increasing tendency of migrants to move towards regular status and registered employment. However, while the share of self-employed has risen, the proportion of employers has decreased. It is difficult to analyse the reasons underlying this decline, but one might speculate that this is, partly at least, related to two key factors.

One has to do with the obstacles placed by recent policy developments which hinder the entrepreneurial activity of migrants, as discussed in the previous section. This might mean that, faced with increased financial and bureaucratic pressures, migrants might either move out of business (Tzivilakis, 2008), or switch to self-employment without employees, relying on the owner's personal labour or practicing informal employment arrangements, such as non-declared work by family members. The other possible explanation lies in the weight of ethnic Greek migrants from former Soviet countries, the majority of whom have already acquired Greek citizenship - to an extent reflected in the data by country of birth.



## Concluding remarks

In explaining migrant entrepreneurship, the socio-economic context should be considered alongside the institutional one. As Cavounidis (2006: 645) notes, migrant labour in Greece has been a substitute for family workers in small businesses and households at a time when the indigenous labour force shifted from high levels of self-employment and family work to waged labour and business ownership. Immigrants' labour market integration has been driven by a high demand for cheap and flexible work, with limited potential for the development of entrepreneurial activity. However, trends during the last few years indicate that this pattern may have already started to change.



Early accounts explained the entrepreneurship of migrants as a survival strategy in their struggle against exclusion and a *de facto* disadvantaged position in the labour market (Lazaridis and Koumandraki, 2003). Other studies emphasised the importance of autonomy and self-fulfilment, viewing entrepreneurship as part of the wider integration strategies of families to improve conditions and invest in children's education (Serderakis *et al.*, 2003; Liapi, 2006). Considering the institutional barriers discussed earlier, various entrepreneurial pathways may be observed, for example marriage to or partnership with Greek citizens or ethnic Greek compatriots, or a strong reliance on social networks for start-up capital, labour, suppliers and clientele.<sup>9</sup> Factors pertaining to the individual profiles of entrepreneurs and their resources in human or financial capital, such as income levels and past experience of business activity, have also been stressed (Liannos and Psiridis, 2006).

Recent attempts to synthesise the above in light of empirical evidence point to the general trends of immigrant integration processes.<sup>10</sup> Therefore, entrepreneurship might be seen as an additional aspect of the overall improvement of their living and working conditions related to stable legal status, familiarity with the host country, long-term migratory plans and the development of migrant communities, often with spatial concentrations, and of specific market niches stemming from their needs or activities (Labrianidis and Hatziprokopiou, forthcoming a, b).

In this context, it is possible to develop a series of typologies, combining accounts based on migrant entrepreneurial strategies and activities, their visibility and spatial spread or concentrations, supplier networks and clients, and so on (Mavromatis 2006; Labrianidis and Hatziprokopiou, forthcoming b). Migrant entrepreneurship in Greece is already characterised by a remarkable diversity, although different types may overlap or reflect individuals' experiences across time. Accordingly, one may distinguish between: 'disadvantaged' survival entrepreneurs facing blocked mobility in the labour market, often active in marginal 'ethnic' niches targeting the wider public but spatially dispersed and mobile; 'val-

ue' entrepreneurs, usually self-employed in sectors they have worked in as employees, assimilated into dominant economic structures and spatially dispersed, who mostly target the wider public; and 'ethnic' entrepreneurs, with businesses centred around their own community, who tend to cluster in visible spatial concentrations, sometimes alongside the businesses of other migrant groups - as in the case of the multiethnic niche in Athens city centre.

Specific explanations are reserved for the Chinese, who migrate with clear entrepreneurial plans as part of a 'commercial Diaspora' that is developing concomitantly with China's rise in the global economy. They are active in specific market niches, mainly in the clothing trade, and although they mostly target the wider public, they exhibit high spatial concentrations.

To conclude, this article provides an overview of the institutional context for migrant entrepreneurship in Greece and the picture drawn by official statistics and empirical literature. Evidence to date points to the marginal but rapidly growing and diverse character of the phenomenon, but further research, detailed accounts and analytical insights are necessary. The policy framework may be useful in understanding the present situation, though one needs to take into account factors such as: (a) the novelty of immigration and processes of immigrant integration; (b) structural features of the Greek labour market and the role of migrant labour; (c) international trends related to globalisation and transnationalism.

These are questions that should also be considered in policy making. Several problems identified above point not only to chronic malfunctioning in the Greek administration (for example, related to bureaucracy), but also ongoing discrimination towards immigrants that should be eliminated. Developing targeted measures to support entrepreneurship should be a priority, and the trends that have only just emerged are testament to its potential. Above all, providing all migrants with stability, security and rights is a prerequisite for their effective labour market integration on equal terms with their Greek counterparts.

## Notes

<sup>1</sup> On Albanians in Thessaloniki, see: Labrianidis and Lyberaki (2001).

<sup>2</sup> See: Serderakis *et al.* (2003) and Labrianidis and Hatziprokopiou (forthcoming b) on ethnic Greek migrants in Thrace and Thessaloniki respectively.

<sup>3</sup> Law 2910/2001, article 25, paragraphs 2-3.

<sup>4</sup> The sum is required to be in a closed bank account. See: Law 3386/2005, article 15, paragraph 5 (on ISP) and article 25, paragraphs 1-3 (on IEA).

<sup>5</sup> Decision (K1-186/18-1-06), ratifying provisions of Law 3377/2005 on trade (article 29, paragraph 1).

<sup>6</sup> See: Lazaridis and Koumandraki (2003: 12) and Halkias *et al.* (2007: 16-7)

<sup>7</sup> OAEΔ stands for 'Organisation for the Employment of the Labour Force'; EOMMEX is the Greek Organisation for Small and Medium Enterprises.

<sup>8</sup> Official statistics based on nationality ignore 'repatriated' ethnic Greeks from the former USSR, 156,000 of whom had acquired citizenship by 2004 (Voutira, 2004).

<sup>9</sup> Liapi (2006); Halkias *et al.* (2007), Labrianidis and Hatziprokopiou (forthcoming a and b).

<sup>10</sup> For example, see: Labrianidis and Lyberaki (2001), Hatziprokopiou (2006).

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## French migratory policy and immigrant entrepreneurship

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**Abstract** The objective of this paper is to focus on the inequalities facing immigrants in access to the labour market and the impact of these on immigrant entrepreneurship. Unlike in other areas of legislation regarding foreigners, there has been a tendency to increase legal discrimination for over a century. Whereas European states have become the destination countries of immigrants mainly since 1945, France has been a receiving country for much longer. It was a destination for neighbouring Europeans as well as for people from other continents for a long time, with systematic evidence since the second half of the nineteenth century (381,000 resident foreigners in 1851, one million in 1881). Most of the discriminatory measures of the 1930s are still in force today. However, a class of small entrepreneurs of foreign origin has asserted itself in the receiving society during the past three decades, partly compensating for the continuous decrease in the number of French native entrepreneurs.

**Keywords** immigration, legal discrimination, immigrant entrepreneurship, labour market, foreigners, statistics, France.

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## ■ French migratory policy and immigrant entrepreneurship

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### Introduction

Among the inequalities of rights between nationals and foreigners,<sup>1</sup> the most well-known and the most accepted are those relating to rights of free movement and residence, and to public rights. However, other less-studied inequalities exist in the sphere of economic and social rights, particularly those concerning access by foreigners to the labour market.<sup>2</sup> Unlike other areas of legislation relating to foreigners, there has been a tendency to increase legal discrimination during the past century,<sup>3</sup> because, resulting from “measures undertaken in haste and under the pressure of the time, many remained on a long-term basis or even permanently” (Lochak, 1995).



Measures aimed at banning certain occupations to foreigners were added subsequent to the others, and only those concerning European Union nationals were removed under the pressure of European legislation. French State policy towards self-employed immigrants is to regulate and restrict access to the trades. Nevertheless, restrictions and regulations have varied in degree depending on the era. Although the overall philosophy of the legislation has not evolved since the 1930s, it has been more or less strictly enforced in the intervening decades.

French migration policy has gone through various phases during the past century. First of all, there was the gradual institutionalisation of a migration policy, from a *laissez-faire* attitude to state intervention, then the free movement of immigrants in a context of minimal regulation and intervention by the State, to the current policy aiming to regulate and strictly control foreigners (Ma Mung, 2003; Dinh, 2008).

The first section provides an overview of France’s experience as an immigration country and presents successive migration policies and regulations, while the second section is devoted to the legal context, notably bans and exclusions concerning foreigners, implemented by the authorities during the 1930s, encouraged and supported by certain trade associations. Most of these exclusions are still in force today. The third section presents a recent statistical characterisation<sup>4</sup> of immigrant entrepreneurship<sup>5</sup> in France, which has developed within the confines of the discriminatory legislation of the past. This phenomenon constitutes a strong trend observed since the census of 1974, characterised by the appearance of this class of small entrepreneurs within the immigrant population in the 1970s, followed by decades of development.

## Immigrant France

In contrast to its neighbours, particularly Germany,<sup>6</sup> France experienced a demographic deficit during the late nineteenth century and was from very early on obliged to rely on foreign labour – to ‘adopt foreigners in order to survive’. Already in the mid-nineteenth century, elements of policies (the ‘Nationality’ laws of 1851, 1889<sup>7</sup> and of 1927) aiming to attract immigrant workers were developed, yet a *laissez-faire* attitude of non-intervention prevailed until the 1930s. Moreover, France had the lowest overseas emigration rates of the larger countries of Europe in the late nineteenth and early twentieth centuries. French cities were often more attractive than American ones (Haines, 2000).

Whereas European states have become destination countries for immigrants mainly since 1945, France has been a target country for much longer. It has been a receiving country for neighbouring Europeans but also for people from other continents for a long time. The evidence is systematic since the second half of the nineteenth century – the first census in which the category of foreigners appears is 1851, when 381,000 foreigners were enumerated. By 1881 there were already one million foreigners.

The immigration into France of foreign population groups – inhabitants of the border zones or neighbouring countries on the eve of the First World War – was, on such a scale, a unique phenomenon in Europe.<sup>8</sup> The demographic imbalance between France and Europe contributed to the welcoming of people from other European countries, who did not have to resort to moving across the Atlantic to far-off America in order to find employment and a means of living.

“France is a country of immigration just like the Republic of Argentina or Australia. Every year, on average around 40,000 to 50,000 foreigners settle here and establish ties” (Leroy-Beaulieu, 1886).<sup>9</sup> Neighbouring countries such as Belgium, Luxembourg, the Netherlands, Great Britain, Switzerland and Germany constituted source countries of emigration to France. Immigrants from these countries were mainly employed in the processing industries. Another migratory wave emerged in the years preceding the First World War, as is the case for Poles migrating to France (Ponty, 1988). Afterward, from June 1919, the migratory phenomenon took on such a scale that France in 1930 was the country with the highest proportion of foreigners – 515 for every 100,000 inhabitants compared to 492 in the United States of America (Noiriel, 1988).

Between 1920 and 1930, the official figures reveal a surplus of 1,150,000 entries of immigrant workers over departures (Bunle, 1943). They arrived under the aegis of international bilateral agreements signed by France with Italy in 1904 and 1906, Belgium in 1906, Poland and Italy in 1919, and finally with Czechoslovakia in



1920. This institutionalised a relationship between the receiving country, the origin countries and French companies, representing a strong convergence of interests. Until mid-1932, as passing border control was not compulsory, foreign immigration in France was *de facto* a free movement. The immigrant worker could enter without difficulty, as long as they did not make known their intention to occupy paid employment. They could then subsequently regularise their situation by presenting a contract of employment. During the 1920s, the United States of America had stopped allowing immigration and France welcomed many of those who might have otherwise gone to America.

The 1930s witnessed the dawn of a period of immigration restriction, becoming increasingly discriminatory and stringent until 1945. In that year, the Government passed a law that has acted as the legislative basis for immigration policy ever since. With the ordinance of November 1945 and the creation of the 'Office National d'Immigration' (ONI), the State took charge of migration management. Nevertheless, labour market forces remained very strong and the official recruitment of foreign labour covered only a minority of actual entrants. The overwhelming recourse to regularisation was one of the main features of foreign labour management during this time. Families arrived both in the years preceding the labour migration ban of 1974 and thereafter (Cordeiro, 1987).



After 1974, legislation that had previously focused on 'temporary workers' gradually shifted its priorities to those 'who came to France to stay'. The 1980s was a period of stabilisation and from the 1990s on, a tendency towards more control and stricter admission policies can be observed.

### **Legal context**

Until the Great Depression of 1929, a *laissez-faire* policy of benign non-intervention prevailed. The Depression of the 1930s and the rise of xenophobic sentiments resulted for immigrants in a series of discriminatory measures aimed at salaried labour. Yet the economic crunch also affected tradesmen, craftsmen and professionals. Suspected of taking advantage of loopholes in the labour regulations, immigrants were accused of unfair competition. Trade organisations began to lobby against immigrant competition, evidence of deep-seated unity founded on a commitment to closely monitor immigrants. They called for other ways to restrict the number of immigrants setting up independent businesses, such as legislation similar to the law of 10 August 1932 regulating salaried labour, setting quotas for the number of immigrants in each business sector or region (Schor, 1985).

The decree of 8 August 1935 subjected immigrant business-owners to the same obligations that had been mandated in 1932 for immigrant salaried workers. It re-



quired the possession of a special identity card, a mechanism that made it possible to regulate the number of immigrants. To this day, many sectors of economic activity remain closed to immigrants, but nationals from EU member countries are in a privileged position, because they are entitled to practice the profession of their choice in the territory of any Member State. This legislation applied mainly to nationals from non-EU countries; in France, this means African and Asian immigrants.

These restrictions were not lifted until 1984 by the law of 17 July. The modification of the residence permits regime exempting immigrants with a ten-year residence permit from the requirement to apply for a special immigrant business licence granted a large number of immigrants access to a new legal status, allowing the exercise of an independent activity. This covered more than two million foreigners. Holders of a temporary residence permit (one-year) remained subject to the obligation to apply for a 'foreign merchant' licence.<sup>10</sup> This applied to about 300,000 foreigners. This liberalisation can be explained by the Government's interest at the time in reducing unemployment among the foreign population. However, this intention is not explicitly stated in the official text of the law (Ma Mung and Lacroix, 2003).



One way of getting around these discriminatory restrictions was to acquire French citizenship. As a result, a large number of 'naturalised French citizens' engaged in business activities; 11.7 per cent of the naturalised French citizens were contractors or merchants in 1990, as opposed to 8.9 per cent of the native French citizens. Another strategy was to marry a French spouse who held the nominal title of head of the business. It is impossible to quantify the immigrant businesspeople who resorted to this strategy, but field studies indicate that it is a common practice. Likewise, a non-spouse who is a French national may hold the title of head of the business. Here again, the number of these businesspeople is difficult to establish (ibid.).

Nowadays, according to the *Groupe d'étude et de lutte contre les discriminations* (GELD, 2005),<sup>11</sup> 5.2 million titular jobs are reserved for French nationals in three Government departments (State, Territory and Hospitals). Additionally, companies with a specific status that generate public utilities (La Poste, EDF-GDF, Air France) and public industrial establishments providing more than a million jobs are required to hire only French or European Union nationals. About fifty occupations are the object of limitations in relation to nationality, equating to 615,000 jobs,<sup>12</sup> or to the holding of French qualifications, equating to 625,000 jobs.<sup>13</sup> (For the exhaustive list of jobs that require French nationality or French qualifications, see the GELD report, pp. 22-32, available at: [http://www.vie-publique.fr/documents-vp/ged\\_emploisreserves.pdf](http://www.vie-publique.fr/documents-vp/ged_emploisreserves.pdf).)



Faced with these discriminatory measures, immigrant businesses have developed within the confines of restrictive legislation. Understandably, foreigners gravitate towards the sectors subject to the least regulation on the basis of nationality: the grocery trades, other retail and wholesale trades, the restaurant sector, construction, the garment trade, and so on.

### **Immigrant entrepreneurs: A statistical overview**

From a strictly quantitative standpoint, immigrant activity has in fact been marginal since 1945, but the number of foreign shopkeepers and craftspeople was higher before the First World War than today. The discriminatory measures and the overtly xenophobic and racist policies of the French Government before the Second World War were factors in the sharp drop in the proportion of immigrants among entrepreneurs. The 1911 census counted 121,000 foreign business-owners (as compared to 107,100 in 1999), and the percentage of self-employed workers in the immigrant working population was much higher than it is today: 20.4 per cent in 1911 as compared to 6.9 per cent in 1999 (INSEE, 1999).



In 1999, the number of immigrant entrepreneurs<sup>14</sup> was 166,222 - accounting for 10 per cent of all entrepreneurs. The most significant group is the Portuguese (15.8 per cent of immigrant entrepreneurs), followed by the Algerians (11.3 per cent) and Moroccans (10 per cent). They correspond to the most significant immigrant populations in France (Portuguese: 571,874; Algerian: 574,208; Moroccan: 522,504).

Between 1990 and 1999, immigrant entrepreneurs experienced an evolution very different to that of the population of entrepreneurs at large (see table 1). On the one hand, the total number of entrepreneurs in France declined by 163,804, representing a decrease of 9 per cent. On the other hand, the number of immigrant entrepreneurs increased by 10,866 (+7 per cent) (Ma Mung and Dinh, 2007). This evolution is a continuation of the process observed since the census of 1975 (Ma Mung, 1994; Ma Mung and Simon, 1990; Dinh, 2006). It is thus not a short-term phenomenon, but constitutes a strong trend characterised by the appearance of this class of small entrepreneurs within the immigrant population in the 1970s, followed by decades of development. However, this phenomenon can develop in very different ways depending on the entrepreneurial category (shopkeepers, craftspeople and company heads with at least ten employees on the payroll) and depending on the group's country of birth.

**Table 1 - Changes in ACE immigrants from 1990 to 1999 (%)**

Selected countries of birth	Crafts-people (1)	Shop-keepers (2)	Company heads with at least 10 employees (3)	Total 1+2+3	Active population at work	ACE workforce		Total of the active population at work	
						1990	1999	1990	1999
Spain	-35.1	-25.3	-24.0	-31.4	-32.6	15,824	10,853	188,319	126,974
Italy	-49.1	-24.8	-38.7	-40.6	-36.8	26,401	15,684	193,130	121,986
Portugal	0.4	30.9	59.9	8.5	-8.1	24,212	26,270	454,157	417,153
Algeria	24.8	-0.5	64.7	9.7	4.0	17,156	18,824	285,800	297,153
Morocco	74.6	40.8	61.1	53.3	26.5	10,844	16,625	233,045	294,826
Tunisia	4.5	4.4	-3.7	3.8	2.8	9,756	10,125	109,049	112,063
Turkey	25.3	109.9	51.7	47.6	26.1	5,524	8,154	77,376	97,608
VLC (*)	61.2	23.4	23.8	34.2	16.8	7,076	9,493	89,596	104,613
Sub-Saharan Africa	132.2	60.9	82.0	87.3	69.4	6,260	11,727	147,318	249,621
Total ACE immigrants	-1.2	17.2	3.8	7.0	7.3	155,336	166,202	2,134,840	2,291,540
Total ACE	-10.5	-8.9	-2.1	-9.0	5.9	1,822,856	1,659,052	25,055,236	26,537,436

Source: adapted from INSEE population censuses of 1990 and 1999. (\*) Vietnam, Laos, Cambodia.

Three observations can be made here:

Firstly, immigrant entrepreneurship is made up of small businesses. The number of immigrant 'company heads with at least ten employees on the payroll' is increasing, albeit at a modest rate (+3.8 per cent), whereas the entire category (immigrants + non-immigrants) is decreasing [-2.1 per cent]. Despite this positive evolution, the proportion of immigrant heads of companies of with ten or more employees in the total immigrant ACE (7.3 per cent) remains lower than that of the nation as a whole (10.4 per cent). The proportion of small contractors among immigrant entrepreneurs is even more significant than is the case among the general population.

Secondly, a strong fall in the number of Spanish and Italian entrepreneurs is compensated for by the increase in the numbers of other immigrant entrepreneurs. A breakdown of the figures by country of birth shows strong differences (see table). The number of entrepreneurs born in Spain has fallen by 31.4 per



cent (-4,971). This fall is even greater among entrepreneurs born in Italy (-40.6 per cent; -10,717). Overall, nearly 16,000 Italian and Spanish entrepreneurs have disappeared.

This drop correlates with that of the immigrant working population with origins in these countries (Italy -36.8 per cent; Spain -32.6 per cent), itself due to the ageing of these populations<sup>15</sup> and to a strong reduction in the flow of migrants coming from these countries.<sup>16</sup> These changes point to the possible eventual disappearance of these groups of entrepreneurs. The sharp fall in the number of Italian and Spanish entrepreneurs is compensated for by a remarkable increase in the number of entrepreneurs originating from Morocco (+5,781), Turkey (+2,630) and Portugal (+2,058). The relative increase can be seen to be most marked among the Moroccans (+53.3 per cent) and Turks (+47.6 per cent). While the numbers originating from Vietnam, Laos and Cambodia are also remarkable (+34.2 per cent), the most pronounced increase is in the sub-Saharan African group (+87.3 per cent).



Thirdly, there is stagnation in the number of craftspeople, and an increase in the number of shopkeepers. The immigrant craft industry thus seems to be doing better than the French craft industry as a whole. Here again, however, the situation shows marked variation depending on the group in question. There has been an emphatic reduction in the number of Italian and Spanish craftspeople. Other groups, for example the Portuguese (+0.4 per cent), have maintained their levels, while yet others have experienced a conspicuous increase. Examples here are the South East Asians at +61.2 per cent, the Moroccans at +74.6 per cent and, most notably, the sub-Saharan Africans at +132.2 per cent. With 18,800 craftspeople, representing (in 1990) about a quarter of immigrant craftspeople, the Portuguese remain by far the principal group. The Italian craftspeople, even though they have lost half their manpower, still represent the second largest group (8,078), followed by the Algerians (7,155) whose number has increased by 24.8 per cent.

The situation is very different for shopkeepers, with their numbers increasing by 17.2 per cent. In terms of numbers, this branch of industry is more dynamic than the craft industry. However, here too it is important to examine the trends among the different groups. The Italians and the Spanish have lost about a quarter of their manpower, whereas the other groups display increases, some of them very significant. The most significant increases have been among the Moroccans (+2,676), the Turks (+1,517), the Portuguese (+1,374) and the sub-Saharan Africans (+2,908). The case of the Algerians is surprising, since they experienced a fall, albeit a slight one, in the number of shopkeepers (-0.5 per cent). Looking at the whole picture for 1999, one finds an almost perfect correspondence between these two categories of immigrant entrepreneurs, craftspeople making up 46.2 per cent, and shopkeepers comprising 46.5 per cent. This contrasts with the situation in 1990, when the former were proportionally more significant.



Focusing on the presence of different immigrant groups in entrepreneurial activities, the question is whether there is succession and replacement or cohabitation. The presence of immigrants in entrepreneurial activities is closely connected with the history of immigration and the various migratory waves that France has experienced. A group arrived in the 1950s and 1960s as immigrant workers, comprising Italians, Spanish, and later Algerians, many of whom became entrepreneurs. This group expanded its ranks and was joined by new entrepreneurs from other immigrant groups during the 1960s and 1970s, including the Portuguese and the Tunisians. Subsequently, in the 1980s and 1990s, these immigrants were joined by the Moroccans, the South East Asians and the Turks. More recently, in the 1990s, the Africans, the Indians, the Pakistanis and the Bangladeshis arrived.

It is possible to distinguish three phases in the entrepreneurial history of an immigrant group: a phase of installation and development, during which the number of entrepreneurs in the group rises strongly, and a phase of consolidation, during which the rate of recruitment makes only slight progress. Finally, there is a phase of decline where the number of entrepreneurs decreases. Immigrant groups are located at different phases according to the passage of time since their arrival.



The Spanish and Italians are in a phase of rapid decline. The Portuguese and Algerians, together with the Tunisians, are in a phase of consolidation, where their numbers are significant but recruitment is weak. We find the Moroccans, the South East Asians, the Turks and the Africans in a phase of installation and development. Nevertheless, it should be noted that, although the Italians and the Spanish are in a phase of decline, the proportion of entrepreneurs among their working population remains very high, compared to the average for all immigrants (respectively, 12.9 per cent and 8.5 per cent as against 7.3 per cent).

The existence of a class of entrepreneurs within these groups is a persistent rather than fortuitous phenomenon and represents an enduring change in their social structuring. In addition, it is not certain that the phases that one can identify from the tables will be exactly repeated in the future. Factors such as the development of Diasporas and circulatory economies can intervene in the development of a distinct group of immigrant entrepreneurs. These observations lead us to question whether the different groups successively replace each other, or whether they exist in a form of cohabitation. The census data do not allow us to answer this question, since the data at our disposal relate to a fixed point in time. Only a special longitudinal study could achieve this.

The phenomenon of succession is, however, observable on a local scale in certain Parisian districts, where one group succeeds another in the food or restaurant trade (Ma Mung and Simon, 1990). The same phenomenon has been observed in the USA (Waldinger, 1987) and in the Netherlands (Rath, 2000). However, very



often cohabitation is observed, rather than replacement or succession. This is the case, for example, for the Faubourg Saint-Denis area in central Paris, where Turks, Chinese and Indo-Pakistanis share commercial space (Dinh, 2002, 2007, 2008).

### **Conclusion**

The great number of jobs closed to foreigners has inestimable consequences in terms of processes of integration, and raises many questions about the efficacy of the fight against discrimination. Nevertheless, it did not prevent a class of small entrepreneurs of foreign origin from asserting itself in the host society. The strategies for getting around these discriminatory restrictions are numerous. Among them, the acquisition of French nationality remains the most evident and the most easily quantifiable.

Finally, in leaving foreigners with no option but to acquire French nationality, the French State effectively continued a policy of long-term immigration by encouraging the immigration of labour migrants with a vocation to stay in the country, transforming it into immigration of settlement.



The law of 17 July 1984 marked a step forward in facilitating access for immigrants with a ten-year residence permit to independent business activities. It remains the case that in many of the liberal professions, such as in medicine, foreign doctors are assigned to the most precarious positions and are paid 40 to 50 per cent less than their French colleagues with the same skills (SNPADHUE, 2008). This is despite the fact that they compensate for staff shortages in the French hospital system.

In other economic sectors where the jobs are considered to be menial tasks, such as in catering, security or cleaning, spontaneous strikes by undocumented workers in 2008 have highlighted a situation known to all: the employment of undocumented migrants, mainly sub-Saharan Africans, in the most difficult and worst-paid jobs. They pay their welfare contributions and taxes and contribute to French economic development without benefiting in return from the rights reserved for nationals. As French '*citoyens*', that is "holders of a part of national sovereignty" (Lochak, 1988), we have internalised the limits of the nation-state and the political consciousness that characterises it to such an extent that we consider it "as normal that there are foreigners, that is people who do not have the same rights as us" (Kristeva, 1988).

## Notes

- <sup>1</sup> In the French tradition, only the national is a citizen, whereas the foreigner has no authorisation to exercise the rights related to this quality. The difference between national citizens and non-citizen foreigners is far from being a marginal element of a foreigner's condition; it is on the contrary a central, essential element (the right to vote, access to public service jobs – which make up one-third of jobs available in the labour market, suspicion and penalisation of mixed marriages in France and in Europe, etc.) (Lochak, 1988).
- <sup>2</sup> See Danielle Lochak's essential work in this area. Legal discrimination in social welfare provisions affecting foreigners living in France will not be dealt with here. In relation to that issue, please refer to the works of GISTI (2002), *Le guide de la protection sociale des étrangers en France*, Paris: La Découverte; Gacon (1998); Toullier (1997).
- <sup>3</sup> This refers to discrimination not only sanctioned, but imposed, by texts, laws or regulations.
- <sup>4</sup> The most recent figures available date from 1999. The census methods of the Institut National de la Statistique et des Etudes Economiques (the French National Institute of Statistics and Economic Studies, INSEE) have since changed, and they now conduct an annual census based on a sample. Applied for the first time in 2004, the first results will be available in the second semester of 2009.
- <sup>5</sup> The definition of immigrant entrepreneurs applied in this study is: 'immigrant' people – according to the INSEE definition – who engage in activities as craftsmen, as traders or as paid heads of companies of ten or more employees. For convenience, this group is referred to as ACE ('Artisans, Commerçants, Chefs d'entreprise', meaning "craftsmen, shopkeepers, company heads with at least ten employees on the payroll").
- <sup>6</sup> What was increasingly alarming for the French political leaders was the growing contrast with their German neighbour, whose army crushed the army of Napoleon III in 1870-1871. Nevertheless, at that time there was not yet a marked difference in population size between the two countries, both having a population close to 40 million. Forty years later however, France, divested of Alsace-Lorraine, did not even reach this threshold of 40 million inhabitants (39,600,000 in 1911 within its borders at that time), whereas the population of the German Empire exceeded 65 million (Garden, Le Bras and Dupâquier, 1988).
- <sup>7</sup> A decisive step in the history of the law on French nationality was reached when the word 'nationality' appeared for the first time in the title of a law governing access to French nationality in 1927. Decided after long debates (the proposal for the law dated back to 1882), the 1927 law became imperative just as much for demographic reasons (mainly a decrease in the birth rate) as because of compulsory military service from which foreigners were exempt. Thus, by completely revising the pre-existing legislation, the State introduced new measures aimed at facilitating foreigners' access to French nationality (Maillard, 2007). For an understanding of nationality issues in France, see the contribution of Jean Massot (1985), "Français par le sang, Français par la loi, Français par le choix", *Revue Européenne des Migrations Internationales*, vol. 1, no. 2, pp. 9-19.
- <sup>8</sup> Already since the eighteenth century, the weak growth of the French population had been evident, increasing little before the end of the eighteenth century, approximately to 20 to 25 million inhabitants (Mauco, 1932). The need for an increased population and a qualified workforce for new industrial and commercial activities contributed to a regular immigration flow, the destinations of which were sometimes limited to areas like Corsica or localities like Calais, Longwy, or Sarrelouis, or in trades where there was a demand for labour (immigration of merchants or specialists of Italian, Portuguese, Dutch, Greek or Armenian origin). For example, we note Jean Baptiste Colbert's advice to King Louis XIV to import tinplate workers from Koblenz to work in French industries in order to compensate for the shortage of labour in these firms. Moreover, France welcomed Catholic refugees from England and Ireland and recruited foreign mercenaries. [See: Lequin, Y. (ed.) (1992), *Histoire des étrangers et de l'immigration en France*, Paris: Larousse. See also: d'Alteroche, B. (2002), *De l'étranger à la seigneurie à l'étranger au royaume, XI-XVe siècle*, L.G.D.J.].
- <sup>9</sup> Cited by Henri Bunle (1943), p. 67.
- <sup>10</sup> From 1935 to 1984, foreigners who wished to engage in trade had to apply for a special licence as 'foreign merchants'. These licences were only granted in very limited numbers by local administrations.
- <sup>11</sup> Research Group against Discrimination (formerly GED).
- <sup>12</sup> Health care professionals: physicians, dental surgeons, midwives, pharmacists or veterinarians; legal professionals: court-appointed administrators, estate brokers, attorneys, notary publics, bailiffs and licensed auctioneers; but also licensed architects, surveyors and certified public accountants, among others. Immigrants from non-EU countries are banned by law from a large number of other independent pursuits. This ranges from owning a newspaper, a television or radio broadcast agency, or a co-operative newspaper/magazine distribution business, to selling tobacco or alcoholic beverages or engaging in self-employment in the insurance sector as a broker, general agent, and so on (CERC, 1999).
- <sup>13</sup> Foreign physicians who work in French hospitals are a good and convincing example. Recruited to compensate for a lack of staff, they are paid just one third of what French physicians are paid, can neither run their own business nor work in a private firm, and have their career pathway blocked (National Union of Physicians with non-European Union Diplomas, SNPADHUE, 2006).
- <sup>14</sup> Unless otherwise specified, the figures presented in this section all come from the INSEE population censuses.
- <sup>15</sup> The over-60s represent 59.6 per cent and 51.6 per cent respectively, of the Italian and Spanish immigrants, as against 21.3 per cent for the whole population resident in France.
- <sup>16</sup> The number of immigrants coming from these countries since 1990 is only 6,876 for Spain and 9,583 for Italy, with all social and professional categories grouped together.

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**II. IMMIGRANT ENTREPRENEURSHIP  
IN PORTUGAL**







## ■ The determinants of immigrant entrepreneurial strategies in Portugal

Catarina Reis Oliveira\*

**Abstract** This article seeks to analyse, on the one hand, trends in the entrepreneurial initiatives of immigrants in Portugal and, on the other, to highlight the impacts of the Portuguese legal and institutional framework during recent decades on immigrant entrepreneurship. There follows a discussion on the determinants of immigrant entrepreneurial initiatives in Portugal, in relation to the 'opportunity structure' of Portuguese society and the differentiated entrepreneurial resources of groups of immigrants present in Portugal.

**Keywords** entrepreneurial strategies, immigrant entrepreneurs, ethnic resources, opportunity structure.



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## ■ The determinants of immigrant entrepreneurial strategies in Portugal

Catarina Reis Oliveira

### Introduction

From the 1980s on, immigration flows have been documented in Portugal through numerous academic studies<sup>1</sup> and newspaper articles, as well as being the subject of public debates. During the two decades that followed, studies on the insertion of immigrants in the Portuguese labour market highlighted, above all, in a partial way, the propensity for foreign population groups to be on the margins of employment, and to be connected with precariousness, the informal economy and the 'secondary' and/or unskilled market (Peixoto, 2008).



Nevertheless, during recent years, these perspectives have been replaced by interpretations that also take the positive contributions of immigration in Portugal into consideration: to state finances (Almeida and Silva, 2007), to demography (Rosa *et al.*, 2004) and to the economy (Ferreira *et al.*, 2004; Oliveira, 2004a and 2005). In particular the distinct professional profiles and skill levels of immigrants have been highlighted (Peixoto, 1999; Baganha *et al.*, 2002; and Góis and Marques, 2007), together with immigrant entrepreneurial initiatives (Oliveira, 2004a, 2004b, 2005 and 2007).

National immigration policy has reflected a similar development. A clear orientation towards flows of unskilled and/or labour migration destined to fill vacancies in the Portuguese labour market has, during recent years, been altered to reflect an increasing interest also in skilled immigrants and entrepreneurs.

Immigrant entrepreneurial initiative in particular came to be perceived not only as an alternative to the insertion of immigrants into the Portuguese labour market – sometimes in situations of social exclusion, discrimination, over-qualification or long-term unemployment –, but also as a way of facilitating social mobility among some immigrants and of creating new jobs (Oliveira, 2004a). Therefore the perception of the potential of immigration became evident throughout the country through numerous initiatives, measures, programmes and projects of a Governmental, private, third sector or mixed nature.<sup>2</sup>

In this context, although the importance of ethnic entrepreneurial opportunities is recognised (such as privileged access to capital, labour and suppliers) associated with some immigrant groups rather than others, and also explaining their greater propensity for entrepreneurial initiatives;<sup>3</sup> this article seeks to highlight, in particular, the development of Portuguese immigration policy



and its impact on immigrant entrepreneurship during the course of the last three decades.

In order to achieve this objective, this article is divided into two main sections. In the first section, the main trends in the entrepreneurial initiatives of immigrants in Portugal during the last three decades are presented. The second section highlights the impacts of the Portuguese legal and institutional framework on immigrant entrepreneurship since the 1980s. The article concludes with a discussion on the determinants of immigrant entrepreneurial initiatives in Portugal, in relation to the 'opportunity structure'<sup>4</sup> of Portuguese society.

### **Immigrant entrepreneurs in Portugal: statistical trends**

Similarly to what is observed in many OECD countries, entrepreneurial initiatives of immigrants have been increasing in Portugal. Between 2000 and 2005 the relative importance of foreigners in the total of self-employed workers increased from 3.6 per cent to 5.4 per cent (SOPEMI, 2007: 75).



A rigorous evaluation of the number of immigrant entrepreneurs in Portugal is, however, quite complex in view of the scarcity and dispersion of the statistical sources available and the difficulties in comparing data.



In Portugal the official data only provide information on foreigners. In other words, all analyses of data on immigration are based on the nationality of individuals. Although this is apparently an inconsequential and logical choice, it is important to examine the underlying implications of the conclusions that result from analyses of these data.

Above all it is crucial to distinguish between notions of 'immigrant' and 'foreigner', as they translate into different groups. The 'immigrant' is defined as an individual who, having been born in a certain territory, migrated to another country where he or she ended up residing for at least one year.<sup>5</sup> Therefore the movement of changing territories in itself does not reflect the nationality of an individual. In reality, it was identified that a substantial proportion of immigrant entrepreneurs in Portugal have Portuguese nationality (Oliveira, 2005). In contrast, the notion of 'foreigner' cannot be disassociated from that of nationality, meaning that any individual who has a different nationality to that of the country they reside in is a foreigner. As a consequence, not all foreigners are immigrants. Effectively there are individuals with foreign nationality who were born in Portugal and who do not have any experience of migration whatsoever.<sup>6</sup>

With these reservations, and the official data available, in mind, it is possible to identify two distinct groups in order to estimate the number of immigrant entre-



preneurs<sup>7</sup> in Portugal. On the one hand, it is possible to estimate the number of foreigners who enter Portugal with the intention of undertaking self-employed activity or creating a business - on the basis of the data on applications for residence permits to the Foreigners and Borders Service (SEF) and the data of the Ministry of Foreign Affairs in relation to the issuing of visas at consulates. On the other hand, two official sources facilitate the estimation of the stock of foreign entrepreneurs: the General Censuses of Population by the National Statistics Institute (INE) and the SEF Statistical Reports.

As some researchers have warned, the quantifiable data available in these sources are not only far from allowing us to know the exact number of immigrants in Portugal, but they also present different results.<sup>8</sup> In this way the choice of a source to be used for the purposes of a study is not without consequences. These statistical dilemmas have repercussions on the study of immigrant entrepreneurs present in the country.



SEF, as the state service responsible for controlling the entry, departure and residence of foreigners in Portugal, annually gathers statistical information on foreigners in a regular situation on the basis of administrative documents. One evident conclusion emerges: these statistical registers do not count irregular entries and departures of foreigners, nor immigrants with Portuguese nationality. The statistical information collected by SEF focuses on the various typologies of regular stays that foreigners can have in Portugal (such as residence permit, stay permit and visa renewal).

With respect to the professional situation of foreigners, these data also present various limitations. SEF only provides data relating to the stock of the “resident foreign population” (holders of a residence permit) according to their economic activity until 1998 (see Table 1). Furthermore, these data only reflect the situation of individuals at their moment of arrival in Portugal. As a result, it is not possible to analyse possible alterations resulting from the geographic and/or professional mobility of foreigners subsequent to their arrival.

**Table 1 – Number of foreigners with a Residence Permit according to their professional situation**

	Employers (A)	Self-employed (B)	Total Active (C)	Percentage of (A+B)/C
1990	14,800		51,781	28.6
1991	15,030		54,904	27.4
1992	15,323		59,012	26.0
1993				
1994	16,199		77,599	20.9
1995	16,619		84,383	19.7
1996	15,842	930	86,810	19.3
1997	15,846	1,101	87,893	19.3
1998	15,872	1,258	88,605	19.3

Source: SEF Statistical Reports (calculations by the author).

Notwithstanding the interruption in the statistical compilation of these data, if we group together the number of employers with the number of self-employed, as an approximation of the representation of entrepreneurs,<sup>9</sup> in 1998 there were 15,872 foreign employers and 1,258 foreign self-employed people residing legally in Portugal. However, these 17,130 foreigners with residence authorisations do not correspond to the entire group of immigrant entrepreneurs in Portugal in that year, as that number does not include all immigrant entrepreneurs who have acquired Portuguese nationality<sup>10</sup> in the meantime and all of those who operate in the informal market. Also excluded are all foreigners with a type III working visa, that is, those that exercise independent activities in Portugal in the area of service provision.

**Table 2 – Number of Working Visas granted by Portugal between 1999 and 2006**

Working visas granted by Portugal	Total Foreigners		
	Total	Type III Visa	
		N	%
1999	1,931	443	22.9
2000	3,372	545	16.2
2001	3,024	380	12.6
2002	2,605	546	21.0
2003	2,761	300	10.9
2004	2,769	336	12.1
2005	3,054	207	6.8
2006	6,735	404	6.0

Source: Ministry of Foreign Affairs.

On the basis of Ministry of Foreign Affairs data – see Table 2 – it is of note that the proportion of foreigners who entered Portugal with a type III working visa has been in decline, representing in 2006 just 6 per cent of the total working visas granted. This trend is reproduced in the actual professional situation of foreigners resident in Portugal (predominantly in salaried activities). Despite the importance of these visas being relatively limited, it is interesting to verify the over-representation of some nationalities: on average, Brazilians represent around 53 per cent of the total of type III working visas granted between 1999 and 2006, having represented 67 per cent in 1999. The specific flow of this nationality towards some economic sectors is therefore evident, where highly-skilled self-employed workers predominate, in professions such as the publicity and IT sectors.

Apart from these entry flows, attention must also be given to the number of foreigners who request the status of resident for the purposes of an entrepreneurial activity (see Table 3). These data, also disseminated by SEF, make it possible to estimate of some of the changes in the socio-economic characteristics of the foreign population who seek to reside legally in Portugal. It is seen that from 2002 there has been a decrease in the number of foreigners who requested residence status to start a business or their own self-employment. As will be discussed in the following section of this article, this inversion was without a doubt related to some changes in the actual legal context that provides the framework for immigration.

**Table 3 – Foreign population who requested residence status, according to professional situation, between 2000 and 2005**

Year of Arrival in Portugal	Professional Situation				Total Active
	Employers		Self-employed		
	Total	%	Total	%	
1999	312	7.7	193	4.8	4,058
2000	532	6.8	357	4.6	7,835
2001	495	8.4	400	6.8	5,874
2002	407	8.7	333	7.1	4,695
2003	347	8.4	284	6.9	4,122
2004	321	5.4	215	3.6	5,989
2005	318	6.8	207	4.4	4,691

Source: SEF Statistical Reports.

In this way, in view of the fact that the General Census data on the population correspond to the results of questionnaires applied to all Portuguese and foreigners, independently of their legal situation, resident on Portuguese territory at a precise moment in time, it is hoped that all of these situations are covered and/or allow for a better analysis of the stock of immigrant entrepreneurs in Portugal.

It is important nevertheless to recognise some limitations in these data. In any General Census of Population there are some problems in the quality of the censal operation: there are situations of non-response associated with difficulties in filling in the form – for example among foreigners who have difficulty in understanding Portuguese –, or among foreigners in an irregular situation. Furthermore, according to the instructions for filling in the questionnaires for the Census of 2001, information on foreigners who had been living in Portugal for less than one year was not collected, meaning that all foreigners who arrived in the country after 12 March 2000 are excluded from the most recent census.<sup>11</sup>

In this way, the last census presents some gaps in coverage for the purposes of characterising the immigrant population. The first, and most evident, is related to the fact that a substantial part of the new immigration flows present in Portugal arrived after the launching of the individual questionnaire of the 2001 Census, or they have not been considered for the purposes of information-gathering because they had not been present in Portugal for at least one year.<sup>12</sup> The consequences of this gap in coverage become clear when we compare the results of the Census of 2001 with the SEF registers for the same year. Focusing only on the SEF registers

on foreigners with stay permits: at the end of 2001, there were 126,901 foreigners with stay permits, among whom there were 45,233 Ukrainians, 23,713 Brazilians, 8,984 Moldovans and 7,461 Romanians. Meanwhile, the 2001 Census only registered 10,425 Ukrainians, 22,977 Brazilians, 2,859 Moldovans and 2,412 Romanians. Although this is a gap in the coverage of the Census, it does not result in serious consequences for the present field of study – immigrant entrepreneurs – due to the fact that, as we will see, holders of stay permits were only legally allowed to engage in salaried work.<sup>13</sup>

Therefore, and given that immigration flows in Portugal gained visibility essentially from the end of the 1970s, it is considered pertinent to select for the purposes of analysis the last three censuses, the 12th, 13th and 14th – as they give an approximation of the trends observed during the last three decades.

**Table 4 – Active Portuguese and Foreign Population, according to their professional situation, between 1981 and 2001**

Professional Situation		1981		1991		2001		Rate of Change 1981-2001
		N	%	N	%	N	%	
Em- ployers	Portuguese	130,051	3.1	267,757	6.2	467,553	9.8	259.5
	Foreigner	1,811	5.1	4,438	7.7	20,571	10.2	1035.9
Self- -employed	Portuguese	632,354	15.2	567,789	13.1	290,318	6.1	-54.1
	Foreigner	3,188	8.9	6,561	11.4	9,173	4.5	187.7
Family workers	Portuguese	100,951	2.4	84,241	1.9	36,773	0.8	-63.6
	Foreigner	513	1.4	1,058	1.8	987	0.5	92.4
Total	Portuguese	4,147,339	100	4,340,422	100	4,788,561	100	15.5
	Foreigner	35,709	100	57,744	100	201,647	100	464.7

Source: Censuses, INE (calculations by the author).

As it is possible to observe in Table 4, the number of foreign employers has increased substantially during the course of the last three decades (with rates of change that are significantly higher than those observed among Portuguese employers), an increase that has kept pace with the evolution of foreigners in Portugal. Between 1981 and 2001 not only did the number of foreign employers increase – from 1,811 to 20,571 –, but also the proportion of employers in the total of active foreigners increased – from 5.1 per cent to 10.2 per cent. It is also relevant to observe that, as has been observed in other OECD countries, the percentage of entrepreneurs is greater in the case of the total of active foreigners than in that of the total of active Portuguese population.

Again similarly to the trend observed in other countries, in Portugal not all of the immigrant groups show the same propensity towards entrepreneurial initiative. The data from the Censuses permit us to identify the nationalities with the highest rates of entrepreneurship.<sup>14</sup>

**Table 5 – Rates of Entrepreneurship according to nationality between 1981 and 2001**

Country of nationality	1981	1991	2001	Variation in Employers 1981/2001	Variation in Active Workers 1981/2001
Total Europe	12.0	13.3	9.9	2.9	3.7
Germany	16.1	13.8	17.7	3.7	3.3
Spain	15.0	18.4	11.6	0.2	0.5
France	7.0	5.4	10.2	9.9	6.5
United Kingdom	16.2	19.5	23.0	3.9	2.5
Ukraine			1.5		
Total Africa	1.1	3.4	6.7	22.9	2.8
Angola	1.2	3.4	6.6	25.5	4.0
Cape Verde	0.7	3.0	6.4	17.3	1.1
Guinea-Bissau	1.9	2.9	6.2	107.2	32.1
Mozambique	3.0	5.9	9.1	8.0	2.0
S. Tomé and Príncipe	0.2	2.6	6.0	304.0	9.4
Total America	5.1	8.8	13.6	13.9	4.6
Brazil	4.8	9.5	13.5	20.7	6.7
USA	8.5	8.3	12.3	1.7	0.9
Venezuela	3.9	7.7	13.8	11.3	2.5
Total Asia	9.8	21.3	19.1	10.6	5.0
China	22.2	24.1	36.0	31.4	19.0
India	7.9	17.6	7.6	11.3	11.7
Pakistan	17	30.7	6.3	0.9	4.2
Oceania	1.8	9.4	14.2	20.0	1.6
Foreigners	5.1	7.7	10.2	10.4	4.6
Portuguese	3.1	6.2	9.8	2.6	0.2

Source: Censuses, INE (author's calculations).

As it is possible to observe in Table 5, the Chinese present the highest rates of entrepreneurship among foreigners – 22.2 per cent in 1981 and 36 per cent in 2001. On the other hand, it is the Ukrainians who present the lowest percentage of employers in the total of their active population – 1.5 per cent in 2001.

The analysis of the proportion of employers of each nationality in the total of foreign employers facilitates, however, the highlighting of other groups, also reflecting the greater proportion in certain immigrant flows to Portugal. Table 6 shows that although nationals of the Portuguese-speaking African Countries (PALOPs) are among the nationalities with

the lowest rates of entrepreneurship (according to Table 5) – that is, the majority of their active population are inserted in the Portuguese labour market as salaried workers -, their relative importance in the total number of foreign employers has increased, in particular in the case of Cape Verdeans and Angolans. On the other hand it is important to observe the loss of relevance of European Union employers during the course of the last three decades, in particular the Spanish and the English (see Table 6).

The great relevance of Brazilian employers, consolidated over the last few decades, should also be emphasised. This group, according to the data from the 2001 Census, became the foreign nationality in Portugal with the highest number of employers, with the relative importance in the total number of foreign employers increasing from 7.9 per cent in 1981 to 15.1 per cent in 2001 (see Table 6). In Table 5 the increase in the rates of entrepreneurship among Brazilians was also evident, as the employers had a growth rate superior (20.7 per cent) to the actual variation in the total active population (6.7 per cent).

**Table 6 – Percentage of employers within the ten nationalities with highest number of employers in the total number of foreign employers, between 1981 and 2001**

1981		1991		2001	
Nationality	%	Nationality	%	Nationality	%
Spain	26.2	Brazil	13.4	Brazil	15.1
England	8.2	Spain	10.1	Angola	7.2
Brazil	7.9	England	8.4	Cape Verde	6.7
Fed. Rep. Germany	7.3	Cape Verde	6.8	France	4.0
France	4.2	Germany	5.5	England	3.6
Cape Verde	4.1	France	4.9	Germany	3.3
United States	3.1	Venezuela	4.2	Guinea-Bissau	3.2
Angola	3.1	Angola	3.6	China	2.8
Italy	3.1	Netherlands	3.0	Spain	2.7
Netherlands	2.3	Mozambique	2.0	Venezuela	1.9
Total foreign employers	1811	Total foreign employers	4438	Total foreign employers	20571
Total active foreigners	35709	Total active foreigners	57744	Total active foreigners	201647

Source: Censuses, INE (author's calculations).

However, these data should not be read in a simplistic way in view of the fact that some factors influence the characteristics and/or the oscillation between greater and lesser propensity of certain nationalities of immigrants for entrepreneurial



initiative (Oliveira, 2005). The following section emphasises the explanatory factors in immigrant entrepreneurship in Portugal, associated with the determining factors of the Portuguese legal context of recent decades.

### **The determinants of the Portuguese legal and institutional framework for immigrant entrepreneurial initiatives**

The first part of this thematic issue of the *Migrações* Journal illustrates some examples of how the legal and institutional context can determine the size and the characteristics of immigrant entrepreneurial initiatives.

Portugal is no exception in this respect. The vicissitudes of immigrant entrepreneurship during recent decades equally reflect some of the characteristics of the political, legal and institutional context and developments in that area over time. According to the development of the legal framework and Government policies, the moment of arrival of immigrants determines the different opportunities and constraints in insertion into the Portuguese labour market, and entrepreneurial initiatives themselves.



As Waldinger has pointed out, “Immigrants will not go into business unless there are opportunities [...]” (1989: 71). In other words, it is essential to correlate the rates of immigrant entrepreneurship in Portugal with the actual opportunities and possibilities that immigrants have to develop an entrepreneurial strategy in the country.



Roger Waldinger *et al.*, on the basis of the *interactionist model*, were pioneering in highlighting the lack of attention that literature on immigrant entrepreneurs had devoted to the context in which these entrepreneurs functioned, or, in the words of the authors, the “opportunity structure” (Waldinger *et al.*, 1985: 589). In this sense, their integrated perspective – considering the group characteristics of the immigrant and the opportunity structure – was revolutionary and determined a shift in the literature on immigrant entrepreneurial activities.

Since then, new models have sought to expand upon this multi-dimensional orientation. Kloosterman and Rath in the late 1990s in the Netherlands developed a complementary model that they dubbed *mixed embeddedness*, taking into consideration the influence of various spheres of the receiving society (and not only the economic sphere, as is the case with the interactionist model), and particularly emphasising the interference of legal and regulatory contexts. As the authors argue, the receiving society can define legal constraints that impede the investment of immigrant entrepreneurs and the effective use of the resources that they have in order to succeed.

In other words, within the *mixed embeddedness* model, the idea of ethnic or cultural exceptionalism in entrepreneurial initiative is rejected and the universalism



of social embeddedness is defended. They argue that – as an antithesis to the perspectives that highlight the centrality of particular characteristics of immigrant entrepreneurs or of certain ethnic groups in entrepreneurial initiatives – all entrepreneurs are framed within a context that determines their choices in relation to economic insertion and they are not passive actors. Rath (2000: 5) goes so far as to accuse the previous perspectives of considering immigrant entrepreneurship within an economic and institutional vacuum, reflecting concern about the underlying danger of studies based on cultural determinism and the conviction that it is essential to consider political and economic conditions.



Taking on board the multiplicity of explanatory dimensions for the entrepreneurial strategies of immigrants, inherent in their social nature, an heuristic model has also been developed, discussed and evaluated (Oliveira, 2004b, 2005 and 2007). The model succeeds other attempts to prove that it is not occasional or random factors that explain immigrant entrepreneurship. In particular, it highlights the exchange of resources and information on opportunities that immigrants undertake in their spheres of embeddedness. It also emphasises the advantage that individuals take of their human capital in the definition of an entrepreneurial strategy. That is to say, adopting a Schumpeterian interpretation, the proposed model seeks to differentiate the possible routes to innovation chosen by immigrant entrepreneurs in relation to the dynamic combination of resources and opportunities or evading obstacles (Oliveira, 2007).

As entrepreneurial opportunities are neither obvious nor transparent to all individuals, and are not accessible to all immigrants and/or ethnic groups, entrepreneurial strategies are the result of negotiation, adaptation, imagination and reproduction (of the choices of other, successful, entrepreneurs). In this way, immigrants react to the opportunities and constraints that they are faced with during the process of creation of a strategy (Oliveira, 2007). This theoretical choice starts from the assumption that an entrepreneurial strategy is not merely an economic activity, but also an initiative with a social character. Apart from allowing the realisation of an economic process based on the combination of productive factors, an entrepreneurial strategy is based on the field of relations between social actors who have their own actions – which can be cooperative or antagonistic.

In this context, and seeking to better understand what is behind the statistical trends identified above, we return to the vicissitudes of the legal and regulatory contexts. Particular emphasis is placed on the framework that defines the entry, departure and removal of immigrants in Portugal in order to identify some of its impacts on immigrant entrepreneurship.

From the analysis undertaken, it is possible to identify three periods in the Portuguese legal framework that have impacted upon the evolution and changes in immigrant en-

entrepreneurial initiatives: (I) the first period essentially covers the 1980s and 1990s, until 1998; (II) the second, from 1998 to 2007; and finally, (III) the third period from 2007 on.

I. The emphasis placed on the immigration phenomenon in the mid 1970s is reflected in Government policies, particularly Decree-Law no. 264-B/81 of 3 September 1981. From this year on, successive adjustments were made to the legal framework that defines the regime for the entry, stay, departure and expulsion of foreign citizens, with reference to policy changes in relation to immigration; the needs of the Portuguese labour market, the precepts of the Convention on the Implementation of the Schengen Agreement and the norms of EU law.

Therefore, between 1981 and 1998, immigrants who wished to undertake an entrepreneurial activity were framed within the same regime as any immigrant who sought to exercise an economic activity, that is, they had to fulfil the conditions for acquiring a residence permit, such as means of subsistence and housing conditions. In other words, contrary to other immigrant receiving countries (as is the case with Australia and Canada, presented in Section I of this Special Issue), the Portuguese State did not define any type of particular regime to attract immigrant entrepreneurs, but instead there was a policy of incentivising immigration that would respond to the needs of the Portuguese labour market.

During the 1990s there were two periods of extraordinary regularisation and, due to an intensive period of public works (such as new motorways across the country, a new bridge, Expo 98) undertaken with the help of EU funds, the immigrants who were attracted arrived mainly to do salaried work. In response to these requirements of the labour market and the characteristics of the underlying policy, in 1997 a new protocol was signed with Cape Verde for the entry of temporary workers – the *Protocol on the Temporary Emigration of Cape Verdean Workers for employment in Portugal* (Decree-Law no. 60/97 of 19 November). Consequently it became evident that the immigration flows that dominated the 1980s and 1990s were essentially characterised by salaried workers particularly from the Portuguese-speaking African countries (PALOPs – Cape Verde, Angola, São Tomé and Príncipe, Guinea-Bissau and Mozambique). It is therefore not surprising that low rates of immigrant entrepreneurship within these nationalities were observed mostly during this period (see Table 5).

Therefore in analysing rates of immigrant entrepreneurship it is essential to also consider the dynamics of the opportunity structure in order to explain the patterns of economic insertion of immigrant groups and their professional situation. As population groups originating in the PALOPs dominated the immigration panorama until the end of the 1990s, and this was characterised by responding to the needs for salaried labour in the least qualified sectors of the Portuguese labour market, a segmentation in the professional situation of these nationalities naturally emerged over these two decades.



Furthermore, and in order to explain the low entrepreneurial propensity of some immigrant groups in contrast to EU citizens, we refer to a Decree-Law published in 1993. According to the Council Directives of 28 June 1990 (90/364/CEE and 90/365/CEE), in 1993 in Portugal a special regime for citizens of the European Community (Decree-Law no. 60/93) was defined with respect to residence rights. Thus, given that a residence permit was the legal condition necessary for a foreigner to undertake a legal entrepreneurial activity in Portugal, it becomes evident that this special regime for European Union citizens defined more structural facilities for them to start a business. With a greater propensity towards entrepreneurial initiatives than the rest of the immigrant groups in Portugal (see Table 5), EU citizens were always among the ten main nationalities with the greatest number of employers in Portugal, with just a small drop from 2001 on (Table 6), associated with the growth in the entrepreneurship of other nationalities.



The over-representation of EU citizens in entrepreneurial initiatives until the turn of the century can also be explained by a further regulation. The regulation of the employment of foreigners on Portuguese territory, which was in force until 1998, – Decree-Law no. 97/77 of 17 March 1977 – declared that “national or foreign employers who exercise their activity in any part of Portuguese territory can only have individuals of foreign nationality in their service, even if they are unpaid, if their staff, where the staff comprises more than five workers, consists of 90 per cent Portuguese workers” (Article 2).

Thus, if it is considered that the entrepreneurship of some non-EU nationalities normally depends on recourse to co-ethnic workers – as has been widely demonstrated in the international (Waldinger *et al.*, 1990; Light and Gold, 2000) and national literature (Oliveira, 2004b, 2005 and 2007) –, then it becomes evident that this norm inhibited and/or constrained immigrant entrepreneurial initiative (or at least formally declared businesses). It is in this context that we should understand why, for example – as shown in Table 5 –, the increase in Chinese entrepreneurship occurred only between 1991 and 2001, or – in Table 6 – that the emergence of Chinese employers among the top ten nationalities with the highest number of employers was from 2001 (while in that year, according to the same data, they were far from representing one of the ten main nationalities in the total foreign population).

II. The changes in the opportunity structure in Portugal verified at the end of the 1990s led, in turn, to an increase in the relative importance of foreign employers and of some immigrant groups who previously had not particularly stood out in entrepreneurial activities – as is the case with nationals of the PALOPs (as shown in Table 6). Two regulatory procedures allow the identification of a new phase in regulation, with implications for immigrant entrepreneurship in Portugal: a new Immigration Law (Decree-Law no. 244/98 of 8 August) and the new Labour Law (Law no. 20/98 of 12 May).



With Decree-Law no. 244/98 of 8 August, - and respective revisions with Decree-Laws no. 4/2001 of 10 January and no. 34/2003 of 25 February - some changes in the conditions for entry, stay, departure and removal of foreigners in Portuguese territory were introduced.

Just two legal conditions would make undertaking an entrepreneurial activity viable: the 'residence permit' and the 'type III work visa'. Immigrants who exercised an independent or entrepreneurial activity without the appropriate work visa or residence permit were subject to fines of between €300 and €1,200.



A residence permit was applied for at the Foreigners and Borders Service (SEF) in Portugal, on foot of, in general, a foreigner holding a valid residence visa acquired at a consulate. The granting of a residence visa for exercising an entrepreneurial activity was contingent on the presentation of a document proving the registration of an investment operation in Portugal and a document proving that the immigrant was qualified to exercise it. In this way, under this legal framework, an immigrant had to set up a society or legalise the statutes of their entrepreneurial activity in Portugal before actually requesting a residence visa. In this situation the potential immigrant entrepreneur had to first request a short-term visa in order to come to Portugal and set up their business, or be represented by someone who was already resident in the country. In cases where their entrepreneurial activity required a specific skill, they also had to apply for the recognition of their qualifications. Therefore, the immigrant entrepreneur was required to plan the investment that they sought to undertake in Portugal very well, in order that the process of legalisation of their situation and their activity would not become delayed.

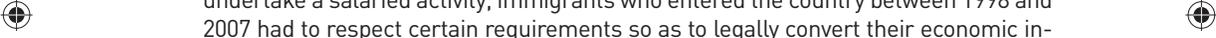
Finally, as they were already in Portugal, in order to renew a residence permit the foreigner had to provide proof of having means of subsistence, that is, if they were an entrepreneur they had to have a profitable entrepreneurial activity or salaried work that would complement their income.

From 1998, the regulatory framework in force also increased the variety of visas granted, complicating further the diversity of statuses that regulated the residence of foreigners in the country. The work visa was created and divided into four distinct situations: 'work visa I' for professional activities in the sporting arena, 'work visa II' for professional activities in the area of entertainment, 'work visa III' for independent activities in the area of service provision<sup>15</sup> and, finally, 'work visa IV' for undertaking salaried work. These work visas were granted in accordance with an annual prediction of employment opportunities, according to the annual reports composed by the Institute for Employment and Professional Training (IEFP) and approved by the Government. These reports stipulated that the priority was for job offers to be filled by EU workers or non-EU workers with legal residence in Portugal.



The creation of an entrepreneurial strategy was not directly constrained by national job opportunities and was not conditioned by the quotas defined in the annual reports on opportunities. However, for immigrant entrepreneurs these changes in the regulation had important consequences. Their employment needs, under the legal framework in force during that period, had to be declared to the IEFP, indirectly making it difficult to contract co-ethnics (Oliveira, 2005: 81).

For immigrants with the intention of undertaking an independent activity, they needed – at the time that they requested a work visa III at the Portuguese consulate – to give proof of a promise to contract service provision and proof that they were qualified to exercise the activity involved in the service provision with the respective declaration of the professional order (Article 14 of Regulatory-Decree no. 6/2004 of 26 April). These requirements ended up principally providing the framework for independent highly skilled workers, and those directed for specific sectors of the Portuguese labour market, such as marketing, IT and health. In this way, the greater or lesser demand for this visa throughout this period (see Table 2) also reflected different strategies for economic insertion in Portugal among the different immigrant populations (Oliveira, 2004a: 72-3).



During this period, some further constraints were set out in relation to possible changes in the professional situation of salaried workers in Portugal. That is, in order to undertake a salaried activity, immigrants who entered the country between 1998 and 2007 had to respect certain requirements so as to legally convert their economic insertion into an entrepreneurial strategy. In the case of immigrants who were already in Portugal with a type I, II or IV work visa, they had to wait three years to convert their visa into a residence permit, or leave the country and request a type III work visa or a residence visa at a Portuguese consulate (Oliveira, 2004a: 74).

On the other hand, given that during this period only holders of a residence permit or a type III work visa could legally undertake entrepreneurial activity in Portugal, and that - associated with the diversification of statuses during this period - there was a reduction in the granting of residence permits,<sup>16</sup> inevitably it became more difficult for certain immigrant groups to set up an entrepreneurial activity in Portugal.

Among these groups were foreigners who held a 'stay permit'. This status, created in 2001 with the objective of regularising employment relationships and immigrants who were already in Portuguese territory, was an annually renewable work visa granted in Portuguese territory on an exceptional basis, avoiding the need for immigrants to travel abroad in order to request work visas. However, holders of this status continued to be subject to some important restrictions in their economic insertion: with a stay permit, the immigrant could only undertake a salaried activity in the Portuguese labour market and in sectors where there were job opportunities (also according to reports of opportunities). As a consequence, and given that this legal condition domi-



nated a substantial part of immigration flows at the turn of the century in Portugal,<sup>17</sup> around 183,833 immigrants<sup>18</sup> were prevented from undertaking a legal entrepreneurial activity in Portugal right from the beginning (Oliveira, 2004b: 70). Associated with this restriction, there is also an interesting contradiction: these immigrants could not create their own employment, but if they became unemployed they could register at an employment centre and benefit from unemployment subsidies.

This restriction principally affected Ukrainian and Brazilian immigrants who represented around 35 per cent and 21 per cent, respectively, of the total of foreigners with stay permits between 2001 and 2004. For an immigrant who was a holder of this legal status to create an entrepreneurial strategy they had to have had an uninterrupted job contract for five years that justified their residence in the country. Only after working for five years as a salaried worker could an immigrant with a stay permit convert their status into a residence permit and therefore aspire to set up a business in Portugal.



In this sense, it is evident that the legislation that regulates the presence of foreigners in Portugal also determines the possible forms of insertion in the labour market. In effect, the legal condition of the individual constrains their options and strategies of integration in the receiving society. In this way, the distinct statistic trends and propensities for entrepreneurship among different immigrant groups may not correspond to different entrepreneurial vocations, but simply constraints arising from the regulation in force. For example, in the case of the Ukrainians, the low rates of entrepreneurship verified in 2001 (in Table 5) simply reflect their legal status that restricts them to salaried work.

Depending, therefore, on the year of arrival in Portugal, immigrants tend to be associated with particular legal statuses that provide them with distinct opportunities or constraints in insertion in the labour market. According to their legal condition in Portugal, immigrants have to wait more or less time in order to define their legal entrepreneurial strategy.

As referred to above, from 1998 there were also some changes in the Labour Law (Law no. 20/98 of 12 May) that are reflected in the entrepreneurial initiatives of immigrants. In a concrete sense, the requirement in force since the 1970s in relation to the fact that firms with more than five workers had to contract at least 90 per cent Portuguese workers disappeared. This alteration was reflected in the professional situation of certain immigrant groups in Portugal.

As shown in Table 3, there has been an increase in the number of foreigners who have requested residency in Portugal with the intention of setting up a business or working independently, particularly between 1999 and 2000, increasing from 312 to 532 requests by foreign employers. Also, in Table 4 it is evident that there was



a marked increase in the number of immigrant entrepreneurs from 1991 to 2001: while Portuguese employers had a rate of change of 42.7 per cent in ten years, foreign employers had, during the same period, a rate of change of 78.4 per cent. If we take into account the fact that some groups of immigrant entrepreneurs depend on co-ethnic labour, then the previous Labour Law clearly limited many immigrant entrepreneurial initiatives. In this respect, the Chinese entrepreneurs are particularly highlighted, as they reinforced their entrepreneurial initiatives mainly at the end of the 1990s and became one of the ten foreign nationalities with the highest number of employers (as presented in Tables 5 and 6).



It should nevertheless be recognised that lack of knowledge of the laws in force could also influence the activities of some immigrant entrepreneurs. In a survey of 704 immigrant entrepreneurs undertaken in 2002,<sup>19</sup> it was possible to identify some immigrant groups who showed greater difficulty in understanding Portuguese laws (Oliveira, 2005: 81). When questioned about the greatest difficulties felt in defining their entrepreneurial strategy in Portugal, the majority of the Chinese people surveyed stressed their lack of knowledge of Portuguese laws (64.9 per cent), and the Indian and Cape Verdean entrepreneurs further complained about the bureaucracy associated with Portuguese official institutions and authorities (43.1 per cent and 42.6 per cent respectively). In this respect, it should also be conceded that many immigrants could, in some cases, not respect the underlying complexity of the legal framework and/or slip into the informal economy, not because they had that intention, but rather because they did not know many of the rules and the successive changes to them.

**III.** From 2007, there were also various changes in the Portuguese regulatory context that reflect a particular and increasing interest in immigrant entrepreneurship. Both in the policy in relation to the management of immigration flows and in immigrant integration policy, various references to immigrant entrepreneurs and independent workers appeared.

In relation to policy for management of flows, overall it is clear that the new Immigration Law (Law 23/2007 of 4 July) simplified the system for admissions and residency of foreigners into one single type of visa with various purposes for granting residency. Within the space of four months, counting from the moment of the arrival of an immigrant in Portugal, holders of a residence visa must request a temporary residence permit of one year's validity. This can subsequently be renewed for successive periods of two years and converted into a permanent residence permit after five years' residence.

In this way, the legislator, seeking to rationalise and ease the bureaucracy of the procedures, set out one single type of long-term visa that allowed its holder to enter Portugal and take up residence. As, in contrast, the previous law foresaw various types of long-term visa, namely study, work (four types) and residence visas. Because



foreigners became holders of residence permits only, this new law therefore expanded the group of foreigners with access to Portuguese nationality, as previously only holders of residence permits could accumulate years of residence for that purpose.<sup>20</sup> Given the fact that nationality has been shown to be an important entrepreneurial resource for immigrants in Portugal as it determines conditions of access to some opportunities and provides for less bureaucracy in the functioning of the business (Oliveira, 2005: 146), this is an important change with positive implications.

However, it is important to understand whether in the concrete case of foreign entrepreneurs the new law actually did ease bureaucratic obstacles to entrepreneurial initiative. This analysis is therefore based upon a study of the implications of the new law in two distinct situations: on the one hand, for immigrants who in their country of origin already had the intention of undertaking entrepreneurial activity, and because of that arrived in Portugal with this 'professional situation'; and, on the other hand, for immigrants who are already in the country and who seek to convert their professional situation from salaried workers to entrepreneurs or independent workers.



We will therefore begin the analysis with the first situation. The new Law created for the first time a special situation for immigrant entrepreneurs. In other words, for the first time in the Portuguese regulatory context a regime of access was set out for entrepreneurs distinct from that applied to other immigrants who arrived in Portugal in order to undertake salaried work. Article 60 of Law no. 23/2007 and Article 31 of Regulatory Decree no. 84/2007 of 5 November define the conditions for access to a 'residence visa' for independent workers and immigrant entrepreneurs, in which it is foreseen that:

- *independent workers* should have a contract or a draft contract for service provision in the area of the liberal professions. The immigrant must have proof that they are qualified to exercise this independent activity, that is, they must have their qualifications recognised in Portugal, whenever the exercise of their functions requires this.

- *immigrant entrepreneurs* who seek to invest in Portugal must, for their part, provide proof of their investment operations in the country, or prove that they have financial means in Portugal and that they have the intention of proceeding with an investment operation. In the declaration that they are undertaking, or intend to undertake, an investment operation, the investment should be described in detail and identified. Its nature, value and duration should be specified. On the basis of these documents, the application for a residence visa is subsequently assessed, keeping in mind the economic, social, scientific, technological or cultural relevance of the investment (in accordance with point 3 of article 31 of the Regulatory Decree).

For the purposes of this analysis it is important to make a more detailed examination of two of the proofs that these immigrant investors have to give in order to be granted a residence visa - (a) proof of 'means of subsistence' and (b) proof of 'means of finance':

(a) in Government Order no. 1563/2007 of 11 December, the necessary requirements for proof of 'means of subsistence' were detailed for applicants for residence visas or applicants for renewal of residence permits. The criterion for determining means of subsistence adopted refers to the minimum monthly payment guaranteed - and defined annually - in Portugal, and its respective regularity and assessment for Social Security;

(b) the Law requires an immigrant to provide proof of possessing 'means of finance' in Portugal through a declaration by a Portuguese financial institution that attests to the capital that they have and/or the credit that they are authorised for. The Law does not define in this context what are the minimum amounts of means of finance required, falling back on an evaluation of a predominantly discretionary nature within the framework of the guidelines defined by the legal regime. Although the intention of the legislator is not clear, it is believed that under this Law, means of finance are proved in accordance with their proportionality in relation to the concrete objectives of the investment project, with an overall evaluation from the perspective of its relevance (referred to in article 31 (3) of the Regulatory Decree).

We will now look at the implications of this new Law for the second situation under analysis, that is, immigrants who are already living in Portugal. For these immigrants the law foresees the granting of a residence permit for exercising an independent professional activity. In Article 89 of the Law, it is set out that these immigrants must fulfil the following requirements: they must have a valid residence visa for this purpose<sup>21</sup> (although in point 2 of the same article, exceptional situations are set out where a visa is not required); they must have constituted a society under the terms of Portuguese law (declaring the initiation of activities at the fiscal and Social Security administration as a single person) or have concluded a service provision contract for exercising a liberal profession; they must have means of subsistence; they must be registered for Social Security; and, where it is demanded, they must present a declaration from their respective professional order that attests that they fulfil the requirements for registration or a document proving that they are qualified to exercise their profession (also in accordance with the specifications of article 55 of the Regulatory Decree).

It follows that, while in the legal framework in force the requirements are explicit both for the granting of a residence visa for independent workers and immigrant entrepreneurs (as has been shown), and for granting residence permits for exercising independent activities (defined both in the Law and in its Regulatory De-



cree), the figure of the immigrant entrepreneur is not defined for the purposes of granting a (temporary or permanent) residence permit.

Also for immigrants who are undertaking salaried work in Portugal and who wish to change their professional situation and/or develop an entrepreneurial strategy, the Law is remiss. This possibility is not expressly consecrated by law. In contrast, for example, in point 3 of article 89, the possibility of a residence permit for exercising an independent professional activity being converted into a permit for undertaking salaried work is foreseen, while the opposite case is not set out.

Given that point 2 of Article 75 sets out that any alteration in the 'elements' registered in the residence permit of an immigrant requires the *renewal* of the status, does this mean that a change in the professional situation also implies an alteration in the elements and/or a renewal of the status? Or, in view of the fact that the purpose of the residence permit changes (from salaried work to entrepreneurial activity), does the immigrant have to *replace* their permit?



Despite the fact that, taking as a reference what is defined in Article 85 in relation to cancelling a residence permit, it is not expressed in the law that a change in professional situation is a reason for cancelling a permit, point 1 of Article 198 sets out that "a foreign citizen exercising an independent activity, who does not have the appropriate residence permit, where required, constitutes an infraction punishable with a fine of €300 to €1,200". Are these fines also applied in the case of undertaking entrepreneurial activity without the appropriate residence permit? Or furthermore, are they applied to immigrants who in addition to their salaried work undertake entrepreneurial activity?

Within the framework of the guidelines set out by the current legal regime, it seems that an immigrant in Portugal has two possible ways of changing from salaried work to entrepreneurial activity. The first is to return to their country of origin and request a residence visa for the purposes of independent or entrepreneurial activity (set out in Article 60), as explained above. The second option could be to make an application at the Foreigners and Borders Service (SEF), of an exceptional nature, and which would be analysed on a case-by-case basis.

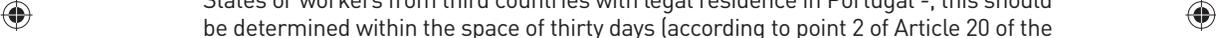
Therefore, even though immigrants do not have to wait a minimum period in order to change their professional situation (as was inferred from the previous law for some permits<sup>22</sup>), it seems that the regime has been further complicated in this aspect with the residence permit not having the same character or the previous coverage in relation to flexibility in changing professional situation.

This situation could have important implications for immigrant entrepreneurial initiative given that, in the majority of cases, immigrant entrepreneurs develop their entre-



preneurial strategy only after some time residing and/or working for an employer in the receiving society. In the survey undertaken with 704 entrepreneurs of immigrant origin, it was concluded that only 32.1 per cent of the total of people surveyed invested in an entrepreneurial activity immediately on arriving in Portugal (Oliveira, 2005: 136). Naturally this legal framework could have different impacts for various nationalities and immigrant groups given that, in the same study, it was also identified that according to nationality, the propensity for entrepreneurial initiative immediately on arrival in Portugal was different: in the case of the Cape Verdean this was the case for only 5.6 per cent, while in the case of the Chinese and Indians this value increased to 25.6 per cent and 54.9 per cent respectively (Oliveira, 2005: 136).

On the other hand, the current legal framework could potentially lead in the short term to some immigrants who are unemployed being able to benefit from unemployment subsidies, but not being able to immediately create their own job.



The regulatory context in force has some important implications in relation to the contracting of immigrant workers by immigrant entrepreneurs (or by any other entrepreneur). Although the immigrant entrepreneur has to respect the priority principle set out in the Law, that is, to always declare their job offer at the Institute for Employment and Professional Training (IEFP, IP) in order for it to be possible to identify whether there exists a worker with the characteristics required on Portuguese territory – from among Portuguese nationals, workers who are nationals of European Union Member States or workers from third countries with legal residence in Portugal –, this should be determined within the space of thirty days (according to point 2 of Article 20 of the Regulatory Decree). This is an important change in the current legal framework for entrepreneurs, given that it can be expected that there will be a shorter waiting time for the confirmation of the existence of human resources in Portuguese territory to fill the job opportunity.<sup>23</sup> After this period has ended, and if no-one has taken up the job offer, the Regulatory Decree also sets out that the entrepreneur can select their worker<sup>xxiv</sup> and conclude an employment contract or a promise of employment, which will subsequently be scrutinised by the Portuguese consulate for the purposes of issuing a residence visa for undertaking salaried work.

The Law also foresees, in point 2 of Article 88, an exceptional regime for granting residence permits to immigrants who do not have a valid residence visa and/or have not entered Portugal with a residence visa, but who fulfil the following conditions: they have an employment contract; they have entered and resided in Portugal legally; and they are registered for Social Security. Thereby, ironically, the law seems to also allow, through this channel, entrepreneurs (including immigrant entrepreneurs) to directly contract immigrant workers in this exceptional regime in Portugal.

In the area of immigrant integration policies, from 2007 some changes also emerged, with an impact on immigrant entrepreneurs. Namely, within the *Plan for Immigrant Integration* (PII) – Resolution of the Council of Ministers no. 63-A/2007 – some measures of incentive for immigrant entrepreneurship were designed. In the plan, the



importance of reducing the barriers and constraints to immigrant entrepreneurial initiatives is recognised, and some intervention commitments in this area are defined, based on two specific measures: *incentivising immigrant entrepreneurship* (measure 13) and *promotion of employability and entrepreneurship among immigrant women, namely through access to education and professional training* (measure 116).

On foot of measure 13, the creation of three support offices for immigrant entrepreneurs is foreseen, where support services and consultancy on setting up entrepreneurial initiatives are to be provided, opportunities and incentives are to be disseminated, and individualised follow-up services are to be provided for the entire bureaucratic process associated with setting up a business. This measure has as the main indicators of monitoring its implementation: number of people attended to in the offices, number of new businesses created by immigrant citizens, number of foreign citizens covered by programmes that incentivise creating one's own job.

In measure 116, and reflecting a concern in relation to the specific vulnerability of immigrant women, there are more educational intervention guidelines. The indicators for monitoring implementation are: the number of professional training actions, the number of women covered by these training actions, and the number of trainees who benefit from the adoption of special and exceptional requirements for immigrant women in situations of vulnerability.



Analysing work undertaken in the area of immigrant entrepreneurship during the first year of implementation of the PII, the Annual Implementation Report for May 2007 to May 2008 identifies the opening of the Support Office for Entrepreneurship at the National Immigrant Support Centre,<sup>25</sup> in partnership with the National Association for the Right to Credit (ANDC).<sup>26</sup> The office provides diverse information (for example on legislation and requirements) and orientation – in relation to economic viability, business plans and financing – for all immigrants who wish to create their own job and/or start their own business. During the year 2007, according to this report, the office provided a service to 186 potential entrepreneurs, representing twenty-seven nationalities.

Although the low number of people who were provided with a service at the office should be noted, it is important to highlight the over-representation of Brazilian immigrants (38 per cent) and Ukrainians (13 per cent), followed by Russians, Moldovans, Angolans, Guineans and Mozambicans, who use the service of the office. These seven nationalities in total represent around 76 per cent of the individuals who come to the office, confirming that support services of this nature are mainly a response for immigrants who have the most difficulties in getting together the resources to undertake an entrepreneurial activity in Portugal and present the lowest rates of entrepreneurship in Portugal – with the exception of the Brazilians (see Table 5).

The fact that services at this office are provided by socio-cultural mediators – that is, with the possibility of services being provided in the language of the immi-



grants – should stimulate the growth in the number of times service is provided and the number of users that the office receives, particularly as this service provides detailed information on the rules and bureaucracy associated with developing an entrepreneurial strategy in Portugal. This information is especially relevant because, as shown here, some immigrant entrepreneurs tend to slip into informality because they do not know the rules of the game or because of difficulties associated with the condition of being an immigrant – such as not knowing the language (Oliveira, 2004a: 126; Oliveira, 2005: 81-2).

The annual report on the PII further emphasises the initiatives of the Institute of Support for Small and Medium Enterprises (IAPMEI)<sup>27</sup> in the area of actions for promoting entrepreneurship, which also cover immigrants.



Also, from the point-of-view of active measures for employment, according to IEFP data, the report identifies that 89 immigrants, between 2006 and 2007, benefited from support for creating their own job or local employment initiatives, responding therefore to measure 13 of the PII. Nevertheless, once again these data should be read in light of the legal regime that provides the framework for immigrants and their possibilities of economic insertion. In a concrete way it is remembered that, under the previous legal framework, holders of legal statuses other than residence permits or type III work visas could not create their own job even in a situation of unemployment, and there was a significant presence of immigrants with stay permits registered at employment centres, particularly originating from Eastern Europe (corresponding to 25 per cent of those registered at employment centres in 2006).

In sum, the analysis in this section demonstrates how reception contexts – as ‘opportunity structures’ – also determine the choices and the entrepreneurial initiatives of immigrants, in this case in Portugal. Although it is identified that today the importance of immigrant entrepreneurship at the level of Portuguese policies is recognised, it is important to be attentive to and monitor the implications that the regulatory and institutional context have at the level of immigrant entrepreneurial initiatives, in a general form, and for some nationalities in particular.

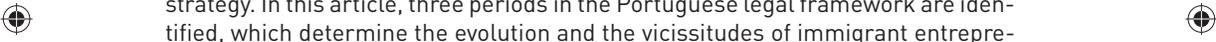
### **Conclusion**

As experienced in other countries, in Portugal immigrants present higher rates of entrepreneurship than nationals. This tendency, however, does not prove to be uniform for all groups of immigrants resident in the country. Available official data facilitate the verification of the fact that there are nationalities more prone to entrepreneurial initiative than others – as is the case if we compare, for example, the Chinese with the Ukrainians.



On the other hand, according to the same data, it is concluded that immigrant entrepreneurship is not stable through time, but rather suffers fluctuations. In the Portuguese case it is seen that immigrant entrepreneurship has been on the rise mainly throughout the last decade. Also at this level, there are distinct patterns according to nationalities, that is, there are immigrant groups who stand out in certain periods more than in others. As shown, between 1981 and 2001 the ten nationalities with the highest number of employers in the total foreign employers varied, particularly with the ascent of the position of the Cape Verdeans (from sixth position in 1981 to third in 2001), or the presence of Brazilians as the nationality with the highest number of employers in 1991 and 2001.

These trends cannot, however, be analysed without looking at the determinants of the Portuguese reception context. As has been analysed in this article, the reason for rates of immigrant entrepreneurship having a more positive evolution during the last decade, or the reason why certain nationalities stand out more than others in entrepreneurial initiatives, is explained in reality also by the evolution of immigration policies during recent decades.



The analysis of the Portuguese regulatory context demonstrates how the legal and institutional framework can interfere in immigrants' choices for insertion in the labour market and in their real possibilities for defining an entrepreneurial strategy. In this article, three periods in the Portuguese legal framework are identified, which determine the evolution and the vicissitudes of immigrant entrepreneurship in Portugal.

Between 1981 and 1998, immigration policy was particularly orientated around the needs for salaried work of certain segments of the Portuguese labour market (for example, civil construction and public works). In this context, immigration flows were essentially based on dependent work. The Labour Law in force until 1998 was further identified as a potential inhibitor of immigrant entrepreneurial strategies dependent on recourse to co-ethnic employees, given that it required that firms with more than five workers (even if they are unpaid) have at least 90 per cent Portuguese workers on their staff.

In the second period identified, from 1998 to 2007, immigration almost doubled and there was a complication of immigrants' legal statuses. During this period the granting of permits that did not allow immigrants the possibility of developing entrepreneurial activity in the country was created and reinforced. In 1998, the Labour Law was also changed, with the obligation to have a minimum percentage of Portuguese workers disappearing. Within this framework it is not only possible to explain the low rates of entrepreneurship among Ukrainians (with permits that only allowed them to undertake salaried work), but also the great growth in the number of Chinese entrepreneurs in the country (with strategies very much dependent on recourse to co-ethnic employees).

Finally, from 2007, further changes took place at the level of policies of management of flows and integration policies, with important consequences for immigrant entrepreneurship in Portugal. For the first time, the Immigration Law foresees a distinct regime for granting residence visas to immigrant entrepreneurs and in the Plan of Action for Immigrant Integration the importance of reducing barriers to immigrant entrepreneurship was recognised, defining measures for incentivising entrepreneurship.

It therefore becomes clear that the reasons for the (apparent) low or high rates of entrepreneurship among certain groups of immigrants during certain periods of time may not be different entrepreneurial vocations, but rather constraints or incentives associated with Government policies or regulations in the areas of immigration, integration and labour.

In this context it is fundamental to monitor immigration policies in general, and those relating to incentives for entrepreneurship in particular, as these are determinants for immigrant entrepreneurial strategies.

On the other hand, taking into account the importance that this theme assumes in the economic, social, political and cultural structures of contemporary Portuguese society, the study of entrepreneurial strategies is not only a call for attention to a new interpretation of the contributions of immigration, but can also show alternative forms of economic integration and mobility of immigrants in Portugal.

## Notes

<sup>1</sup> M. C. Esteves (1991) is highlighted here.

<sup>2</sup> Some of these initiatives are presented in detail in Section III of this Special Issue of the *Migrações* Journal. Without seeking to be representative, these examples illustrate a new mentality that is emerging in Portugal, clearly contrasting with the more pessimistic interpretations that prevailed in previous decades. Immigrants today are beginning to be seen not as a threat, but as an opportunity, as actors who can contribute to the dynamism of local economies and to regional development.

<sup>3</sup> For more details on the role of ethnic opportunities in immigrant entrepreneurial strategies in Portugal, please see Oliveira (2005: 125-38).

<sup>4</sup> As is widely analysed in the literature on immigrant entrepreneurship, the 'opportunity structure' corresponds to the economic, social and political spheres in which immigrants are embedded in the receiving society and in which they plan and create their businesses. For more details, see: Rath (ed.) (2000).

<sup>5</sup> As recommended by the United Nations, described in Rosa *et al.* (2004: 30).

<sup>6</sup> For more details, see: Oliveira and Inácio (1999).

<sup>7</sup> For the purposes of simplification all employers and freelance workers are considered to be entrepreneurs. For more details on the possible risks of this choice, see: Oliveira (2004a: 32-33).

<sup>8</sup> For more details, see: Peixoto (1999), Rosa *et al.* (2004) and Oliveira (2004a).

<sup>9</sup> In relation to the reservations imposed on this type of examination, see J. Freire (1995).

<sup>10</sup> As Rosa *et al.* (2004: 33) suggest, we should not forget that an immigrant is not necessarily a foreigner. In reality, as Oliveira's study showed, immigrant entrepreneurial initiative normally emerges in a more advanced phase of integration into the receiving society, in many cases subsequent to the acquisition of Portuguese nationality (2005). Note that the statistical sources only count foreigners, meaning that it is not possible to characterise these immigrants.

<sup>11</sup> For more on this, see: Rosa *et al.* (2004: 42).

<sup>12</sup> According to the rules for filling in the Census 2001 questionnaire.

<sup>13</sup> For more on this, see: Oliveira (2004a: 70).

<sup>14</sup> The Rate of Entrepreneurship calculated corresponds to the number of employers in every 100 active people.

<sup>15</sup> The type III work visa was requested and granted at a Portuguese consulate for exercising an independent activity in the context of service provision for one year, renewable for up to three years.

<sup>16</sup> For more, see Rosa *et al.* (2000).

<sup>17</sup> For more detail, please see: Pires (2002).

<sup>18</sup> Number of foreigners with a stay permit granted between 2001 and 2004, according to Foreigners and Borders Service (SEF) statistics, available at:

[http://www.sef.pt/portal/V10/PT/asp/estatisticas/index.aspx?id\\_linha=4224&menu\\_posicao=4142#0](http://www.sef.pt/portal/V10/PT/asp/estatisticas/index.aspx?id_linha=4224&menu_posicao=4142#0)

<sup>19</sup> More detail on the results of this survey and the methodological approaches to this research in Oliveira (2005).

<sup>20</sup> For further detail on the Nationality Law see Law no. 2/2006 and Law-Decree no. 237-A/2006.

<sup>21</sup> To which are added further points in no. 1 of Article 77 of the Law.

<sup>22</sup> It should be remembered that, as explained, under the previous legal framework, holders of type I, II and IV work visas and of stay permits could only undertake entrepreneurial activity after acquiring a residence permit, which happened after the passage of three or five years, respectively.

<sup>23</sup> As was explained in the presentation of the motives of the Ministry of the Interior for the proposal for the Law, these changes in the law for foreign salaried workers emerged as a response to the previous inadequacy at the level of implementation of the Employment Opportunities Reports adopted, with implications both for entrepreneurs who wished to contract foreign workers, and for some immigrants who ended up being channelled into illegality.

<sup>24</sup> In accordance with point 6 of Article 20 of the Regulatory Decree.

<sup>25</sup> The National Immigrant Support Centre, under the High Commission for Immigration and Intercultural Dialogue (ACIDI, I.P.) – the State institute with the mission of welcoming and integrating immigrants in Portugal –, is a specialised citizens' office for immigrants which, through the presence of branches of various State services and support offices under one roof, responds to the integration needs of immigrants in Portugal. For more, see:

<http://www.acidi.gov.pt/modules.php?name=Content&pa=showpage&pid=1093>

<sup>26</sup> For more details on this Association, see the article on the ANDC in Section III of this Special Issue.

<sup>27</sup> IAPMEI, part of the Ministry of the Economy and Innovation, is the main instrument of economic policies of the Portuguese State for micro, small and medium enterprises in the industrial, commercial, services and construction sectors. The institute has the mission of contributing to favourable conditions for reinforcing the entrepreneurial spirit and competitiveness. More details at: <http://www.iapmei.pt/>

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## ■ Communities of Indian origin in the Lisbon Metropolitan Area – entrepreneurial initiatives and socially creative strategies in the city

Jorge Malheiros\*

**Abstract** This article aims to interpret the entrepreneurial initiatives of immigrants of Indian origin settled in the Lisbon Metropolitan Area (LMA) as factors of change in the city's dynamics, particularly in relation to the revitalisation of run-down commercial areas, the introduction of new products and new commercial strategies, the potential impacts for the modification of some aspects of the formal regulatory systems, the introduction of new features to the urban landscape and the development of commercial ties with foreign countries.



In addition to the description of some basic features of the Indian migrant groups and also of the commercial structures associated with them, an analysis of the creative and innovative features that may be incorporated into the afore-mentioned entrepreneurial initiatives is also provided. In order to undertake this analysis, the analytical framework of Socially Creative Strategies (SCSs) inspired by the work of researchers such as Frank Moulaert, is used as a reference tool.



The conclusion reached by the empirical analysis shows that the majority of the entrepreneurial initiatives developed by businesspeople of Indian origin in the LMA incorporate some innovative and creative features and contribute in diverse and visible ways to the changing dynamics of some urban spaces, but cannot be fully interpreted as Socially Creative Strategies.

**Keywords** Indian ethnic entrepreneurs, entrepreneurial initiatives, Socially Creative Strategies, social innovation, urban dynamics.

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## ■ Communities of Indian origin in the Lisbon Metropolitan Area – entrepreneurial initiatives and socially creative strategies in the city<sup>1</sup>

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### Introduction

This text seeks to analyse the commercial initiatives of citizens of Indian origin resident in Lisbon, as contributors to the dynamics of the city, or, more specifically, as contributors to the processes of social innovation underway in the city, viewed as a space of cultural and ethnic diversity.

As well as interpreting the motives that form the basis of the emergence of the entrepreneurial initiatives of the above-mentioned citizens, typifying their branches of activity and describing their economic strategies, it is also interesting to verify in what way their activities introduce innovative features into the city, considering three distinct domains: i) the dynamism and revival of run-down areas, both in economic terms and in terms of the creation of a new spatial symbolism; ii) the supply of new products and services associated with the implementation of new market practices and iii) the opening up of new long-distance commercial relationships, interpreted as a component of the secondary internationalisation of the city. Complementary to these domains, the entrepreneurial activities of these citizens contribute, albeit in an indirect way, to the introduction of new cultural practices and also to the revision of some of the regulatory mechanisms for economic activities, in terms of working hours and commercial urbanism, among others.

In order to respond to the central question of this article – what are the contributions of immigrants of Indian origin to the dynamics and the introduction of social innovations in the city of Lisbon –, we seek to interpret the entrepreneurial initiatives under analysis in relation to the criteria associated with Socially Creative Strategies. The use of this interpretative framework seeks to, on the one hand, facilitate the examination of the initiatives with a focus on the identification of dimensions of creativity, and, on the other, contribute to identifying their impacts on urban dynamics, in terms of the incorporation of innovative features.



## 1. Immigrant entrepreneurship and innovation in destination cities – towards an interpretative framework

### *Socially Creative Strategies and the entrepreneurial initiatives of immigrants*



Traditionally, studies on immigrant entrepreneurship were centred on the identification of the motives that justified the economic initiatives, and, also, on the possible specificity of strategies of economic insertion. From the work of Light (1972) and Bonacich (1973) on the characteristics of the commercial strategies of minority ethnic groups and the role of immigrants as minority intermediaries to the model of “mixed embeddedness” proposed by Kloosterman and Rath (2001), drawing attention to the relevance of the institutional context of the destination spaces in the process of the development of entrepreneurial initiatives by immigrants, several theoretical explanations for this process have been proposed. To summarise, they tend to either value the role of cultural heritage and ethnic resources (the professional experience of the group itself, financial capital, labour, and so on – for example, Light and Gold (2000)) in the construction of an ethnic economy in the destination (the so-called ethnic enclave, that is, the spatial concentration of economic units belonging to immigrants), or they give more attention to the structure of opportunities and constraints – above all of an economic nature – felt by immigrants in their areas of settlement. Waldinger (1989) and Waldinger, Aldrich and Ward (1990) developed the first structured theories of integration with an intrinsic dimension for the immigrant ‘entrepreneurial’ community (ethnic resources) and a component referring to the opportunity structure in the destination society. More recently, authors such as Oliveira (2004) sought to incorporate a dimension corresponding to the individual resources of each immigrant entrepreneur into the explanatory framework.

Throughout the last ten years, apart from this focus on entrepreneurial initiatives, on their genesis and their characteristics, various studies have been undertaken (Kloosterman, van der Leun and Rath, 1999; Santokhi, 2002; Mapril, 2002) that emphasise the contribution of these immigrant entrepreneurial initiatives, above all in the commercial domain, to the dynamics of transformation of the socio-geographic contexts in which they are inserted, particularly the destination cities. Within this framework, entrepreneurship (the act of introducing something new, of innovating) is valued over business creation (businesses, their formation and their activities) and an approach is developed combining the context of socio-spatial insertion with the features and strategies of immigrant businesses, aiming to shed light on reciprocal dynamics.

In this article, we seek to take as a reference the principles inherent in this latter perspective, which leads us to use the interpretative framework of Socially Creative Strategies (SCSs), based on the works of Frank Moulaert and his co-authors



on questions of social innovation and creativity (Moulaert and Hamdouch, 2006; Moulaert, DeMuro, Hamdouch and Cameron, 2006). In addition, the afore-mentioned analytical framework also incorporates the adaptations that have been proposed by Portuguese researchers (André and Malheiros, 2001; André and Abreu, 2006) with the goal of adjusting it to the Portuguese empirical context. Used as a basis for the interpretation and analysis of the initiatives of entrepreneurs of Indian origin in the Lisbon Metropolitan Area (LMA), the main features of the SCSs are, on the one hand, the innovative content (the introduction of something new and different to what has traditionally been undertaken and which will be socially incorporated and accepted), and on the other, the explicit or implicit intention to contribute to combating exclusion and increasing social opportunities for vulnerable groups. The fact that “the ‘weak’ actors” (individual immigrant entrepreneurs, small businesses...) are the main protagonists of these actions, associated with the relevance of social capital, juxtaposing, in a certain way, the role of economic capital itself, is another fundamental element in interpreting the actions as Socially Creative Strategies (see Table 1).

In a more explicit and concrete form, in relation to economic initiatives, NGOs, immigrant associations and immigrants themselves implement ‘alternative’ actions that contribute to:

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- i) employment growth and enhancing immigrants’ employability;
  - ii) creating ‘new’ jobs;
  - iii) setting up new types of businesses or ‘traditional’ businesses with new characteristics (for example, shops with longer opening hours, the adjustment of the characteristics of the products to the demands of consumers in the destinations);
  - iv) the dynamism and the potential development of locations, both in the origin and the destination.

**Table 1 – Basic Criteria to identify Socially Creative Strategies (SCS) –  
– Framework adapted to the economic initiatives of immigrants**

*1. Nature of the Initiatives*

- Innovative response to situations of vulnerability/exclusion in the domain of employment or of access to independent economic activities;
- The relevance of principles such as 'economie solidaire' (certain economic activities that have the objective of satisfying the needs of disadvantaged communities, which are not assured by liberal or neo-liberal strategies), cooperation over competition; strengthening the competences of the actors;
- The relevance of social capital as a key resource.

*2. Structure of opportunities and limitations*

- Conjuncture of economic crises (significant effects on immigrant employment);
- Changes in consumer preferences (taking advantage of and/or promoting);
- Principles and values of the receiving society (levels of discrimination, formal rights and recognition of foreigners);
- Resources 'supplied' by the receiving society (microcredit, technical orientation in the process of business creation, professional training, etc.);
- Individual limitations in the response to the demands of the receiving society (inadequacy/inexistence of competences; social capital deficits).

*3. Agents involved*

- NGOs, foundations and immigrant associations – third sector...;
- Incorporation of individuals (immigrants in need or potentially in need) into the products/actions;
- Interaction between agents (local, national and transnational links).

*4. The nature of the 'places'*

- Plasticity, corresponding to the capacity that some bodies have to alter their form without losing the basic elements of coherence and unity (Lambert and Rezsóhazy, 2004). In order for a place to be able to promote diversity and stimulate creativity it has to have a reasonable flexibility and, simultaneously, to be sufficiently resilient to be able to change, while at the same time maintaining cohesion and identity;
- Local embeddedness (involvement/participation of the local communities);
- Non-hegemonic globalisation (involving 'weak' actors, with less formalised strategies and with flows of people assuming a greater role as protagonists than the financial or commercial sector, questioning traditional spatial hierarchies...).



*Immigrant entrepreneurship – contributions to dynamism and innovation in the city*

As mentioned above, the perspective of innovation highlighted in this article refers to social processes involving weak actors, aiming to combat exclusion and capable of transforming a new product, a new form of organisation or new values and new principles into something socially recognised and appropriated, that satisfies certain social needs. Therefore innovation loses its eminently hierarchical<sup>2</sup> and top-down character, as it is necessary to recognise that innovative activities are not restricted to formal Research and Development, but also cover the daily activities of many unknown individuals (Alter, 2000). From this perspective, and again re-focusing the discussion around the economic dimension, innovative processes are present as much in the ideas and the products of Bill Gates and of Microsoft and in the actions of Colonel Sanders when he created and expanded the Kentucky Fried Chicken restaurant chain, as they are in the activities of Chinese and Indian immigrants who disseminate and renew tastes in food.



Taking as a reference the definition presented by Bassand *et al.* (1986: 51), innovation corresponds to the “re-creation, the launching of a new idea and, possibly, its propagation and dissemination” (...) “Through the mobilisation of active forces, innovation is characterised by its capacity to adjust to these forces with the intention of developing concrete actions with a specific social impact; therefore, innovation intersects with social dynamism”. Following from this notion, we can admit that *social innovation* corresponds, in a broad sense, to the emergence and diffusion of new values and cultural and social practices that contribute to - at least potentially - modifying power relations, and which are progressively adopted by individuals and institutions. After a period of marginality and reduced social acceptance due to non-conformity with the dominant norms and values, the process of diffusion of innovation is set in motion and the new practices and values are generalised and substitute (or complement) those already in existence. If they become the norm, especially among local organisations and authorities, they become institutionalised, which means the loss of their original innovative content (Bassand *et al.*, 1986). The cycle of innovation is therefore complete, opening up space for more innovation and change, but anchored in different bases.

Although they do not adopt a perspective centred on innovation, Kloosterman, van der Leun and Rath (1999: 252) highlight five processes of transformation of destination cities associated with the presence of immigrant entrepreneurs: i) the revitalisation of run-down and commercially stagnant areas, ii) the supply of new products and new market strategies, iii) the emergence of new forms of social cohesion, iv) the opening up of new commercial links with distant areas and v) the contribution to the alteration of formal regulatory systems. If we take into



consideration the visible modifications of the (physical) space of the city, we can also add further processes - the reconstruction of the public space and the introduction of new symbolic elements in the city.

These processes correspond in some cases to the initiative or the actions of the immigrants themselves (the supply of products or the setting up of commercial ties), while in others they indirectly result from them (the revitalisation of some areas of the city or the modification of forms of regulation). In some circumstances, there is a combination of the processes and these take on a greater significance, while in other cases, just one or other of the various possible processes is manifested, and, frequently, in a form that is less clear.

## **2. Entrepreneurs of Indian origin in the city of Lisbon – contributions to the dynamics of innovation and the transformation of the city**

### *The migratory genesis and its characteristics*



Until 1974, the Hindus present in Portuguese society were no more than a few dozen and comprised students attending higher education institutions and a few professionals. As one engineer who had arrived in Portugal in 1960 with the intention of attending a higher-level course commented, “there were already some Goans here, but when I arrived you could count the Hindus on the fingers of one hand... almost all of us came from Mozambique to study at the universities of the metropolis.”<sup>3</sup>

The integration of the territories of the former State of Portuguese India into the Indian Union in December 1961 was the origin of the first small-scale concentrated migration flow, associated with political causes. However, even before that there was an increase in international migration flows from Diu (an island in Northwest India and former Portuguese colony), namely to Mozambique, during the period of the Indian blockade during the 1950s. After integration into the Indian Union, some individuals with links to the administration, to the armed forces and to the Portuguese Government services decided to leave India. This flow comprised mostly Goan Catholics who, in the first phase, headed directly to Portugal, even though, in many cases, they were subsequently relocated for functions in the African former colonies, namely in Mozambique (Malheiros, 1996).

The constitution of a Hindu community in Portugal, largely concentrated in the Lisbon Metropolitan Area, which in 1992 approximated 9,000 individuals, was nevertheless rooted in the process of decolonisation in Mozambique and in the political vicissitudes of that country, above all during the decade subsequent to independence, which occurred in 1975. Though Goans and Ismailis (Shi'ite Muslims) concentrated their arrivals during the period 1974-1976, the number of Hindus



entering Portugal at that time was smaller than that registered in subsequent years, particularly during the period 1982-1984 (Malheiros, 1996).

During the first phase, more well-to-do individuals made the move (Ismaili, Muslim and Hindu businesspeople), as well as people who had stronger connections with the Portuguese administration and culture (Goans). As the Hindu community presented a relevant internal social diversity, many less well-off individuals, with an important local rooting and conscious of the geographic proximity of Diu, a space with which they maintained important relations, decided to remain in Mozambique.

The passing of time and the deterioration of the politico-economic situation did not facilitate small private individual initiative and left many Hindus fearful of possible abuses of power perpetrated by Mozambican institutions. Their desire to leave was therefore strengthened, and materialised in a visible form, during the peak of departures during 1982-1984, when Hindu populations were accompanied by many Muslims of Indian origin. It should be pointed out that during this period the Mozambican Government passed legislation that placed individuals who qualified for applying for citizenship, but who did not do so, at a disadvantage in political and economic terms.



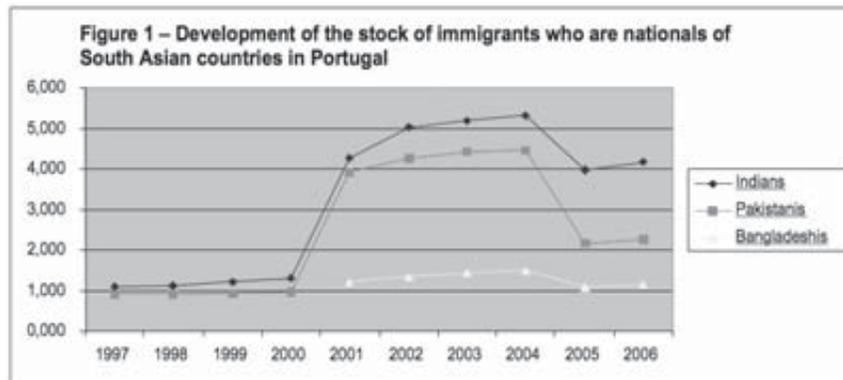
From the second half of the 1980s onwards, we can say that the emigration of populations of Indian origin to Portugal entered into a third phase, after the cycles of emigration of elites and emigration of a political character. This third phase is characterised by the predominance of labour emigration, usually low-skilled, with direct arrivals from Diu – in the case of the Hindus – coinciding with arrivals from Mozambique. From this phase onwards, it becomes clear that a spatial network was created with multiple links, involving Lisbon, Mozambique (mostly Maputo, but also Inhambane and Beira) and Diu, as well as some cities in Gujarat.

The existing data show that Indian citizens with legal residence in Portugal experienced a significant increase between 1986 and 1996.<sup>4</sup> However, this value only corresponds to a part of the total of citizens with origins in that country settled in Portugal. On the one hand, it does not consider the ethnic Indians from Mozambique and from other States on the East Coast of Africa who, in virtue of group and familial links, have also settled in the country. On the other hand, the Portuguese legislation that regulates the acquisition of nationality by citizens born in the former State of Portuguese India before 1961 and by their descendents has exceptional characteristics, allowing them to directly request Portuguese nationality through the presentation of documents that attest to their birth at consular services in Goa.

Finally, the last section of citizens of Indian origin present in Portugal is individuals in an irregular situation, with a significant increase in requests made un-

der the terms of the extraordinary regularisations of 1992/93 and 1996, which increased from 261 to 915,<sup>5</sup> the majority of whom were not admitted (Malheiros, 2001). Between the late 1990s and 2004, features associated with the third phase of immigration with origins in the Indian subcontinent were accentuated, and so one could speak of a new cycle, marked by the acceleration and diversification of origins, where colonial links from the past became less significant as causes for immigration.

The observation in Figure 1 shows that foreigners holding residence permits and stay permits from India and Pakistan quadrupled their number in Portugal between 1999 and 2004. During this period of strong growth in immigration to Portugal, populations from South Asia followed the general increasing trend, though they registered a relative growth significantly lower than that of citizens from Eastern Europe and showed numbers much smaller than those observed for the latter group, for Brazilians and also for Chinese.<sup>6</sup> Concomitantly with this process of growth, a diversification in populations originating from the Indian subcontinent occurred, visible in the emergence of small – though growing – Sikh and Bangladeshi communities, evident in Figure 1 (Mapril, 2004).



Please note: These figures are based on the total of immigrants with both Residence Permits and Stay Permits (from 2001 onwards).

Source: Foreigners and Borders Service (SEF) – several years.

It should be noted that throughout the 1990s and during the first years of this century, England, and particularly some areas of Greater London (for example, Wembley), represented alternative emigration destinations to the Lisbon Metropolitan Area. Links between people from Diu and other Indian groups who moved to Great Britain, namely from the East Coast of Africa, contributed to the diffusion of information about existing opportunities in London, and this migration was facilitated



by holding Portuguese documentation that permitted free movement within the context of the European Union. Additionally, the Hindu-Diuese migratory system cannot be dissociated from the broader framework of the great Indian Diaspora, which, in the European case, has England, and particularly cities such as London, Leicester or Bradford as structural focal points in the network. They have greater populations, distribute and/or create more cultural or religious products, and are synonymous with Indian economic success (Pereira Bastos and Pereira Bastos, 2005).

To conclude, it should be pointed out that this process of diversification has had an impact at the level of the expansion of small commercial activities undertaken by populations of Indian origin, such as street vending (of toys, flowers and other products) and restaurants. However, a strong nucleus remains linked to the original migrations of the 1970s and 1980s, with activities in the domain of retail of products originating in the Far East. There is also the continuing prevalence of a cluster linked to the sale of furniture in the Lisbon Metropolitan Area, pertaining to some Ismaili families.

*The ethnic commerce of Indians and the transformation of the city I: the separation of the central areas or the 'front' and the 'rear' of the centre*



The most ethnicised commercial area in Lisbon is along a relatively linear route which developed on the basis of what we could term the *rear of the traditional centre*. These are the streets that link Poço do Borratém/Martim Moniz to Praça do Chile, about 2,200 metres in length, and roughly corresponding to Rua da Palma and Avenida Almirante Reis. Apart from these streets, it should be considered that this commercial area includes other parallel and perpendicular streets to the system of main axes, particularly Rua dos Cavaleiros (perpendicular to Rua da Palma) and Rua do Benfornoso (parallel to Rua da Palma), which project out from Martim Moniz.

With respect to the attractiveness of Martim Moniz and its immediate surroundings, it should be taken into consideration that traditional city centres and inner-city areas usually take on the role of social entry-points into the urban space, functioning as a point of reference and of contact. This applies above all to immigrants, who are still searching for 'their place' in the city. Effectively, the area of Martim Moniz constitutes, historically, a space of entry to and departure from the less 'noble' city. This was also a space of transition for people from rural areas, justifying the installation of functions aimed at a transient population, such as garages for transport companies (today no longer in existence), the wholesale trade (which permitted vendors from the outskirts of the capital to receive supplies of products) and even prostitution.



While until the 1970s migrants who walked around in Martim Moniz and in other spaces in the Baixa (Lisbon city centre) were from regions in the interior of Portugal, from that moment on, citizens of foreign origin began to assume increasing visibility, becoming the main users of this public space. Gradually, Martim Moniz (like other spaces nearby, such as Rua do Benfornoso or Largo de São Domingos, beside Rossio Square) became a reference point for these population groups, whether because of its commercial supplies directed to the least prosperous segments of the population (where ethnic minorities are over-represented), or whether because some non-Portuguese traders were already established there.

The genesis of the spatial concentration of the businesses of population groups of Indian origin in this area is situated in the years following decolonisation, namely during the period 1976-1980, with this phase being marked by almost mono-ethnic features (predominance of owners of Indian origin) and by an orientation that essentially privileged two types of business: furniture, with Ismaili owners, and retail of products imported from the Far East (toys, electronic goods, jewellery, and so on), by Hindu and Muslim traders (Malheiros, 1996).



These individuals of Indian origin, the majority of whom were traders who had undertaken activities in Mozambique before decolonisation, have sought to identify niches in the market where they could reinitiate their activities, orientating themselves not towards their own ethnic group, but towards the whole population, as they had been doing in that former Portuguese colony. Therefore the logic of re-establishing their activities in a new spatial context prevailed, with Indian businessmen making the best of the opportunities offered by Portuguese society during that era, namely because economic constraints and the features of the endogenous commercial sector created niches in certain branches of activity. The furniture sector, for example, made the best of the process of return from the ex-colonies itself, catering to their need to furnish accommodation as people were stabilising their situation.



The importation of toys and electronic goods from the Far East benefited from the experience and the contacts of the Indian traders,<sup>7</sup> as well as from the fact that competition was not very intense, because outlets and large wholesale centres had not yet been set up. It can also be determined that the second half of the 1980s and the beginning of the 1990s were successful business years among people of Indian origin established in Martim Moniz and nearby streets, with more difficulties emerging after this period, even though the number of shops did not decline (interview with a businessman of Indian origin settled in Lisbon, February 2000).

Around 1989, businesses owned by people of Indian origin began to be consolidated in this area. It was in this year that the controversial Mouraria Shopping Cen-



tre (*Centro Comercial Mouraria*, CCM) was opened. Because of its characteristics and location, it was not very attractive to Portuguese entrepreneurs, particularly the more prestigious ones. On the other hand, the necessity for new spaces for businesspeople of Indian origin led them to establish themselves also in this shopping centre, which accentuated the 'Indianisation' of the area (a Portuguese-style 'Little India'), even if the majority of owners continued to be of Portuguese origin, both outside and inside the CCM.<sup>8</sup>

From the beginning of the 1990s, an ethnic diversification of the traders can be observed, associated with the emergence of some new commercial sectors. Initially, this process was above all evident in the new supply of commercial spaces planned from the beginning of the 1990s, particularly the exterior galleries and some kiosks situated in Martim Moniz Square and the floors situated on the basement level of the new Martim Moniz Shopping Centre (*Centro Comercial Martim Moniz*, CCMM).

Though it is true that the process of diversification included entrepreneurs of African origin, not only in the establishments with a door opening onto the street, but above all in those situated in the older shopping centre on the square (Mouraria Shopping Centre, where hairdressers, cosmetics shops, cafes and grocery shops were opened), the Chinese were the main protagonists of these transformations after the mid-1990s. Effectively, from a potential 'Little India', Martim Moniz and the Rua da Palma/Almirante Reis strip transformed themselves into an ethnically diversified space, with a preponderance of Chinese traders (mainly clothing retailers, but also present in other kinds of shops, such as mini-markets), who not only established themselves in new commercial spaces, but also acquired by sublease many older shops with doors onto the street, substituting not only Portuguese traders but also those of Indian origin. To this framework of diversification of establishments should also be added cafés and restaurants with owners of various origins, hairdressers and African cosmetics shops, first-generation Indian wholesalers – above all Hindus and Muslims –, Ismaili furniture houses and a set of shops of diverse types owned by Portuguese people.

*The ethnic commerce of Indians and the transformation of the city II: retail shops in the ethnic residential districts on the peripheries*

In the slum-like and self-built districts of the Lisbon Metropolitan Area, the flexibility of the space and of relationships is combined with the necessities of the population groups, leading to the establishment of small individual businesses that ensure a supply of daily groceries, complementing practices of buying in bulk at supermarkets or hypermarkets at weekends.

An example is one of the slum districts which, at the beginning of this decade, still had a relevant percentage of population of Indian origin, Quinta da Vitória (Porte-



la), in the municipality of Loures. The four groceries owned by individuals of that community and the various African hairdressers provided daily and weekly goods and services to the population (to ethnic minorities, but not exclusively), contributing to the tiny economic revival of the district and to the existence of alternatives to the small retail shops located in the Portela Shopping Centre (CCP). Effectively, as this is the only shopping centre in the parish, the small low-skilled trade of Quinta da Vitória facilitates the satisfaction of immediate needs without the need to travel to the CCP which, as well as being more than five minutes away by foot, has a social and commercial atmosphere quite distinct from that experienced in the district. The shops in Quinta da Vitória are embedded in the socio-spatial fabric of the district, offering the most necessary products (and specific to some minorities), adjusting commercial practices (buying on credit, sale of products in individual units) to the characteristics of the population and promoting a relationship of mutual trust and knowledge.



This framework detected in Quinta da Vitória also exists in other run-down districts on the periphery of Lisbon, which started as informal housing and are composed of self-constructed buildings, whether with slum characteristics or not. Although in Quinta da Vitória the supply of trade and services is quite low, in other clandestine districts (for example, Cova da Moura) with more perennial urban features, a relatively intensive economic dynamic has been created. This supply of small retail shops and services, capable of creating a volume of employment of some significance, is the product of the neighbourhood's spatial flexibility, combined with the existing web of social relationships, the level of familiarity and, naturally, the existence of a supply designed to satisfy certain specific needs.

This embeddedness in the socio-spatial fabric is fundamental for its maintenance, meaning that re-housing projects may result in a complete change of this element of the social life of the districts. It is not sufficient to register all the establishments and offer alternative spaces in the new district (which could lead to problems in terms of cost or inadequacy for the activities);<sup>9</sup> one has to take into consideration other fundamental elements for the survival of the commercial units, such as the type and the volume of clientele (and the location of their housing in the new district), their position in the re-housing district, accessibility, and proximity to other shops or the residence of the owner, among other factors.

In consolidated residential districts with a strong presence of ethnic minorities, small trade by non-indigenous owners, apart from placing new products on the market, facilitates the resolution of shortages at the level of general commercial supply. This happens in Cidade Nova, also in the municipality of Loures, where it is possible to identify two kinds of shops belonging to owners of Indian origin: those more specialised in the supply of products such as spices used in Indian cuisine and those offering general products (groceries, drinks shops, electronic

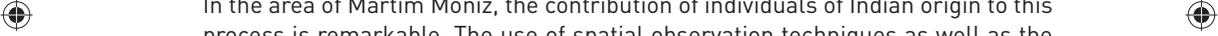


goods, goldsmiths...) aiming at a local clientele. The latter, which are more numerous, maintain a strong stability, enlarging the commercial supply in the area. During the course of the *focus group* session undertaken here, the participants highlighted the good level of local insertion of this trade, the diversity of which facilitates the resolution of the problems of supply of frequently needed, occasional and, in some cases, infrequent goods. Therefore 'immigrant' trade has become a key element in the local supply, guaranteeing the satisfaction of the needs of the entire population, mainly of Portuguese origin.

### **3. Commercial activities and the dynamics of transformation and innovation in the city of Lisbon**

Taking into consideration the characterisation above, it is important to systematise the processes of transformation of cities and the possible emergence of innovative features associated with the development of ethnic commerce. Taking as a reference Kloosterman, van der Leun and Rath's (1999) proposal referred to in the initial part of this article, the following set of aspects are highlighted:

#### *i) The revitalisation of run-down and commercially stagnant areas*



In the area of Martim Moniz, the contribution of individuals of Indian origin to this process is remarkable. The use of spatial observation techniques as well as the systematic contacts established with various Portuguese residents has presented both the attenuation of social and urban degradation processes and also some valuing of commercial spaces. Using the small square located at the intersection of Rua do Benfornoso with Rua do Terreirinho as an example, before the settlement of traders of Indian origin at the end of the 1970s/beginning of the 1980s, there were in this place two bars (expanding towards the south the tense atmosphere of the northern section of Rua do Benfornoso) and a scrap iron warehouse. On occupying these spaces, the owners of Indian origin contributed to diffusing the atmosphere of tension related to the taverns, and introduced new businesses. Furthermore, this is not an exceptional case, as shops created by Indian businessmen came to substitute establishments that belonged to a commercial context that had become obsolete (sewing machine repairs, traditional pawn-brokers, antique and low-quality furniture dealers), strongly contributing to recovering the dynamism and the commercial attractiveness of this space.

Despite the urban and social degradation occurring until the beginning of the present century, it can be affirmed that the presence of the Indian traders was fundamental in alleviating that decline. During a period when the indigenous traders showed a lack of interest in this area, even devaluing the Mouraria Shopping Centre, which could have been an even greater failure, appropriation by ethnic



minorities was fundamental for the survival and the maintenance of a commercial structure.

*ii) The supply of new products and the emergence of new market strategies*

In this domain, it is also important to consider immigrants of other origins, in order to obtain a wider panorama that enables us to establish comparisons between businesses belonging to groups of Indian origin and businesses belonging to other groups, such as the Chinese and the Africans.



Although much of the commercial supply and provision of services associated with immigrants and ethnic minorities was directed at their own group, there are various examples of population groups who sought to reach the entire market in the areas of destination, based on the supply of products originally connected with the spaces and cultures of origin, subsequently reconstructed. The classic – and the most successful – example is that of the Chinese restaurants, which directed their product towards an indigenous clientele, proceeding to adapt the flavours of meals served, but continuing to rely on characteristics appreciated by 'Westerners', such as food chopped into small pieces, steamed vegetables and a diversity of dishes. Additionally, the success of these initiatives is also based on some economic advantages, such as employing family members and co-ethnic workers, the use of self-capital, an image of low-cost meals and the proliferation of fast-food strategies. However, Europeans' appetite for exotic and different cuisine has also allowed other groups to find a place within this expanded market and to establish themselves in the restaurant sector.

In Lisbon, the expansion of the ethnic restaurant sector is a recent phenomenon, related to an increase in purchasing power and the rapid shift in consumption patterns. Chinese restaurants are the most widespread and the most popular, both at the time that these data were collected – 1999-2000 – and today. Nevertheless, some signs of market saturation have started to appear and the image of the Chinese restaurants has also been affected in quite a negative way by the results of a number of Food and Economic Security Authority (ASAE) inspections, widely exaggerated by the press. Actually, it seems that a process of reduction in the provision of Chinese cuisine is occurring, with a greater diversification emerging, as shown by the recent growth in the number of Indian and Japanese restaurants (see Table 3).<sup>10</sup>

**Table 2 – Frequency of use of ethnic commerce and services by Portuguese people surveyed in Lisbon**

	Monthly / Occasionally or more frequently	Never
African Restaurant	12.9	87.1
Chinese Restaurant	53.3	46.7
Indian / Goan Restaurant	9.9	90.1
Tropical food shop	8.8	91.2
African Hairdressers	4.7	95.3
Non-European crafts	19.3	80.7
African disco	11.7	88.3
African Astrologer	1.2	98.8
Brazilian Astrologer	1.8	98.2
Traditional Chinese Medicine	3.4	96.6
Evangelical Church (Brazilian)	2.9	97.1

Source: Survey of the Portuguese population conducted by the author, Lisbon (1999).

**Table 3 – Evolution in the number of establishments in selected sectors of ethnic commerce and services in the City of Lisbon (1975 2007)**

	1975	1980	1985	1990	1995	2000	2007
Chinese Restaurants	7	15	32	36	36	63	41
Indian Restaurants	5	9	5	3	4	8	23
Oriental Goods	10	10	10	24	29	16	**
Acupuncture Centres				9	7	19	**

Source: Telephone book, Yellow Pages (various years). Fieldwork and internet survey – 2007.

(\*\*) Information not collected.

It should further be mentioned that the interest engendered by the products and services associated with the specific cultural practices of migrants is founded not only on the product itself but also, in a certain way, on the experience that this provides. Indeed, immigrants are essentially placing the exotic on our own doorstep. Effectively, in the case of the restaurant sector, whether Chinese, Ja-



panese, Indian or even African, it is not only the products that are consumed, but the entire ambience, which includes the décor of the restaurant, the music, the waiting staff's clothes and the exoticism attributed to them. Other services such as acupuncture and discos, above all African ones, have also been affirmed as alternatives to the Western versions, with an apparently stronger acceptance in the latter case, particularly among young consumers (see Tables 2 and 3). Similarly to the restaurants, the discos recreate ambiances and facilitate contacts and socialising processes, representing a consumption process that is clearly multi-dimensional.

This process of introduction of new products and services, reconstructed in order to gain acceptance from consumers in the cities of destination, depends upon the framework of connections between the destination and the origins (where many products and workers come from; where the references for the reconstruction of the atmospheres are positioned) and also upon the innovative actions of some entrepreneurs.

The examples presented in Tables 4 and 5, corresponding to businesspeople of Indian origin supported by the extended family framework or by co-ethnics, illustrate some of the strategies with the most innovative content:

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- a) Modernisation of wholesale strategies and relocation in the destination country as a form of expanding the market (essentially constituted by indigenous people) for imported products that benefit from the transnational experience of the entrepreneur (contacts with Asia)

**Table 4 – Relocation and specialisation of wholesale trade in toys and stationery  
(a family of Hindu traders of Gujarati-Mozambican origin)**

In the wake of the process of decolonisation in Mozambique, business conditions completely deteriorated and they resolved to leave the country in 1975 and travel to Portugal (Lisbon). When the leading businessman of the family looked for a space to reopen his establishment, he discovered the Martim Moniz area which he found attractive due to a certain typicality and to the commercial movement, with some tradition in wholesale. He discovered a space and resolved to establish the business there around 1976, becoming, probably, the first trader of Indian origin in the area. He invested in the importation of products from the Far East (toys, stationery, etc...), using contacts that he had already brought from Mozambique. As the option seemed interesting, various other traders of Indian origin began to establish themselves in the area, increasing competition but bringing advantages in terms of image and mutual support.

Until the first half of the 1990s, the business was able to expand, but from then on a saturation began to occur, with the affluence of clientele affected by the emergence of hypermarkets and outlets. In order that the expansion could continue, he decided to implement innovative strategies because demand in Martim Moniz was no longer increasing (“traditional small trading is not expanding; just sustaining it is quite an achievement”). During the second half of the 1990s, the strategy of expansion led to finding well-located and larger spaces with better access, which would permit him to put in practice the concept of “cash-and-carry”, directed at shopkeepers and retailers.

Consequently, he opened a warehouse in an industrial and logistical zone in Prior Velho (to serve Lisbon and its surroundings) and another in a busy area on the old National Road n.1 (EN1) in Leiria (in the Central Coastal Region of Portugal), trusting in the opportunities for expansion that he thought existed in that city and its surroundings (50 km). As he said, “setting up new warehouses is not easy, but the locations are good and the clients value the location. To gain the loyalty of clients in the new spaces is sometimes complicated, but we have achieved it. At the beginning, they came here once and only came back after almost three months. Now it is no longer like that. We also use a strategy that is exclusively orientated towards shopkeepers and retailers, giving them all of our attention and avoiding the final customers. In Leiria the process is still in its initial stages, but the warehouse is also newer.”

The business strategy continues to be based on a family logic, but the improvement of the education of the future generations has been prioritised – “I am already creating the conditions for the next generation to take over the business in the future”. “We are thinking about branching out into the IT sector and IT consumer goods, with the help of my son who is completing a course in company management.”

- b) Reconstruction of traditional food products, supported by the modernisation of factory processes, in order to respond to the regulatory framework of the destination and also to the demands of Western consumers

**Table 5 – Adapting and valuing a traditional product: samosas for the Portuguese market (Ismaili partners located in the Sintra municipality; the family of one of the partners has a food business establishment near Avenida Almirante Reis)**

The two partner-managers of this factory also come from Mozambique. When one of them arrived from that country after decolonisation, he had some experiences in the restaurant sector that did not prosper. Thereafter, taking advantage of the fact that his mother had a good recipe for samosas and that this product was relatively new to the Portuguese market, he started, at the beginning of the 1980s, an informal system of production and distribution of samosas by various clients in the Porto area (where he lived), using his house for production, and his own vehicle for distribution. With time, the original recipe was improved.

Contact was established with the other partner during the mid-1990s and they resolved to invest in the business in a more professional way. They found their present location in the municipality of Sintra, where they established a completely regulated factory that only employs Portuguese people and is in accordance with all of the hygiene norms defined by the EU. In the management of the business they divide the work, with one partner dedicating himself to the trade and the management of clients and the other to controlling production.

They sell only frozen samosas of a standard size, as well as some small samosas (for parties and receptions) and 'Chinese spring rolls' for one client whom they have served for a long time. They have a series of permanent clients, the majority of whom are retailers who distribute the samosas to the final customers and the intermediary customers (restaurants, cafes, groceries and supermarkets). In addition to the formalisation of production and the improvement of the factory process, they have analysed the Portuguese palate, resulting in a type of modified and improved samosa (potentially less greasy, crunchy and with a different type of seasoning).

*iii) The establishment of commercial links with new areas*

As we have seen from the examples presented, ethnic business serves as a bridge for commercial exchanges between areas of destination and origin. This phenomenon is evident among South Asian entrepreneurs, both of Indian and Pakistani origin, and Chinese, many of whom base their businesses and services on products imported from the Far East and to a lesser extent from India itself. Data collected and analysed by Oliveira (2005) on 562 Chinese and Indian ethnic entre-



preneurs precisely show the relevance of Asia as the place of origin of a large proportion of the imports; in fact, approximately 20% of the entrepreneurs surveyed declared that they had received direct supplies from Asian countries.

In addition, the use of traders settled in Portugal and in other European countries does not necessarily mean that the products do not come from China and other Far East countries, because several wholesalers and importers are Chinese people settled in European cities (Oliveira, 2005). These entrepreneurs are part of specific transnational trading systems, developing the import-export of Chinese and other Asian goods. These goods are then re-distributed within Europe through the Chinese entrepreneurial network in this continent. These activities imply an opening up of alternative commercial relationships to the dominant networks; though some trading spaces are identical (in the case of China and other countries in the Far East), the methods of access follow different trajectories to those followed by large import-export companies with a transnational character. Basically we are dealing with the 'weaker' and less visible facet of the intensification of present-day interactions; something that can be interpreted as a secondary process, albeit complementary, to globalisation.

*iv) The contribution to the change of formal regulatory systems in the destination contexts*



The commercial customs and practices of ethnic entrepreneurs have contributed to the introduction of alterations in some regulatory mechanisms, both in the sectoral and the spatial contexts. In relation to the regulatory aspects of a spatial character, we can focus on the case of Martim Moniz in Lisbon.

A first element of interest is the recognition on the part of the Local Mouraria Office (GLM) of the Lisbon Municipal Council of the specificity of what they refer to as "immigrant commerce" as an element that characterises and adds value to this area of Lisbon (GLM, 1999: 3). This led to the creation of a promising project, "Mouraria: an inter-ethnic commercial space", launched in 2000, which seeks to enhance knowledge about the traders of non-European origin in this area, the objectives of their relationships with the space of Mouraria, and their problems and intentions, in order to design strategies of intervention for the future.

In spite of the interest and relevance of this project, there are two basic criticisms of its conception. On the one hand, it 'breaks' the spatial unity of the ethnic commercial space of Martim Moniz and its adjacent areas, leaving out the streets outside Mouraria, the Martim Moniz square and the new Shopping Centre of the same name. On the other hand, despite the inter-ethnic designation, it focuses exclusively on traders of non-European origin, leaving aside their indigenous colleagues, a fundamental element in understanding the functioning of this spatial-economic context.



More recent programmes such as URBCOM in Mouraria adopt a more integrated perspective, considering all traders – of Portuguese and of foreign origin –, yet they continue to value and give particular attention to elements related to the supply of products by shops owned by foreign people.

*v) New urban features and new symbols*

New public buildings such as newly constructed mosques introduce relevant changes in the urban landscape, bringing with them new aesthetic concepts, discordant with the features that surround them. However, leaving aside these public and collective landmarks containing a relatively strong symbolic spatial meaning, there are a series of spatial markers that allow the identification of several forms of spatial appropriation by the different groups present in the neighbourhoods of the city.



The Chinese and Indian restaurants contribute to the introduction of new features to the cityscape, both at the level of visual features present in the landscape as well as in what we may call the 'smellscape'. Dragons and entrance halls in golden and red tones, more or less discreet, and smells of curry and cardamom, characterise certain streets or even areas of the city, contributing to the diversity of the landscape and functioning as an alternative to the yellow-red of the McDonalds arches and to the characteristic odour of hamburgers and other fast food.

**4. Notes of conclusion – entrepreneurial initiatives of the Indian populations in Lisbon: Socially Creative Strategies?**

What has been presented here evinces the impact of the commercial initiatives of immigrants of Indian origin in the central and peripheral neighbourhoods of the Lisbon metropolis, with consequences in terms of the transformation of the landscape, of certain economic strategies and of the shift in the framework of values and social behaviours. Despite the empirical evidence set out above, it is nevertheless pertinent to return to the initial analytical table and pose questions in relation to the innovative content of these processes or to their interpretation as Socially Creative Strategies (SCSs).

Careful observation of the type of businesses most frequently established by traders of Indian origin (for example, shops specialising in the importation of stationery, toys and electronic consumer goods originating in the Far East or furniture shops owned by Ismailis), makes it clear that we are not exactly dealing with a supply framework characterised by great originality in terms of marketing, products or selling strategies. However, in the creation of the shops, innovative features were incorporated, associated with the price of the products (relatively low and



competitive), the form of presentation (more exuberant, visible and attractive, a good example being the furniture houses) and their geographical origin, particularly because during the second half of the 1970s and the beginning of the 1980s, large distribution and retail shops had not yet taken root in Portugal.

During recent years, strategies of differentiation have been either based on the classic features of price and location or, in the case of some products, the incorporation of added value is associated with adaptation to the tastes and characteristics of the clientele in the destination country. It is in the context of this latter process that the more creative initiatives are detected – as we have seen in the case of the food production and distribution of Indian snacks –, even though it must be conceded that these are not very frequent.



Focusing on other dimensions associated with SCSs, it should be noted that entrepreneurs of Indian origin are not, in the majority of cases, weak actors as such, because they frequently have access to sources of capital, the ability to negotiate and experience in their sector of activity. However, considering that the ‘pioneers’ arrived to a country experiencing a serious political and economic upheaval that generally did not welcome them in a positive way, that they were barely prepared for the migratory process – with the possible exception of some more prosperous families – and that they were unfamiliar with the specific features of the national and local market, it could be considered that, at the time, they were vulnerable actors who have been able to identify opportunities, take advantage of them, and, in some way, ‘create a market’. Otherwise, needs and some alteration in Portuguese tastes have contributed to securing business over time, namely in relation to the restaurant sector.

Finally, if we focus on the nature of the places and the spatial and social relationship structures that are associated with the initiatives analysed in this work, we see that the socio-spatial embeddedness of small businesses in the peripheral neighbourhoods, and, above all, the importance of social capital for the running of businesses – in the establishment of commercial links with the Far East, for example –, are relevant features in the analytical framework of SCSs. Finally, in the general context associated with the creation of international connections with foreign places, these commercial initiatives play an interesting role, promoting the flow of goods, people and information necessary for their establishment and functioning. Within this perspective, the import and wholesale businesses of Indian businesspeople are contributing to the secondary internationalisation of the city of Lisbon.

Taking all of this into consideration, it seems that the most typical entrepreneurial initiatives of immigrants of Indian origin settled in the Lisbon Metropolitan Area contribute to the construction of new urban landscapes in certain areas and in-

corporate aspects that are characteristic of SCSs, but they do not fully constitute creative and innovative strategies. There are, however, some examples of more original and risky initiatives, and it should also be kept in mind that the initial establishment of the most common types of businesses (trade in products from the Far East, furniture, restaurants, and so on) was a more explicit moment in terms of novelty and seizing opportunities, which is in line with the features that characterise the initial phase of the innovation diffusion model.

## Notes

<sup>1</sup> This article was developed within the research context of WP1.1 (coordinated by Isabel André, at the Centre for Geographic Studies) of the Coordination Action Katarsis (European Commission – FP6 Programme), under the overall coordination of Frank Moulaert and Jean Hillier of the University of Newcastle (UK).

<sup>2</sup> It is true that the geographical typologies of spatial diffusion processes encompass, in addition to hierarchical diffusion, diffusion by contagion (where there is a direct contact between the diffusing agent and the receivers) and diffusion through relocation (the diffusing agents themselves move, leaving behind the origin of the phenomenon, but spreading it within the space and over time). However, despite the fact that spatial diffusion is very much associated with the dissemination of innovation, it is not always like this, as it is difficult to consider infectious diseases (one of the most studied phenomena in geography, under the perspective of diffusion – Arroz, 1979; André, 1988) as something with an innovative content. Otherwise it is significant that, in a chapter dedicated to spatial innovation, Abler, Adams and Gould (1971: 389–392) refer for the first time to the term innovation to explain hierarchical processes.

<sup>3</sup> Interview with a Hindu association leader from Santo António dos Cavaleiros, undertaken on 27 July 2000.

<sup>4</sup> The rate of variation among Indian citizens with residence permits was 66.2% between 1986 and 1991, and 68.9% between 1991 and 1996. During each of these periods, these values were higher than the variation in the total stock of foreigners in Portugal (31.1% and 53.9% respectively).

<sup>5</sup> This growth is even more significant from a relative point-of-view, taking into account that the total number of requests presented suffered a small reduction (from 39,166 to 35,082), while requests presented by Indians increased three-and-a-half-fold.

<sup>6</sup> It should be noted here, as mentioned above, that under-counting of populations of Indian origin is quite extensive if we take into consideration only data relating to foreigners in a regular situation.

<sup>7</sup> In the interview mentioned above, the businessperson in question commented that he has worked with the same “middleman” (contact with Chinese companies which serve as a bridge between producers and traders) in business with China and neighbouring areas since the beginning of the 1970s. According to the interviewee, “confidence is fundamental for the establishment of good business in this area of the globe, and so the option of maintaining the same contact has been beneficial, helping to establish credibility in relation to the producers”. This demonstrates the relevance of social capital in its dimension as a bridge for long-distance importation businesses.

<sup>8</sup> In 1992, around 23% of the commercial spaces in the CCM were occupied by traders of Indian origin, though the Portuguese were still dominant (Malheiros, 1996).

<sup>9</sup> Taking as a reference the context of policies of rehabilitation in Dutch districts, Kloosterman and Van der Leun (1999) mention the need to create conditions for the installation of immigrant entrepreneurs, highlighting the supply of non-residential spaces with multi-functional characteristics, that is, spaces that can be used for the establishment of different types of commerce.

<sup>10</sup> A survey undertaken in May 2008 recorded 41 Chinese restaurants functioning in the City of Lisbon, as against 23 Indian restaurants and 10 Japanese.

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■ **Diasporas and globalisation – The Chinese business community in Portugal and the integration of China into the world economy**

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**Abstract** This article analyses, in the dual context of globalisation and the emergence of the knowledge society, the new strategic role performed by diasporas as significant links in the relationship between the receiving country and the respective country of origin. Diasporas are also seen as strategic factors in the foreign policy of the country of origin and a fundamental instrument of its soft power. The analysis draws on the experience of the Chinese business communities in Portugal, whose members have been functioning as catalysts for the integration of China into the global economy and in the spreading of Chinese culture. They therefore perform three main functions: (i) catalysts of economic flows: entry points for Chinese exports in Portugal; investors and mobilisers of foreign investment in China (ii) sources of economic intelligence, information on business opportunities, characteristics of the markets and the local business culture for the Chinese authorities, and (iii) institutional brokers and agents of the decentralised 'paradiplomacy' of Chinese provincial and local governments.



**Keywords** globalisation, knowledge society, Chinese business community in Portugal, cultural diasporas, foreign policy, soft power.

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## ■ **Diasporas and globalisation – The Chinese business community in Portugal and the integration of China into the world economy**

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### **Introduction**



The intensification of international migration and human migratory flows is one of the central dimensions of the process of globalisation. This has developed in parallel with the intensification of human and financial flows, and flows of Foreign Direct Investment (FDI), even though they contrast with other flows with more negative connotations. Within the dynamics of globalisation, the idea of open and porous borders applies to goods, services and capital - but not to people. The structural shifts that societies and the international system have experienced are not only determined by the impact of the process of globalisation, but by the interaction of three processes, which though distinct, are inter-connected and simultaneous: globalisation, the emergence of the knowledge society/economy and the network society. As a result, what we have lived through is not simply a context characterised by globalisation, but by a more complex process that simultaneously involved globalisation and localisation. It has therefore been termed 'glocalisation' by some (Rosenau, 2002; Enright, 2001). This process further enhances the relevance of migratory phenomena.

The localisation factor is directly associated with the process of the emergence of the knowledge society, characterised by the fact of all of its activity being orientated towards the production, diffusion and effective use of knowledge, the implementation of which is achieved through innovation – new products, new processes and organisational technologies with an economic market value – and with a central role played by intangible factors, such as human and social capital. Furthermore, it is also a learning society. The production and diffusion of 'tacit knowledge' (know how and know who) is the decisive aspect for innovation. So, contrary to 'codified knowledge' (know what and know why), the production and diffusion of tacit knowledge requires personal face-to-face interaction and the creation of relations of confidence, as it is can only be transferred between actors who share the same norms and values and social contexts, characterised by a high level of social capital.

This underlying social interaction must be undertaken on a territorial basis, contributing to attributing a new strategic value to the territory at regional and local levels, contrary to the effect of de-territorialisation and loss of relevance of territory created by globalisation. Social interactions therefore constitute an optimum level for the creation and densification of knowledge networks that produce and diffuse tacit knowledge.



Migration is not a new phenomenon, but in this context it acquires a new relevance and a new dynamic that results from the crossing and interaction between globalisation and the knowledge society, creating not only the quantitative intensification of migratory flows, but also qualitative changes that involve new forms, new dynamics, new risks, new protagonists and motivations (Rocha, 2007). For example, in the context of the knowledge society, the migration of skilled labour assumes increasing relevance, as it does in the context of the new flows of 'knowledge workers', scientists and academics (see: Skeldon, 2005). We have also seen a new 'emigration of opportunity' that seeks to take advantage of the opportunities of the global market from an entrepreneurial perspective, just as the traditional 'emigration of necessity' sought to flee from the drama of poverty and sub-human living conditions. In the same way, new processes of temporary and circular migration among various destinations and the country of origin illustrate the new reality.



Globalisation is a multidimensional process that is not restricted to the economic dimension, but also involves political, security, cultural and environmental dimensions. This process, as well as its positive effects – associated with the growth in flows of trade and international investment, reinforcement of competition, the rapidity and ease of communication or even the convergence of cultural values and matters of conscience about global problems, particularly in relation to the environment – also has negative impacts related to the growth in inequalities in income and power between countries, and between social groups within the countries; to the increase in poverty levels among those who are marginalised by globalisation; to the expansion of various non-military threats (international terrorism, arms, drugs and people trafficking and other forms of organised crime), which create increasing insecurity.

The new opportunities offered by the global market; the increase in unemployment and poverty in certain regions and in the gap between rich and poor; greater access to information and ease of transport; the action of organised people-trafficking networks and the expansion of organised transnational crime; the acceleration of environmental degradation; and the increase in insecurity in certain regions, all contribute in a coordinated way and in various proportions to the acceleration of global migration flows.<sup>1</sup> This process is further facilitated by the sideline factor of demand associated with the demographic dynamics and problems of population ageing in developed countries. This creates labour shortages and the necessity to attract foreign workers and make admission of immigrants from countries in the process of development with younger populations more flexible. Migration and the growth in migratory flows are today, paradoxically, the result of both the failures and the successes of globalisation.

On the other hand, within the context of the complementary process of the emergence of the knowledge society, the circulation of human capital constitutes a



fundamental variable for the diffusion of tacit knowledge and the densification of knowledge networks, as it is evident that there is increasing competition for the attraction of 'knowledge workers' and brains among the main international actors. This strategic orientation has been followed for a long time, and with much success, by the USA and more recently by China, Japan and many European countries. The mobility of talents and the capacity to attract them is a decisive factor in the knowledge society, essential for the process of innovation and the consolidation of competitiveness. This factor facilitates overcoming the logic of the 'zero-sum' game within which the phenomenon of the 'brain drain' is traditionally analysed, providing for a new system of sharing of talents. This system could also function as an element of the relationships between different knowledge networks. In view of this, migration paradoxically emerges simultaneously as a consequence and a cause of the densification of the knowledge society.



The phenomenon of immigration in Europe, above all in relation to its expansion and immigration policies, has been one of the central and most polemic subjects of political debate in the European Union. Generally speaking, the issue of immigration is addressed from a negative perspective associated with problems (unemployment, racism, criminality) and with financial costs (unemployment benefit, social security), leading to restrictive policies of control of flows. Meanwhile the positive dimension of the phenomenon related to the economic contributions of migrant workers, the development of an intercultural society and even the facilitation of diplomatic relations between the receiving country and the origin country, is clearly marginalised. In effect, the relevance of these communities to international relations and their specific role in the foreign policy of a receiving country is a subject of growing interest and relevance in the context of *glocalisation*, whereby the role of non-state actors and informal channels is increasingly significant.

Diasporas, characterised by a strong cultural identity, the maintenance of links with the country of origin and transnational identity, have begun to play a role of increasing relevance in the global society, where non-state actors emerge in the first instance with an increasing economic weight and in some cases also political weight. For origin states, they constitute potential fundamental strategic actors in responding to the new challenges of *glocalisation*, conferring upon them an additional competitive advantage in the global knowledge economy/society. However, for receiving countries, their relevance has also been increased not only as a dynamic factor in entrepreneurship and as a corrector of demographic imbalances, but also with a special connecting link with the origin state and as a vector in the respective bilateral foreign policy.



## 2. Cultural diasporas

The term diaspora is of Greek origin and means 'dispersion'. It was frequently used in the past to designate situations of forced exodus of populations, in frightening situations, as occurred as a result of the persecutions of Jewish people, and flight from the genocide that the Armenian population were the victims of.

In present times, however, the word diaspora has acquired a new meaning, in sociological and also political terms, directly linked to situations of international migration, when they are characterised by a certain degree of temporal permanence; some diversity in destinations; and, above all, when there is a strong sense of belonging among the immigrant communities in relation to their country of origin and ancestral cultural roots.

Contemporary academic literature on migrations abounds in works dedicated to the analysis and development of the concept of diaspora, with numerous references to the diasporas of greatest demographic dimensions, such as the Chinese and Indian diasporas, but without neglecting others of lesser numbers, among which could be mentioned, for example, the cases of the Irish, the Polish and the Portuguese, or in even lesser numbers that of the Cape Verdeans.



In terms of migration sociology, the expression 'Ethnic Diaspora' is frequently used, in a somewhat redundant form, seeking perhaps to emphasise that one of the characteristics to be considered in the study of immigrant communities resides in the common ethnic origin of the individuals of which each of the communities are constituted. From another perspective, the designation 'Cultural Diaspora' adopted here aims to highlight, above all, the cultural cement that serves to construct, among the various individuals considered, the feeling of common belonging that interlinks them, as well as linking them to the country (or region) of origin.

The concept of diaspora has been used in the past in a sense practically confined to that of forced emigration for reasons of a sudden and catastrophic nature, as mentioned above. Cultural Diasporas have a much broader meaning and can be understood as consisting of a common regional identity, applied, for example, to the Maghreb origin of a great number of immigrants in various European receiving countries, or to an identity with a religious basis, such as that which exists among the Ismaili community in various countries of the world, with the Aga-Khan as their spiritual mentor.

The increased importance of the concept of Cultural Diaspora also results from the increased ease of movement between the most distant points on the globe, facilitating a very effective diversification of all forms of human mobility, setting out



from all origins and heading for any destination. On the other hand, the increasingly more accessible comfort, speed and price of the transportation of messages in sound and image, namely through communications via the internet, contribute to the fact that there is a natural, frequent and continuous connection between immigrants and their homelands and families. In this process, participants exercise the use of an original vehicular language and direct contact with all types of cultural manifestations that can take place at either of the two extremes of the migratory journey.

The effects referred to here will be further boosted by the generalisation of systems of broadband, mobile telephones and cable and satellite television, contributing to the globalisation of cultural imports of all types, but also facilitating direct contact between expatriated individuals and their origin cultures, thereby conserving their essential features over time.

From this perspective, it can be understood that a growing 'cross-pollination' of individuals is inevitable. These individuals, born in a given country and region of the world, are transported, as though carried by the wind, to very different destinations, where they will perhaps create roots, bloom and reproduce themselves as new individuals, though they will have in the meantime brought to these new lands the mark of their original cultural personality.



Also in terms of political discourse, the use of the term 'diaspora' tends to continually expand its coverage, appearing frequently associated with any situation of migration, without any great scruples of semantic rigour. An even greater level of this conceptual inflation is translated into the use of the word, without any denotative justification, to indicate groups in reference to issues such as gender and sexual preference.

Returning to the concept of the Cultural Diaspora, the confluence of groups of people who carry with them diverse cultures can be observed, in contemporary times, in all of the great metropolises of migrant receiving countries and which typically receive very significant percentages of individuals from various origins, who are easily detected because of clear differences in their facial features or particularities in their mode of dress. In more economically prosperous countries, the penetration of immigrant communities can also reach urban centres of smaller dimensions as well as rural or peripheral regions where there are significant labour shortages.

Therefore, in almost all of the regions and countries of the globe, the day-to-day coexistence of various communities with distinct ethnic and cultural origins requires them to remodel their behaviour and attitudes in order to be able to constitute, in their entirety, a society which, though very multicultural, cannot become anomic, at the risk of a grave social rupture.



In fact, with the passage of time, the failure of some of the models for the organisation of multi-ethnic societies has become evident: *assimilationism* and the corresponding ideal of cultural homogenisation according to a single pattern - the metaphor of the melting pot - has shown itself to be irredeemably utopian; *multiculturalism*, postulating the 'separate coexistence' of distinct communities, each subject to their own codes of conduct and, perhaps even each with their own system of laws and values, tended to create inequalities, misunderstandings and disputes, as such values, as seen by the different communities present, were incompatible.

The *intercultural* perspective, based on the search for common knowledge of the various cultures present and on mutual respect between them, though subject to codes and law systems with general coverage and application, seems to represent the greatest potential for success in the organisation of multicultural societies. Nevertheless, this implies that in no case would access by all residents of the country to the benefits of citizenship be denied, representing a true proposal to enable, by all means possible, the full integration of immigrants living there; otherwise the very exclusion of citizenship could be justly invoked as a sufficient argument for the non-conformity by all individuals to the laws that apply in a given country.



In sum, diasporas, characterised by a strong cultural identity and the maintenance of links with the country of origin, which have been consolidated with the acceleration of migratory movements in recent decades, constitute fundamental strategic actors for origin states in responding successfully to the new challenges of globalisation and the emergence of a knowledge society, conferring them with an additional competitive advantage in the global knowledge economy/society. Though this is an informal dimension, in general less visible, communities of emigrants tend to play a crucial role as channels of information and of provision of economic intelligence on markets, facilitating flows of trade and Foreign Direct Investment (FDI), as well as connection to knowledge networks.

This new strategic vision in which emigrant communities abroad are seen as instruments of foreign policy by the countries of origin is paradigmatically exemplified by the way in which China has mobilised its diaspora. The contribution of emigrants is decisive in understanding the success of the Chinese economy and of its integration into the global economy; as are the efforts that India has been undertaking since 2003 to define and implement a pro-active strategy to mobilise the capacities and the entrepreneurial potential of communities abroad to reinforce their ties with India.<sup>2</sup> The analysis of the structure, entrepreneurial strategy and actions of the Chinese business community in Portugal is particularly relevant as a case study for understanding the new functions assumed by diasporas in the context of globalisation.

### 3. The Chinese business community in Portugal

The Chinese immigrant community in Portugal has expanded at a significant pace. According to official data and considering residence permits together with stay permits,<sup>3</sup> the Chinese community reached a total of 9,059 individuals in 2003 – representing around 2.3% of the official number of foreigners in Portugal, comprising the largest Asian community (ahead of India and Pakistan) and the twelfth largest foreign community – increasing to 10,167 in 2006 and 10,448 in 2007.<sup>4</sup> This is a growth rate of 2.7% on the previous year, contrasting with the general trend of a reduction in the large immigrant communities, which is the case for the Brazilians, Cape Verdeans and Ukrainians. However, the actual number of people of Chinese ethnicity in Portugal is much greater – based on unofficial estimates by Chinese associations, it is more likely to be closer to 15,000 to 17,000.

The growth in the number of Chinese immigrants is significant, as it has almost doubled between 1995 and 2006, with a growth rate during that period of 476%, which can be placed within the general framework of growth in Chinese immigration flows to Southern European countries (Spain, Italy and Portugal), from the mid-1990s. This was a consequence of two parallel processes: the increase in overall flows from China, and re-emigration of immigrants settled in Northern Europe, who because of the market saturation there decided to follow a strategy of diversification towards countries with less of a tradition of Chinese migratory flows, seeking new business opportunities. It should be noted that although there was a reduction in the total foreign population in Portugal of -7% in 2005 and -1.3% in 2006 after the peak in 2004, the total Chinese population has been continually increasing.

There is a tendency towards geographic concentration among the Chinese immigrants, with over three-quarters located in the three main districts of Lisbon, Porto and Faro, in total representing 76.1% of the community. However, there are signs of a trend towards some geographic diversification in favour of other zones in the country, which has already resulted in a reduction in the relative weight of the community in Lisbon and Faro, and an increase in the numbers in Porto, Setúbal and Santarém, suggesting the existence of a phenomenon of dispersion of immigrants to secondary centres.

The majority of the Chinese population resident in Portugal is relatively young, based on an analysis undertaken by Chinese associations, which showed that over two-thirds of the population were younger than 40 years old (68%) – 29.6% younger than 30 and 38.5% between 31 and 40 years old – while around one-quarter were between 41 and 50 years old (24.7%) (Liga dos Chineses em Portugal, 2005).



There has been a trend towards an increase in the proportion of entrepreneurs and self-employed among Chinese immigrants, which grew from 9.4% of the total in 1990 to 17.4% in 2000, though with employees still representing a dominant group at 82.6%. There is an official rate of entrepreneurship among the community of around 17% which is considered quite high, but the actual rate would be even higher, at about 25%.

The combined research project between the IEEI and the CEMRI<sup>5</sup> carried out between 2003 and 2005 and coordinated by the authors, consisted of an in-depth analysis of the characteristics and the dynamics of the community of Chinese entrepreneurs in Portugal, involving the application of a survey and the undertaking of interviews with entrepreneurs and leaders of Chinese associations. The fundamental conclusions of this research are particularly relevant and revealing in relation to the role of Chinese immigrants in the context of glocalisation.

#### *Heterogeneity of the community*



In the first place it is important to refer to the heterogeneity of the Chinese community. There are three sub-groups of Chinese entrepreneurs in Portugal: (i) entrepreneurs originating in Mozambique who arrived in Portugal during the 1970s; (ii) Chinese entrepreneurs from the People's Republic of China (PRC) who constitute the dominant group and the majority of whom originate in the province of Zhejiang (just like in other European countries, particularly in Southern Europe), whose immigration began in the 1980s with two distinct waves; and (iii) entrepreneurs coming from the Southern Chinese triangle during the 1990s (Macau, Hong Kong and Taiwan).

These three groups differentiate from one another not only due to their geographic origin but above all because of language, cultural references and due to the breadth of their network of international contacts. This leads to the conclusion that despite common cultural features, these groups have different identities and function in a separate manner with a low level of interaction amongst themselves. For example, there are cultural and linguistic barriers between the Mozambican and PRC communities, as the former speak Cantonese and the latter a Zhejiang dialect, together with the existence of distinct cultural references that translate into a different level of integration into Western culture. This fact, together with direct competition in terms of businesses, explains the veritable absence of contacts and partnerships between the communities, despite the fact that the know-how of the Chinese entrepreneurs from Mozambique about the market and the Portuguese cultural context would be of added value for the successful integration of entrepreneurs from the PRC.



The great majority of Chinese entrepreneurs, more than four-fifths, are from the People's Republic of China (83%), with entrepreneurs from Hong Kong (5%) and Mozambique (5%) emerging in second place, followed by entrepreneurs from Macau (3%). In relation to entrepreneurs originating from the PRC, the great majority are from the Province of Zhejiang, located to the south of Shanghai, and representing 74% of all entrepreneurs from the PRC. In the Province of Zhejiang there are two dominant cities/regions, firstly the port city of Wenzhou, which represents 35% of the total of entrepreneurs from Zhejiang and in second place the rural zone of Qingtian, with 22%, which constitute, in accordance with various studies undertaken in other European cities, two traditional zones of emigration to Europe.

#### *Different motivations*



Secondly, the motivations of these sub-groups are also distinct. The group originating in Mozambique left the country during the process of de-colonisation and chose Portugal for political reasons. This fact led to a reduction in international contacts (which had been intense with China during the colonial period) and a concentration of activities in the Portuguese market in an unfavourable situation and in a context that at that time was more restrictive. The group originating from Hong Kong and Macau (Taiwan in practice finds little expression) immigrated for reasons related to the process of transition of sovereignty to China, above all during the 1990s, as a response to the uncertainty about the political and economic future of the two administrative regions. They brought with them not only international contacts with clients and suppliers but also, with increased value, their integration into the network of Overseas Chinese.

The final group, comprising entrepreneurs from the PRC, is associated with emigration in two distinct phases. The first sub-group, who immigrated during the 1980s, did so within the framework of an 'immigration of necessity', motivated by economic difficulties in the PRC, and chose Portugal fundamentally because of the existence family ties with emigrants already settled there. The second sub-group, who immigrated from the second half of the 1990s onwards, did so within the framework of 'immigration of opportunity', taking part in the process of integration of the Chinese economy into the global economy, and chose Portugal based on business opportunities. In this latter sub-group, it is important to underline that Portugal is not seen in isolation but as an integral part of the European market.

The first movement during the 1980s is fundamentally explained by the beginning of the opening up of the PRC and of its "4 Modernisations" programme of reforms, which determined the more open attitude and a new policy of relative liberalisation in relation to emigration, manifested in the 1985 emigration law.



Nevertheless, we are still in the initial phase of reforms in which, as a result of the strategy of risk reduction adopted by Deng Xiaoping, the reforms were geographically circumscribed initially to Guangdong, which emerges as the region leading the process, and to a lesser extent, Fujian. Therefore prosperity and economic growth were concentrated in the Southern region of China, especially in the zones bordering Macau and Hong Kong in Guangdong and Fujian.

The process of reforms and economic growth only gradually spread and extended to other coastal regions to the North during the end of the 1980s and the first half of the 1990s. The regions of origin of the immigrants of this first phase, Zhejiang, such as Shanghai, did not participate in this initial phase of economic growth, as they had previously been regions that were dealing with economic difficulties during the 1980s. Therefore, this migratory flow emerged essentially as a response to the economic difficulties and poverty that affected the majority of regions of China, and so it emerges as an immigration that can be characterised as of 'necessity'.



On the other hand, the movement initiated in the second half of the 1990s could be characterised as an 'immigration of opportunity', by the way in which the dominant motivation was that of internationalisation and taking advantage of the opportunities in foreign markets. With effect during the second half of the decade of the 1990s, the regions of origin of Chinese entrepreneurs in Portugal, especially Zhejiang, already had seen significant prosperity associated with the emergence of Shanghai as a great economic centre. Therefore Zhejiang emerged in 2000 in eighth place among the Chinese provinces in terms of human development rates and in fourth place in terms of GDP *per capita*. In this context, the reasons for the migratory flows were no longer economic difficulties, as immigrants originated from the most developed parts of Zhejiang, but they were related to the potential of human capital, the pro-active emigration strategy of the province, and the objectives of economic internationalisation and integration into the world economy.

During the 1990s, it should be mentioned that there was another further specific cause related to the process of reunification of China and the transferral of sovereignty over Hong Kong and Macau to the PRC - the 'handover effect'. A crisis of confidence over the future of Hong Kong that marked the final phase of transition and uncertainty in relation to the will and capacity of China to respect its commitments and preserve the model of 'one country, two systems', caused an exodus of various workers and entrepreneurs from Hong Kong. They sought alternative centres to set up their businesses as a risk-management strategy. Although the majority of these entrepreneurs chose Canada, the USA and Australia, and to a lesser extent, the United Kingdom, there were also flows to other European countries.



### *Characteristics of the business*

Thirdly, in relation to the characteristics of the business, it was possible to conclude that Chinese firms are typically micro- and small enterprises run by a family and with a centralised decision-making structure. Nevertheless, this does not imply that there are no entrepreneurs with some international dimension. These entrepreneurs, along the lines of the Chinese company organisation model, opt for a portfolio of SMEs instead of one big firm, which reduces their visibility and allows better management of risk. This objective is achieved through two distinct mechanisms: geographic dispersion of the business involving different establishments in different zones of the country; and sectoral diversity, with different enterprises operating in a coordinated form in differentiated sectors. There is heightened flexibility, translating into speed in entering and exiting a particular business and market sector. The response to the changes is more associated with exiting a sector for another than with adaptations to changes in the market in the same sector, which is rendered difficult by the centralising nature of the processes of decision-making controlled by the leader of the family group.



Chinese businesses operate predominantly in the service sector, with particular incidence in trade, whether retail or wholesale, as well as in import-export. This fact translates into an evolution in the way in which the weight of the traditional restaurant sector diminished. Furthermore, it is clear that as a rule, Chinese businesses function on a wider scale than the national market, namely at an Iberian or European level, and achieve a certain level of sophistication in the way in which they adopt the perspective of an extended value chain which also begins to include the secondary sector. It should be noted that one of the innovative trends is the emergence of Chinese investment in industry, above all in the textile and clothing sector - the repetition in Portugal of a phenomenon that has already been verified previously in other European countries such as Italy and Spain.

Chinese firms relate mostly with other Chinese firms in Portugal as clients and suppliers, but contrary to expectations, they have a more complex and broader relationship with other Chinese firms. One of the most notable features is the number of firms with relations with Chinese firms that operate in other European Union countries (the study identified Spain, France and Italy as the most important) essentially as suppliers, which suggests the existence of a relatively developed network at a European level. This network translates into privileged *guanxi*<sup>6</sup> relationships which for their part allow Chinese entrepreneurs in Portugal to enhance their competitiveness through the acquisition of more favourable commercial credit, prices and payment conditions.

The European approach is also manifested through the practice of taking advantage of business opportunities in other European countries. In this context, it



should be highlighted above all that the group of more recent immigrants have great mobility in the European space, as in many cases their entry into Portugal was the result of re-emigration from another European country. It can be concluded, therefore, that Chinese entrepreneurs have a vision at a European scale that is much more pronounced. They take advantage of opportunities from this standpoint, more than many Portuguese entrepreneurs at the level of SMEs, whose focus is still very restricted to the national or even local market.

The level of the relationship with Portuguese firms is significant, though less dense, and is framed above all as clients and less so as suppliers. Nevertheless, it is clear that there are no partnership relationships despite the potential advantages that such a relationship could bring at a domestic level, whether in the approach to the Chinese or even the European market.



It is important to note in this context that, contrary to the dominant perception that tends to emphasise the negative aspects associated with a presumed disloyal competition, there exists a positive contribution by the Chinese entrepreneurial community to the Portuguese economy that is normally not understood. This contribution manifests itself at various levels. In the first place, Chinese entrepreneurs contribute to job creation in Portugal. The survey evinced the creation of jobs occupied by Portuguese people and not the exclusive use of Chinese labour. In the second place, they contributed to the increase in competition, with positive effects for consumers. Thirdly, Chinese investment in sectors that had been in decline was identified, acquiring and rendering viable firms that were on the verge of collapsing, maintaining their productive capacity and a part of the jobs in the region.

Recent polemics involving Portuguese and Chinese traders in the North of the country are illustrative of the lack of understanding of the basis of the competitiveness of Chinese businesses in Portugal. This comprises: *guanxi*, an integrated vision of the European market, and a strategic plan aimed at a market sector experiencing growth, even at times of recession, and a great flexibility in response to the market. The *guanxi* and the underlying relationships of confidence contribute to the reduction of risk as well as of transaction costs and in this way of the actual prices in practice. This is facilitated by the way in which social contacts guarantee the fulfilment of obligations. On the other hand, they also facilitate the concession of commercial credit, contributing to a reduction in financial costs, of great benefit for the Chinese wholesalers in Portugal relative to wholesalers of greater size in other European countries and for retailers in relation to wholesalers in Portugal.

In the same way, an integrated vision of the European market allows not only the use of cheaper sources of inputs outside of the Portuguese market, characteri-



sed by significant restrictions on competition, but also taking advantage of the economies of scale of operators of greater size in other countries. This strategic plan is characterised by a great flexibility that seeks to accompany business opportunities that are opened up through diversification. Furthermore, working in a sector of the mass consumer market in relatively cheap non-durable goods is a particularly adequate strategy for the current Portuguese economic situation.

#### *Connections with China*

One of the most significant conclusions of the study is the heightened intensity of the relationship of the Chinese entrepreneurs with the PRC, prioritising the region of origin of the emigrants. The most significant result is that those relations are not limited to one social sphere, but they have an increasing economic dimension whether at a commercial level or, even more significantly, at the level of direct investment in China.



The most significant data are on the dimensions of the new phenomenon of direct investment by Chinese entrepreneurs based in Portugal in China. The data from the survey reveal that around 20% of the entrepreneurs already had investment projects in China motivated by the business opportunities associated with the growth of the economy and the diversification of a different business sector to that in which they operated in Portugal. Within the context of the interviews it was concluded that there are still many entrepreneurs with the intention of realising medium-term investments in China and who demonstrate a trend that will tend to be reinforced in the coming years.

The investments have two distinct manifestations. Firstly, there are investments in the same sectors in which the entrepreneurs operate in Portugal, a rationale of expansion of the businesses that takes advantage of contacts created in Europe and knowhow accumulated, together with links to China. One example of this is the investment that a firm is undertaking at this moment in Shanghai with the construction of a transformation unit for marble with point technology of significant dimensions, based simultaneously on production for the local and export market. This investment was made with the local partner in order to facilitate insertion in the Chinese market. Secondly, investments are made in China that have the objective not only of exploiting local opportunities but also the diversification of the business, investing in sectors different from those in which they operate in Portugal. Some cases were registered of investment in the property sector in regions of origin by the entrepreneurs as well as in small industrial units.

This phenomenon of investment growth among Chinese entrepreneurs in China is explained not only by the business opportunities in a market in expansion but also by the more favourable treatment and active welcoming policy that the Chinese



authorities, especially at a regional and a local level, offer to Overseas Chinese. These advantages translate into more favourable conditions of access to local credit, access to land for construction at low prices and the simplification and reduction of bureaucracy in the administrative approval processes. A convergence of interests is therefore visible between the Chinese entrepreneurs in Portugal and the regional authorities in China, as the former exercise strategic functions as gates of entrance for PRC exports in Europe and as recruiters of foreign investment.

*Chinese associative activity and provincial paradiplomacy*



Chinese associative activity has a very close relationship and an instrumental function in the stimulation of economic relations between Chinese entrepreneurs in Portugal and China. It is interesting to note that Chinese associative activity in Portugal has essentially external objectives and not so much internal, serving fundamentally to strengthen privileged relationships with the Chinese Government and the regional authorities, granting leaders a special status and more favourable treatment. As a consequence, associative activity in Portugal has not been used as much as an instrument in relation to the receiving country to express common interests to the Portuguese authorities or to organise services for members, a feature that in extreme cases leads to the recognition of an association by the Chinese Government without it even having a legal existence in Portugal.

In effect, various Chinese entrepreneurs in Portugal have formal positions in the Provincial and Municipal Consultative Councils. It has been indicated within the context of the interviews undertaken that at this moment there are three provincial political councillors and one municipal councillor.<sup>7</sup> This fact translates into a strategy among the provincial and municipal governments that is more active internationally in the promotion of the specific economic interests of its regions, using 'paradiplomacy' as an essential instrument of these actions with the networks of Chinese entrepreneurs who originate from these regions. This is integrated into a background tendency of the emergence of a new paradiplomacy in the Chinese provinces, not of all of them, but essentially the most prosperous ones with a higher level of integration in the global economy.

These provinces have been developing their paradiplomacy in an active way with the approval of the Central Government, developing direct relations with European regions, as is the case with Jiangsu and its network of representatives in Europe centred on Düsseldorf, and with Zhejiang, Shanghai or Shandong with privileged connections to Bavaria. In Portugal some Chinese entrepreneurs were named 'informal economic ambassadors' of Chinese cities as in the case of the President of the League of Chinese in Portugal who was named 'Ambassador for the capture of foreign investment' for the city of Qingdao in Zhejiang province.



The function of these ambassadors in particular and of the networks in general also includes the recruitment of foreign investment from European entrepreneurs, particularly from SMEs. However, in the surveys as well as in the interviews undertaken, not a single case was located of the concretisation of the investments of Portuguese entrepreneurs in China – in isolation or in partnership with Chinese entrepreneurs – through these channels. This fact could be explained by the attitude of risk aversion among Portuguese SMEs, though the survey also suggested that there were difficulties in relations between Chinese and Portuguese entrepreneurs stemming in the first instance from differences in ways of doing business, as well as communication difficulties stemming from the language.



The interviews also indicated that Chinese entrepreneurs have a certain openness to the possibility of constructing partnerships with Portuguese SMEs for investment in the Chinese market, but there has not been a response on the Portuguese part. It should be noted that on the part of Portuguese firms there is an essential attitude of little openness to inter-company cooperation and reduced propensity towards involvement in processes of cooperation as demonstrated by a recent study by the Observatory of European SMEs, involving 19 European countries. One of the conclusions of the study was that the Portuguese SMEs register the lowest level of cooperation, on the one hand, and that even the few that do use this strategy of reinforcing competitiveness have a preference for formal mechanisms of cooperation that reflect a significant level of distrust (Observatory of European SMEs, 2003).

Nevertheless, these partnerships are a potential instrument of great interest in a strategy of internationalisation in the manner in which the SMEs can take part in the *guanxi* of the Chinese partners and therefore reduce the risk and improve their knowledge and access to the market. For this reason, the obstacles to inter-company cooperation represent a subject requiring more in-depth research.

Chinese entrepreneurs' links with China are strong and above all actively exploited and promoted by the Central Government, but also by the Chinese provincial and local authorities. We see a profile becoming continually more structured in relation to Chinese entrepreneurs abroad, namely in Europe, who are an integral part of the strategy of development of China and its integration in the global economy. In particular, in the context of the dynamics of the globalisation of commercial exchange and investments, Chinese entrepreneurs in Europe, particularly in Portugal, play a fundamental strategic role at three distinct levels: as a gate of entry for Chinese exports; funding investment in China through reinvestment of profits obtained in Europe; and as facilitators of a process of Chinese direct investment in Europe and in the Portuguese-speaking world, functioning in some cases as partners with Chinese businesses for this reason.

#### 4. Implications for Portugal-China relations

In this context, Chinese entrepreneurs in Portugal can and should be seen as a crucial strategic factor in the formulation of a coherent long-term Portuguese strategy of relations with China. There are various domains in which the strategic role of the Chinese business community could be considered, but the following are of particular relevance:

(i) Promotion of cooperation between Chinese entrepreneurs and Portuguese SMEs from the perspective of the constitution of partnerships for the realisation of mutual investments in China: The involvement of the Chinese partners allows the political risks and the transaction costs in approaching the Chinese market to be reduced. The greatest challenge to the competitiveness of the Portuguese economy is the internationalisation of the SMEs, a process that has faced various obstacles from structural limitations and limitations of resources to an attitude of greater risk aversion. The data available reveal that Portuguese SMEs represent the lowest levels of internationalisation in the EU-15. Therefore, the Chinese business community should be seen precisely as a potential facilitator of the internationalisation of Portuguese SMEs in relation to the Chinese market, but also other markets in Asia. This is on the basis of connections with networks of Overseas Chinese, markets that present a higher potential for growth whether in the present or the future.

(ii) Active policy of attraction of Chinese investment for the industrial sectors in decline and under great pressure from Chinese competition (textiles, clothing, toys and in the short term footwear and electronic and electric goods) as an alternative to the passive attitude and purely protectionist orthodoxy that has predominated: The search for alliances and partnerships with competitors is a phenomenon to which little attention has been paid but which should be considered in greater depth. There are indications of interest by Chinese entrepreneurs in the textile and footwear sectors in Portugal, demonstrated by the existence of some investments, which allowed these firms to avoid collapse and the elimination of productive capacity, but also the partial recuperation of sectors in difficulties. Therefore, it would make sense to create more favourable conditions for this type of investment, simplifying procedures and accelerating decision-making processes.

(iii) Attraction of Chinese direct investment in Portugal on a long-term basis in future sectors in which complementary interests exist, thereby keeping up with a trend that has already begun, and which will be expanded significantly in the next decade, based on the exponential increase in Chinese investment abroad: China is not only a great receiver of FDI but is also beginning to be an exporter of capital, with the expectation of its emergence as one of the great investors at a global level.<sup>8</sup> Portugal could capture a part of this Chinese investment by involving Chinese



entrepreneurs in Portugal as 'informal ambassadors' to their regions in China, in this way seeking to understand what are the primary sectors for China and disseminating information on the package of incentives offered by Portugal.

Some recent investments in Portugal benefited from this facilitation. This was the case with the investment in the creation of a 'green' battery factory by the Chinese group Shanghai Union Technology Co. Ltd, which involved a total amount of €221 million and the creation of around 580 jobs. The first phase was implemented in 2008. Another case was a project to create a logistical platform in Beja to distribute Chinese products in the Iberian Peninsula and other European countries, taking advantage of the links between the Beja Airport and the Port of Sines and an industrial platform.

Given the strategic role of tourism for Portugal and the fact that China is the market of origin of tourists with the greatest potential for growth in the coming decades, this would be another sector of irrefutable interest. In 2007 a total of 40 million Chinese tourists travelled abroad, though only 5% had Europe as a destination, spending a total amount of US\$30 billion. The estimates point to a total number of Chinese tourists that doubled between 2003 and 2007 and could reach around 100 million in 2020.<sup>9</sup>



(iv) At an institutional level, there is an opportunity for decentralisation and diversification of relations with China, promoting more regular and direct links between regions and municipalities (as local governments) in Portugal with provinces and sub-regions in China, taking advantage of the privileged links that many Chinese entrepreneurs maintain with their regions of origin. In this way it would be possible to go beyond the current situation of a strongly centralised relationship, dominated by Lisbon-Beijing relationships between central governments. In this situation, Portugal has a comparatively limited weight, even less so now than before 1999, and needs to gain ground. The Portuguese approach should not be a comprehensive approach in the area of economic relations based on an integrated perspective in the Chinese market, but it should rather be a more disaggregated, selective and specialised approach, promoting concentration on a smaller number of provinces, sub-regions and even counties and cities, at a scale more adequate to that of the Portuguese economy and Portuguese firms.

(v) In this context, Chinese entrepreneurs in Portugal can contribute through their contacts to the development of paradiplomacy activities on the part of Portuguese sub-national organisations, with special attention to the interior regions of China that are less developed, where opportunities are greater for SMEs. These decentralised institutional linkages are important in the facilitation of access to the market by Portuguese firms and the reduction of transaction costs and of *de facto* discriminatory practices. The economic relations have to do with an institutional



coverage, more relevant in the context of the Chinese economy, still completing the full transition to a market economy in which the State exercises a strong influence on the economy and controls strategic aspects. Links with Zhejiang and especially with Wenzhou and Qintiang are the most obvious, given the dominant weight of entrepreneurs originating from this region, but there are many other possibilities given that the diversity of areas of origin in China of Chinese entrepreneurs in Portugal is considerable.

The enhancement of knowledge about Chinese business culture is essential for an approach to the Chinese market by Portuguese entrepreneurs, given the cultural distance between the two countries and the great deficit of knowledge about China prevalent in Portugal. This situation can be overcome by the action of the Chinese business community. Interaction with Chinese entrepreneurs in Portugal provides an excellent opportunity to get to know Chinese business culture as well as more general aspects of Chinese culture and regional specificities. From this perspective it would be of special interest for the Portuguese authorities and civil society itself to have a greater involvement in the mutual organisation with the Chinese community of initiatives in Portugal for the dissemination of Chinese culture, reality and the opportunities of 'Chinese markets', as well as Chinese language tuition.



## 5. Conclusions

In the context of *glocalisation* and particularly as a result of the dynamics of transition to a knowledge society, flows of people and human capital have assumed an increased strategic relevance, conferring on migration a central position and contributing to the emergence of a more positive vision that underlines the importance of informal linkages and non-state actors. This permits us to see diasporas as privileged links in the relationship of the receiving country with the respective sending country, as strategic factors of the foreign policy of the sending country and as a fundamental instrument of their 'soft power'.

The Chinese business community in Portugal is characterised by its heterogeneity (involving sub-groups with different cultural influences and levels of internationalisation), high levels of entrepreneurship, great mobility and an integrated vision of the European market, the advantages of which are founded at a basic level on the activation of a complex *guanxi* network, and by a considerable level of internationalisation, where significant economic ties with China are included. This community illustrates in a clear way a new vision of the role of immigrants, as links in the chain between the local and the global, and catalysts for the integration of China into the world economy, but also for the dissemination of Chinese culture.



The fundamental thesis supported in the interpretation of the research data is that the Chinese business community, who act in accordance with an integrated European strategy and are not only restricted to the Portuguese space, carry out three complementary functions in relation to China: (i) catalysts for economic flows: gates of entry for Chinese exports in Portugal; investors and mobilisers of foreign investment for the Chinese economy; but equally potential partners for a new strategy of Chinese investment abroad; (ii) sources of economic intelligence, organised and made available through entrepreneurial experience on site, information on business opportunities, characteristics of the markets and local business culture for the Chinese authorities, and (iii) institutional brokers, namely through associations, between Chinese provincial and local governments and Portuguese regional and local authorities, functioning as agents of decentralised Chinese paradiplomacy.

Therefore the Chinese diaspora should be seen as a significant informal instrument of the 'soft power' of China in the exact way in which it combines economic power, associated with the capacity for investment and innovation, and culture, contributing to the projection of Chinese culture and the reinforcement of its influence at a global level.

This analysis raises various issues around the potential of the Portuguese diaspora and the absence of a strategic vision in this area. Portuguese emigration constitutes, similar to its Chinese counterpart, a typical example of a Cultural Diaspora: established for centuries; spread out to all continents; with a very significant dimension that reaches the equivalent of half of the entire population actually resident in the country<sup>11</sup>; and retaining affective and material linkages with their origins, despite the passage of decades and generations. In spite of the traditional initiatives to maintain cultural connections and attracting remittances on a passive basis, Portugal has not had a pro-active strategy of mobilisation of the Diaspora in terms of reinforcing the capacity to respond to the challenges of globalisation and its integration as a strategic factor in Portuguese foreign policy. This is, without a doubt, the fundamental challenge that Portugal is faced with, with Overseas Chinese communities constituting an example and a source of inspiration and reflection.

## Notes

<sup>1</sup> It is estimated that currently the total number of international immigrants is around 200 million people, representing about 3% of the world population, while in 1960 there were around 75 million – see: Global Commission on International Migration (2005), Report and UN Department of Economic and Social Affairs (2006), International Migration. The majority of international immigrants live in Europe (64 million), in Asia (53 million) and in North America (45 million). The countries with the most numerous stock of immigrants are: USA (38 million); Russia (12 million); Germany (10 million); Saudi Arabia (6.3 million); France (6.4 million); Canada (6.1 million); India (5.7 million) and the United Kingdom (5.4 million).

<sup>2</sup> The Indian diaspora who have scattered to various continents over various decades, particularly from the nineteenth century onwards, now stands, according to the estimates of the High Level Committee on the Indian Diaspora (2001), at around 20 million people, living in over 100 countries. However, there is a significant concentration in six countries that represent around 50% of the total, each with a community of more than one million people: Myanmar, USA, Malaysia, Saudi Arabia, the United Kingdom and South Africa. Europe has around 1.6 million Indians, less than 10% of the total diaspora, in a similar position to the USA. In the European context, the largest communities are in the United Kingdom with 1.2 million and in the Netherlands with 217,000. Portugal has the fourth biggest community of Overseas Indians, just after Italy, with around 70,000 people according to the Indian Government, with 65,000 'People of Indian Origin' and 5,000 'Non-Resident Indians' – ahead of France and Germany.

<sup>3</sup> The *stay permit* allows foreign citizens holding an employment permit to remain legally in Portuguese territory. The immigrant must equally be registered with Social Security and pay the taxes prescribed by the law. This type of permit is valid for one year and can be renewed up to a maximum period of five years, at the end of which the foreign citizen will have to apply for a residence authorisation. The *stay permit* can also be granted to foreigners in Portugal without a work visa, whether they are holders of a proposed employment contract or a contract with the information of the Working Conditions Authority, and as long as they have not been sentenced to prison for longer than six months and they are not indicated in the Integrated Information System of the Portuguese Foreigners and Borders Service.

The *residence permit* allows foreign citizens to reside in Portugal, with two types of permit: (i) Temporary residence permit, valid for two years from the date of issue of the respective document and renewable for successive periods of three years, subject to updating whenever personal identification details registered on the document change; (ii) Permanent residence permit, which, although it does not have a limit of validity, is renewable every five years or whenever this is justified by changes in personal identification details.

<sup>4</sup> Serviço de Estrangeiros e Fronteiras (Foreigners and Borders Service - Portuguese Immigration Police, SEF), *Activities Report 2007*, and Statistics from various years.

<sup>5</sup> A research project undertaken by the Institute for Strategic and International Studies (IEEI) and by the Centre for the Study of Migration and Intercultural Relations (CEMRI) at the Open University, funded by the Science and Technology Foundation (FCT), Project POCTI / SOC / 40827 / 2001, entitled "A comunidade de negócios chinesa em Portugal: Implicações para a política externa portuguesa e as relações bilaterais Portugal-China [The Chinese business community in Portugal: Implications for Portuguese foreign policy and Portugal-China bilateral relations]", undertaken between January 2003 and March 2005. See: Rocha-Trindade, M. B., Santos Neves, M. and Bongardt, A. (2006).

<sup>6</sup> The *guanxi* are personal connections that involve "mutual obligations, goodwill and personal affection, with a particular emphasis on the family and the sharing of common experiences." There are three different levels of *guanxi*: (i) the first and foremost involves the family, including the extended family and close friends; (ii) the second involves people with sharing of common experiences in crucial phases of life such as former schoolmates or comrades in military service; (iii) the third involves strangers with whom relationships of confidence are established subsequent to a long and demanding process. A *guanxi* relationship presupposes a complex system of exchanging favours and information through which the doing of a favour creates the expectation of reciprocity but without a precise date, so that some debts are prolonged for generations and are effectively reciprocated many years later. The essential principle is that the favour should be repaid through slightly greater favours in order to further the sustainability of the relationship.

<sup>7</sup> Interview with Y Ping Chow, 06.12.2003 and communication by the President of the League of Chinese in Portugal at the "Forum Viver a Europa" organised by the IEEI on 04.11.2004 in Lisbon.

<sup>8</sup> The expansion of Chinese investment abroad is a new phenomenon with a trend towards intensification, as there was a global stock of Chinese FDI abroad of US\$73 billion in 2006, divided among many continents, including Asia, the USA, the EU, Africa and Latin America, having grown very rapidly between 2003 and 2006 from US\$33 billion in 2003 to US\$44 billion in 2004 and US\$57 billion in 2005. Flows of Chinese FDI abroad reached the sum of US\$16 billion, having tripled in relation to 2004 – see: UNCTAD (2007), World Investment Report, Appendices 9 and 12.

<sup>9</sup> ETC/UNWTO Report (2006) *Chinese Outbound Tourism Market*, [prepared by the European Tour Operators Association]. For 2007 data, please see World Tourism Organization statistics available at: [www.unwto.org/media/news](http://www.unwto.org/media/news). China has also enhanced its position as a tourist destination market, as it is today the fourth biggest market with total receipts from tourism of US\$78 billion, but it could reach first place in 2014, overtaking France.

<sup>10</sup> In terms defined by Joseph Nye, "the ability to get what you want through attraction rather than coercion". See: Nye (2004).

<sup>11</sup> The most recent official statistics from the General-Directorate of Consular Affairs and Portuguese Communities (2007) point to a total of 4,968,856 people spread among various countries and continents, with 57% concentrated on the American continent, 31% in Europe, 7% in Africa and 3% in Asia. The largest communities, with more than 250,000 people, are, in descending order: USA (1,349,161); France (791,388); Brazil (700,000); Venezuela (400,000); Canada (357,690); South Africa (300,000); and the United Kingdom (250,000).

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■ **Entrepreneurship from a gender perspective:  
An initial analysis of the case of Brazilian women  
in Portugal**

Beatriz Padilla\*

**Abstract** The present article seeks to develop an initial analysis on the subject of immigrant entrepreneurship in Portugal from a gender perspective. Following an international literature review on the theme, the case of Brazilian immigrant women in Portugal is examined in order to provide an illustration of some aspects of interest detected, and cases identified, in a world that remains to be discovered.

**Keywords** female entrepreneurship, women entrepreneurs, gender, migration, Brazil, Portugal.



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## ■ Entrepreneurship from a gender perspective: An initial analysis of the case of Brazilian women in Portugal<sup>1</sup>

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### Introduction

Just as gender occupied a central place on the agenda of the 1990s, above all due to, among other reasons, the United Nations conference held in Beijing in 1995, migration has gained ground since the late 1990s on the international agenda and among international Governmental and Non-Governmental Organisations. Nevertheless, when we question what has been the advancement of gender and the respective progress in the situation of women since that period, the reality does not always present a positive image of straightforward improvement. This situation is even more worrying if we include immigrant women in the equation, who tend to occupy the worst place in the stratification of the labour force in the global market (Mills, 2003).



Even still, there has been some progress in the theoretical framework, and today when we think of migration it is impossible not to consider the feminisation of migratory flows and immigrant women's participation in the labour market. Although the majority of researchers who study the multiple and diverse profiles of immigrants consider the presence and characteristics of immigrant women, on a more specific level of analysis, women, despite their specificity, continue to have little visibility (Padilla, 2007b). This reality does not result from the lack of tools for analysing gender issues, but rather from the lack of attention on the part of the researchers themselves. Researchers continue to see the majority of social phenomena as not influenced by gender, and prefer to generalise their observations. This distraction has consequences. The lack of observation and discussion around the specificity of women means that many of the policies and programmes that target immigrants - that generalised 'immigrant' - are not appropriate for immigrant women. In this case, there is a gender blindness, rendering immigrant women even more invisible, and victimising them because it does not recognise their capacity for action. Nevertheless, research indicates that women, whether immigrants or not, have shown themselves to be agents and protagonists in their own destinies (Padilla, 2007a and Padilla, 2007b).

In this article, some issues related to entrepreneurship among immigrant women are raised for discussion, based on the state-of-the-art in this topic, reflecting how theoretical contributions developed in other contexts allow us to enrich the study of the phenomenon in Portugal. These contributions also highlight the importance of considering gender in the analysis. The selection of Brazilian women for this initial analysis of the theme is related to the fact that the immigration flow



from Brazil, in contrast to others that dominate the Portuguese migratory panorama, has been feminised over the past few years, acquiring its own texture and dynamic,<sup>2</sup> making it important now to confront this with the study of immigrant entrepreneurship.

Nevertheless, it is not possible to undertake this contextualisation without first recognising the global inequalities in the labour market that are characteristic of globalisation. These inequalities have been explained by vulnerabilities associated with gender, ethnicity/race, nationality and class (Mills, 2003).

### **Globalisation and inequalities**



Numerous studies have examined the overlapping and the multifaceted effects of gender on inequalities identified in the labour force, both on a global scale and in specific cases in certain places (Elson, 1995; Marchand and Runyan, 2000; Nash and Fernandez Kelly, 1983; Ward, 1990; Finn, 1998, Ong, 1987, 1991; Hondagneu-Sotelo, 1994, 2001, Anderson, 2000; Beneria and Roldan, 1987; Gill, 2000; Rahman, 1999). These studies illustrate the increase in the female labour force in free trade zones (FTZ) and in other sites of new industrialisation, also known as 'maquilas'<sup>3</sup> and the feminisation of transnational labour flows both in domestic service, and in micro-entrepreneurship and other types of work in the informal sector. Even though this research comprises an eclectic collection of cases both in the geographical and the occupational sense, they all underline the centrality of gender and of the feminisation of the global economy.

In general, the different theories indicate that "gender inequalities operate simultaneously, but not identically, as systems of dominant meanings and symbolism; as structured social relations, roles, and practices; and as lived experiences of personal identity" (Mills, 2003: 42). This implies that gender is much more than the simple division of the sexes and that gender is one of the multiple categories of domination, as there are various systems of discrimination and exploitation in existence. Therefore, gender inequalities represent "one dynamic within a global labour force that is also segmented by class, ethnicity and race, nationality and region, among other factors" (Mills, 2003: 42). In this way, various hierarchical ideas of gender are identified, gaining specificity in each context and historically contingent in the case of immigrant women, including specificities both in relation to the receiving society and the origin society.

Despite the fact that the literature indicates that international migrants (both women and men) represent the most vulnerable group in societies (Foner, 2000; Malher, 1995; Sassen, 1998; Yeoh *et al.*, 2000), it is women who occupy the lowest rung in terms of salaries in the richest economies of the world. There is a



further stratification among women themselves, according to which social class they belong to. In many cases, we observe the phenomenon of the commodification of reproductive work, which liberates women to enter the working world. However, as a redefinition of gender responsibilities in the domestic sphere has not taken place, these tasks remain in the feminine sphere, delegated in this case to women who are in an ethnically and legally inferior or marginalised position (Mills, 2003).



It should be recognised, on the other hand, that the literature has also identified other situations that have allowed the challenging and the contestation of the condition of immigrant women. Female entrepreneurship, though in many cases informal, has been identified by agents of development as a promising arena for development and combating poverty. The microcredit movement (Dignard and Havet, 1995) and the experiences of Grameen Bank and other international patrons of micro-loans have gained ground in recent years - also facilitating the empowerment of women. However, some researchers argue that many of these initiatives do not challenge the sexual division of work, reinforcing the reality of traditional gender roles that perpetuate the domination of women in all contexts: home, school, work, etc. (Milgram, 2001; Rozário, 1997). It is, however, still recognised that in some cases entrepreneurship has contributed to women earning profits from their economic activities, allowing them to improve their position in the process of power negotiations within the home.

### **Immigrant entrepreneurship and gender issues**

In recent years, possibly due to the passage of time since the arrival of immigrants in Portugal, there has been an increase in the number of entrepreneurs of immigrant origin in the country (Oliveira 2004a, 2004b, 2007). This is a trend that has been observed throughout the European Union and in the majority of immigrant receiving countries. Little is known, however, about the distribution of this entrepreneurship according to gender. Although many studies refer to the importance of considering gender as a central explanatory variable, in reality studies undertaken in Portugal have not done this, as entrepreneurs have always been assumed to be men.

Various studies also show that immigrants have a higher rate of entrepreneurship than the local population in receiving societies. Due to the fact that until a few decades ago migratory flows were predominantly composed of men, immigrant entrepreneurship was also mostly a masculine phenomenon. However, more recently, the consolidation of a number of programmes and incentivising measures for female entrepreneurship has explained its growth (Hammarstedt, 2002; Pearce, 2005; Tal, 2005). In this context it is relevant to observe the businesses



and various initiatives of immigrant women and to discuss to what extent they are a form of combating discrimination and problems of insertion in the labour market. In particular, it is important to understand what could be said in relation to this phenomenon in Portugal. Is entrepreneurship really, or could it become, a strategy and a mechanism for upward social mobility for immigrant women?

Studies undertaken in Portugal confirm that, compared to Portuguese people, immigrants present a greater propensity to take up entrepreneurial activity, with immigrant men predominating (Oliveira 2004a, 2004b, 2005, 2007). Another Portuguese study on freelance work indicates that in Portugal both men and women prefer to work for other people and not to take risks (Rebelo 2003). Despite the fact that this study does not cover immigrants, it is interesting to note that the proportion of men (21.1 per cent) who would prefer to exercise their profession in self-employment is greater than the proportion of women (15.1 per cent) (Rebelo, 2003).



These results suggest some interesting differences, failing however to question why. It is therefore interesting to discuss whether a similar tendency – men as more likely to start entrepreneurial initiatives than women – is also noted in the case of immigrants. This discussion should be framed particularly by the fact that many entrepreneurial strategies are of a familial nature, that is, it is possible that they could not be established without the participation and involvement of women, even if they are not enumerated in statistics on entrepreneurs.



A question that should be asked is why immigrant men and women are more entrepreneurial. Studies indicate that there are many motives that prompt immigrants, and especially immigrant women, to define an entrepreneurial strategy.

In order to respond to these questions, it is first important to take into consideration that entrepreneurship in general, and that of immigrant women in particular, does not exist in a vacuum. It should be understood and considered within a context, within a legal backdrop and within the reality of the receiving society in its entirety. Therefore it is recognised that the economic and/or entrepreneurial environment and the opportunities of the market can favour or disadvantage this phenomenon, varying from society to society. On the other hand, note should be taken of the stereotypes existing in receiving societies in relation to immigrants, ethnic minorities and women, as many decisions relating to economic insertion are conditioned by access to credit and to the labour market, and even in relation to the fulfilment of clauses of contracts which in many cases render the success of entrepreneurial initiatives difficult (Pearce, 2005). Furthermore, culture, stereotypes and the gender roles defined in the origin society should be considered as elements that influence entrepreneurial behaviours in their form (type of businesses, marketing styles, etc.) and possibilities for expansion or growth.



Another aspect, also closely linked to the conditions of the receiving society, which determines the dynamics of economic systems, is the cataloguing of what activities can be considered as entrepreneurship. Some authors have criticised the theoretical development on the topic, considering it to be elitist, as many researchers consider that only medium and large enterprises count as entrepreneurship (Valenzuela Jr., 2001). Nevertheless, in this article it is considered more important to include than to exclude, and within entrepreneurship, businesses with people working for themselves, as freelancers and those in a self-employed situation are considered, also covering micro enterprises. This option is better adjusted to the reality of immigration in Portugal and to Portuguese society, which is also marked by entrepreneurship of a small and micro dimension.

Another relevant aspect that is associated with the influence of the receiving context in the cataloguing of entrepreneurial initiatives, is the activities that function in the informal economy. Though many researchers have propounded the idea that the Portuguese economy, like those of the other Southern European countries, is characterised by a high level of informality (King and Zontini, 2000), this observation should be adapted relative to the reality of Brazil.



The type of activities undertaken in the informal sector in Portugal is much more circumscribed - above all in relation to activities such as street vending - than what is found in Brazil. Still, even if the informal economy is accepted and legitimated by the majority of the population of Southern European countries, when immigrants are the actors involved, they are stigmatised and seen as free-riders on the national system (Reyneri, 2003). This situation illustrates the application of double standards in receiving societies, rewarding some and punishing others for undertaking the same activities.

In this context, some of the general explanatory theoretical models for immigrant entrepreneurship are used. Two theoretical lines of reasoning are highlighted in the study of the entrepreneurial initiatives of immigrants: one that describes the functioning of the ethnic economy and/or the ethnic enclave on the basis of the existence of the ethnic and class resources among the immigrant community that encourage entrepreneurial initiative; and another that focuses on the interference of the opportunity structure of the receiving societies, together with ethnic resources, in ethnic entrepreneurship. In relation to the first line of reasoning, the middleman minority and labour segmentation emerge from the literature; while the second is an 'interactionist' perspective.

In both cases, however, there are explanatory aspects that have been neglected, such as the use of gender resources, combined with ethnic and class resources (Dallalgar, 1994), and the existence of some specific structural disadvantages associated with women. From the perspective of the 'disadvantage theory' developed by Ivan Light



(1979), immigrant entrepreneurship is the result of overcoming the advantages and/or difficulties felt by immigrants. In this context entrepreneurial initiatives emerge in many cases in order to overcome the various barriers and difficulties found in the labour market of the receiving society – for example, limited knowledge of the local language or culture, racial discrimination, long-term unemployment and constraints in the recognition of qualifications, among others (Light, 1979). Therefore, following the underlying logic of the disadvantage theory, specific vulnerabilities felt by immigrant women in the labour market can explain the choice of an entrepreneurial initiative as an alternative in their economic insertion.

From a more positive point-of-view, other perspectives argue that migrants possess some advantages in the context of the global market. Among these advantages are language, culture and relations with the country of origin. These advantages assist in both identifying niches in the market and in finding suppliers and customers. Therefore it is not surprising that among some communities there is a niche centred both on the ethnic market and on gender, and that as well as these elements, class resources are incorporated in entrepreneurial strategies (Dallalgar, 1994). As a consequence, in some cases, those limitations and barriers that immigrants are faced with can be transformed into competitive advantages and/or added value.



In the literature on the particular case of female entrepreneurship it is also possible to identify some complementary contributions. Many authors highlight the fact that female entrepreneurship is very much characterised by self-employment,<sup>4</sup> as this condition permits them to combine paid work with domestic work. Even still, this entrepreneurship is not always consensually seen as something positive and/or advantageous for women. While some authors underline the potential association with liberation, autonomy, flexibility and possibilities for upward mobility that entrepreneurship represents for migrant women (Castells and Portes, 1989; Carter and Cannon, 1992; Light and Bonacich, 1988), others argue that women's entrepreneurial initiatives tend to reproduce aspects of self-exploitation and gender injustice that further reinforce the double or triple working day that the majority of women experience (Christensen, 1988; Phizacklea and Wolkowitz, 1995). The latter argument recognises that, apart from some exceptions, women's entrepreneurship does not necessarily imply a change in the division of non-remunerated domestic work in the family context, or in gender roles in families.

In this context it should be questioned why immigrant women choose to be entrepreneurs and/or create their own job (sometimes very much associated with 'working from home'). Seeking to obtain some answers, this article will analyse entrepreneurship among immigrant women in Portugal on the basis of the case of Brazilian women.

As a consequence, and in view of the literature discussed, in order to orientate this preliminary analysis of the phenomenon in Portugal, three complementary explanatory dimensions are considered, which are not mutually exclusive. The first explanatory dimension adopted is classified as *general*, that is, it tends to frame immigrant women's entrepreneurial activity within the particular immigrant and/or ethnic minority group. The second dimension focuses on the specificities inherent in *gender*, thereby explaining entrepreneurship on the basis of the particular situation of women. Finally, the third category is dubbed *origin-destination*, considering the entrepreneurial experience and entrepreneurial strategy that is transferred from the country of origin to the receiving country, without focusing on the particularities of the actual receiving context.

The combination of these three explanatory dimensions helps to identify specific ideal-types of immigrant entrepreneur women. In sum, this analysis uses:

- *Dimension 1 - General*: Focusing on the disadvantages felt by immigrants (including women) in access to the labour market (as suggested by Light, 1979), the influence of the ethnic/community resources of the immigrant group (Light and Bonacich, 1988) and the influence of the opportunity structure (Waldinger et al., 1985), the following elements are considered in the contextualisation of the entrepreneurial initiatives of immigrant women:
  - o The undertaking of an independent economic activity occurs because the qualifications that they hold are not recognised in the labour market;
  - o The choice of self-employment is a form of overcoming ethnic and racial discrimination existing in the labour market;
  - o A niche in the micro-scale economy exists, where economy of scale specifically does not function and opportunities in the ethnic or gender market are identified (types of products, tastes and preferences, and so on).
- *Dimension 2 - Gender*: Includes aspects related to expected behaviours, attitudes and division of labour between the sexes (not necessarily positive):
  - o The organisation of work facilitates better juggling of domestic and childcare responsibilities with economic activity;
  - o Low salaries in the labour market cause women to seek another activity in order to complement their income;
  - o Self-employment or entrepreneurial activity facilitates satisfaction and personal realisation in the professional sphere, as profits are



not considered central, but they are considered to be an indicator of success (these cases are generally associated with the middle and upper classes).

- *Dimension 3 - Origin-destination:* Includes aspects of connection between societies of origin and destination, also termed transnational:
  - o The reestablishment of a strategy previously used in the origin country, with or without interruption during the migration trajectory (the immigrant had already been an entrepreneur or freelancer in the origin country);
  - o Recourse to privileged contacts with the country of origin in the definition of supply channels for products and services.



Other conditions that influence the capacity or propensity for entrepreneurship are related to the combination of conditions both in the receiving society and the origin society (which can change or evolve with time). Among these conditions are some expectations associated with gender roles which, in many cases, are centred on the woman's work in the domestic context and that of the education of children, while emphasising the centrality of the man as the breadwinner. The different levels of autonomy and independence that women experience in both societies are also defined.

In conjunction, these explanatory dimensions assist in better explaining the 'why', the 'how' and the 'when' of immigrant women's entrepreneurial strategies.

Finally, another aspect to be considered is the type of entrepreneurial strategy that is used, classified in the literature (Jurik, 1998) as *survival strategies (getting by)* or *mobility strategies (getting away)*. The classification of entrepreneurial strategies according to this typology includes aspects as diverse as risks, choice/option, investment and residence, among others. This distinction is fundamental as it introduces an element that combines quantitative and qualitative aspects of differentiation of the entrepreneurial strategies that immigrants develop.

'Getting by' presupposes strategies that allow the immigrant to simply survive or maintain a situation of minimum well-being, and generally do not require great risks or investments, because in many cases these are not possible. The second strategy facilitates an improvement that makes the migrant's upward social mobility viable, as well as substantial progress in their migratory trajectory, as these strategies rely on risks and investments.

### Immigrant entrepreneurs in Portugal: the specific case of Brazilian immigrants<sup>5</sup>

It is not possible to understand the case of Brazilian entrepreneurial immigrants in Portugal without a general contextualisation of Brazilian immigration in that country and the role that women have played in this migratory flow. Currently, Brazilians constitute the largest immigrant community in Portugal, as it is also an older immigration,<sup>6</sup> which has undergone various phases (Padilla, 2007c).

The Brazilian migratory flow, reinforced during recent decades, has been divided in the literature into two great moments – the ‘first’ and the ‘second’ wave. The first wave was composed of more highly-skilled professional immigrants with various specialisations and staff of companies that assisted in Portugal’s transition and integration process into the European Economic Community (present-day EU). The second wave, in turn, during the 1990s and the early twenty-first century, is comprised of less skilled immigrants who are inserted into less qualified sectors of the labour market – public works and civil construction, and hotel and catering (Padilla 2005, 2007b; Peixoto and Figueiredo, 2007).

According to the Portuguese Foreigners and Borders Service (SEF) data, of the 435,736 foreigners who are currently living in Portugal (including EU residents), 66,354 are Brazilian (corresponding to 15.2 per cent) with different legal residence statuses (residence permit, stay permit and renewals, various types of work visas). The same source indicates that of these 66,354 Brazilians, 31,834 are men and 34,520 are women, with a female proportion of 52 per cent (while the total female proportion among all foreigners is 45 per cent). The graph below illustrates the feminisation trend of Brazilian immigration flows to Portugal since 1980.<sup>7</sup>

Figure 1 – Feminisation trend among the Brazilian community



Source: SEF Statistical Reports (calculated by the author).

Finally, other data can enrich the perception of the immigration phenomenon in relation to entrepreneurial initiatives in Portugal. Table 1 illustrates the number of requests for residence status in Portugal between 2001 and 2005, according to professional situation and sex. Taking into consideration requests for residence status by Brazilian citizens in the categories of employers and self-employed (categories in which entrepreneurs are recorded), the participation of women varies between 30 and 50 per cent, depending on the year under consideration. Even though these data cannot be directly equivalent to the general stock of male and female entrepreneurs of Brazilian origin, for reasons that will be discussed later on in this article, they are an important and preliminary illustration of this reality.

**Table 1 – Number of foreigners (total and women) who requested residence status according to professional situation between 2001 and 2005**

Professional situation		2000		2001		2002		2003		2004		2005	
		Total	W										
Brazil	Employers	76	33	40	13	58	20	64	25	43	13	51	26
	Self-employed	39	14	29	11	57	20	50	23	42	20	55	29
	Employees	551	245	394	154	512	242	585	257	943	459	974	460
	Others	22	14	19	13	20	7	30	14	13	7	35	21
	<b>Total</b>	<b>688</b>	<b>306</b>	<b>482</b>	<b>191</b>	<b>647</b>	<b>289</b>	<b>729</b>	<b>319</b>	<b>1041</b>	<b>499</b>	<b>1115</b>	<b>536</b>
Total foreigners	Employers	532	152	495	125	407	111	347	104	321	96	318	95
	Self-employed	357	90	400	91	333	96	284	97	215	96	207	89
	Employees	6808	2611	4860	1961	3822	1514	3328	1227	5360	2330	4060	1811
	Others	138	71	119	64	133	66	163	77	93	49	106	53
	<b>Total</b>	<b>7835</b>	<b>2924</b>	<b>5874</b>	<b>2241</b>	<b>4695</b>	<b>1787</b>	<b>4122</b>	<b>1505</b>	<b>5989</b>	<b>2571</b>	<b>4691</b>	<b>2048</b>

Source: SEF Statistical Reports.

In view of the fact that requesting residence status is not the only possible way for immigrant entrepreneurs to enter Portugal, as has been explained in detail by Oliveira (2004a: 67-77), data relative to the number of work visas issued at Portuguese consulates are considered, focusing on type III, between 1999 and 2006 for Brazilians and foreigners (see Table 2). Even though these data are not disaggregated by sex, they evince a decreasing tendency in the relative importance of the granting of type III work visas for all foreigners including Brazilians. Type III work visas were granted under the previous immigration law for foreigners to undertake an independent professional activity both as a self-employed person and as a company (Oliveira 2005: 80). The data in Table 2 are used as a reference only

to illustrate the tendency in the past few years, as the current legal framework, which entered into force with the passing of Law 23/2007 in 2007, foresees new conditions.

**Table 2 – Work visas granted between 1999 and 2006**

Work Visas granted by Portugal	Brazilians			Total foreigners		
	Total	Type III Visa	%	Total	Type III Visa	%
1999	581	300	51.64	1931	443	22.94
2000	836	276	33.01	3372	545	16.16
2001	521	221	42.42	3024	380	12.57
2002	625	229	36.64	2605	546	20.96
2003	765	124	16.21	2761	300	10.87
2004	781	136	17.41	2769	336	12.13
2005	1012	129	12.75	3054	307	6.78
2006	4091	246	6.01	6735	404	6.00

Source: Ministry of Foreign Affairs.

Taking this contextualisation as a backdrop, we will examine some concrete cases of entrepreneur women of Brazilian origin in Portugal, for whom gender, class, ethnicity/race and qualifications impact upon their insertion in the labour market. The cases analysed here provide life stories and careers identified during the course of fieldwork carried out by the author, cases of Brazilian entrepreneur women who run their businesses in different zones in the city of Lisbon where there is a residential and neighbourhood concentration of Brazilians. These cases do not seek to be representative but rather illustrative of some ideal-types identified among numerous immigrant entrepreneur women. Particular attention will be given to six cases of Brazilian women who, through their life stories and economic careers in Portugal, highlight the conditions in which entrepreneurship emerges or is defined.

1. **Regina** is from Mato Grosso do Sul, married with two children, did not finish secondary school and does not have any prior work experience. In Brazil she was a housewife, took care of the children and completed domestic chores. In Portugal, her options were limited as she could not work outside of the home (like many of her Brazilian compatriots who work in domestic service), in view of the fact that she had to take care of two children of different ages, because she had

no family to help her, as she could have had in Brazil. However, within her home she found a perfect niche that allows her to take care of her children, keep house, cook and earn money.

Regina found a profitable activity that is multifaceted and could be termed self-employment and service provision from home. It allows her to juggle paid work with family work, although all of the work is considered 'domestic' (for example, house-cleaning, ironing, cooking, care of her own children and other people's). Regina is not a maid, but she 'sells' her work from her own home. As well as looking after her own children when they are not at school, she takes care of other Portuguese and Brazilian children and irons and cooks not just for her family, but also for the other Brazilians with whom she shares the house.

The interesting aspect of this case is that it shows that entrepreneurship can be defined on the basis of simple projects. This woman's innovation lies in the realisation of two objectives within her own home, based on exactly the same tasks – to engage in paid work and to undertake unpaid work as part of the family routine (see Table 3). This juxtaposition of work and tasks also allows her to maximise her resources (both financial and in terms of time) and to minimise her costs, as she saves both in the consolidation of shopping and in time spent preparing meals. The income or profits obtained amply compensate. Nevertheless, it is not evident whether this is a strategy of survival or social mobility. This Brazilian woman has not as yet become wealthy, yet she has managed to save money, allowing her to regularly send money to her mother who lives in Brazil, and, together with her husband, to buy some property.

**Table 3 – Domestic work**

Unpaid	Paid
Taking care of her children	Taking care of children, babysitting services
Cooking, ironing, housework	Cooking, ironing, housework

Although in general terms, Regina's strategy is one of survival, it also has features of mobility. On the basis of her micro enterprise, she managed to improve her prior situation of economic dependence on her husband, gaining self-esteem and empowerment. Without leaving the house, this woman was able to earn money for herself and her family, which allowed her to send remittances. Within her family context, she has expanded her bargaining powers with her husband, both in everyday decisions and in relation to the family migration project, as it is she



who would currently like to stay for a longer time in Portugal. Although Regina's case does not challenge gender roles nor the classical division of labour, this behaviour is in keeping with some trends identified in the international literature. The literature indicates that when immigration experiences are 'liberating' from a gender role, women are more reluctant to return to their country of origin (Hondagneu-Sotelo, 1994; Levitt, 2001; Goldring, 2001).

2. **Elise** is from Paraná and lives in *de facto* union with a Portuguese man. This woman has a university education and had quite a diversified professional career in her country of origin. Currently, though in her activities she does not capitalise upon her prior work experience (tribunal) nor the degree that she completed in Brazil, she juggles employed work (in order to have a guaranteed income and social security) with informal entrepreneurial activity. The informal activity includes the importation and sale of Brazilian products to women (for example, Brazilian swimsuits and bikinis, lingerie) which allows her to improve her income. It is necessary to recognise that Elise can do this type of juggling of her time at the moment because she does not have children and dedicates her time to her work. This situation could change if she did have children.



In Elise's case, even if the strategy is predominantly one of survival, we can see how she combines paid work with another activity that implies a certain level of risk (importation/sale) in order to improve her economic situation in Portugal. As well as these activities she intends to attend a new course at a Portuguese university which would allow her to have a qualification that is recognised in the receiving society, and would improve her general situation.

Although the literature indicates that people with better qualifications or university training have a lower propensity for entrepreneurship (Hammarstedt, 2004), this premise could be reconsidered in light of various features, among them the fact that many of the liberal professions have a greater tendency towards self-employment. Furthermore, faced with the impossibility of getting qualifications recognised, a person may decide to set up a business, depending on the availability of resources, whether they are ethnic, familial, structural or related to gender. In this sense, Oliveira states that "the level of qualification or the recognition of foreign skills does not determine a greater or lesser propensity for entrepreneurial initiatives, but can constrain the sector of activity of the investment" (Oliveira, 2005: 98).

Therefore the lack of recognition of Elise's qualifications means that she on the one hand chooses employment for security, but then risks part of her available economic resources in another niche as a self-employed person (micro-scale economy), where gender and ethnic resources can be more productive. All of these options of economic insertion resulting from the disadvantage associated with the difficulty of getting her



qualifications recognised in Portugal are also in line with some of the arguments of Ivan Light's (1979) disadvantage theory described above.

Meanwhile Elise is waiting to begin her new higher-level course in Portugal, with the expectation of ensuring her labour mobility in the future and that her entrepreneurship will have some success. In Portugal this micro-scale economy could easily be expanded, as many Brazilian ethnic products can reach a more mass level of consumption, going beyond ethnic consumption and reaching more exotic consumption and consumption of 'world products' (similar to 'world music').



3. **Andrea** is single, trained as a language teacher, with long work experience in a bank in Northeast Brazil. She had been unemployed due to downsizing at the bank, and decided to emigrate to Portugal, where she formed a society with a Portuguese friend in order to create a shop. This case illustrates how the legal status of an immigrant can affect their entrepreneurial initiative, as Andrea experienced various problems in the legalisation process as an entrepreneur, because the immigration law does not allow her to apply as a micro entrepreneur within the framework of her visa to reside legally in the country. Her legal status only allows her to work as an employee.<sup>8</sup> Therefore, even though she is the owner of half of a small clothes shop, it was the other Brazilian partner, who has been resident for a longer time and does not suffer from these legal constraints, who formalised the creation of the shop. Andrea is officially an employee in the shop in order for her to justify her residence in the country.

In Andrea's case, what best explains the situation, an 'entrepreneur disguised as an employee', are the general features and not those of gender, as in Elise's case. This woman chose to be an entrepreneur due to the combination of various factors. Among them was the fact that she had a friend who invited her to share the risk in an initiative/investment, and the difficulty of transferring her work experience from Brazil in Portugal. In this context, the fact that she neither has children nor housework duties is also significant.

4. and 5. The cases of **Jaqui** and **Caisi**, two sisters from São Paulo who are married to Portuguese citizens, illustrate in this case a situation of legal and economic stability in Portugal. Both hold residence permits obtained at a time, as they explain, when it was easier to regularise their situation in Portugal. They had a varied professional career, working for other people, until finally they opened a cosmetics shop in a shopping centre in a central neighbourhood of Lisbon, where there is a certain commercial concentration among the Brazilians in beautician services.

While they are the owners of the shop, which they opened with their own resources and not those of their husbands, (without explaining what had been their prior work experience or the source of their savings), without recourse to loans, their



husbands helped them and initially sorted out the bureaucratic and legal requirements and made contacts with the suppliers.

If we analyse Jaqui and Caisi's case, we see that a mix of *general* and *gender* elements (according to the classification presented above) explain the entrepreneurial career and the choice of business. On the one hand, they identified a very attractive commercial niche for Brazilian women (cosmetics) in Portugal, choosing a space frequented by Brazilian men and women already accustomed to another Brazilian business in the same sector - a hair salon with Brazilian clients and employees - established in that shopping centre. In Caisi's case, features related to gender also influenced the option of being an owner, as it made her agenda more flexible in order to take care of her daughter, while Jaqui saves money to send to the children from her first marriage in Brazil, who still live there with their grandparents.



6. **Tati** is from Minas Gerais, arrived in Portugal in the year 2000, obtained a residence permit because of her marriage to a Portuguese man and has a shop that sells lingerie and clothes that she makes. The shop is frequented particularly by Brazilians in the same small shopping centre dominated by Brazilian shops. Though she does not aim at a solely Brazilian public, because of the type of product that she sells, the clientele is 90% Brazilian, as "Portuguese women are embarrassed to use Brazilian lingerie".

Tati is the owner of the shop which was opened with her own resources and those of her husband, a Portuguese lawyer. The couple juggles these incomes with the various investments that they have in Brazil, above all in property (such as land and apartments). This is Tati's second business venture in Portugal, as she had already opened a shop in Massamá with a Brazilian woman as a partner, but due to misunderstandings in the division of responsibilities, they parted ways. Tati had had a different career in Brazil, working in telemarketing, but she still juggled work with selling lingerie and clothes to private clients. In Portugal she had various jobs, but she ended up managing to become her own boss, and as she does not have children, the business is a form of subsistence and personal realisation.

In sum, the cases of Brazilian women analysed illustrate the diversity intrinsic to entrepreneurship. The first cases presented (1, 2 and 3) illustrate 'getting by' strategies. The other cases (4, 5 and 6) in turn represent 'getting away' strategies. However, all of the cases illustrate that these strategies have made it viable for the women to have greater autonomy, which contributes to improving their well-being or that of their family (whether the family is in Portugal or Brazil).

Another common element identified in many Brazilian women's and men's businesses is to have a Portuguese partner, as an effective or fictitious owner.



In this sense, the partner contributes part of the social capital of the company (most common in masculine entrepreneurial strategies), or can have a purely formal and not effective role as owner. The latter case is generally observed in women's initiatives, where the Portuguese husband of the Brazilian entrepreneur is the formal owner of the business, as he facilitates the bureaucratic process of training and managing the business (loan request, charter, and so on). This fact illustrates the importance of the relationship between nationals and Brazilians in Portugal, which has been reinforced in recent years with the high frequency of mixed marriages between Portuguese men and Brazilian women.<sup>9</sup>

### **The specificity of the Brazilian case: Niches of entrepreneurial investment**



Immigrant entrepreneurship is also related to the market, the target customer base and business and marketing strategies used. The existence and functioning of social networks has also been widely emphasised for its importance to immigrants, and particularly for Brazilians (Padilla, 2005, 2007c). Despite the fact that in Portugal there is no enclave economy similar to that existing in other migratory contexts such as the United States (Padilla, 2007c) - nor commercial activities located in run-down or commercially deprived neighbourhoods as in Madrid and Barcelona (Cavalcanti, 2006) - , research undertaken in Portugal highlights the centrality of social networks in the development of entrepreneurial strategies. As Oliveira (2008: 110) comments:

“Businesses that emerge in particular local contexts, on the basis of social networks established there, tend to further expand the local economy. In this sense, social networks can act not only as stimulants for entrepreneurial initiatives but also as important sustaining structures for entrepreneurial activity, supplying strategic information that improves the operational efficiency of the business and/or can lead to the identification of new business opportunities.”

In this sense, the existence and consolidation of a large Brazilian immigrant community in Portugal contributed to the development of entrepreneurial strategies that, on the one hand, respond to the cultural consumption needs of the Brazilian population itself, but on the other hand aim at a Portuguese public who over time have developed a taste for exotic products, including Brazilian products. Among the new consumer tendencies are the consumption of food products (for example, flour, tropical juices, *chuchu* pumpkin, barbecued meat, cheese bread, etc.) and a multitude of products with well-known Brazilian brand names (for example, *Havaiana* flip-flops, bikinis, lingerie, cotton clothing, and so on).



While it should be recognised that a part of the target consumer base of these businesses is Brazilian, with the desire to consume products from their country of origin, many entrepreneurial strategies also target a Portuguese public. Either way, Brazilian products could be classified in Portugal as 'world products', due to the extensive exchange and relationship that exists between the two countries, the intensification of tourism and even the importation of television programmes from Brazil (for example, soap operas that also stimulate the creation of consumption patterns).

Furthermore, it is possible to identify references to Brazilian identity (or to representations in Portugal of what is considered to be Brazilian) in many Brazilian businesses and shops. Some recurrent characteristics are the use of words associated with Brazil in the name of the shop or business, such as 'Little Brazilian Corner', 'Brazilian Garments', 'Brazilian Presence'; identification on the basis of the Brazilian colours (yellow, blue and green) and the Brazilian flag in the decoration of the business and even in the dress of those working in the shops; recourse to symbols of tropicalism with which Brazil is associated (for example, wooden parrots, music, photos of beaches). These image and marketing strategies rely on 'Brazilianness' in many of the businesses identified.

#### **From entrepreneurs to employees...**



A less studied aspect in relation to immigrant entrepreneurship in general and to women in particular is the process of immigrants who were entrepreneurs or business-owners in their country of origin, and who ceased to have that role in the receiving country. As a consequence of international migration, many women undergo a downward mobility process in all aspects (employment, autonomy, and so on) and stop being entrepreneurs or business-owners.

The literature has ignored this process, which means that we can only attempt to identify some indices of this trend. Some Brazilian women contacted for this study declared themselves to have been entrepreneurs or worked independently in Brazil, in activities that varied from the production and sale of jewellery, snacks and clothing to owning a restaurant or the sale and distribution of beverages. On arrival in Portugal, however, many of them were forced to move to a different sector or professional situation, becoming employees. It remains to be discussed whether this professional transition will be temporary, until a more propitious situation emerges for a return to entrepreneurial initiatives - or permanent. It is further relevant to question, in this context, what it was that motivated the migration: if it was failure in the entrepreneurial initiative or a weak economic situation in Brazil.

Other explanatory factors are related, on the other hand, to the specificities of the receiving economy. The difficulty in accessing credit among immigrants in gen-



eral and immigrant women in particular proved to be a determining factor in the abandonment of entrepreneurial activity (Sou, 1996). Furthermore, differences existing within the sector itself and/or the form in which the informal economy is managed in Brazil and in Portugal, can also determine various possibilities for the entrepreneurial survival of these women.

Therefore it is relevant to discuss to what extent microcredit support policies are defined in Portugal that could benefit immigrants or immigrant women. It is also relevant to identify the existence of policies and whether they are put into practice or are effective. Recently at the National Immigrant Support Centre (CNAI), a support office for entrepreneurship was created in partnership with the National Association for the Right to Credit (ANDC). On the other hand, in the Portuguese Government's *Plan for Immigrant Integration*, specific measures were defined to promote entrepreneurial initiatives among immigrant women.



Other initiatives can also be given as examples, as is the case for the AUDAX programme (a centre associated with the Higher Institute for Employment and Business Sciences, ISCTE), which is developing support programmes for entrepreneurship and family businesses and includes in its target public specific programmes for women and immigrants (in partnership with the Municipal Council of Amadora and the Calouste Gulbenkian Foundation). Even though these represent some signs of change in the recognition of the importance of supporting entrepreneurship among immigrant women, nevertheless as these programmes are very recent and have not been evaluated, it is still very early to assess the real impact and outreach to the target public.

### **Conclusion**

Although the data used to illustrate cases of Brazilian women entrepreneurs in Portugal are limited, some conclusions and suggestions for further research can be inferred. The first and most important is that the theme of gender should always be considered, above all if the study being undertaken is to be exhaustive, otherwise we should recognise *a priori* that the explanations of the phenomenon are biased and it would not be possible to make consistent generalisations on the trends presented.

This article also sought to analyse how gender is present in all of people's relationships and actions, and particularly how it can influence decision-making and/or the identification of available options in the migratory context, where phenomena such as discrimination and racism can be part of the equation, and ethnicity/race can interfere in possibilities of access to the labour market which would permit the improvement of living conditions.



Despite the fact that in the cases presented here language was never identified as an obstacle in access to the labour market, other difficulties and barriers were identified - both general and related to gender. In particular, we underline the lack of recognition of qualifications and prior work experience, the existence of a micro-scale economy, the need to undertake work in the home because of family obligations, and personal realisation. In the case of Brazilian women, however, the racial and ethnic discrimination of the low-skilled or medium-skilled labour market does not seem to be central, particularly taking into account that one of the investment niches capitalises on the 'qualities' attributed to Brazilians: kindness, good relationship with clients, good mood, happiness, among others, which are necessary attributes for working in trade, hotels and catering and in customer service (Padilla, 2005, 2007c; Machado, 2003, 2006).

Even still, some disadvantages appear more clearly when entry to the labour market presupposes the 'recognition' of qualifications, or particularly work experience from the country of origin. In this case, Brazilians experience more marked downward mobility when compared with the situation in the country of origin. As has been shown, many of them may even have lost their status as a business-owner during the course of the migratory process and ended up working as employees in low-skilled work.



Furthermore they may not yet have encountered propitious conditions (from niches in the market to financial, ethnic, class and gender resources) that promote entrepreneurship, or the structural conditions may not favour them because other survival or even mobility strategies are found to more useful. All of these questions remain open, although in the case of Brazilian woman, we can risk saying that their easy employability could be an element that contradicts the literature indicating that difficulties in the recognition of qualifications stimulate entrepreneurial initiative as a form of finding alternatives for economic insertion in the receiving country. On the other hand, it should be kept in mind that the large flows of Brazilian immigration to Portugal are still quite recent, and that the majority of Brazilians have not yet formed an entirely established and rooted community.

Even still, given that Brazilians form one of the largest groups of immigrants in Portugal, investment in in-depth studies is to be recommended, for example on the Brazilian community as entrepreneurial. This investment would assist in gaining a deeper understanding of many of the trends identified by this article, and others that are yet to be discovered, helping to explain other patterns and integration strategies among Brazilians in Portugal. In the meantime, Brazilian women continue to be exotic in the Portuguese imagination (Padilla 2007a, 2007b), but not attractive to researchers who focus on immigrant entrepreneurs, who concentrate on other groups of immigrants, even those who are less numerous, such as Chinese and Indians. This fact could be investigated *per se* as a research question.

Meanwhile, we continue to perceive an image of the more informal entrepreneurial strategies of Brazilian women in the context of beauticians (for example, manicures, pedicures, hair salons), of restaurants and the female clothing sector (such as lingerie, bikinis, sarongs and flip-flops). Yet there is no consistent and systematic research available that would allow us to make recommendations for concrete policies directed at immigrant entrepreneur women. Therefore, apart from investment in research, a greater investment by the State is desirable – at national and local level – and by institutions such as foundations, banks and financial institutions, non-Governmental organisations, research and research centres in the monitoring and development of policies to promote and support entrepreneurship and immigrant women. This should take place with the objective of investing in the so-called social economy, a proven form of combating poverty and exclusion.

A gender perspective that includes a comparison of the relationships between men and women in their families, and their insertion in the labour market and in organisations, always facilitates a better perception of reality, which is fundamental in designing specific policies. This is the only way to reinforce Portugal's entry into the group of countries with pro-active gender policies, which have proven to be central in the effective progress of women in societies.

## Notes

<sup>1</sup> The author would like to thank Filipa Palma for the assistance and support she provided in composing this article.

<sup>2</sup> For more on this, see: Padilla, 2007a, Padilla, 2007b and Padilla, 2007c.

<sup>3</sup> Maquilas/maquiladoras are industries of foreign capital, established in countries that present the following features: low salaries, special tariff programmes, vague or flexible environmental and labour regulations, all of which tend to facilitate international competition due to low prices. For a detailed description of post-colonial and flexible production systems, see: Hoogvelt, A. (1997), *Globalisation and the Postcolonial World. The New Political Economy of Development*, London: Macmillan.

<sup>4</sup> In the words of Jurik (1998), self-employment is indeed a 'gendered phenomenon'.

<sup>5</sup> The cases considered here form part of the author's work on the Brazilian community in Portugal, underway since 2003. Some cases form part of in-depth interviews with immigrants, others were part of work in the ethnographic field with Brazilian families and immigrants in a popular neighbourhood of Lisbon and in Mato Grosso do Sul in Brazil, and still others were obtained through interviews conducted for this article with Brazilian entrepreneur women in the region of Lisbon.

<sup>6</sup> The General Population Census of 1960 already showed evidence of the presence of Brazilian immigrants in Portugal.

<sup>7</sup> The jump in the data between 2005 and 2006 is considered to be due to the change in residence statuses and the way in which the Portuguese Foreigners and Borders Service (SEF) began to enumerate immigration (stay permits converted into residence permits and the enumeration of long-term visa renewals). The examination of stay permits can be consulted at: [http://www.sef.pt/portal/V10/PT/asp/estatisticas/evolucao.aspx?id\\_linha=4255&menu\\_position=4140#0](http://www.sef.pt/portal/V10/PT/asp/estatisticas/evolucao.aspx?id_linha=4255&menu_position=4140#0) and [http://www.sef.pt/portal/V10/PT/asp/estatisticas/index.aspx?id\\_linha=4224&menu\\_position=4142#0](http://www.sef.pt/portal/V10/PT/asp/estatisticas/index.aspx?id_linha=4224&menu_position=4142#0).

<sup>8</sup> For a more in-depth analysis on the legal statuses of foreigners that do not permit the undertaking of an entrepreneurial activity in Portugal, see Oliveira (2004a: 74) and Oliveira (2005: 81-83).

<sup>9</sup> Peixoto (forthcoming), in a retrospective analysis of unions between Portuguese people and foreigners in recent years, shows how in 1996, 34.7% of marriages were to other Europeans, 21.4% to citizens of Portuguese-speaking African countries, 20% to Brazilians and 24% to other nationalities. During the past decade, however, the participation of Brazilians in these statistics rose to 60%, with an imbalance in favour of women. Almost 70% of the marriages between Portuguese men and foreign women are among Brazilians, while in the opposite case, only 38% of mixed marriages of Portuguese women are to a Brazilian man.

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**III. EXAMPLES OF PROGRAMMES AND MEASURES  
THAT PROMOTE IMMIGRANT ENTREPRENEURSHIP**







■ **Out of the Ashes: Supporting specialist projects for minority ethnic entrepreneurs – the experience of the UK Phoenix Fund programme**

Peter Ramsden\*

**Abstract** This article explores the experience of the UK's Phoenix Development Fund, which supported 95 projects between 2001 and 2006. About twenty per cent of these projects were specifically focused on Black and Minority Ethnic (BME) groups and refugees. The analysis is based on the findings of the interim and final evaluation carried out by the author. The evaluation included two surveys of all 95 projects and one survey of 800 final beneficiaries. The overall conclusion is that specific or targeted approaches to outreach can succeed in engaging communities who have not previously used business support available through mainstream agencies. Valuable innovation took place within the projects, particularly in relation to techniques for outreach and engagement, and methods of supporting clients through finance, training and coaching approaches.



The programme was less successful in transferring its results to the mainstream agencies for a number of reasons, including the lack of an effective mainstreaming strategy, the target-driven approaches of the larger agencies, ongoing restructuring in agencies and the break-up of the Government's Small Business Service when its functions were transferred to regional development agencies. The article concludes that specialist approaches are needed to promote enterprise strategies but they are best implemented by a 'braided' approach that links specialist support to mainstream agencies through referrals, funding and results.

**Keywords** mainstreaming, specialist business support, targeting, braided approach, outreach, microcredit.

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## ■ **Out of the Ashes: Supporting specialist projects for minority ethnic entrepreneurs – the experience of the UK Phoenix Fund programme**

Peter Ramsden

### **Introduction**

This article looks at the experience of the Phoenix fund – and specifically presents some policy considerations about supporting ethnic minority entrepreneurs, one of the target groups on whom the fund focused. The article is based on a comprehensive evaluation carried out by the author over a three-year period for the United Kingdom's Small Business Service.

The Phoenix fund was a £189 million (€237.5 million) fund that ran from 2000 to 2006 in England. Its purpose was to tackle social exclusion by encouraging entrepreneurship in disadvantaged areas and among groups who were under-represented in business ownership. At the outset, its main elements included:

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- A Development Fund to promote innovative ways of supporting enterprise in disadvantaged communities and among under-represented groups;
  - A Challenge Fund and Loan Guarantees to help provide resources for local Community Development Finance Initiatives; and
  - A national network of volunteer mentors for pre- and early-stage business start-ups.

The Phoenix Fund was designed to be responsive to emerging policy needs and additional elements were subsequently added, including:

- City Growth Strategies – an approach to city leadership based on Michael Porter's ideas on clusters and competitive advantage;
- A Community Development Venture Fund; and
- A Development Fund for Rural Renewal that targeted areas affected by Foot and Mouth Disease.

This article deals particularly with projects targeting Black and Minority Ethnic (BME) people, funded under the Phoenix Development Fund (PDF). In the original description at the launch the fund was described as follows:

“The Development Fund is designed to encourage innovative ideas to promote and support enterprise in disadvantaged areas and among groups currently under-represented in terms of business ownership. Its purpose is to encourage experimentation, the evaluation of new ideas and the iden-



tification and spread of best practice in an area where there is currently too little knowledge. The fund is looking to support a limited number of high-quality projects to help inform this process.”<sup>1</sup>

The Fund’s initial budget allocation was £12.6 million (€15.8 million) for a first round of projects over three years from 2001 to 2004. The first bidding round closed in October 2000 and fifty projects were approved at a total cost of £15 million (€18.85 million). A second bidding round, which built upon the lessons of the first round, took place a year later and funded an additional 46 projects increasing the total Fund budget to £29 million (€36.5 million). Bidding guidance emphasised the focus on disadvantaged or under-represented groups and went on to mention four specific groups: women, ethnic minorities, people with disabilities and ex-offenders. The focus would be on ‘any community or group that faces social or economic detriment which impacts on its ability to run a business, this may be a geographically based community or a group defined by another common characteristic’.

### **Methodology**



The terms of reference for the evaluation focused on evidence of innovation, effectiveness, success in outreach, engagement of the mainstream and the extent to which capacity had been built within the organisations themselves. The evaluation was based on a methodology that combined the use of surveys, monitoring data and case studies. These included a beneficiary survey of 800 entrepreneurs; two project surveys of the 95 projects; and 24 case studies. In addition to the interim and final evaluation report this article has drawn on a summary of the projects in the *Leading Lights* report and a report looking at the final round of Phoenix entitled Investing in Success.

### **BME business in the UK**

Part of the reason for concern relating to BME enterprise in the UK is the persistent and intractable poverty that many BME communities experience. Over 80 per cent of Pakistani and Bangladeshi households have incomes that are less than half the national average, compared to 28 per cent of white households. The BME unemployment rate is roughly double that of the white population. The activity rates of some sub-groups are very low, for example Bangladeshi women have an activity rate of only 27 per cent and enterprise rates of below 1 per cent. Pakistani and Bangladeshi people are one-and-a-half times more likely to suffer ill-health than white people, and African-Caribbean people a third more likely. The latter are eight times as likely to live in overcrowded conditions. Overall in Britain nearly



half of all children growing up in poverty (defined as 60 per cent of the median income) have one parent who is working. The failure of activation policies to help BME women, especially Muslim women, to enter employment contributes to this poverty.

The Small Business Service (SBS) estimates that there are over 250,000 BME-owned small and medium enterprises contributing over £15 billion (€19 billion) to the UK economy each year out of a total pool of 4.3 million enterprises. Ethnic minority businesses account for 9.8 per cent of small businesses in England with employees. They tend to be younger businesses: 20 per cent have been trading for less than three years (compared to 14 per cent for all businesses with employees), and this figure jumps to 41 per cent for Black- (that is, African- and African-Caribbean-) owned businesses. Although high levels of entrepreneurship are found among many BME communities, there are sharp differences across gender lines, particularly for Pakistani and Bangladeshi women who show very low levels of entrepreneurship.



BME businesses are concentrated in low value-added sectors – in particular in retail and restaurants. Around 90 per cent are in the service sector compared to 70 per cent of all non-ethnic minority businesses. BME businesses are heavily concentrated in disadvantaged areas because these are overwhelmingly where BME communities live. Forty per cent are located in the 15 per cent most deprived wards, compared to 25 per cent of non-BME businesses. This is particularly true of Pakistani-led businesses (56 per cent) and Chinese-led businesses (31 per cent). Only 9 per cent are located in rural areas.

There is wide variation in the take-up of business support. In general, fewer BME businesses use formal support services, with Bangladeshi-owned businesses the least likely – only 28 per cent take up support compared to 51 per cent on average. Chinese businesses were also low at 39 per cent. Female-owned ethnic minority businesses were more likely to seek help (54 per cent) compared to 39 per cent for male-owned.

Ram and Smallbone (2003) have attributed this low take-up to a combination of factors including cultural and language differences; lack of trust and confidence; lack of awareness of services; inexperience in engaging support; and business support not being linked to other advice needs (for example, on immigration).

The EVU (Knowledge Centre for Ethnic Entrepreneurship) in Copenhagen found that most BME and migrant clients had no idea that business support even existed, as nothing equivalent could be found in many of their countries of origin. The UK Global Entrepreneurship Monitor (GEM) 2003 survey showed that Indian, Other Asian and Black communities are more entrepreneurial than any other groups



in the UK. They are three times more likely to be involved in investment activity than their white counterparts and their level of total entrepreneurial activity (TEA) is nearly double. The GEM definition includes people who are actively involved in creating a new business as well as those who are already in business.

In relation to self-employment, ethnic minorities have a similar rate to the white population (11 per cent).<sup>2</sup> However, this rate is much higher among Asian groups (14 per cent) than Black groups (7 per cent). The Pakistani population currently has the highest self-employment rate of all ethnic groups despite having one of the lowest employment rates.

In terms of sectors, there is a strong concentration of BME self-employed people born outside the UK in the distribution, hotel and restaurant sector, in which half of them are active, compared to one in six of the UK-born BME population. As well as being concentrated in sectors such as catering and retail, BME businesses face particular barriers, including obtaining necessary finance, and may have different support needs as a result.



Access to finance and appropriate business support services are two specific issues referred to by Monder Ram *et al.* (2002) in their study for the British Bankers' Association. On finance the authors identify particular problems for African-Caribbean businesses that may be exacerbated by gender, as many businesses are owned by women in this community. For South Asians, although they have established a formidable reputation as entrepreneurs, it seems that financial circuits are often informal and within the community, often based on extended circuits. Ram *et al.* (2002) go on to report arguments that these same circuits were missing in the case of African-Caribbeans, and that this may explain their entrepreneurial under-achievement. The authors point out that this argument lets the formal system off the hook and ends up blaming the victim. Perhaps it is the absence of 'a level playing field' for formal financial products that is the real problem.

A similar picture unfolds for business support. A number of studies are reported by Ram *et al.* (2002) to demonstrate low levels of business support take-up from mainstream agencies. In one study of Humberside (county in Northeast England), 75 per cent of BME businesses had never accessed any business support, compared to only 32 per cent of all firms. There are a number of explanations for this lack of penetration by mainstream agencies into the BME business community. Firstly, many BME businesses are small if not micro (under 10 employees). Furthermore, they were largely excluded by the newly established Business Link<sup>3</sup> during the 1990s because the new service specifically targeted small and medium-sized businesses with more than 10 employees and not micro enterprises.<sup>4</sup>



Secondly, BME businesses are over-represented in sectors such as retail, catering and food distribution, which are not targeted for business support services. Indeed some of these sectors are deliberately excluded from funding programmes such as the European Regional Development Fund. Ram *et al.* (2002) argue that it is not lack of interest from businesses that is the problem but rather lack of outreach by the agencies. In this context, the approaches developed within the Phoenix Development Fund for reaching BME businesses are highly relevant.

This leads us to a similar debate in relation to BME businesses to that for women's businesses, about whether support should be provided by the mainstream business support agencies - in particular Business Link - or by specialist services. BME businesses are similar to all businesses in that a high proportion of their business activities are the same; they all make sales of a service or product, invoice clients, produce accounts and aim to make profits. Despite having much in common there are also significant differences arising from language, culture and the specific barriers faced by BME groups - especially that of discrimination. For a range of reasons, BME firms are overwhelmingly concentrated in certain niches such as retail and wholesale, and food processing and restaurants.



One of the reasons why BME business is so important in economic development and regeneration policy in the UK is because of its locations. BME businesses are to be found overwhelmingly in the poorer central areas of Britain's cities. Building on the entrepreneurial success in these areas is a key element in future economic revitalisation and sustainable regeneration. Ethnic minority business organisations have been effective in many regions in raising the profile of ethnic business and persuading the agencies to fund specialist business support organisations.

Refugees are often conflated with BME groups, despite the fact that they can have very different characteristics from the established BME communities and vary considerably depending on their origins and the circumstances of their forced migration. Whereas many UK BME groups have been in the country for two, three or more generations, most refugees are relatively recent arrivals, many having migrated during the past decade. Refugees often have high levels of qualifications from their home country that are under-used when they arrive in the UK. Refugees frequently take entry-level jobs in service industries and in food processing. Many end up operating in the informal sector, working for illegally low wages in dangerous conditions. Enterprise may be especially important for refugees as a route out of low-paid employment. Work with refugees has been specifically identified in the 'filling the gaps' round of the Phoenix Development Fund, launched in 2004.



### Phoenix Fund support for BME entrepreneurship

Of the total of 95 projects supported by the Phoenix Development Fund, ten were identified for this study as being specifically targeted at BME clients. A further ten could be defined as having a high relevance for BME people because in practice high proportions of clients were from that client group. The ten specific projects are listed below in Table 1.

The projects supported by the Phoenix Fund used a wide variety of approaches to support BME entrepreneurs:

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- Peer group support: The 12/8 network offered peer group support to identify business needs and solutions. The Fit to Supply project offered peer-to-peer visits to enable less experienced businesses to gain knowledge from more experienced businesses. East End Microcredit Consortium (see box below) developed a form of peer group micro-lending.
  - Business start-up training, sector-specific seminars, procurement seminars, business support training especially adapted for client group, and so on. There was a strong focus on Faith in Business as well as Black MBA (Master of Business Administration) (see boxes below).
  - One-to-one pre-enterprise support was offered by most projects and usually involved project staff in informal first meetings, dealing with clients' concerns about self-employment and wider social issues. This was a particular feature of Faith in Business and Asian Trading Links.
  - Specific Training delivery: The Enterprise support for disadvantaged groups project provided intensive training in accounting (National Vocational Qualifications levels 1-4). Black MBA focused on getting more black people into MBA programmes through its scholarship programme. International Management and Recruitment Consultants (see box below) ran a series of training sessions including a strong focus on Business English.
  - Most projects offered one-to-one business advice, either through project staff or through seconded or brokered introductions. These included Asian Trading Links, Faith in Business and Fit to Supply
  - The Fit to Supply project run by ABi associates - who also ran Faith in Business - provided supplier diversity workshops focusing on the demand side of procurement.
  - Networking: Networking was central to many projects and for the 12/8 project, it was the main delivery method. This was also true of Hertfordshire Business Link which helped Asian businesses to set up an association and seconded staff to it.

**Table 1 - Phoenix fund projects that worked with ethnic minorities and migrants**

Name of project	Lead organisation	Main target groups	Location	Approach
Faith in Business Project	ABi Associates	African-Caribbean start-ups	NW London	This project encouraged entrepreneurship within the African and Caribbean community by reaching them through the Black Majority Churches in London.
BEC	Business Enterprise Centre	African-Caribbean start-ups	NW London	This project used paid mentors from within the African-Caribbean community to support start-up activity.
Black MBA	Black MBA	African-Caribbean	London and regions	A wide-ranging project focusing on promoting high aspiration among the Black community.
Fit to Supply Project	ABi Associates	Women and BME businesses	NW London	The project concentrated on four areas: procurement support and advice for female-owned businesses, supply chain development of BME businesses, promotion and development of green and e-procurement opportunities, and development of supplier diversity models and corporate social responsibility.
Asian Trading Links	ATL	Asian businesses	West Yorkshire, Birmingham, Leicester	The project is piloting ways of supporting independent retailers.
East End Micro-credit Consortium	EEMC (Environment Trust, Streetcred, Account 3, Homeless families)	Somali and Bangladeshi women start-ups	East London	Micro finance for female-led start-ups – uses an adapted Grameen peer group model, delivered through three community-based organisations.

Share and Succeed	Business Link Hertfordshire	Mostly Asian businesses	Hertfordshire	This project aims to increase the take-up of business support services by ethnic minorities by developing peer business-to-business networks and an integrated portfolio of tailored services.
Enterprise Support for Disadvantaged Groups.	International Management and Recruitment Consultants (IMRC)	Refugees and BME start-ups	London	This project aims to develop the existing entrepreneur skills of refugees and help establish new businesses in disadvantaged areas in London.
Nazir Associates	Nazir Associates	Asian business retail	Birmingham	This project worked with retailers to help them to update their IT systems (Electronic point-of-sale websites, etc.).
The 12/8 Network.	Business Link for Birmingham	African-Caribbean businesses	Birmingham	This network seeks to accelerate the growth of a competitive and successful African-Caribbean business community through developing a programme of improvement for existing African-Caribbean businesses in the West Midlands and developing a model of business support which can be replicated in Business Links across the country.

### Different approaches to working with target groups

#### *Faith in Business*

The Faith in Business project worked by using the outreach capacity of Baptist churches to reach the male members of the African-Caribbean community. The idea was to assist the development of church-based community / business groups as partners in economic regeneration. Essentially there were three different processes: engaging African-Caribbean Community (ACC) congregations in the development of business services for start-ups, providing training and support for those who wanted to start their own business and growing existing businesses and using their skills to help their own community.



At an operational level this involved asking religious ministers to display leaflets publicising enterprise events; providing input to the training and services provided; encouraging referrals and signposting for business support; identifying possible community enterprises; and identifying potential business mentors and volunteers.

Faith in Business then ran 'Be Your Own Boss' courses and training for Christians, in a range of subjects, some given by ACC Christian business leaders. At one workshop held in October 2002, six businesses and four individuals attended. This workshop proved to be very successful, as participants were able to start working on their own business plans. They followed this up with a tax workshop which five businesses and four individuals attended. Participants were encouraged to identify areas that needed to be addressed. The workshop enabled participants to better address tax issues in their business or within their business planning. This workshop was followed by one on managing finances and a workshop for helping businesses to obtain the Foundation Certificate in Food Hygiene.



A wide range of other workshops were also held, focusing on legal aspects, starting up, time management and marketing. The aim was to alert the majority of attendees to existing mainstream advice and training. Faith in Business also provided business mentoring advice to those starting their own business. Such advice included dealing with client calls, arranging one-to-one advice sessions, writing client reports, assisting clients with business planning and following up to check progress. There was no strict or formal selection procedure, and no particular limit to the advice that could be given.

Apart from the innovative outreach approach with a very specific focus on the African-Caribbean Community in this part of North West London, most of the rest of the project was relatively typical of enterprise agency activity. One of the implicit targets of the outreach was to get more African-Caribbean men into programmes. Studies such as Global Enterprise Monitor have shown that this group has a relatively high level of interest in entrepreneurship but a low level of conversion from aspiration to starting up a business. Young African-Caribbean men do not go to church as frequently as their mothers and sisters, though they can be reached through the churches.

Faith in Business developed a powerful way of continuing the support through establishing a support group made up of ten to twelve people, for prayer and to talk through problems and find encouragement.

*East End Microcredit Consortium: Hub and spoke*

EEMC was a lending programme for start-up businesses that ran in East London from 2001 to 2005 and was supported by the Phoenix Fund and the European Re-



gional Development Fund. Elements of the project continue today through work by two of the outreach organisations - Streetcred and Account 3, and through the emergence of Fair Finance, a community development finance institution.

The EEMC used a peer-group model based on the original idea of a group of five people invented by Muhammad Yunus at Grameen Bank, where EEMC's founder Faisal Rahman had worked in the 1990s. The main target group was the Bangladeshi and Somali communities in Tower Hamlets, Newham, with a particular focus on women.

The lending operation used a 'hub and spoke' model. The Environment Trust acted as a hub, provided the lending and running the loan book, while three locally-based community organisations, Streetcred, Homeless Family Unit and Account 3, were the spokes working directly with the clients, providing outreach and organising peer support.

The EEMC also used step-by-step lending whereby the first loan is very small, and successive loans can grow as the practice of repayment is demonstrated. The first loan was up to £500 (€630), the second £1,000 (€1,260) and the third £2,000 (€2,520), with administration charges taking between six and ten per cent.



The Consortium members worked through a series of lending circles, which were each made up of between four and six women. Individuals had to obtain agreement from the group before a loan was issued. The group also vetted each individual's business plan. If one person failed to repay the loan, the whole group was penalised. As is the case with all microcredit systems, this 'moral collateral' formed the backbone of the Consortium. And it worked: 98 per cent of loans were repaid.

The project set up 55 peer lending groups equating to over 300 women, and granted over 250 loans. At the last count, more than fifty women had taken out second loans and a handful of tertiary loans, proof that their businesses had developed. The project's success cannot however be measured simply by the number of loans granted. For many women the success story was having the chance to get out of the home, and being given a chance to consider their options. By working on the margins of society, this project's work has had a real impact on people's lives.

#### *Black MBA*

Black MBA (Master of Business Administration) was a project funded under the Phoenix Development Fund and the EU EQUAL Community Initiative. It ran for approximately three years before getting into financial difficulties and going into liquidation in 2004. Its title comes from an American model of the same name that uses the MBA soubriquet to lend the model a reputation for quality.



The business failure of the Black MBA Association (UK) appears to have been brought about by poor management linked to a classic example of the over-expansion of a small organisation. It simply grew too big too fast; if it had been a private company, it would have been over-trading. Yet a third factor drove the organisation into this position: an over-abundance of public sector grant money which was then stopped abruptly. When the Phoenix Fund failed to support Black MBA after the first three-year period, the organisation could no longer co-finance its EU EQUAL funding and quickly went under.

This last factor is the key issue. Normally, public agencies award funds to organisations with a funding track record. Black MBA Association (UK) was unusual in being a new organisation that succeeded in gaining the support of major funders providing EU EQUAL, European Social Fund and national funding (Phoenix fund). As a result, it received considerable amounts of public funding.

Black MBA was a franchise of a successful US-based model which had developed a wide range of activities over two decades of development. Black MBA in the UK went into action with the intention of running a wide range of initiatives similar to those of the programme in the United States. This contrasts with most other Phoenix projects, which focused on one or two main activities and stuck to them. It seems likely that Black MBA was too ambitious in taking on so many activities. These activities included: Entrepreneur clinics; lifelong-learning for wealth building; developing a community bank; Entrepreneur website and Entrepreneur online programme; Entrepreneur expo; Entrepreneur advisory service (also financial advisory service); Entrepreneur experiential learning; Entrepreneur scholarship programme; Entrepreneur outreach; and Entrepreneur MBA scholarship programme.

The financial collapse of Black MBA should be instructive for Government agencies that fund projects. The new organisation grew too fast, was too ambitious and spread its energy across too many activities. Above all, Government funders need to be able to pinpoint when things are going wrong, understand and recognise too-rapid expansion, intervene at an early stage, and exercise control with close monitoring and management. Black MBA illustrates the social responsibility of funders and also indeed how much is lost when organisations collapse.

*IMRC: Working predominantly with refugees and BME*

International Management and Recruitment Consultants (IMRC) worked with refugees and BME groups in London. Refugees are often determined and enterprising individuals, many of them possessing professional and commercial skills. Though many come from business backgrounds, they need assistance in adapting to the culture of British business and finding their feet in a new world.



Refugees and new settlers need help in building confidence as well as emotional support. At the very least, advisors should show sensitivity. Ideally they should also use counselling and listening techniques. Refugees are often dealing with other major life challenges such as personal and family life disruption related to their immigration. It is vital to invest significant time in building a listening and learning relationship, and in understanding their unique set of difficulties and dilemmas. Standard support packages may well be inappropriate. To build trust with BME entrepreneurs, advisers need to be culturally sensitive and behave appropriately - particularly with regard to norms of politeness, respect and hospitality.

IMRC was established in 1987 as a private limited company in Tottenham (Haringey Borough, London). Soon after, it set up an office in Wembley (Brent and Harrow Borough, London). It is a registered provider of vocational and enterprise training for the various Learning and Skills Councils (formerly North London Training and Enterprise Council (TEC), North West London TEC, and West London TEC). It is particularly strong in accountancy training: IMRC is located next-door to and partially owns the North London Accountancy College.



The organisation provides training at National Vocational Qualifications accounting levels 2, 3 and 4 and is also strong in IT training. IMRC gained the quality standard ISO 9001 for educational training and emphasises this fact, being proud to be one of the few training and consultancy companies in the country with such certification. It has four full-time members of staff and draws on the resources of about six regular consultants who provide training and consultancy input. The Phoenix project is IMRC's main source of income and focus, and it runs its vocational courses alongside it.

The aim was to work with refugees and disadvantaged ethnic minorities, and to provide help and support in capacity-building, so that they would become self-employed and self-sufficient. To achieve these aims the project ran awareness days to attract potential entrepreneurs; a programme of classroom courses run by those sensitive to the cultural issues of ethnic minorities and refugees; a more personalised form of life and business coaching; one-to-one, holistic business advice; general support, such as help with funding applications; and computers and the use of office facilities.

The project aimed to address the English business 'language and culture' challenge, together with other shortcomings in people's business skills. The approach has been to build strong and trusted relationships with entrepreneurs over time. Recruitment and referral to the scheme was mainly through the local press, and via a flyer, with the following wording:

“Opportunity of a Lifetime: Free of Charge. IMRC has joined hands with Refugees Into Jobs to help support refugees and Ethnic Minorities who are unemployed and want to set up their own business. We will provide: help in business English, training in business planning, marketing, financial management, import and export, legal and corporate requirements, signposting to sources of finance, help to secure funds to start a new business, help to run a successful business, training in IT/ICT to encourage e-commerce. We are looking for serious and committed persons who have had some experience in business in the UK or their country of origin.”

Business awareness seminars were open to all and allowed a wide range of people to develop their enterprise idea. These seminars also gave IMRC staff a chance to assess how serious attendees were, and mutually agree on the full package of business courses and advisory support. An interview and a needs analysis followed, which assessed the kind of course training or mentoring they should receive. The recruitment process used a filter whereby the first awareness seminar was open to all, followed by a needs assessment for those interested, after which a selection took place and those that went forward created an action plan. This then led to training and coaching.

#### Courses included

- (1) Business English based on the Financial Times course book Market Leader: twenty sessions of three hours each over three months;
- (2) Marketing: six sessions of three hours each over six weeks for fifteen students;
- (3) Business Planning: six sessions of three hours each over six weeks for fifteen students;
- (4) Introduction to Sage seminars: one day;
- (5) Introduction to book-keeping and accounting; Financial Management, Tax and VAT; and
- (6) Introduction to import / export businesses (one day) and other courses on 'Nuts and Bolts of English' (legal framework, insurance, type of business).

These courses included a subsidy for travel costs and were scheduled at varying times of the day, particularly evenings and weekends, to try to allow for people to make alternative childcare arrangements if necessary. Advisory sessions were provided by an assigned mentor. These were usually those who had provided the course training, the core of the business support package. Advice was arranged in an informal and flexible way, with no particular quota or schedule. Matin Khan, the leader of IMRC, emphasises that: “there is no quota on the advice they can receive. [*Such a quota*] would put them off, make them



feel uncomfortable. Even after the project funding has finished, we'll continue to help our clients for free."

### **Specific approaches reach the most BME clients**

Observations from case study visits and a review of monitoring data suggest that the more specific projects were reaching the most BME clients. A detailed analysis of the ethnicity of clients from Small Business Service quarterly monitoring returns supported this finding. These data showed that 25 of the total of 96 projects reached 83 per cent of the 14,226 ethnic minority clients that Phoenix Development Fund (PDF) projects helped. These 25 projects tended to have high proportions of their clients from ethnic minority groups. In 80 per cent of these projects, ethnic minorities made up more than 50 per cent of the clients. Table 2 below illustrates this point by showing the top fifteen projects ranked according to numbers of ethnic minority clients.



Most of these projects were physically based in areas of high ethnic minority population. The two exceptions are The Prince's Trust which operates nationally, but still specifically targets disadvantaged youth, and the Hertfordshire Project, which has a specific ethnic business focus in a county of the UK renowned for its general prosperity and leafiness.

Ten of the projects shown in Table 2 had more than half of their clients from minorities. Of the remaining five projects, The Prince's Trust, a national project, has the lowest percentage of ethnic minorities among its clients (sixteen per cent), but because of the relatively large size of its client base (4,583), it still managed to reach a lot of BME clients.

North Hertfordshire Business Link took advantage of having a dynamic Sikh business adviser Amrit Maan in their employ. He was able to help the Asian retailers in the area to set up a business association and was later seconded to the new association. This is an example of a highly targeted approach originating in a Business Link. Such approaches appear to be rare in mainstream agencies and perhaps significantly this initiative was funded by the Phoenix Development Fund (PDF). A Business Link director from Lancashire commented that they would like to do more outreach work like this, but that the Small Business Service funding and target framework within which they operated made this difficult.

In general, the PDF projects that achieved higher ethnic minority participation in enterprise were specialist ethnic minority-focused enterprise projects. However, mainstream agencies can also increase their outreach to ethnic minorities by running specialist projects similar to the North Hertfordshire project.<sup>6</sup>

**Table 2 - Top fifteen projects working with ethnic minorities  
(by numbers of BME clients reached)\***

Projects	Location	Total PDF grant	Clients assisted	Total ethnic minority clients	% of clients from ethnic minorities
East End Microcredit Consortium	East London	£165,557	321	272	85
BL Hertfordshire	Hertfordshire	£246,642	300	300	100
Bootstrap Enterprises	East London	£286,272	344	301	88
Train 2000	Liverpool	£225,000	2,460	450	18
ABi Associates*	NW London	£387,500	625	490	78
East London Small Business Centre	East London	£295,000	675	490	73
The West Yorkshire Enterprise Agency Ltd.	West Yorkshire	£849,000	1,375	525	38
ABi Faith in Business <sup>7</sup>	NW London	£144,200	659	574	87
Nazir Associates	Birmingham	£723,138	689	688	100
The Prince's Trust	National	£736,000	4,583	733	16
Tottenham Green Enterprise Centre	Tottenham	£300,000	2,571	1,599	62
Portobello Business Centre	West London	£598,670	2,468	2,031	82
Womens Education in Building	Stratford, London	£522,250	5,875	3,339	57
<b>Total BME clients reached by top 15 projects</b>				<b>11,792</b>	
<b>Total BME reached by all projects</b>				<b>14,226</b>	

\*Note that figures for Black MBA are not presented.

## Conclusions

The Phoenix Fund was almost certainly the largest pilot action ever undertaken in a European Member State in the area of specialist approaches to reaching par-



ticular target groups of entrepreneurs. It is likely that only the EU EQUAL initiative running between 2000 and 2006 was larger, but at a national level within England, Phoenix had broader scope. The Phoenix Fund projects that focused on Black and Minority Ethnic (BME) communities revealed a number of interesting aspects, discussed below.

*Reaching particular communities requires specific approaches*

The evidence from client outreach suggests, as mentioned above, that it was the highly specific projects that reached the most BME clients. In effect, 80 per cent of BME and migrant clients supported by all 95 projects were reached by just fifteen per cent of the projects, most of which had a specific BME approach to engagement (even if many also supported people other than BME groups).

More generalist projects, even when working in inner-city areas, did not reach high numbers of BME clients. There were some exceptions to this rule – notably The Prince's Trust which, by virtue of being a very large project, reached 733 BME clients. All but two of these projects had more than 50 per cent of their clients from BME communities and most of these projects had a deliberate strategy of engaging BME clients rather than a general approach.



*Innovation in outreach*



Despite the problems of mainstreaming results, there is no doubt that a considerable level of innovation both in how to reach clients and in how to work with them took place within the Phoenix Fund in general and in the work with BME communities in particular. The idea of some people being 'hard to reach' had become entrenched in many business support discussions. Phoenix projects demonstrated clearly that there were many different methods available to reach out to communities.

These methods varied from the faith-based approach used by ABi Associates with Faith in Business, to the idea of using existing community-based organisations to combine their clients, together with a new methodology in order to lend to women, as used by the East End Microcredit Consortium. This organisation went on to become the basis for Fair Finance, one of the most exciting community development finance institutions in the UK with a mixed portfolio of personal and business lending and advice, designed to develop the financial capability of its clients.

Some projects already indicated the importance of building capacity in the community that was to become the hallmark of a later EQUAL funded project called SIED – Supporting Inclusion through Enterprise Development. This subsequently



became the Association of Community Based Business Advisers, or ACBBA. Their model, developed under EQUAL, transforms a volunteer in a BME or refugee association into a qualified business adviser – the so-called ‘embedded’ business adviser. It is likely that SIED would not have been created without the assistance of Phoenix.

Many Phoenix projects working in communities were physically located in or close to their potential clients. Yet the most seemingly self-explanatory finding about outreach was that you have to get out of the office to make it happen. Phoenix projects found all sorts of places to undertake their projects: churches, community centres, housing estates and even the street itself. This may seem an obvious point, but at the same time it is a powerful lesson. Most of all, the outreach teams went to the places where people meet; it built on the social capital already existing in communities – often working through community based associations that previously had nothing to do with enterprise.

#### *Innovation in working with clients*



Phoenix produced a number of innovations in working with clients. The final evaluation used the term ‘transformational’ business support to refer to a type of engagement that was deeper, more open-ended, more empathetic, and more trusted than that provided by many mainstream business services. These services were very client-focused; they saw the need to develop the person and not just their business – and perhaps this is the sense in which business support can be truly transformational. At their best they were also empowering. This was often only possible because the lack of a strong ‘target-based’ culture within Phoenix allowed projects to spend far more on individual support. Many projects saw their support as open-ended in the same way that IMRC described their approach above.

For BME communities - especially more recently arrived groups where clients may not have UK nationality - it seems important that the service does not feel like part of the State system. Services that ask too many questions are likely to be perceived as ‘prying’. It is evident from the client survey - as reported in both the interim evaluation and the final evaluation - that very high proportions of clients were satisfied with the service they had received and that many had been helped with an intensity of resources that went far beyond that normally provided by the mainstream providers in terms of business planning, information and guidance.

#### *Diversity is very ‘diverse’*

Phoenix-funded projects worked across very different areas and communities. Some BME communities have much higher levels of entrepreneurship than the



average (Chinese women and Bangladeshi and Pakistani men in particular). Others have very low levels – including most Muslim women in the UK and many African-Caribbean men. One perhaps obvious reflection is that the projects demonstrated that there were very different needs among different BME communities and between men and women.

Surprisingly few projects tried to tackle the significant gender differences that exist among South Asian communities, particularly among Bangladeshi and Pakistani communities. Only the East End Microcredit Consortium (EEMC) succeeded in reaching out to this seriously under-represented community; estimates suggest that less than one per cent of Bangladeshi women are self-employed or otherwise involved in enterprise. This project also had some success with Somali women who show very low activity and employment rates in British society.

#### *Sustainability*



Phoenix-funded projects showed that sustainability is a major challenge for independent business support organisations. Black MBA was the most spectacular failure. However, in the years following the end of the fund, it has been evident that the loss of Phoenix, the completion of the single regeneration budget and the ending of EQUAL, together with continued difficulties for smaller organisations in accessing the European Social Fund because of a privatised prime contractor model and in accessing the European Regional Development Fund, had combined to force many organisations to downscale their activities or cease them altogether. This has been exacerbated by the narrow economic approach often displayed by one or two of the more limited of the Regional Development Agencies and their new logic of de-proliferation and simplification. The most agile projects, such as EEMC, have managed to keep growing. The EEMC indeed has metamorphosed into an institution, 'Fair Finance', that is quite likely to still be active in East London ten years from now.

#### *Mainstreaming*

In general, Phoenix Fund projects were not successful at mainstreaming their results. The experience suggests that mainstreaming approaches need to be built into the programme-level activity as well as into individual projects. Projects funded under EQUAL had a mainstreaming and dissemination phase built into their final year of operation, a phase that was lacking in Phoenix. It is possible that as a result, EQUAL will have a more enduring influence on policy than Phoenix.

Phoenix was further hampered by a series of decisions made by the Treasury and the Department of Trade and Industry's Business, Enterprise and Regulatory Reform to break up the Small Business Service (SBS), devolve the management



of the Business Link network to Regional Development Agencies, and to simplify business support by reducing the number of initiatives from 3,000 to 100. By 2005 the policy tide to support 'enterprise for all' that had led to the specific approaches tested out under Phoenix had turned into a much more restrictive approach based on managing the service delivery of the mainstream provision. The result has been a reduction in community-based and independently-delivered products.

Towards the end of the Phoenix fund, the lack of a legacy plan was evident. Not enough detailed work on capitalising upon the experience of the projects was carried out, apart from some thematic reports, including one on BME projects that was not published. In retrospect, it is possible that SBS placed too much reliance on the much-delayed publication of the evaluation carried out by the author of this article. Other activities consisted of publishing glossy summary documents such as the *Leading Lights* report which contained two-page profiles of individual projects.



In contrast, not enough emphasis was placed on developing transfer, exchange and mainstreaming techniques in a managed process linked to the Regional Development Agencies (RDAs). The situation was certainly exacerbated by the way that the Business Link service was transferred to the RDAs and the lack of any control by the SBS over how monies for enterprise in disadvantaged areas went into the agency 'single-pot' budget system.

Some of the most significant impacts of Phoenix have been in the language used to describe forms of business support by the RDAs and other policy-makers and practitioners. Much of this has happened through the transmission of ideas through the EQUAL projects, which, although slower to start, proved to have a greater influence. Inclusive entrepreneurship now has its own Community of Practice (COPIE) working across Europe. People in the field of business support frequently refer to 'specialist' business support organisations and to 'the mainstream'.

The language used in the Phoenix Fund evaluation, such as 'transformational business support' used to describe an intensive coaching approach, has been picked up by at least one Regional Development Agency (East Midlands). The much-vaunted 'braided approach'<sup>8</sup> – which formed the final conclusion of the interim evaluation report – was taken up by Prowess, the women's business support advocacy organisation, and used to describe a future enterprise support system that combines specialist and mainstream methodologies in a more integrated approach.



*How can the mainstream learn and change*

The problem of sustainability is always going to exist for support that cannot profit from its customers. This is particularly true of start-up support and also of support for consolidation and growth in low-margin sectors – such as ethnic restaurants and shops.

The way forward in the long term should be to improve the services offered by the mainstream agencies. Hertfordshire Business Link and also Birmingham Chamber of Commerce, which delivered the Business Link service in that city, showed that it is possible to innovate from within the mainstream. The Birmingham Chamber has been so successful that it has built up its Asian business participation dramatically to over half of the total membership. Note that in the UK there is no requirement for businesses to become members of their local Chamber of Commerce; it is entirely voluntary, unlike in Germany and other Member States.

Methods developed in the Phoenix Fund, such as the Prowess Flagship Award – a quality mark for women-friendly business support, could be developed for BME support, to ensure that services are inclusive and up-to-scratch. In addition, the new COPIE European Tool for Inclusive Entrepreneurship reviews a range of services from different target group perspectives including BME, migrants, women, youth, the elderly and the disabled.

The Phoenix Fund revealed that there was a significant market of potential and actual entrepreneurs who were not being served by the existing mainstream structures. Many of these clients were from BME communities. Now that we understand better how to engage these clients and how to work with them, the 'hard to reach' argument is no longer an excuse.

In its own terms, the Phoenix Fund was undoubtedly successful at encouraging fresh thinking about stimulating enterprise and business support for people in disadvantaged areas and among under-represented groups. Approaches varied in their effectiveness, but at their best offered value for money. The fund was most successful at reaching key target groups when specific approaches were used for outreach. Community-based projects were not so successful at engaging the mainstream, but specific approaches adopted from within the mainstream were very effective at bringing BME clients into the mainstream.

The greatest failure was in building capacity within organisations. Phoenix showed that capacity can be built, but that this capacity has to be sustained through long-term funding approaches and not five-year-long initiatives. The handover of funding from Small Business Services to Regional Development Agencies was mishandled and compromised the long-term support. In the longer term a truly



braided system that combines the best of the specialist knowledge and expertise of the BME business support practitioners with the scale and resources of the mainstream would be the better option. This requires a change in the 'target-based' culture and funding from both the RDAs and Business Links in the mainstream, as well as from the specialist providers.

## Notes

<sup>1</sup> Development Fund bidding guidance, Small Business Service, 4 August 2000.

<sup>2</sup> Labour Force Survey (2004).

<sup>3</sup> Business Link is the national Government service for supporting enterprise in England, established in 1993.

<sup>4</sup> Some Business Links in Objective 1 and 2 areas applied for ERDF and other funds to provide services to start-ups.

<sup>5</sup> Grameen bank was founded by Muhammad Yunus, and pioneered a technique called 'peer group lending' by which loans are made to groups of five women who provide 'social collateral' to guarantee the loan instead of the traditional collateral of fixed assets.

<sup>6</sup> It should be noted that because of the highly concentrated settlement pattern of ethnic minorities in the UK, some Phoenix projects - especially in rural areas - were working with predominantly white communities (for example in rural Cumbria and Holderness).

<sup>7</sup> ABI Associates had two projects, one in each round. Faith in Business was their first project, and Fit to Supply was their second.

<sup>8</sup> The braided approach suggests an integration between mainstream and specialist approaches whereby they are linked in a single support system by funding, referrals and evaluation, so as to combine the scale of the mainstream with the outreach of the specialists.



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## ■ The Bolton Metro's Ethnic Minorities Business Service

Sikander Badat\*

**Abstract** This article presents a model of excellence for supporting the start-up, development and growth of Ethnic Minority Businesses. I have established this model on the basis of over twenty years of experience in delivering pioneering and innovative business and enterprise support initiatives targeted at ethnic and mainstream businesses. I believe that the model, which has received national and international recognition, can be successfully transferred to other business support organisations to produce similar results. It is important to state that this article represents a practitioner's view. One of the achievements of the model is its continuous formidable record of over 90 per cent survival rate for businesses trading over two years.



**Keywords** business, Bolton Ethnic Minority Business Service, ethnic minority business support model, 90% survival rate for ethnic minority businesses.



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## ■ The Bolton Metro's Ethnic Minorities Business Service

Sikander Badat

The Bolton Metro's Ethnic Minorities Business Service (EMBS) has been assisting the development and growth of Ethnic Minority Businesses since 1987. The Service has developed a range of innovative and pioneering programmes, which have helped to improve the performance and competitiveness of Small and Medium Enterprises run by people from South Asian, African/Afro-Caribbean, Chinese, Middle Eastern and Eastern European backgrounds. The programmes that have been developed and successfully implemented are based on an understanding of language, culture and ethnic minority community and business dynamics, to ensure that they meet the requirements of this target group. This work has enabled individuals from these communities to set up successful businesses and particularly to break out of traditional sectors such as retail and move into ICT, telecommunications, fashion and textiles, graphic design, food production/catering, pharmaceuticals and printing - to name but a few.



There is an unmet demand for business support from Black and Minority Ethnic (BME) communities and businesses, as mainstream business support organisations such as Business Link<sup>1</sup> are not able to successfully engage these communities in their programmes of support. Their services do not take into account the barriers that these communities face in starting up, developing and growing a business.



I have now been involved in this work for over twenty years and I have come to the conclusion that BME businesses face specific problems and barriers over and above those faced by mainstream businesses in start-up and development. Some of these barriers relate to accessing support from business support organisations. A number of research studies have been commissioned by the Department of Trade and Industry and other public sector organisations that substantiate my findings.

Raising finance, access to the provision of business support and a lack of crucial management skills and networking are the key issues that BME businesses face. Although some of these issues are common to all businesses, the impact of these issues is far more severe for BME businesses. In my opinion these are the symptoms and not the root causes, hampering the development and growth of businesses from this sector.

Business support organisations need to be aware that Ethnic Minority (EM) culture, business dynamics and language are in most cases the root cause of these



symptoms. For example, innovation in some of the EM firms can be slow to emerge and can be affected by the complexity of family decision-making systems. To encourage innovation, consultants and advisers need to be culturally sensitive and understand family dynamics. In addition, some EM communities historically had a low level of economic participation. This has meant that they have not acquired the full set of transferable skills. Support agencies need to recognise this and to develop appropriate strategies to overcome these barriers. Furthermore, family dynamics, culturally accepted distribution, power and authority play an important role in the life of EM businesses. Support agencies should be aware of these dynamics and have strategies in place to accommodate them.

Business support agencies should first demonstrate sensitivity to minority ethnic business needs, problems and opportunities; secondly, they should be sufficiently aware of and sensitive to the diversity of minority ethnic business in order to provide appropriate and targeted business support; and thirdly, they should have credibility in the eyes of ethnic minority business people. In sum, organisations need policies, strategies and programmes to meet these challenges and to ensure that BME businesses achieve their full potential within the economy.



The award-winning model I have developed of supporting businesses from this sector would certainly enable business support organisations to both engage and effectively help BME businesses. The model helps to overcome the problems, issues and challenges faced by the EM business sector mentioned above. These businesses are hard to reach, socially excluded - especially those trading in the inner city -, face multiple deprivation, and linguistic and cultural differences can sometimes hamper the growth and development of their businesses.

The challenge therefore is to overcome the issues highlighted above. We need to have in place a model of service provision that is not only tailored to this client group but is an integral part of the mainstream enterprise infrastructure, to ensure that EM businesses are not isolated from the mainstream. My model is unique and provides customised support to BME businesses. It is also a partner in the mainstream support structure, thereby helping to inform policy and develop appropriate strategies, enabling the development of this sector of businesses. The cross-cutting theme incorporated within the model ensures that all staff involved within the service have an understanding of different cultures, religions, languages and EM business dynamics.

The key functions of the model are Outreach and Capacity Building, Information and Support Provision, and Customised Business Support Initiatives. Outreach and Capacity building provides pro-active outreach support by dedicated multi-lingual enterprise workers. This function helps to develop sustainable capacity among potential and existing EM businesses. These individuals are the crucial



link between EM businesses/individuals and the wider enterprise network. The Outreach function allows continuous support to be provided to clients, enabling the service to achieve capacity, trust, credibility and loyalty between EM businesses, the service and all partner organisations involved in the enterprise network, including Job Centre Plus, the Learning and Skills Council and Business Link.

The Information and Support Provision function facilitates the clients' progress, once the Outreach function has engaged clients onto the programme of support. The Information Support function plays a dual role, in which it acts as an important link between the client, the agency and the Outreach function, while also gathering data on the effectiveness of the programme delivered to clients and the impact on these clients of policy measures from other mainstream service providers. Overall, it helps to inform future policy development and service provision.

The key elements of the service highlighted above generate demand among potential and existing EM businesses to avail of support services. The customised function is crucial in that it provides the business advice, training and consultancy support to enable the development and growth of Ethnic Minority Businesses.



The Outreach and the Information Support function contributes to the development of customised Business Support Packages for clients, to ensure the effective progress of their business plans. Therefore, the delivery of any such business packages includes an EM dimension, for example, the programmes are culturally sensitive, relevant and delivered in a number of languages by specialist business advisers who have a thorough understanding of EM culture and the relevance to business.

The enterprise support package includes Enterprise Awareness Events, Business Diagnostics, Diversification Programmes, Business Management and Marketing Skills Workshops, Tailored Programmes, Counselling and Consultancy, Business ICT Support, Business Planning, and so on, all delivered in a culturally relevant manner to unlock the enterprise potential of a community that has largely been pushed into entrepreneurship without the key skills to sustain, diversify and grow their business.

I am pleased to report that the model has achieved a 90 per cent survival rate for businesses trading for over two years, significantly higher than the national average, which currently stands at 60 per cent. The best practice that this model has achieved has been shared with business support organisations across the North West of England.



The Model of Excellence for Ethnic Minority SME's Start-Up, Growth and Development was presented at the International Council for Small Business 48th World Conference on 15–18 June 2003 in Northern Ireland. This is a successful business support model for Small and Medium Enterprise (SME) development which can be adopted by all business support agencies as best practice.

In January 2006 the Bolton Ethnic Minority Business service was incorporated into Business Bolton, the mainstream business support service of Bolton City Council. Business Bolton has adopted the key principles of the EMBS model and has business advisers and outreach officers who can engage with individuals from diverse backgrounds and cultures.

### **Notes**

<sup>1</sup> For further information on the Business Link network, please see: [www.businesslink.gov.uk](http://www.businesslink.gov.uk)







## ■ Lanzadera: A new resource for simplifying self-employment

José Menéndez\*

**Abstract** The “Company Launcher” Project was created by Trans-Formando, a non-profit cooperative founded in 1998 with the objective of furthering social and economic inclusion through the promotion of self-employment. This project allows entrepreneurs to test their business idea or undertake specific activities to augment their income in real-life conditions and in a simple, rapid and cheap fashion. It is an alternative to working in the underground economy, although the person concerned must at least have a work permit. Because of these characteristics, it is particularly suited to immigrants, although anyone can use it. During the two-and-a-half years that the project has been running, with a budget of €54,000, services have been provided to over 260 entrepreneurs and it has generated more than €200,000 in billing from 45 entrepreneurial initiatives. We present here some results that show the efficiency of the project.



**Keywords** launcher, self-employment, entrepreneurs, immigrants, Trans-Formando.

\* Trans-Formando (Madrid - Spain)



## ■ Lanzadera: A new resource for simplifying self-employment

José Menéndez

### Opportunities and difficulties in self-employment

Recourse to self-employment is very attractive for people who can find no-one to offer them employment that corresponds to their abilities. However, creating a business is not easy for anyone, and difficulties are intensified in the case of people in circumstances of exclusion, such as immigrants. Even if people have good ideas and professional knowledge, it is seen as the risk of a 'leap into the unknown', as clearly the entrepreneur cannot know in advance whether their business will be viable. On the other hand, there is an enormous lack of knowledge of procedures - of 'red tape'.



As the majority of people need to maintain some form of income, they cannot leave their employment with another company, and therefore a good option is to begin gradually, as a part-time entrepreneur. Nevertheless, even if people work part-time it is essential to have legal cover and to fulfil municipal, fiscal, security and other requirements. Establishing a company (limited company, cooperative, etc.) implies commitments in terms of costs and time, and indeed other procedures if it is to be closed down subsequently. Constituting oneself as a sole trader is much simpler, but it has the inconvenience of requiring the businessperson to pay social security for entire months.

In Spain, immigrants on their first work permit cannot create a business during the first year. As soon as they are in their second year, they must apply for a change in status to self-employed by presenting their business plan and fulfilling other requirements. It usually takes almost three months to receive a response. If the business does not go well then they will have to once again change their status.

In some economic sectors if you do not have a business tax number, no-one will trade with you – you cannot even present quotes or request offers from suppliers. For small businesses it is common to work within the clandestine economy, with the associated risks in terms of accidents and sanctions. This sphere is increasingly regulated and clients demand guarantees for work undertaken, and therefore, a legal invoice.

### **So what can be done?**

In order to provide a response to these problems, the Social Initiative Cooperative, Trans-Formando, based on its experience of almost ten years in self-employment for people in situations of exclusion, has designed and developed a resource, with financing from the Un Sol Mon Foundation, which provides a response to these problems.

Lanzadera (Launcher) is a company that provides legal cover to entrepreneurs, permitting them to try out their services or products gradually, on occasion, or for entire months. Furthermore, it has the advantage of being a simple and immediate process:

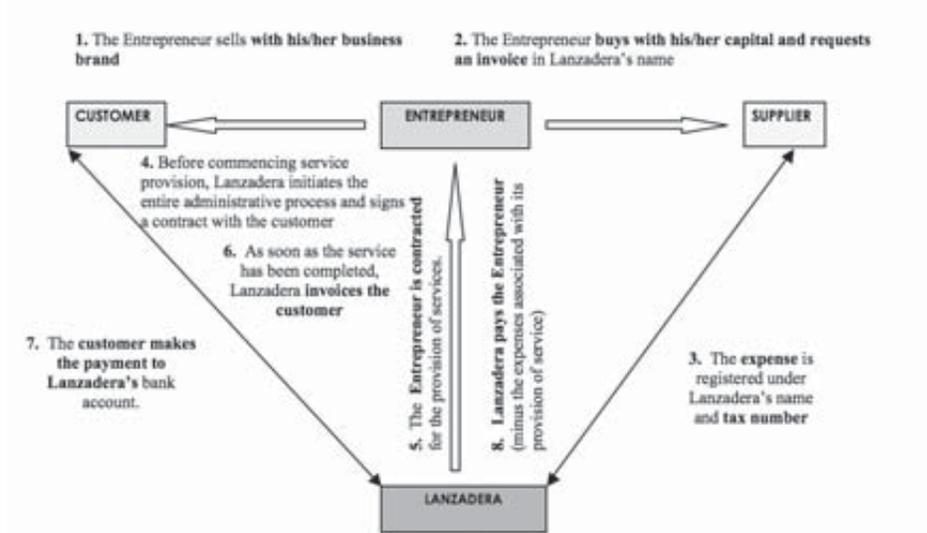
- without changing jobs,
- without dealing with any 'red tape' or procedures,
- without taking accounts,
- without changing work permit status.

The entrepreneur consultancy service and registration are free-of-charge and only when people begin to charge for services are there some small management costs (€40 per month) for social security and fiscal obligations. Cover can be provided for almost any activity, with the exception of those that involve a risk, such as some construction activities. It is even possible to provide cover for activities undertaken in one location, such as shops.

As well as the advice and legal cover, small loans are provided to finance the delay in payment by clients or small purchases to initiate the business. The approximate maximum time of use of this service is one year (renewable under special circumstances). The person can leave Lanzadera whenever they wish, because their business is already making a profit, or because it has become clear that their idea is not viable.

The mechanism is described in the diagram below. The entrepreneur seeks clients with his/her own commercial brand, but within a composite enterprise called 'multiservicios lanzadera S.L. (Launcher Multi-Services Ltd.)'. When a job is acquired, it is contracted and the work is undertaken. Lanzadera takes charge of all of the procedures, including contracts, taxes, insurance and billing.

Figure 1 - How does *Lanzadera* work in practice?



### Results achieved

The project functioned between May 2005 and October 2007. The first months were dedicated to trials in order to explore all of the possibilities, legal requisites, risks and risk-management, because this was something completely innovative. The project worked with a €30,000 budget during the first year, and €24,000 during the second year of operation. This budget covered the salaries of a consultant and an administrative assistant, as well as part of the office expenses.

Over the total project period, Lanzadera provided advice to 260 individuals. Of these 260 interested individuals, 45 people actually decided to start up an enterprise. Together, these 45 starting entrepreneurs sent invoices to clients, using Lanzadera's services, for a total of €200,000. We managed to have more than 20 different productive activities, including shops.

The service-users were very pleased with the service because everything was very easy for them, and they received all kinds of help at almost any moment. Lanzadera was the only way to try out their services without the attendant risk. Unfortunately some few service-users abused the service, committing illegal acts (because of ignorance or necessity) and did not submit the clients' payments or did not repay loans. These risks are common among a population in a situation of exclusion.



### **Current situation and contact**

Currently the project has been terminated because of a lack of funding. The payments by the entrepreneurs were insufficient to pay the consultancy service and the necessity for supervision. Furthermore, the responsibilities assumed by the promoter (Trans-Formando) were extensive, and there is no legal system within Spain that could reduce these responsibilities for projects with a social purpose. If there is any institution that wishes to replicate this idea, we offer to provide information and advice based on our experience. However, we would recommend that such an institution have a good administration and entrepreneurial consultancy team.

Trans-Formando is a non-profit cooperative that provides tutoring, consultancy, assessment, micro-credit and training to third-sector organisations and small entrepreneurs. Our contacts are:

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## ■ Immigrants, K'CIDADE and entrepreneurial activity

Zita Carvalho\*

**Abstract** This article describes strategies of support for potential entrepreneurs within the K'CIDADE programme, including a description of the training programme and the methodology, which is founded on the assumption of the existence of fundamental personal entrepreneurial competences for entrepreneurial success and on the constructivist model of support for learning.

**Keywords** entrepreneurial competences, training, methodology, business plan, immigrants.



\* K'CIDADE Programme, an initiative of the Aga Khan Foundation in Portugal.





## ■ Immigrants, K'CIDADE and entrepreneurial activity

Zita Carvalho

At the beginning of the 1980s, UNESCO undertook research involving groups of entrepreneurs and control groups from three continents,<sup>1</sup> with the objective of identifying the motivations, attitudes and competences that translated into the so-called entrepreneurial 'spirit'. The result of the research was the definition of a set of competences<sup>2</sup> that together comprised the entrepreneurial profile, including a liking for autonomy and the motivation to achieve highly difficult objectives and overcome challenges, trusting in their own capacities for work and in the force of their own determination.



Does a person who emigrates and arrives in an unknown country, ready to create a better life for themselves and their families, not by definition possess some of these competences? It can be assumed that entrepreneurial motivations and competences (at least those mentioned) are intrinsic to immigrants. When these personal competences are complemented with the existence of a solid support network among immigrant compatriots - as occurs among the Chinese and Indians, for example - and some conditions favourable to the creation of businesses in the receiving countries, a class of immigrant entrepreneurs can emerge, sometimes within a particular area of business or in a specific region, as has been observed in various countries during the twentieth century.

Instead of immigrants being seen as competition in the labour market, they become entrepreneurs, that is, people who succeed in not only creating jobs for themselves and their family, but also at times creating jobs for others, including citizens of the receiving country. It is in the interest of the immigrants, in the interest of the receiving country and in the interest of the countries of origin, which in many cases receive remittances from their emigrants.

K'CIDADE (Capacity) – The Urban Community Development Programme, an initiative of the Aga Khan Foundation, aims to contribute to the promotion of social integration and the improvement of the quality of life of communities living in the Greater Lisbon Metropolitan Area, namely in disadvantaged districts in the municipalities of Lisbon, Sintra and Amadora. This is to be achieved through sustainable local development initiatives and dynamics, focused on the participation and empowerment of communities, with special emphasis on the immigrant population.

From the beginning of the intervention in 2005, one of the strategic areas<sup>3</sup> defined was support for employment and the creation of autonomous economic activi-



ties (self-employment). The Business Creation Programme - PCN, developed and used within K'CIDADE for two years, has recently been reformulated and transformed into the Self-Employment Support Programme, which is based on some basic strategies: the use of active/constructivist methodologies in training courses, support for entrepreneurial potential in the development of a business plan, providing tutoring by experienced entrepreneurs and peer consultancy and/or the formation of mutual support groups.

The Self-Employment Support Programme is fundamentally orientated around the strengthening of personal entrepreneurial competences and the promotion of a critical and systematic reflection on individual conditions and resources in relation to the decision on the economic enterprise to be undertaken.

The methodology of the training modules is based on educational games, simulations and market research, promoting self-knowledge, learning through participation and group discussions, and the reinforcement of motivation and self-confidence for business start-up. In practice, by engaging in activities such as making account necklaces or t-shirts on sheets of paper, the trainees experience the daily challenges of the management of a business in relation to the choice of raw materials, quality control, the rationalisation of fixed costs, decisions of the level of investment and debt, the use of working capital, and so on.



The training is organised into three modules: (1) Entrepreneurial Competences and the Evaluation of Business Ideas, (2) Knowledge of the Market and Marketing Strategies and (3) Organisation of Production/Service Provision Processes and Economic-Financial Viability. At the end of each module, the potential entrepreneurs will have to complete tasks related to the search for the information necessary for the development of their business plans. The results of the research of each trainee and conclusions on strategies for their business are presented and discussed with colleagues, with the participation of two or three entrepreneurs and/or business analysts invited by K'CIDADE.

After the training has been completed, and each trainee has an outline of their business plan, the tutorial phase begins: the future entrepreneur has access to the support of an experienced entrepreneur, who will question the bases of their strategies and orientate their analysis, while providing a source of information about the market and access to useful contacts.

Subsequent to the creation of the businesses, the K'CIDADE Programme incentivises the constitution of mutual support groups among the new entrepreneurs – a process of cross-consultancy in which the participants analyse the causes and identify solutions for the problems of their businesses, with the help of a moderator.



This training and accompaniment process is quite different to the traditional process of transmission of knowledge by descriptive methods or classic consultancy. The potential entrepreneur is the centre of the process, as a creator of knowledge and a decision-maker. This active and participative process exercises critical analysis, active research, analysis of information and the making of a well-founded decision, as well as fundamental entrepreneurial competences such as initiative, assertive communication, persistence and, particularly, judicious risk evaluation.

As various studies indicate, entrepreneurial initiative is nurtured by the existence of solid support networks among people, such as networks formed according to family connections or connections with the community of origin. One of the entrepreneurial competences identified by the UNESCO research mentioned above is the capacity to form and maintain support networks for the realisation of personal projects.



Whenever the potential entrepreneurs are immigrants, of the first or second generation, it can be assumed that, on the one hand, a support network based on the region or ethnicity of origin is probably in existence, yet, on the other hand, that the network could be restricted to people with few resources and limited access to supports (credit, information, consultancy) in the receiving country. Nevertheless, it is always important to use the approach of providing an incentive to the entrepreneurs for the strengthening and the gradual expansion of the support network.

The existence of support networks can facilitate meetings among potential entrepreneurs, and, consequently, the creation of collective economic activities. In various developing countries, new businesses have been supported among groups, sometimes with greater emphasis on groups of women.

The aim is to stimulate or take advantage of opportunities for collective production or service provision, which can be initiated by exploiting the local market and gradually expanding into neighbouring regions, comprising localities where the middle class predominates, with a significant demand for local or domestic services. The expansion of the business will lead to the employment of more people and the creation of more self-employment.

When speaking of collective businesses (companies, cooperatives, and so on) and the immigrant population, we foresee two interesting permutations: businesses constituted by immigrants of the same origin, taking advantage of the existing support network, or by immigrants and national citizens. In the latter situation, the challenge and the opportunity are that of multicultural coexistence, demanding of the group (and of the support programme) that an effort is made in terms of



intercultural learning. Yet it is exciting to imagine the potential of a combination of multicultural experiences, abilities and talents. Is it not worth the challenge of dealing with different values and customs in exchange for the combination of diverse competences?

The various areas of intervention and actions of the K'CIDADE Programme are not isolated from one another – the approach is one of convergence and integration. Supporting immigrants in the creation of self-employment covers more than entrepreneurial management skills or support in the formalisation of activities. We are dealing with people in a peculiar social situation, originating from specific cultures, settling in a receiving context that can be more or less favourable, subject to culture shocks that are more or less intense. Issues such as access to education (in the widest sense), social cohesion and social integration are important. We believe that K'CIDADE, at its conclusion,<sup>4</sup> will have a rich and vast experience to share on various subjects, among them, the integration of immigrants as valued entrepreneurs.

### Notes



<sup>1</sup> The UNESCO research was undertaken in Ecuador, Malawi and India.

<sup>2</sup> Three sets of competences resulted from the research – achieving competences, systematic planning competences and negotiation competences.

<sup>3</sup> Intervention by the K'CIDADE (Capacity) Programme is organised around three strategic focuses: Education, Employment and Citizenship/Social Cohesion. In the area of Employment, it aims to reach increased and sustainable levels of employment/self-employment and income among the most disadvantaged people, through placement in the labour market and the promotion of actions that encourage self-employment/business creation.

<sup>4</sup> The Programme runs until the end of 2014.







■ **Immigrant entrepreneurship in Portugal: Factors that influence this professional choice and ASI's activity on foot of the results of the PEI Project**

Ana Luísa Coutinho, Belkis Oliveira, Vasco Soares, Sérgio Mateo Sanchez\*

**Abstract** This article examines the work of the International Solidarity Association (ASI) from a perspective of research-action in the area of immigrant entrepreneurship for the development of the Portuguese economy and for the economic and social integration of the immigrant population. Migrant communities from Ukraine, Brazil and Guinea-Bissau residing in Portugal acted as the background for a research study "PEI Project – *Predictive Factors in the Employability of Migrants: Implications for Employment Policies and for Integration Support Services*", which facilitated the characterisation of the elements that comprise the profile of an entrepreneur.



It was on the basis of ASI's own work of intervention that had been and continues to be undertaken, that the study was orientated. It was observed that the fact of having undertaken entrepreneurial initiatives in the country of origin, and the amount of financial capital brought to the receiving country, are positively related to an entrepreneurial career. Therefore ASI intervenes in the promotion of immigrant entrepreneurship, through measures of information provision on the legal, operational and financial mechanisms that provide the basis for these initiatives.

**Keywords** entrepreneurship, job transition, entrepreneur profile, economic development, ASI.

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## ■ Immigrant entrepreneurship in Portugal: Factors that influence this professional choice and ASI's activity on foot of the results of the PEI Project

Ana Luísa Coutinho, Belkis Oliveira, Vasco Soares,  
Sérgio Mateo Sanchez

Entrepreneurial initiatives represent an important element in the dynamic development of a country's economy. Among the immigrant population, entrepreneurship has become a preferred labour integration strategy that in many cases allows the maintenance of people's original profession; moving out of unemployment; profiting from the competences and resources of the individual; increasing individual income; and even creating jobs for relatives or co-ethnics who join them in the receiving country. Additionally, faced with an economy that is in need of dynamism, immigrant entrepreneurship represents an investment that provides clear advantages. In relation to the lack of investment and of entrepreneurial initiatives, particularly in the most sparsely populated regions of the country, it becomes imperative to take advantage of the economic and social potential that immigrant entrepreneurial initiatives represent.



In this context, the most important priority areas for the International Solidarity Association (ASI) are combating informal employment and promoting investment and entrepreneurial initiatives, particularly in cooperation with immigrant groups who arrive in the country. ASI believes that realising the potential of their resources and capacities constitutes an added value for the dynamism of the Portuguese economy. Another issue associated with the advantages of entrepreneurial initiatives undertaken by the immigrant population relates to the fact that the initiatives have effects not only in the receiving country but also in the country of origin.

In relation to the country of origin, immigrant entrepreneurship promotes the development and internationalisation of Portuguese companies, and the consolidation of production and trade networks, ultimately serving to improve the overall economic situation. In Portugal, entrepreneurial initiatives among the immigrant population improve their integration/inclusion, add dynamism to the Portuguese economy, bring innovation to the Portuguese corporate panorama (new ideas, new technologies, innovative projects), create new jobs, both for co-ethnics and for natives, and represent a solution to unemployment.

However, in spite of recognising these advantages, the immigrant population is faced with significant obstacles that condition their access to entrepreneurial initiatives and render the process more difficult. Among them, some of the most relevant are the legal and institutional barriers resulting from legal immigration



status, the difficulty of access to credit, lack of knowledge of laws and of the world of business in Portugal, difficulties in accessing information, lack of knowledge of the Portuguese language and difficulties in the recognition of qualifications (Oliveira, 2005: 76-92; Peixoto, 2007: 224).

Therefore ASI, a non-Governmental Development Organisation (NGDO) based in Porto, considered it fundamental to promote enhanced knowledge of immigrants' difficulties in the Portuguese labour market. To this effect they undertook a research project in 2006-2007, entitled "PEI – *Predictive Factors in Migrant Employability: Implications for Employment Policies and for Integration Support Services*", with the support of the Operational Programme for Employment, Training and Social Development (POEFDS) and co-financed by the Portuguese State and the European Union.

This research was undertaken on the basis of 591 surveys applied to a sample representative at a national level, of people from Brazil, Ukraine and Guinea-Bissau (three of the largest immigrant groups at a national level), who had been resident in Portugal since 2000. The subjects were distributed by NUTs with the greatest number of resident foreigners (North and Central, Lisbon and Tagus Valley, Alentejo and the Algarve).



This study analyses themes regarding the specificities of the migratory project, of social integration, of job transition and labour integration, of individual human, social and financial capital resources, and of the mental health of the immigrants in the sample, taking nationality and gender as majority criteria of analysis. Additionally, Nee and Sanders' (2001) job transitions model, which studies the influence and relationships between forms of capital – human, social and financial – and the socio-demographic characteristics of the subjects, together with the job transition presented by the immigrants, in terms of job turnover. In this context, different professional categories are defined: entrepreneurs, technical professions and unskilled work. By means of the elements studied, it was possible to identify possible trajectories of the immigrant population in Portugal, including those whose career led them to entrepreneurship.

Let us now look at the first category, corresponding to the situations in which the professional career of migrants in Portugal leads to the creation of their own jobs, by undertaking entrepreneurial initiatives. In the analysis of data collected, Pearson's correlation test is used, having also applied the linear regression analysis in the sense of observing the explicatory capacity of the model. The variables considered here correspond to the human, financial and social capital indicators and to the socio-demographic characteristics of the subjects.<sup>1</sup> From this analysis, we can verify that generally social and human capital seem to have a limited impact on the career of migrant entrepreneurs. In other words, we can say that this pro-



professional integration trajectory is not related to high overall levels of these forms of capital, but rather to some of their specific aspects.

In fact, as regards the relationship between social capital and the current immigration status of the entrepreneur, only co-habitation with the immediate family seems to significantly contribute to the increase in the rate of job transition. In the area of human capital it is of note that it is the resources that the migrants had acquired in their country of origin prior to migration that most correlate with their current situation in Portugal. Academic qualifications, but above all the experience of entrepreneurial initiatives in the country of origin, are the aspects that present the strongest association with the numbers of jobs held before the current situation.



In the same way, financial capital, defined here by the quantity of money that the migrants brought with them, presents a significant correlation with this mode of integration. It is also important to refer to the fact that knowledge of the language seems not to be relevant to migrants in the situation under discussion. There is also no statistical evidence of a socio-demographic pattern (in relation to gender, age and marital status) associated with the professional careers that culminate in entrepreneurial initiatives. On the other hand, no association between the involvement of the community of origin and this type of professional trajectory is observed. In a regression analysis, the model with the greatest predictive power includes only the same occupation in the country of origin and the quantity of money available on arrival, presenting a predictive capacity of a professional trajectory to entrepreneur of 56 per cent.<sup>2</sup>

In sum, we observe that the factors inherent in initial financial capital and in prior entrepreneurial experience represent two of the most important factors in opting for entrepreneurial initiatives among individuals studied in Portugal. In fact, two of the obstacles that the immigrant population most frequently cite refer to lack of knowledge of the mechanisms that form the basis for the creation and management of a business, and access to credit to finance it. Migrants with experience in this area, despite lack of knowledge of the specificities of the Portuguese system, have significant knowledge in relation to starting a business, including the advantages inherent in creating one's own job. Therefore they can approach the entrepreneurial route with greater ease, as an employment possibility that is both plausible and feasible.

It is thus essential on the one hand to raise awareness among the immigrant population of the advantages that entrepreneurship represents for their labour integration, particularly as an alternative to unemployment and potential situations of exploitation by employers. On the other hand, it is crucial to provide general information, and even training, in relation to the start-up and management



of businesses in Portugal, possible areas of activity and examples of successful projects, in forms that are adequate to the specificities and necessities of foreign citizens.

Nevertheless, aside from this basic knowhow, the entrepreneur will be faced with another important issue: the financing of their project. On this point, it is essential to explore and promote the possibilities of microcredit and to stimulate other financing solutions, so that entrepreneurial initiatives are not accessible only to immigrants who have the necessary financial capital on arrival, or whose social network can easily provide it. Initiatives that are supported with microcredit have had high rates of success on a global scale and present rates of return on capital that are higher than is the case with conventional credit.

Additionally, it is an attractive option for the creation of small businesses, which in many cases come to represent the basis for great entrepreneurial initiatives. In fact, the greater part of the businesses created by foreign citizens begin as small enterprises supported by family or co-ethnics, perfectly sustainable for potential applications for microcredit, in order to subsequently expand and grow, gaining distinction and influence at the level of the Portuguese economy and the country of origin.



The PEI Research Study – Migrant Employability Predictors – follows a rationale of research-action and seeks to be a tool of support in the process of the integration of migrant citizens in Portugal. Therefore the study indicated the obstacles that immigrants are faced with in Portugal, indicating solutions and recommendations to resolve them, making the case for the potential that these contingents represent in the national and international context. The fact that such a small percentage of migrants in the sample have chosen the path of entrepreneurship is an important gap to be filled at the level of the labour and social integration of this population group.

In this light, the promotion of the creation of businesses and access to entrepreneurial initiatives among the immigrant population should constitute an investment for contemporary society, keeping in mind that this should be guided by a perspective of gender equality and equality of opportunities. With the intention of furthering immigrant entrepreneurship in Portugal, and taking into account the difficulties felt by immigrants and identified in this study, it is recommended that investment is made in the area of information measures to combat the lack of knowledge of legal and operational procedures and modes of credit that is at the root of such low levels of undertaking of this type of initiatives.

Therefore, on foot of the results of the PEI study, ASI has developed its work in relation to creating mechanisms to incentivise entrepreneurial activity in Portu-

gal. Among the principal incentivising activities for entrepreneurship developed by ASI are:

1. Certified training modules and referral to new opportunities centres (RVCC): at this level ASI presented an application to the Operational Programme for Human Potential (POPH) with the objective of providing immigrant entrepreneurs with training that could be useful in the undertaking of their activity and a certificate that facilitates their professional valuation.
2. Technical support in starting one's own business: through awareness-raising activities, in cooperation with staff from the Institute for Employment and Professional Training (IEFP), information sessions were organised on the principal supports granted for business start-ups. During these sessions, technical, legal and financial support was supplied, allowing the immigrant to commence their activity in a stable and structured manner.
3. Awareness-raising among leaders of associations and social organisations for qualified entrepreneurship for immigrants: this initiative took into account not only the promotion of immigrants creating their own jobs, but also supporting actions among companies and social organisations on entrepreneurship, in order to inform their directors of the contribution that this group could make to their organisations.
4. Support for small entrepreneurial initiatives: in this context, ASI publicised and actively participated in the opening of new immigrant entrepreneurial initiatives, providing legal and administrative advice and acting as a mentor.
5. Creation of an official job centre (UNIVA) for the provision of services in the area of employability and professional training, placing at immigrants' disposal the tools and knowhow to allow them to evaluate both their personal entrepreneurial capabilities and the feasibility of the project at the community level.

## Notes

<sup>1</sup> Human Capital: Comprehension of spoken Portuguese, attendance of professional training courses, academic qualifications, last occupation in the country of origin; last job in Portugal. Social Capital: Participation in groups from the community of origin; living with partner; living with immediate family. Financial Capital: Brought money with them when they arrived in Portugal; exact quantity of money that they brought on arrival. Socio-demographic characteristics: Marital status; sex; age.

<sup>2</sup> Result from a regression, taking as a criterion the current profession as an entrepreneur and as predictors the money that they brought from the country of origin, academic qualifications, and whether they maintain the same occupation as in the country of origin (multiple correlation coefficient  $r = .749$ ; multiple determination coefficient  $R^2 = .561$ ). The result of the Variance Analysis is statistically significant [ $F(3,530) = 226,054$ ;  $p < .001$ ].



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## ■ Microcredit as a way of giving people more dignity

Manuel Brandão Alves\*

**Abstract** Microcredit in the form that we know it today has been in existence for just 25 years, yet it has already attained extraordinary recognition as an instrument that facilitates the transformation of people's lives, of communities and even of some countries. It has a deep philosophical basis and, in relation to citizenship, a wide reach, as it is both simple and intuitive. With regard to the fundamentals of microcredit, the principal idea is that people can have a new and more dignified life if, through their own will and their own initiative, they wish to achieve self-employment instead of remaining dependent on employed work, social welfare benefits or private charity.

This new way of life is more dignified for them as human beings, and provides added value to the entire society. More wealth is created, the volume of revenue increases, and public and private funds can be used for purposes other than social welfare benefits. There are also demonstrable multiplier effects in that entrepreneurship promotes a denser and more robust society, both in economic and in social terms.



For this idea to become a reality, one of the basic conditions to be fulfilled is that those who desire a different life have access to credit - which is normally denied to them. Access to credit should be recognised as a right, even if these people do not have the ability to provide the real guarantees that are required by the financial market. The right to credit should be promoted to a status equivalent to that of the rights to housing, education, work, and so on.

It is with a view to the recognition of this right becoming a reality - namely for those who live the most disadvantaged lives - that we work at ANDC and within the great international movement for microcredit and microfinance. Immigrants, due to their condition of being migrants, the knowledge that they bring and the capacity for taking the initiative that they demonstrate, are a group who are inclined to be successful candidates for microcredit. We will see in this article how all of this has been possible.

**Keywords** microcredit, entrepreneurship, right to credit.

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## ■ **Microcredit as a way of giving people more dignity**

Manuel Brandão Alves

Microcredit is not simply a small loan, but is, above all, a new life project for those who believe that, through their will and their capacities, they can construct a better life for themselves, for their families, for the community in which they settle and for society as a whole.

I propose to present in this small summary the origin of microcredit, its relevance in terms of micro- and macro-economics, the relationship between microcredit and microfinance, the work undertaken by the National Association for the Right to Credit (ANDC) in the promotion of microcredit in Portugal and the specificity of microcredit in relation to immigrants.

### **Introduction**



The granting of credit in small sums and/or for social purposes is something that has been part of the development of today's modern societies for at least five centuries. In Portugal, in the form of money or in specie, our Misericórdias (Order of Mercy) always provided some form of support to those who needed donations or loans for carrying out their initiatives. Still today, the most varied forms of charity and of solidarity are part of the social commitment of the Misericórdias.

As a financial product, however, microcredit is quite recent. It emerged around 32 years ago (1976) in Bangladesh, in the enlightened hands and mind of Prof. Muhammad Yunus, today a Nobel Peace Prize winner, who was working with completely destitute women in the rural areas of his country.

From the beginning, microcredit showed itself to be a motor of transformation in people's lives, gaining an importance far beyond the small sum of money that was loaned. Microcredit as a financial product is simply a necessary instrument in the process of change in people's lives. Living in situations of extreme economic, social and financial dependency, these are people who want to transform themselves into the owners of their own destiny. One of its financial characteristics is that those who need microcredit do not generally have the economic capacity to provide guarantees for credit granted, as is traditionally required by financial institutions.

How to resolve this incapacity? We do what Muhammad Yunus did, that is, to believe that the commitment assumed by those who access microcredit that they will reimburse the capital that has been loaned is much more important than the



real guarantees that could be offered. Yunus demonstrated that this was the reality in more than 99 per cent of cases. In any case, the risk of insolvency that can potentially be run is much smaller than the benefit obtained with the transformation of people's lives from situations of misery to situations of success that they themselves have created.

Without small credit this step would not have been possible; those women would have been lost and we would all have been lost. It is therefore not out of turn to say that credit should be considered a fundamental right of human beings, placed at the same level as the right to bread, education, health, housing, and so on.

In Portugal, for the past ten years, the National Association for the Right to Credit (ANDC) has been promoting and practicing a microcredit project that seeks to be compatible with the principles stated above. The incorporation in its name of the 'Right to Credit' is a signal of these aims, and represents the focus of its activities.

#### **Diversity of configurations of microcredit models**



Despite the existence of some common principles (that is, the credit is destined for the most impoverished and excluded, the absence of real guarantees, a project of life-changing investment), there are many organisational forms of microcredit around the world. In particular, the models applied in the majority of third-world countries are quite different from those applied in developed countries.

One of the principal distinctive elements is the fact that in third-world countries, microcredit is principally aimed at people and populations who are economically marginalised, but who are not necessarily so in social terms. In economic terms, people can be poor, but they are not necessarily excluded in social terms; they live in communities characterised by high levels of social inclusion, at least in rural areas, where a substantial part of the population still live.

This is not so in the vast majority of developed countries, characterised by high levels of urbanisation and also by the great anonymity of inter-personal relations. Together with economic exclusion, which results from the functioning of their economies, there is also, in the great majority of cases, social exclusion. Therefore, in contrast to what happens in third-world countries, in developed countries people rarely develop group forms of credit, in which the various members of the group constitute a solidarity guarantee for the initiatives of the others. In these countries, micro-credit has assumed forms that are essentially characterised by individual contacts between each of the applicants and the financial institution.



It should equally be underlined that the models applied in various developed countries are far from being uniform. This differentiation relates to, above all, the cultural frameworks prevalent in each of these and with the legislation that has been adopted concerning the financial sector.

In Portugal, for example, the existing financial legislation prevents the creation of ethical financial institutions, which would have to obey the same requirements as the other financial institutions. This is despite the fact that it could not under any circumstances be expected that they would acquire the capacity to fulfil these requirements. It is therefore strongly doubtful that this could be considered as a guarantee of the solidity of ethical financial institutions.

### **Benefits for each of the candidates and for society as a whole**

The great majority of analyses of microcredit tend to present the micro-entrepreneurs as the principal, if not exclusive, beneficiaries of microcredit. This is not my point of view. Of course it is true that micro-entrepreneurs benefit from microcredit. Microcredit permits them to have a better life and to feel proud that they have gained both material and more intangible advantages.



We cannot, however, forget that if microcredit was the instrument necessary for start-up, equally or even more important was the determination that each of the micro-entrepreneurs had in believing in their strengths and capacities to change their lives. It must be accepted that the psychological energy that they mobilised is infinitely greater than that which has to be mobilised by any successful entrepreneur who takes the initiative to add a new business to the wide portfolio that they already possess.

Equally or more important than the individual benefits are the benefits that society as a whole can gain from the expansion of the microcredit movement in general, and from each individual microcredit process in particular.

Contrary to what its excessively enthusiastic proponents sometimes express, microcredit is not a solution to the problems of poverty and exclusion. It is, certainly, an efficient and effective solution to some of these problems, but the great majority will continue to be dealt with through traditional methods.

It would be a mistake not to use microcredit in situations where it can create greater benefits than other solutions. Combating poverty becomes, in these cases, more expensive and less effective.



In cases where the solution of microcredit is an adequate one, it brings enormous macroeconomic and social benefits:

1. Microcredit transfers micro-entrepreneurs from the framework of a dependent economy to that of an autonomous one, in which each person becomes the active creator of their own destiny;
2. Micro-entrepreneurs stop receiving benefits, donations or other loans provided by individual or collective solidarity and themselves become active contributors to the tax and social welfare system;
3. Instead of remaining consumers of wealth, they become its active creators;
4. They create employment - their own and, depending on the development of the business, that of other people, who become indispensable to the sustainability of the business;
5. They create synergies that mean that others who may not be motivated to create their own business decide that after all for them it would also be worth making the effort; and
6. The expansion of microcredit means that, little by little, we make our way to a more inclusive and denser society, in economic and social terms, and therefore a more competitive society. Competitiveness cannot thrive without these small contributions.



Recognition of the validity of these arguments has been growing, both at the level of individual people and at the level of administrations, governments and international institutions. This justifies the growing interest that microcredit has elicited and indeed the ease with which legal frameworks and institutional mechanisms that facilitate the use of microcredit by those who need it can be created (see the declaration by the United Nations of 2005 as the “International Year of Micro-Credit” and the Communication of the European Commission, designated as “A European initiative for the development of micro-credit in support of growth and employment.”

It is therefore no surprise that governments and international institutions, on recognising that:

- Poverty has shown resistance to sustainable reduction;
- The traditional solutions for combating poverty have revealed themselves to consume increasing volumes of resources, both in absolute and relative terms; and
- Microcredit can reveal itself to be a solution for the promotion of inclusion that is more economical in terms of resources than other alternative solutions;

have decided to pay more attention to the microcredit movement and, consequently, to attribute to it greater volumes of resources. This increased interest on the part of state actors has also been matched by private, particularly financial, institutions.



### **Microcredit and microfinance**

Microcredit, which, as referred to above, was introduced around thirty years ago, has little by little been making its way, retaining its original name. Even when associated with microcredit, institutions that promote it complement it with other financial products that are considered necessary for the development of the businesses of micro-entrepreneurs.

The movement began to expand and become internationalised, and an increasing number of classical financial institutions began to take part in it. More-or-less simultaneously, the idea began to be spread that microcredit was, as a financial product, a sub-product of the more general product that was microfinance. This was during the mid-1990s.

The designation “microfinance” came, therefore, at least at the great majority of international forums, to cover microcredit and other financial products, such as personal insurance, activities insurance, credit cards, telephone cards, scholarships, and so on. It was argued that these products were all equally indispensable for the development of the activities of micro-entrepreneurs. Dealing only with microcredit meant leaving the necessities of the micro-entrepreneurs in the hands of operators with aims less compatible with the development of microcredit.



Remember that the creation of the *Microfinance Center* dates back to 1997 and the creation of the European Network of *Microfinance* (ENM) to 1999. The issue of microfinance, as can be seen, has been strongly present since the moment of its creation, in the names of the two principal European networks of microcredit (microfinance).

### **The activities of the ANDC<sup>1</sup>**

The National Association for the Right to Credit (ANDC) was founded in late 1998 and began its activities during mid-1999. It is not a financial institution, but a private non-profit association, today recognised as of public utility. Even though initially the possibility of creating a financial institution had been considered, this possibility was rapidly excluded, given the high amount of resources that would have been required for that aim.

At the time of the foundation of the ANDC, the banks did not promote microcredit as they did not consider it to be a sufficiently profitable activity: the amounts involved were not at a sufficient level to compensate for the costs of the transaction, and applicants for microcredit were not in conditions to be able to provide real guarantees for the amounts loaned.



The ANDC positioned itself therefore as an institution of intermediation between the beneficiaries and the banks, incorporating in its activities the costs that the banks were not willing to assume: the development of the investment projects and assistance to micro-entrepreneurs during the phase of development of the business. The quality of the projects to be financed and the subsequent assistance constituted guarantees that the businesses would be sustainable. This is the guarantee that adequately substituted the real guarantees that are required in other circumstances.

The ANDC gradually developed its functioning structure, based initially, essentially, on voluntary assistance, but today it has grown substantially and already has a reasonable level of staff, whose work continues to be supported by the benevolent cooperation of many people. From the beginning of its activities and until today, the ANDC has assisted in the creation of over 860 businesses, involving a sum of credit of approximately €3.8 million and the creation of approximately 1,100 jobs listed at the launch of the businesses. The survival rate of the companies is approximately 85 per cent and the insolvency rate of the capital is around seven per cent



We would like to have achieved a greater level of activity - the necessities of the poor and the excluded require this. We recognise, however, that the idea of microcredit still has not been sufficiently disseminated in Portugal and those active in the field do not always look to this tool for the promotion of people as sufficiently credible. It must also be mentioned that, contrary to the norm, times of economic recession are not favourable climates for the expansion of microcredit.

We are not, however, pessimistic. We have received signals that the interest being attributed to microcredit is increasing among people, institutions and social communication media. We expect that the coming years will permit us to receive an increasingly numerous group of candidates for microcredit.

### **Microcredit and immigrants in Portugal**

The vulnerabilities normally associated with labour market insertion among immigrants in receiving countries are well known: lack of stable residence, communication difficulties, cultural frameworks that are not always compatible with those of the destination countries; the aggression demonstrated by some receiving communities, exploitation by employers, and so on.

These are people, however, who may lack everything, but do not lack one thing: initiative. The first great sign of this initiative was the decision to emigrate from their countries of origin. We may be dealing with low-skilled labour, but in many cases these are people with qualifications substantially higher than those required for the employment opportunities that are offered to them.



These are certainly people whose potential and determination to change their lives are enormous. They are, however, people with many vulnerabilities in institutional relationships, namely with financial institutions. In particular, the difficulty of being able to offer real guarantees in return for credit contracts that they wish to undertake is great.

The ANDC does not have any particular specific line for providing microcredit to immigrants, nor does it believe that, despite the specificities outlined above, this would be justified. The ANDC is conscious of these specificities, but it is in the phase of service provision and of setting out the structure of the development of the business plan that it seeks to take these into consideration.

We seek to construct privileged partnerships with immigrant organisations or institutions that have a special vocation for working with immigrants. This was the case, with very positive results, in the relationships that have been established with ACIDI (the High Commission for Immigration and Intercultural Dialogue) and with JRS (the Jesuit Refugee Service). We are conscious that the work that has already been undertaken justifies the continuation of our organisation.

In operational terms, it is very rewarding to see the importance that the granting of microcredit to immigrants has had in the totality of the activities of the ANDC, approximately fifteen per cent of the total number of projects and a little over sixteen per cent of all credit granted. The percentage of insolvency of capital is only very slightly higher than that of the total of loans received (7.8 per cent vs. 7.6 per cent).

Traditionally there has been a concentration of origin of immigrants from countries that had been colonised by Portugal, but recently there has been a greater diversity of origins, including immigrants from Eastern European countries. There is no particular specificity related to the economic activities that have been promoted. The greatest concentration, as in the case of financing for Portuguese nationals, has been in 'wholesale and retail' (40.0 per cent), in 'other service activities' (16.4 per cent) and in 'industry' (13.3 per cent). In geographical terms the great majority of micro-entrepreneurs have located their businesses in Lisbon and Setúbal (72 per cent) and in Porto (7 per cent).

By conviction but also by experience, we can be sure that microcredit can continue to be an effective instrument in the process of the achievement of autonomy and inclusion by immigrants.

## Notes

<sup>1</sup> The data provided in this article date back to April 2008.



■ **JRS and microcredit**  
Susana Figueirinha\*

**Abstract** It is from simple things that great ideas are born. This was the great success of Professor Muhammad Yunus, who, in an era during which serious social and economic problems afflicted his country, Bangladesh, the idea of giving a little in exchange for a lot made it possible for poverty rates to decrease.

During a difficult social and economic time, microcredit can be an opportunity for people to make a decent living from their work and to be fairly remunerated for it. Microcredit represents an opportunity for integration, for the promotion of self-sufficiency and, furthermore, a great social responsibility. Following from precisely this idea, JRS in Portugal has been promoting a service to incentivise immigrant entrepreneurship based on microcredit since 2005.

**Keywords** microcredit, exclusion, self-sufficiency, entrepreneurship, integration.

\* Jesuit Refugee Service (JRS).



■ **JRS and microcredit**  
Susana Figueirinha

*“Was it worth it? It is worthwhile, all, / If the soul is not small (...)”*  
Fernando Pessoa

In 2006, the Bengali Muhammad Yunus, known as the ‘banker of the poor’, and his Grameen Bank received the Nobel Peace Prize for his fight for a more just economy for people with low incomes.

The ‘history’ of microcredit is quite simple... when in 1974 a young economics professor in a country where the poverty rates were reaching their limit - as was the situation in Bangladesh at that time - decided to look at his society with an open heart and saw the scenario of hunger, oppressive poverty and human deprivation, he decided to do something with immediate effect. On foot of a brief survey of the social situation of the country, and of the precarious conditions of exploitation in which many people lived, the results were that 27 dollars would be enough to liberate them from their exploiters. This was how the adventure of Yunus and microcredit began.



A curious fact – or perhaps not so curious – is that the majority of his clients are women, as they bring most benefits to the home. The idea is surprisingly simple: in order to help those who do not have access to normal bank credit, microcredit was created.



The essential objective of the creation of microcredit is to contribute in a positive way to the fight against economic and social exclusion, supporting the creation of self-employment and small businesses, which brings us inevitably to the realisation of dreams. Those who wish to prosper, those who wish to promote their self-sufficiency during a period when unemployment is widespread thereby feel themselves integrated into the society that they live in and to which they are contributing their work. This is at the root of every request for microcredit.

In brief, microcredit is defined as the granting of credit to people who do not have access to traditional banks, granted without real guarantees and in a sustainable way. They are always small amounts, destined for the undertaking of an economic activity, with the ultimate objective of raising the income of those who receive them. It is a case of supporting people who, under normal market circumstances, do not have access to credit and who, for various reasons, are outside of the economic mainstream.



This granting of microcredit facilitates in the final instance the alleviation of poverty rates that are rife throughout the world, even in countries that are said to be wealthier. The truth is that in some countries this poverty is notorious and known to all - in countries undergoing a process of development. In other countries considered to be more developed, it is hidden and it is a cause for shame for those who feel it. In other words, this situation and these living conditions are effectively ignored.

At the most recent conference that Yunus attended in Portugal, he gave examples of how great changes at a global level could really affect the poorest of the poor. In an era during which information and communications technology is a fundamental dimension of all of our everyday lives, dispensing with borders and distances, Yunus and his bank financed the creation of a new company, which, though it was initially modest in its aims, within a short time became a social company that generates its own wealth.

That is how Grameen Telecom was born. A group of women, known as 'Phone Ladies', began by selling mobile phones in their villages to other members of the community. Rapidly the volume of sales exceeded expectations and reached considerable amounts. This was just a small practical example of how when we believe in an idea and turn it into a reality, it can assume truly unexpected and surprising proportions.



In Portugal, microcredit began to make its appearance a few years ago. It was initiated in 1999 through the National Association for the Right to Credit (ANDC) and immediately began to bear fruit. People and small businesses began to appear with viable entrepreneurial initiatives; people who would not otherwise have had access to credit. Obviously this also allows for job creation; promotes entrepreneurial spirit - enterprise - as an alternative for those who find themselves unemployed and who, in the exercise of their rights as a citizen, are seeking to once again participate in society in a dignified way.

According to the study on the *Avaliação do Sistema do Microcrédito em Portugal (Evaluation of the Microcredit System in Portugal)*, presented on 9 March 2007, and which essentially referred to the work of the ANDC, the success rate of microcredit is around 91 per cent. 52.8 per cent of clients are women, with ages ranging between 26 and 45 years. These are the data that leave us to ponder the essence of microcredit. It works for an inclusive society, providing equal opportunities for all, who according to their own capacities contribute to global wealth creation.

The problem of exclusion and poverty takes on economic, social and cultural dimensions in our society. The great challenge that emerges in front of all our eyes is the creation of mechanisms to combat exclusion, and microcredit can be an



excellent tool in this respect. In fact, there are irrefutable and sufficiently clear proofs of its success in the various areas referred to above.

It was in this context that the Jesuit Refugee Service (JRS) in Portugal, during a quite delicate social and economic period, joined this cause. Microcredit is an opportunity for people to make a decent living from their work and to be fairly remunerated for it. This is the responsibility of all of us in the fight against poverty and social exclusion. This was our main objective and purpose.

The history of the JRS is based on the persistence of one man who, against all odds and in favour of the poorest of the poor, also set out on an adventure that continues even today. On receiving news during the late 1970s of the situation of Vietnamese refugees, known as 'boatpeople', Father Pedro Arrupe decided that it was urgent that the Company of Jesus began to work with this population, who, as well as having serious problems to confront in order to survive, had been overlooked by the media.



To this effect, the Superior General sent letters to all of the Provincial Superiors of the Jesuits around the world, calling for their cooperation in working with refugees. He received numerous very encouraging responses, leading him to begin the creation of the Jesuit Refugee Service, with the help of others who contributed funds to the project. From a small beginning, the Service grew and spread around the world, seeking to respond to the growing increase in the number of refugees and forcibly displaced people. Initially, it was a Service exclusively provided by Jesuits, but later it was opened up to other religious people and to all laypeople who wished to work in this field.

Over the years, the Jesuit Refugee Services around the world, particularly in countries where their presence had justified the creation of a national JRS, came into contact with the diverse and varied realities experienced, understanding in this way the numerous problems in each country and seeking, in accordance with the possibilities, to find possible solutions for each case.

The stories of Yunus and Arrupe are quite similar, in the manner in which both of them came across, during different eras, situations of extreme poverty and social exclusion, and went on to create something that benefited the poorest of the poor. It is on the basis of this rationale that the JRS mission in Portugal was well suited to Yunus's philosophy - to be where no-one else is helping those who are in most need of support.

Therefore in 2005, in partnership with Caixa Geral de Depósitos (the Portuguese State bank) and the National Association for the Right to Credit (ANDC), JRS began to undertake a small number of projects in this area. We took advantage of



the partnership with these two organisations to guide the people who came to us in order to promote dialogue and a closer relationship between the banking organisation and the disadvantaged immigrant population, who needed that loan in order to realise their dream.

Essentially what JRS does is to accompany people throughout the entire process of the creation and expansion of a small business, from the initial phase of gathering information, assessing the market and evaluating the sustainability of the project. In certain situations, JRS also acts as a mediator between the applicant for microcredit and the partners. During our experience as an organisation that supports microcredit applicants, we saw that the main difficulties were related to their need to present guarantees to the bank, and some problems related to the setting up of their business project. Nevertheless, both partners were always available to assist in the preparations and in the clarification of any questions that the applicants had.

From the beginning of this partnership, we attempted – and in many cases succeeded – to guide many of the applicants for this service towards success in their life project. In effect, the implementation of a life project by the people who come to us is the essence of our work as an organisation that serves, defends and accompanies immigrants and forcibly displaced people in Portugal.



Having faith in the individual, believing in their dreams, providing the opportunity for them to be independent and productive in society can and should be the main objective of these initiatives. Involving various dimensions of society in self-employment and entrepreneurship projects can be a weapon to combat the exclusion of those who feel most rejected.

Above all, microcredit represents an opportunity for integration and for the promotion of self-sufficiency, but it also draws attention to the responsibility that we all feel for combating the poverty and exclusion of the poorest people in our society. It is fundamental to value the dynamics of microcredit as a resource for overcoming economic and social crises among small groups, who, though initially considered a risk, end up becoming small businesspeople with high credibility.

In fact, as the poet Fernando Pessoa said, if “*God wills, man dreams, and the work is born.*”





## ■ Immigrant Entrepreneur of the Year Award

Luísa Valle\*

**Abstract** The Immigration Platform, an initiative of a number of Portuguese civil society organisations aiming to promote the welcoming and integration of immigrants, launched the Immigrant Entrepreneur of the Year Award. The Award has the objective of rewarding immigrant entrepreneurs who are examples of positive and innovative integration into Portuguese society.

**Keywords** immigration, Immigration Platform, integration, Common Basic Principles, entrepreneurship, award, innovation, intrapreneurship.



\* Calouste Gulbenkian Foundation.



■ **Immigrant Entrepreneur of the Year Award**  
Luísa Valle



The deepening of the economic globalisation process has been accompanied by an increase in the intensity, diversity and complexity of migratory movements of populations between various regions of the world.

There are today more than 200 million people who live outside their country for reasons that are above all related to the search, which can be more or less desperate, for better living conditions, or even just the opportunity to survive. They are fleeing from unemployment, misery and hunger, but also from environmental disasters or war and ethnic and religious persecution.

The regions of destination are, at least in these people's imaginations, lands of dreams and opportunities, but sometimes reality takes it upon itself to harshly demonstrate that this is not so and that there also life is not easy.

We all know that modern societies are increasingly diverse in ethnic, cultural and religious terms, which can create conflicts, but can also be a factor of development and for defining social innovation for receiving societies. The management of this diversity and the integration of these people are currently one of the main challenges we are faced with.



In view of the significance and the sheer breadth of this challenge - and the role that civil society can and should assume in the promotion of integration processes -, a group of foundations and other institutions or civil society organisations that have organised activities or supported research or analysis around the theme of immigration came together in a common initiative: the *Platform on Welcoming and Integration Policies for Immigrants* (Immigration Platform).<sup>1</sup>

Therefore, on 21 November 2006, in the presence of Franco Frattini, Vice-President of the European Commission and Pedro Silva Pereira, Portuguese Minister of the Presidency, the Immigration Platform was launched, aiming to promote and disseminate the Common Basic Principles for the Integration of Immigrants (COM (2005) 389 final) and their incorporation into policies and practices implemented in Portugal.

The core group of founding organisations of the Immigration Platform comprises the Aga Khan Portugal, Calouste Gulbenkian, Luso-American, Luso-Brazilian, Orient and Portugal Africa Foundations; the Entrepreneurial Association of Portugal and the Portuguese Industrial Association; the Episcopal Commission for Human Mobility; the Confederations of Farmers of Portugal, of Trade and Services of Portugal, of Portuguese Industry, and of Portuguese Tourism; the General Workers' Union; and the General Confederation of Portuguese Workers.



With this initiative, the signatories to the Immigration Platform seek to pursue the following main objectives:

1. Come together, combining efforts and activities in the context of the integration of immigrants in Portuguese society, contributing in a decisive way in this area to civil society organising itself, developing capacity and acquiring competences to better participate in the larger debates and influence the definition of policies in these areas;
2. Identify, disseminate and promote activities considered to be 'good practices' in the area of immigrant integration;
3. Raise awareness among the public about immigration issues, giving visibility to the subject and the debates associated with it;
4. Raise awareness among public or private institutions with competences in areas related to immigrant integration about the importance of taking the Common Basic Principles into consideration; and
5. Dialogue with social communication media in relation to the importance of having an informed and impartial coverage on this theme, free from stigmas or prejudices.

As the integration process involves a deepening of knowledge and understanding among various groups of citizens that has to result from an effort, not only on the



part of the receiving societies but also of those that arrive, that is, of the immigrants themselves, the Immigration Platform decided to create a Distinction that would annually distinguish and recognise the local authority which, through its activities, has best interpreted, promoted and applied the Common Basic Principles for the integration of immigrants. In parallel, it was also decided to create an Award to be attributed to immigrants who constitute examples of pro-active and innovative integration into Portuguese society.

In 2007, the Immigrant Entrepreneur Award was attributed for the first time, on foot of a public competition, widely disseminated in the press and through immigrant associations and the main organisations that support immigrants.

The evaluation and selection of applications was undertaken by an independent jury, on the basis of the following evaluation criteria:

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- A career that reveals attitudes and competences commonly associated with entrepreneurship – particularly a liking for realisation of projects, acceptance of calculated risks, tolerance for mistakes and perseverance, the capacity to learn from experience, the sharing of knowledge, the search for excellence and taking responsibility;
  - Use of the entrepreneurial ability in the promotion of innovative initiatives (leading to new products, services or processes, forms of organisation or markets). To this effect, the entrepreneurial ability is understood in a broad sense, covering not only activities of business creation but also activities by employees, where they reveal ‘intrapreneurship’ or an element of pro-active social responsibility;
  - Economic and/or social sustainability of the initiatives in question;
  - Contribution to a closer relationship between the immigrant’s country of origin and Portugal;
  - Contribution to the development of the immigrant’s country of origin;
  - A career that shows pro-active integration by the immigrant and by their initiatives in the Portuguese socio-economic context;
  - Respect for the fundamental values of citizenship.

In this first year the jury unanimously decided to select the application of Elisabeta Ecaterina Necker – a Romanian citizen, engineer by training, residing in Portugal since 2000 – as they concluded that she best fulfilled the objectives of the Immigrant Entrepreneur Award 2007, namely in relation to her marked entrepreneurial ability, showing ‘intrapreneurship’, and her intense and pro-active activity of responsibility and social intervention. The jury emphasised their choice, stating that they particularly appreciated the applicant’s experience which showed exceptional qualities of perseverance, courage and availability in putting herself at the service of her compatriots and the community into which she is integrated.

The objective of the Immigration Platform is to repeat this initiative for five years, that is, until 2011, followed by a necessary process of evaluation. The Regulations for this competition are to be found in the annex below, providing the opportunity to gain a more detailed understanding of the initiative.

**Annex**  
**Regulations for the “Immigrant Entrepreneur of the Year” Competition**



Considering that

- During the coming decades, immigrants will be called upon to play a crucial role in the economic and social development of Portugal;
- The importance of their role will be in accordance with the extent of their social and professional integration in our country;
- It is of great importance to inform all the residents of the country – both Portuguese and immigrants themselves – of cases of immigrants who have distinguished themselves through their role as entrepreneurs and leaders in our society; and
- One of the concerns of the Immigration Platform, and particularly of the foundations that form part of it, has been the promotion of initiatives that actively seek to achieve the integration of immigrants into Portuguese society,

the Immigration Platform shall promote the organisation of a competition regulated by the following clauses:

1st Clause  
(Nature and objective)

1. The Immigration Platform institutes the competition "IMMIGRANT ENTREPRENEUR OF THE YEAR", hereafter referred to simply as the Competition.
2. The Competition has the central objective of rewarding and publicising immigrants who have distinguished themselves through their entrepreneurial and leadership role in the context of Portuguese society and who constitute examples of pro-active and innovative integration in our economy and, where possible, of stimulation of cooperation between their countries of origin and Portugal.
3. In the context of the Competition, applicants will be evaluated on the strength of their entrepreneurial careers in Portugal - for their foreseeable impact on the Portuguese economy, in light of the central objective defined in the previous article of this clause and the priorities and criteria of evaluation laid out in the 5th Clause.
4. The Award will be attributed on an annual basis on foot of deliberation by a jury constituted to that effect by the Immigration Platform and hereafter referred to simply as the Jury.

2nd Clause  
(Eligible applicants)

The applicants for the Competition shall be immigrants who fulfil the following conditions:

- a) possess a residence authorisation in Portugal at the time of application;
- b) have been resident in Portugal for more than five years, counted until the date of application;
- c) on the date of taking up residence in Portugal to not have been a citizen of the European Union;
- d) have a profile which is within the framework of the objectives of the competition.

3rd Clause  
(Concept)

1. It is understood that an entrepreneur is a persistent individual who likes to take risks and accept challenges, and who creates something new or adds value to something already in existence, through much dedication and effort.

2. The concept referred to in the previous article includes not only the creation of new businesses and organisations (self-employed entrepreneur), but also the introduction by creative employees of innovative processes, products or services within the companies or organisations where they work (employee entrepreneur) and, also, attitudes of pro-active social responsibility.

#### 4th Clause (Applications)

1. The announcement of the opening of the Competition will be, at a minimum, disseminated through two newspapers with national circulation and by organisations that represent immigrants.

2. The application processes should be preferably sent electronically or by post to the Secretariado da Plataforma Imigração, at the Fundação Calouste Gulbenkian, Av. de Berna 45-A, 1067-001 Lisbon, within a period to be fixed and disseminated annually by the Immigration Platform.

3. The applications should be submitted individually by the applicants, by institutions within the diplomatic corps of the countries of origin or by organisations that represent immigrant communities.

4. The applications to be considered should be structured along the following lines:

- Identification of the applicant (full CV);
- Summary of the immigrant's career in Portugal, with an indication of the main initiatives of an economic or social nature;
- Detailed description of the applicant's career, with a particular emphasis on the period of residency in Portugal (maximum 10 pages, with 12-point font and single line-spacing), including
  - Presentation of the career, including dates, difficulties felt in each phase and ways that were found to overcome them, support received and offered in the course of the career and
  - Indications of the reasons why their career merits the Award, in light of the central objective of the Competition (see 1st Clause) and of each of the evaluation criteria adopted (see 5th Clause);
- Declaration of honour in relation to residence in Portugal for over five years, counted until the date of application;
- Letters from Portuguese or foreign institutions (except those involved in the submission of the application processes), demonstrating support for the merit of the applicant, in light of the central objective of the Competition and the evaluation criteria adopted.

5th Clause  
(Evaluation criteria for the applications)

1. The applications submitted will be evaluated by the Jury according to the following criteria:

- A career that reveals attitudes and competences commonly associated with entrepreneurship (particularly a liking for realisation of projects, acceptance of calculated risks, tolerance for mistakes and perseverance, the capacity to learn from experience, the sharing of knowledge, the search for excellence and taking responsibility);
- Use of the entrepreneurial ability in the promotion of innovative initiatives (leading to new organisations of an economic or social character, or the introduction of new products, services or processes); to this effect, the entrepreneurial ability is understood in a broad sense, covering not only activities of business creation but also activities by employees, where they reveal 'intrapreneurship' or an element of pro-active social responsibility;
- Economic and/or social sustainability of the initiatives in question;
- Contribution to a closer relationship between the immigrant's country of origin and Portugal;
- Contribution to the development of the immigrant's country of origin;
- A career that shows pro-active integration by the immigrant and by their initiatives in the Portuguese socio-economic context;
- Ability for effort and individual valuation;
- Respect for the fundamental values of citizenship.

2. The interpretation of the merit of each application in light of each of the criteria stated in the previous article of this clause and the weight to be attributed implicitly or explicitly to these criteria is the exclusive responsibility of the Jury.

6th Clause  
(Instruction of the application process)

1. The Secretariat of the Immigration Platform will ensure the provision of support to the Jury, namely through the preparation of a dossier that will include all of the relevant information on all of the applications submitted to the Competition for a comprehensive evaluation in accordance with the criteria stated in article 1 of the previous clause.

2. For the preparation of the process of deliberation the Immigration Platform shall have recourse to the support of an external organisation.

3. Both the people responsible for the preparation of the dossier and for the analysis of the applications and the members of the Jury can consult the applicants,

the institutions that submitted the respective applications, or other organisations considered relevant.

7th Clause  
(Constitution and competences of the Jury)

1. The presidency of the Jury will be ensured, in rotation, by a representative of one of the foundations that form part of the Core Group of Founders of the Immigration Platform, and shall involve four additional members invited by the Immigration Platform.

2. The Jury shall guarantee the rigour and the transparency of all of the procedures related to the Competition and to the Award, with the duty to:

- interpret the criteria of evaluation of the applications submitted to the Competition and
- select the winning application for the Competition, by simple majority of the members of the Jury, with the President having the deciding vote.

3. The attribution of the Award is the unique and exclusive responsibility of the Jury, and is not subject to appeal.

4. At the exceptional discretion of the Jury it shall be possible to not attribute the Award, or to attribute it, *ex aequo*, to more than one candidate.

5. It is the specific competence of the President to lead the meetings of the Jury, ensuring the production of the respective minutes and establishing contacts between the Jury and the support provided by the Secretariat of the Immigration Platform.

6. To the exclusive effect of deliberating on the selection of the winning application of the Competition, the Jury shall meet on the dates defined by its President.

8th Clause  
(Publicising and materialisation of the Award)

1. Each year, the winner of the Competition will be publicly announced at a Session organised to that effect by the Immigration Platform, and the corresponding deliberation of the Jury shall accordingly be kept confidential until then.

2. The Award shall be materialised in the attribution to the winner of the Competition of a sum of twenty thousand Euros (€20,000).

3. The Award shall be liquidated through the handing over of a cheque to the winner of the Competition during the Session referred to in article 1 of this clause.

4. The winner of the Competition shall have the right to disseminate their winning of the Award both in their own publicity and in any documentation that uses their image.

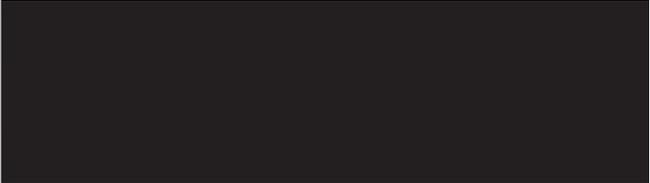


9th Clause  
(Guarantees and rights)

1. The Immigration Platform and the Jury will dedicate all of their efforts in order to guarantee the quality and the rigour of the processes of instruction of the applications, of the selection of the winner and of the materialisation of the Award. However, the Immigration Platform and the Jury do not have any civil or criminal responsibility resulting from mistakes, failures or omissions that may occur involuntarily during those processes.
2. The brand, the logo and other materials that are specifically designed for the competition and the Award shall be protected by author's rights and may not, apart from in a situation foreseen in article 4 of the 8th Clause of these regulations, be used without the explicit authorisation of the Immigration Platform.
3. Information received in the applications to the Competition will be kept under strict confidentiality by the Jury and by the Immigration Platform.

**Notes**

<sup>1</sup> For more information, please see: [www.plataformaimigracao.org](http://www.plataformaimigracao.org).



[www.oi.acidi.gov.pt](http://www.oi.acidi.gov.pt)



**IV. ISSUE PAPERS**







## **Supporting entrepreneurial diversity in Europe – Ethnic minority entrepreneurship/migrant entrepreneurship**

Thomas Jaegers, European Commission, Directorate General  
“Enterprise and Industry”

European societies are suffering from an entrepreneurial gap: 50 per cent of Europeans prefer working as a dependent employee, only less than half (45 per cent) would like to be self-employed. In the USA 61 per cent of the population prefer being their own bosses and only 37 per cent express a preference for employee status.<sup>1</sup> An important reason for the strong preference for being an employee is the desire to have a regular and predictable income and fixed working hours. In addition, Europeans foresee more problems with red tape than Americans and are more afraid of the consequences of a business failure.

Apart from these tangible difficulties, another reason for the entrepreneurial gap might be the relatively bad image that entrepreneurs have in Europe. More than 40 per cent of the population are convinced that entrepreneurs only think about their own wallet and exploit other people’s work – in the USA, the share of the population who have such a negative view is only half that.



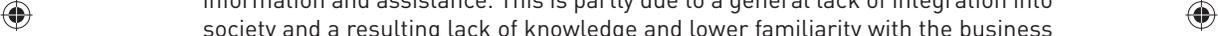
Yet Europe needs more entrepreneurs and a better climate for entrepreneurship if it wants to successfully implement the Lisbon strategy and create more and better growth and employment.<sup>2</sup> In order to promote entrepreneurship, all groups in society have to be involved. Currently about 5 per cent of Europe’s population are non-nationals. A large part of our population, especially in the cities, have a migration background, that is, have migrated to their country of residence (often from outside Europe) or are descendants of immigrants. Moreover, the migrant population in Europe is growing. Migrants and people from ethnic minorities represent a considerable pool of entrepreneurship.

Being one’s own boss is much more popular among ethnic minorities and migrants than among the average population. The statistical information that is available demonstrates quite clearly that entrepreneurship and self-employment in ethnic and migrant communities are higher than the national averages. It should however be noted that the statistical averages mask large differences between the ethnic communities. To some extent the reduced level of opportunities in the main labour market is still a push factor for migrant entrepreneurship. Discrimination, low-paid job offers, low status jobs and obstacles to upward mobility may induce ethnic minorities to look to self-employment as a second-best alternative to earn a living.



Nevertheless, these factors, while not negligible, appear no longer to be the main driving force for many migrant/ethnic minority businesses in Europe. More and more ethnic/migrant entrepreneurs are enticed into setting up businesses in order to be more autonomous and realise their own ideas. The high status of successful businesspeople in many ethnic and migrant communities also appears to be an important reason for becoming one's own boss.

While many migrants and people from ethnic minorities are motivated to become entrepreneurs, there are some difficulties that are specific to this group and that can prevent them from realising their business projects. The most pressing problems are access to finance, access to support services and knowledge of such services, language barriers, and limited business, management and marketing skills. Most ethnic minority businesses are relatively small and manager-owned, and they operate in an urban environment. Particularly the first generation of migrant and ethnic minority entrepreneurs often start in markets with low entry barriers and low capital and skill requirements. They operate in a rather competitive environment where price is the main parameter. This results in labour-intensive production, long working hours, low wages and so on.



In general, migrant and ethnic minority businesses rely less on formal providers of support than the average business; they prefer informal networks for obtaining information and assistance. This is partly due to a general lack of integration into society and a resulting lack of knowledge and lower familiarity with the business culture and the administrative environment. For similar reasons the businesses often obtain capital from family and friends and not from banks or other institutional sources.

Recognising the potential that ethnic minorities and migrants represent for the promotion of entrepreneurship in Europe, the European Commission has worked for several years on developing policies to foster ethnic and migrant businesses and to ensure that they receive the specific business support that they need.

There is wide agreement among the experts on the subject that the promotion of ethnic minority and migrant entrepreneurship is first and foremost motivated by economic policy considerations. Ethnic minority and migrant businesses are supported in order to promote entrepreneurship and create more successful enterprises. At the same time however, the promotion of entrepreneurship among these groups can also assist in their integration into the receiving societies. In order to promote the integration of migrants and ethnic minorities, the European Community supports and co-finances a number of projects in the Member States. The most important instrument in this context is the European Social Fund, which has been allocated a budget of €75 billion for the period 2007-2013.



In June 2003 the European Commission organised a conference on Ethnic Minority Entrepreneurs to launch a debate on the issue, to raise awareness of the important contribution to the European economy that has already made by ethnic minority entrepreneurs and to find answers to the question of how best to respond to some of the most persistent problems that ethnic minority entrepreneurs have to confront and that hinder their development.<sup>3</sup> The conference was partly inspired by a pilot project dating back to the year 2000 when the European Commission produced a study on the availability of support and membership organisations for ethnic minority entrepreneurs, to help them to overcome the specific difficulties that they might have as a result of their ethnicity.<sup>4</sup>



Following the conference, the “Ethnic Minority Businesses” Network of national policy makers and administrators was established by the European Commission and Member States. This network, which at times also included researchers and representatives from business organisations, constituted a European organisational structure which Member States could use to exchange information on political and economic developments affecting ethnic minority businesses and on good practices and strategies in the promotion of these businesses. The first network meeting took place in December 2003, the most recent in March 2008. Topics that were discussed included access to finance for ethnic minority entrepreneurs and in particular the importance of microcredit, the importance of informal business relations for ethnic and migrant entrepreneurs and their alternative sources of capital and labour.

In 2005 the Commission prepared the launch of a second study to collect further good practice policies in the area of ethnic entrepreneurship. The work on the study was initiated in 2006 and its results were presented on 5 March 2008 at a Conference in Brussels to more than 100 representatives of national ministries, regional and local authorities, business associations, business support organisations, universities, research organisations, businesses and EU institutions. Delegates from Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, the Netherlands, Norway, Portugal, Romania, Spain, Sweden and the United Kingdom exchanged information on good practice cases in the promotion of ethnic and migrant businesses and discussed their strategic success factors.<sup>5</sup>

Some policy recommendations that can be drawn from extensive work in the past are:

1. A thorough analysis of the individual needs of ethnic businesses is crucial to the success of any business service provided. In the analysis of the individual needs of the entrepreneurs, their embeddedness in their ethnic community needs to be taken into account. Reaching out to and involving the local leaders of ethnic communities is essential to building



up the credibility of support providers. Employing coaches and trainers from among ethnic minorities and migrant communities also helps to enhance the credibility of support organisations.

2. Support organisations for ethnic minorities and migrants should not be stand-alone structures, as this increases the danger of permanently isolating their businesses from the mainstream economy.
3. The awareness of migrant and ethnic minority businesses of the support that is available needs to be raised, but also the awareness of administrations and other stakeholders - such as banks - as regards the contribution that these businesses can make to the general economy.
4. The basic business skills of migrant and ethnic minority entrepreneurs need to be developed. Most assistance is needed in the very early phases of the business and an enduring dependency on support services has to be avoided.
5. Member States should continue their exchange of good practices in the promotion of ethnic minority and migrant businesses.

## Notes



<sup>1</sup> More information from the 2007 Flash Eurobarometer on Entrepreneurship is available at:

[http://ec.europa.eu/enterprise/enterprise\\_policy/survey/eurobarometer2007/eb2007report.pdf](http://ec.europa.eu/enterprise/enterprise_policy/survey/eurobarometer2007/eb2007report.pdf).

<sup>2</sup> For detailed information on the renewed Lisbon strategy and the partnership for growth and jobs see:

[http://ec.europa.eu/growthandjobs/european-dimension/index\\_en.htm](http://ec.europa.eu/growthandjobs/european-dimension/index_en.htm).

<sup>3</sup> For more information on the conference see:

<http://ec.europa.eu/enterprise/entrepreneurship/craft/craft-minorities/minorities-eu-conference.htm>.

<sup>4</sup> For the final report see:

<http://ec.europa.eu/enterprise/entrepreneurship/craft/craftstudies/entrepreneurs-young-women-minorities.htm>.

<sup>5</sup> For the conference presentations and the complete study see:

[http://ec.europa.eu/enterprise/entrepreneurship/support\\_measures/migrant/index.htm](http://ec.europa.eu/enterprise/entrepreneurship/support_measures/migrant/index.htm).





## Limits and opportunities of immigrant entrepreneurship

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One of the initiatives of the Gulbenkian Immigration Forum, the main activities of which took place during 2006 and 2007, was a continuing discussion on the conditions of the integration of migrants in the labour market. Within this context, a number of workshops were organised and the results of the initiative were published in book form. One of the workshops specifically addressed the subject of immigrant entrepreneurship. This meeting was attended by academics, as well as representatives of Government authorities, non-Governmental organisations and private companies, and particularly organisations involved in the area of micro-credit. Above all, this present text seeks to provide an account of the results of this workshop, in particular in relation to the discussion on the limits and opportunities of immigrant entrepreneurship. These outcomes were also previously disseminated in the publication resulting from the Forum (Peixoto, 2007).



The first point that was made in relation to immigrant entrepreneurship in Portugal was that it can be divided into a number of main types. Entrepreneurial initiatives vary according to immigrants' nationalities. There are groups among whom entrepreneurial activity is intense, where there is a marked propensity towards entrepreneurship, and others among whom such initiatives are less common. The types of businesses in existence are also varied. The majority are small-scale activities, mostly linked to the resources or the specificities of the immigrant communities. There are also larger-scale initiatives or initiatives with diverse commercial orientations, linked to a broad base of consumers. The sources of financing for companies are in many cases personal capital or capital originating from the entrepreneur's own community, but expansions in the scale of the business generally involve the formal financial sector.

The reasons for these various propensities for entrepreneurship, as well as the variety in types of businesses in existence, are complex. The argument has been put forward that the various personal and community resources to which immigrants have access, as well as the type of opportunities available, explain the various activities (Oliveira, 2004).

The obstacles and the constraints to entrepreneurial activities among immigrants are many. Until recently, some of the most important obstacles were the legal and institutional barriers resulting from legal immigration statuses. The immigration laws in force until 2007 – the year in which a new legal framework was approved – restricted the possibilities for entrepreneurial activity for holders of a residence authorisation or certain types of working visas. Given that a large number of



immigrants, particularly those who acquired legal status after 2001, had a stay permit (a legal instrument in existence from 2001 to 2003, providing an alternative to extraordinary regularisation processes) or another type of visa, they were automatically excluded from the possibility of undertaking legal entrepreneurial initiatives. Before 1998, the legislation had presented even greater constraints, demanding that all businesses with more than five workers must have 90% Portuguese employees. Due to these barriers, in some cases ruses were developed to evade the legal impediments, a necessity that the new immigration law sought to alleviate.



Other obstacles are also relevant: difficulties in accessing credit due to the difficulty of fulfilling all of the requirements demanded by the banking system (problems at this level are related to the difficulty of providing real and personal guarantees for the credit, the limited profitability of the small amounts requested and difficulties in opening accounts); lack of knowledge of the laws and of the world of business in Portugal due to weak socio-cultural integration or an effective distance from the information (some examples are the lack of knowledge of tax obligations and of requirements for specific sectors); the difficulty of access to information (related to weak social integration and the absence of efficient information channels); lack of knowledge of the Portuguese language (which makes access to information and to institutions difficult); difficulties in the recognition of qualifications (which frequently limit activities to areas where having skills is not essential); and some attitudes among the public (that could in certain circumstances be unfavourable to some activities).

Despite these obstacles, the number of supports and opportunities for immigrant entrepreneurship has multiplied during recent years, under the responsibility of non-profit associations, of banks and of the State. This is, for example, the case for the system of microcredit, and its adaptation for immigrants. Particularly important is the experience of the ANDC (National Association for the Right to Credit) in this area, as well as that of various private banks. The State has also become involved in this process. The most important action was the creation by ACIDI (the High Commission for Immigration and Intercultural Dialogue) in 2007 of the Support Point for Entrepreneurship (NAE), within the Employment Support Office of the National Immigrant Support Centre (CNAI). It should be highlighted that, among the various documented cases of immigrant entrepreneurial experiences, in particular those that involved micro-credit, the success rate is high, and regularly initial activities are expanded upon.

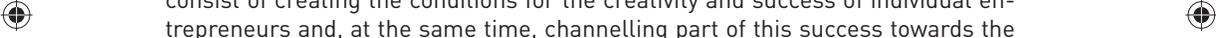
The advantages of immigrant entrepreneurship are numerous. In relation to the country of origin of the immigrants, economic links are strengthened, facilitating the development of these countries and the internationalisation of Portuguese firms. On the one hand, networks of production and trade are activated, leading



to the improvement of the economic conditions of the countries of origin. On the other, the knowledge that immigrant entrepreneurs possess of their country and of its needs can be crucial for Portuguese firms seeking to internationalise their activities. In this way, immigrant entrepreneurs can 'open up markets'.

As regards Portuguese society, immigrants' entrepreneurial initiatives facilitate economic growth and the improvement of the social integration processes of immigrants. Among the advantages at the macro-level are job creation (the employment of the entrepreneur is assured and new jobs are created); innovation (immigrants frequently bring new ideas, projects and technologies); and the revitalisation of urban districts. At a micro-level, the greater integration of immigrants should be highlighted. The very frequent success of these initiatives serves to reduce unemployment and avoid recourse to social benefits – thereby reducing the financial burden for the Welfare State.

It is well known that entrepreneurship is, in many cases, the most secure way for immigrants and their families to succeed in improving their standard of living. Without denying that actions should also be taken in other spheres of integration, the success of the entrepreneurial initiatives of immigrants brings gains for various actors: for immigrants and their families, for consumers and resident workers, and for the State itself. The activities of institutions should therefore consist of creating the conditions for the creativity and success of individual entrepreneurs and, at the same time, channelling part of this success towards the improvement of the situations of other segments of the population.



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