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IMMIGRANTS FROM
CHINA TO CANADA:
ISSUES OF SUPPLY AND DEMAND
OF HUMAN CAPITAL

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ABSTRACT

This paper examines immigration from China to Canada since the 1990s. Between 1998 and 2007, Canada received on average of 227,911 immigrants per year from all regions, and the People's Republic of China (PRC) has topped the list of sending countries. Between 1998 and 2007, new immigrants from PRC to Canada averaged 33,443 annually: most immigrants came to Canada with a university degree. The rise in university-educated immigrants can be explained by Canada's rising demand for skilled immigrants and China's increased supply of university graduates. Canada saved approximately \$1.8 billion in educational expenses by accepting 53,480 immigrants from China with degrees between 1996 and 2000, but only about 59 percent of them are estimated to be in Canada's 2001 labour market. However, there is a further discount of the value of human capital because a university degree held by PRC-born men and women is not rewarded at the same rate as a degree held by other Canadians. This paper provides several policy recommendations regarding how Canada can further benefit from immigration from China.

RÉSUMÉ

Cette étude porte sur l'immigration de la Chine vers le Canada depuis les années 1990. De 1998 à 2007, le Canada a accueilli en moyenne 227 911 immigrants par année provenant de toutes les régions du globe, mais en tout premier lieu de la République populaire de Chine (RPC). Durant cette même période, une moyenne annuelle de 33 443 immigrants chinois – la plupart diplômés universitaires – se sont établis au Canada. L'augmentation des nouveaux arrivants diplômés peut s'expliquer par la demande croissante du Canada pour des immigrants qualifiés tout autant que par la capacité de la Chine de produire des diplômés universitaires en plus grand nombre. C'est ainsi que de 1996 à 2000, le Canada a économisé quelque 1,8 milliard de dollars en dépenses d'enseignement en acceptant 53 480 immigrants chinois diplômés, même si on estime que seulement 59 pour cent d'entre eux avaient intégré le marché du travail canadien en 2001. Mais le Canada a tout de même profité d'une remise supplémentaire sur la valeur de ce capital humain puisque les diplômes universitaires détenus par les natifs de la RPC n'ont pas été reconnus au même titre que ceux des autres Canadiens. Cette étude formule plusieurs recommandations d'orientation qui permettraient au Canada de tirer meilleur parti de l'immigration chinoise.

ABOUT THE AUTHOR

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INTRODUCTION

Like other advanced industrial countries, Canada has been transformed by the emergence of the new economy, that is, a knowledge-based economy led by information and communication technologies as well as science industries that rely heavily on advanced skills, research and development. A key component of the new economy is the technology sector. Throughout the 1990s in Canada, real gross domestic product (GDP) and employment in the information and technology sector grew by 96 percent and 44 percent respectively, compared to only a growth of 28 percent in real GDP and 24 percent in employment in sectors outside of the science, information, communication and technology sector.¹ At the turn of the 21st century, the Organization for Economic Co-operation and Development (OECD) also concluded that those countries that have managed to increase their growth potential have been able to take advantage of the new economic environment by setting proper policies regarding information and communication technology, human capital, innovation and firm creation.² The future prosperity of nation states now depends on their ability to invest in the new economy and to recruit and retain highly-trained human capital. In this respect, international migration becomes a key factor in allowing advanced industrial countries like Canada to procure highly-trained workers and professionals, especially in view of the fertility rate of many countries falling below the population replacement level.

Historically, immigration has been a key component in the building of Canada as a nation. Today, the population of Canada is made up of aboriginal peoples (3.8 percent), first-generation immigrants (19.8 percent) and native-born Canadians who are decedents of immigrants (76.4 percent).³ Given Canada's low fertility rate, the country now relies heavily on international migration as a main source of growth of the population and labour force.⁴ Between 2001 and 2006, Canada's population grew by 5.2 percent, two-thirds of which was due to international migration.⁵

This paper examines immigration from China to Canada since the 1990s with a view to understand the future and to develop policy recommendations regarding how international human capital can be better utilized. Canada admits a large number of immigrants every year. Between 1998 and 2007, Canada received on average 227,911 immigrants per year from all countries and regions around the world. The People's Republic of China (PRC) has topped the list of sending countries as the source from which the largest number of immigrants arrived every year. Between 1998 and 2007, new immigrants from the PRC to Canada averaged 33,443 annually, with a large proportion coming with a university degree.⁶ Prior to the late 1990s, most immigrants of Chinese origin emigrated from Hong Kong to Canada and few directly from PRC.⁷ What are the factors that explain this new surge of immigration from mainland China to Canada? What is the value of human capital brought by immigrants from PRC, and how is this value being valued in the Canadian labour market? What are the policy implications for Canada?

¹ Desmond Beckstead and Guy Gellatly, "The Canadian Economy in Transition: The Growth and Development of New Economy Industries," Statistics Canada Research Paper, Catalogue No. 11-622-MIE-No. 002, 2003.

² OECD, *The New Economy: Beyond the Hype: Final Report of the OECD Growth Project*. (Paris: OECD Publications Service, 2001).

³ Statistics Canada, *The Daily*, December 4, 2007 and January 15, 2008.

⁴ Canada's total fertility rate, or the average number of children per woman, has been below the replacement level of 2.1 since the 1970s. See Peter S. Li, *The Making of Post-War Canada* (Toronto: Oxford University Press, 1996), 59-75. In 2006, the total fertility rate was 1.59. See Statistics Canada, *The Daily*, September 26, 2008.

⁵ Statistics Canada, *Canada Year Book Overview, 2008*, Population and Demography, January 20, 2009.

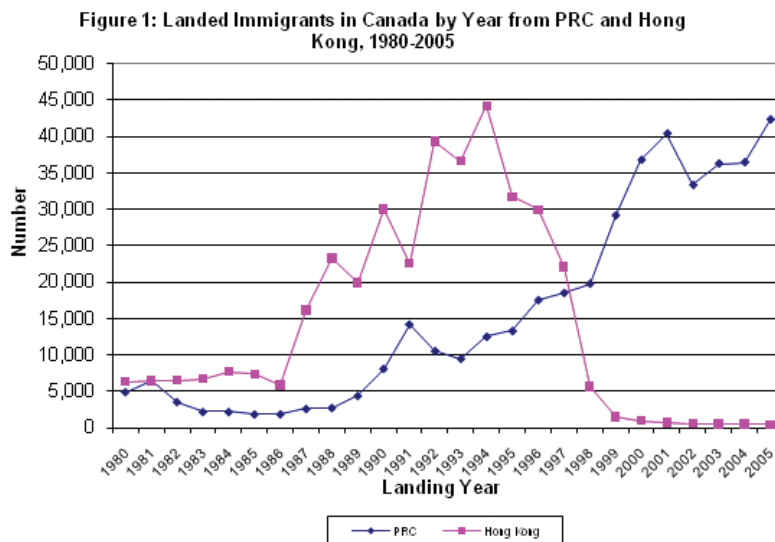
⁶ Compiled from Citizenship and Immigration Canada, *Facts and Figures 2007* (Ottawa: Minister of Public Works and Government Service, 2008), 30.

⁷ Peter S. Li, "The Rise and Fall of Chinese Immigration to Canada: Newcomers from Hong Kong Special Administrative Region of China and Mainland China, 1980-2000," *International Migration* 43, No. 3 (2005): 9-32.

OVERVIEW OF IMMIGRATION FROM THE PRC TO CANADA⁸

In the period after the Second World War until the mid-1990s, Hong Kong was the primary source from which ethnic Chinese immigrants immigrated to Canada. During the 1950s and 1960s, the Cold War and the lack of formal diplomatic relationship between Canada and China deterred direct immigration from mainland China.⁹ Canada and China established formal diplomatic relations in 1971. However, immigration from China to Canada remained small in the 1970s and 1980s. Between 1968 and 1976, immigrants from Hong Kong accounted for over two-thirds of immigrants from Hong Kong, Taiwan and mainland China to Canada combined.¹⁰

Between 1980 and 1986, arrivals from Hong Kong and mainland China never exceeded 8,000 a year from either source.¹¹ From 1986 onwards, annual immigration from Hong Kong increased, reaching 44,000 in 1994 and then declined. After 2000, less than 2,000 immigrants arrived in Canada from Hong Kong every year.¹² In contrast, immigration from mainland China did not begin to increase until 1989, the year of the Tiananmen Square incident when Canada allowed Chinese students with visas studying at Canadian universities to remain in Canada as permanent residents. Within two years, the number of landed immigrants from China rose to 14,203 in 1991 before dropping to 9,485 in 1993. After 1993, annual immigration from China continued to rise, reaching almost 20,000 in 1998, and over 40,000 in 2001, before pulling back to 33,231 in 2002. The number exceeded 36,000 for 2003 and 2004, and over 42,000 for 2005 (Figure 1).



Source: Compiled from Landed Immigrant Data System, 1980-2005, Citizenship and Immigration Canada.

⁸ Materials in this section are drawn upon Peter S Li, "Immigration from China to Canada in the Age of Globalization: Issues of Brain Gain and Brain Loss," *Pacific Affairs* 81, No. 2 (2008): 217-239. However, the data in Figures 1 and 2 have been extended to include 2003 to 2005.

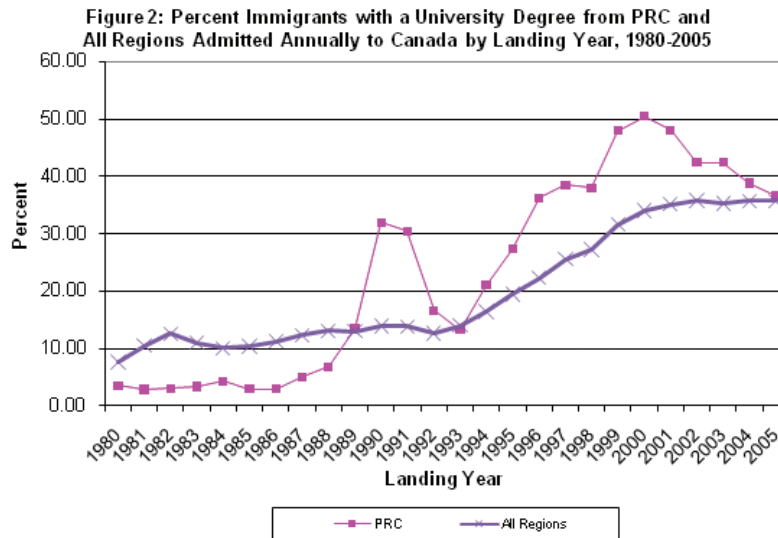
⁹ Canada and China signed an agreement in October 1970 which stated that the two countries would establish diplomatic missions within six months. On October 25, 1971, the General Assembly of the United Nations passed Resolution 2758 recognizing the People's Republic of China as the sole legitimate government of China and withdrawing such recognition given to Republic of China (Taiwan) up to that point.

¹⁰ Peter S. Li, *The Chinese in Canada*, 2nd ed. (Toronto: Oxford University Press, 1998), 99.

¹¹ The Landed Immigrant Data System provided by Citizenship and Immigration Canada contains data pertaining to both "country of birth" and "country of last permanent residence" of immigrant arrivals. Statistics on country of origin in this paper are based on country of last permanent residence.

¹² Li, "Immigration from China to Canada in the Age of Globalization: Issues of Brain Gain and Brain Loss."

As the number of PRC immigrants increased during the 1990s, so did the percentage of those admitted under the economic class, that is, those selected based on a point system which emphasizes human capital, financial capital and work experience.¹³ Economic immigrants from PRC in the late 1980s made up about one quarter to one third of the total annual number of immigrants from China to Canada. However, they reached 57 percent in 1990 and 63 percent in 1991. Economic class immigrants fell in percentage in the early 1990s but increased again after 1994. By 1998, they accounted for 67 percent of the immigrants from China, and by 2000, over 80 percent.¹⁴



Source: Compiled from Landed Immigrant Data System, 1980-2005, Citizenship and Immigration Canada.

The rise in the number of immigrants from China to Canada since the mid-1990s has been largely sustained by well-educated immigrants. Except for the two years following 1989, the proportion of PRC immigrants with a degree was relatively low prior to 1994 (Figure 2). After 1994, the proportion of immigrants from China with a degree rose drastically, rising from 27 percent in 1995 to 39 percent in 1997, and nearly 50 percent in 1999, 2000 and 2001. From 2002 to 2005, immigrants with a degree continued to make up about 40 percent of all immigrants from PRC annually.

It is clear that the overall proportion of university-educated immigrants to Canada has risen since the mid-1990s. However, the rate of immigrants with degrees from China to Canada tends to be higher than other sending countries. For example, Canada accepted 41,413 immigrants with a degree from all regions in 1995; by 2000, the number rose to 77,430 or 187 percent. In contrast, Canada accepted 3,636 immigrants with a degree from China in 1995, and 18,522 in 2000, an increase of 509 percent. For the four years between 1999 and 2005, immigrants with a degree from China accounted for 20 percent of all immigrants

¹³ Immigrants to Canada are admitted under three broad categories: the family class, the economic class and the refugee class. See Statutes of Canada, *An Act Respecting Immigration to Canada and the Granting of Refugee Protection to Persons Who are Displaced, Persecuted or in Danger*, 2001, c. 27, s. 12. Admissions under the family class are usually restricted to close family members of a resident or a citizen of Canada, such as a spouse, common-law partner, child, parent, or other prescribed family member. Economic class admission is selected on the basis of education, financial or investment capacity or labour market skills. Refugees are admitted based on the United Nations criteria or on humanitarian grounds.

¹⁴ Li, "Immigration from China to Canada in the Age of Globalization: Issues of Brain Gain and Brain Loss."

with a degree entering Canada, compared to 13 percent for the preceding four years. But the number of immigrants from China to Canada only accounted for 16 percent of the total number of immigrants admitted between 1999 and 2005, and 8 percent between 1995 and 1998. In short, the rise in immigration from China to Canada has been driven largely by the immigration of those with university education.

SALIENT ISSUES INFLUENCING FLOWS OF CHINA-BORN IMMIGRANTS

The rise in university-educated immigrants from China to Canada can be explained by Canada's demand for skilled immigrants and China's supply of university graduates. The emergence of the new economy has exacerbated the demand for skilled workers in Canada. Virtually all jobs created in Canada in the 1990s were related to knowledge-based occupations.¹⁵ Canada responded to this rising demand by investing heavily in higher education; by 1996, Canada became what Zhao called the "most educated population" among industrialized countries in having the largest proportion of its population having a post-secondary degree.¹⁶

Throughout the 1990s, Canada also faced the problem of out-migration of skilled workers to the US.¹⁷ However, Canada manages to bring in an even larger number of immigrants with a degree to offset this loss, in the magnitude of four immigrants coming to Canada to one migrating from Canada to the US.¹⁸ Thus, admitting university-educated immigrants allows Canada to recuperate its loss of human capital, and to sustain labour growth in knowledge-based sectors. These conditions facilitate university-educated immigrants from China and elsewhere immigrating to Canada.

The emergence of the knowledge economy also prompted Canada to revamp the immigration system and strengthen the admission of economic-class immigrants. Both the Immigration and Refugee Protection Act of 2001 and the revised immigration regulations of 2002 reinforce immigrant selection based on educational qualifications and work experiences.¹⁹ Canada's new "point system" used to assess prospective immigrants allots up to 70 of the 100 points to education, official languages capacity and work experience, as opposed to 39 points in the old system.²⁰ Since the late 1990s and prior to the new system, Canada increased the intake of economic-class immigrants. Before 1995, economic-class immigrants constituted less than half of total immigrants to Canada; after 1995, these immigrants rose to over 50 percent and then to 60 percent or more in various years between 2001 and 2007.²¹

There are also factors that influence the supply of university-educated immigrants from China. The flow of the highly educated from China is in part influenced by the oversupply of university graduates. Despite China's 1978 economic reform and its subsequent rapid growth, efforts to modernize its higher education system only began in the 1990s. China's educational reform has several components, including direct state investment, decentralization of financing to allocate more power to local governments, diversification

¹⁵ John Zhao, "Brain Drain and Brain Gain: The Migration of Knowledge Workers from and to Canada," *Education Quarterly Review* 6, No. 3 (2000): 8-35.

¹⁶ In 1996, the percentage of population aged 25 to 64 with a university or other post-secondary education was 48 percent in Canada, 34 in the US and 22 percent in the UK. See Zhao, "Brain Drain and Brain Gain."

¹⁷ It is difficult to estimate the origins of Canadians migrating to the US since such data are neither reported in Canada or the US.

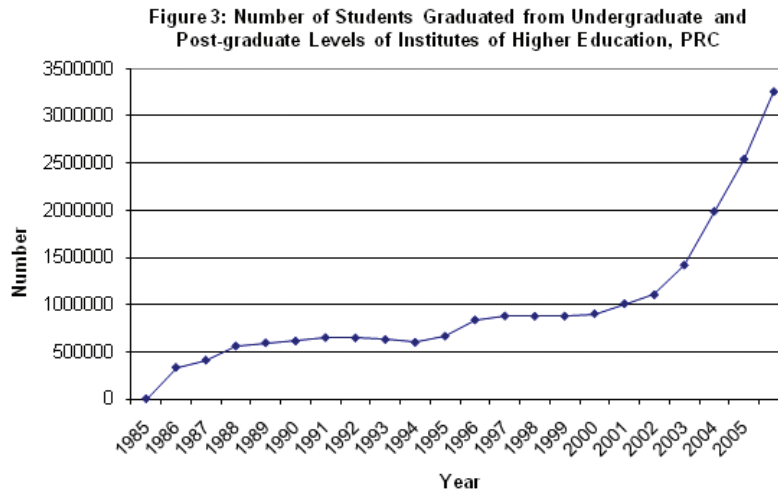
¹⁸ Zhao, "Brain Drain and Brain Gain,".

¹⁹ Statutes of Canada, *An Act Respecting Immigration to Canada and the Granting of Refugee Protection to Persons Who are Displaced, Persecuted or in Danger; Immigration and Refugee Protection Regulations SOR/2002-227 cited in Canada Gazette* Vol. 136, No. 9, Part II (June 14, 2002): 177-360.

²⁰ Li, *Destination Canada: Immigration Debates and Issues* (Toronto: University of Oxford Press, 2003), 41.

²¹ Citizenship and Immigration Canada, *Facts and Figures 2007*.

of financing that allows universities to generate revenue and cost sharing that shifts a large share of educational costs to students and parents.²² Along with changes in university financing, the state also discontinued the policies of free university education and government job assignment for graduates in 1997. In sum, China has used market principles to overhaul higher education, emphasizing economic incentives, cost effectiveness and efficiency, and decentralizing university management.



Source: China Statistics Yearbook (2008), Chapter 20, Science and Technology, National Bureau of Statistics, China Statistics Press.

The result of China's educational reform is most evident in increases in university enrolment. The opportunities for secondary school graduates to attend universities have improved, from a participation rate of 4 percent in 1998 to 17 per cent in 2003,²³ but household burden of financing higher education has also increased.²⁴ Data on China's higher education indicate that in 1993 there were approximately 600,000 university students who graduated from undergraduate and postgraduate programs; by 1999, the number increased 50 percent to 902,670, and by 2001, it increased to 1.1 million (Figure 3). More recent statistics indicate that approximately 1.4 million students graduated from university programs in 2002, 2 million in 2003, 2.5 million in 2004 and 3.3 million in 2005.

The changes have resulted in an abundant supply of fresh university graduates every year. Even before the 2007 global financial crisis, fresh undergraduate degree holders in more recent years had to face a highly competitive market. Several studies point out that employers' demand for new graduates has only increased marginally while the supply has skyrocketed.²⁵ For example, in 2003, about 70 percent of university graduates managed to find employment shortly after graduation.²⁶ The global financial crisis of 2007 had a further impact, albeit modest. Several surveys indicate that the employment rate of fresh university graduates was about 2 percent lower in 2008 than in 2007, while starting salaries for fresh uni-

²² Peter S Li, Liming Li and Li Zong, "Postgraduate Educational Aspiration and Policy Implications: A Case Study of University Students in Western China," *Journal of Higher Education Policy and Management* 29, No. 2 (2007): 143-158; X. Wang, "A policy Analysis of the Financing of Higher Education in China: Two Decades Reviewed," *Journal of Higher Education Policy and Management* 23, No. 2 (2001): 205-217.

²³ D.Y. Chen, "China's Mass Higher Education: Problem, Analysis, and Solutions," *Asia Pacific Education Review* 5, No. 1 (2004): 23-33.

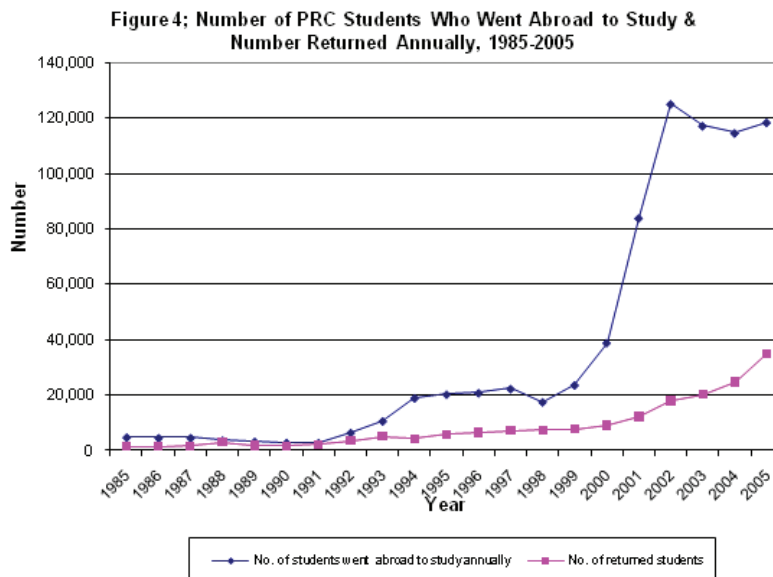
²⁴ X. Ding, "A Study on Household Higher Education Expenditure and Substitutions Effect," *Peking University Education Review* 1, No. 1 (2003): 95-98.

²⁵ Chen, "China's Mass Higher Education: Problem, Analysis, and Solutions,"; X. Ding, "The Challenges Faced by Chinese Higher Education as it Expands in Scale," *Chinese Education and Society* 37, No. 1 (2004).

²⁶ Chen, "China's Mass Higher Education: Problem, Analysis, and Solutions."

versity graduates declined about 11 percent in 2009 compared to 2008.²⁷ Thus, prevailing market pressures compel many university students to consider further studies at home or abroad to avoid competing in an adverse job market.²⁸

At the same time, the number of students from China going abroad to study has also increased. In mid-1990s, there were about 20,000 students going abroad annually, but by 2001, the number had reached 84,000, and by 2005, 119,000. In contrast, the number of students returning to PRC annually has risen in a much slower rate (Figure 4). These numbers indicate the annual flow of students going abroad and returning. Thus, the disparity between the two graphs in Figure 4 shows an increasing stock of students remaining abroad.



Source: China Statistics Yearbook, Science and Technology, National Bureau of Statistics, (China Statistics Press, 2008), Chapter 20.

The foregoing statistics suggest that the pool of fresh university graduates expanded throughout the 1990s, and the stock of PRC students studying abroad has enlarged. The surplus of university graduates, both in China and from China remaining abroad, has produced a potential pool of immigrants for Canada seeking skilled workers with high educational credentials. The combination of Canada's demand for human capital and China's annual surplus of university graduates has created the recent favourable conditions for immigration from China to Canada. In other words, difficulties in finding jobs at home and Canada's quest for human capital have encouraged many university graduates from China to seek immigration to Canada.

Data on the annual flow of PRC immigrants with a degree show a rising trend since the late 1990s. In 1989, about 14 percent of PRC immigrants had a university degree; by 1995, it increased to just below 27 percent (Figure 3). It further rose to almost 50 percent between 1999 and 2001 before falling back to about 40 percent for the period between 2002 and 2004.

²⁷ MYCOS, *2009 Zhongguo Daxuesheng Jiuye Baogao* ("2009 Chinese College Graduates' Employment Annual Report") (Beijing: Social Sciences Academic Press, 2009); Chinese Education News Network, "2009 Nian Daxue Biyesheng Qixin Yousuo Xiajiang," ("2009 Decline of Starting Salary of University Graduates") www.jyb.cn (accessed August 18, 2009).

²⁸ Li, Li, and Zong, "Postgraduate Educational Aspiration and Policy Implications."

CANADA'S VALUATION OF HUMAN CAPITAL BROUGHT BY PRC IMMIGRANTS

What is the value of the human capital transferred to Canada as a result of PRC university-educated immigrants migrating to Canada? How has Canada utilized such human capital? A recent study estimates the economic value of human capital embodied in new immigrants to Canada in two ways.²⁹ First, it is expressed in terms of the total number of university degrees granted in Canada in the same year; second, it is calculated as the equivalent cost Canadian students would have to incur if they were to acquire the same number of degrees in Canada in a given year, taking into account the average cumulated cost in four years that Canadian students paid in university tuition, compulsory fees and accommodation and food across Canada.

The findings indicate that immigrants to Canada in the 1990s brought an additional pool of university graduates in the range of about one quarter to one-half of what Canadian universities produced every year.³⁰ PRC immigrants with a degree between 1991 and 1995 amounted to only 1 to 3 percent of all degrees granted in Canada each year, but after 1996, the proportional weight increased. PRC immigrants with a degree were equivalent to about 4 percent of all the degrees granted in Canada in 1996, 12 percent in 2000 and 10 percent in 2003.

Using the average cumulated cost to Canadian students in acquiring a four-year degree, the study further estimated that between 1991 and 1995, the human capital brought by immigrants from all source regions amounted to an equivalent of 24 percent of all the degrees granted in Canada during this period, or a value of \$5.2 billion in acquisition cost, of which \$391 million or 8 percent were attributed to immigrants from China. For the second half of the 1990s, the human capital of new immigrants was equivalent to 38 percent of all the degrees granted in Canada during this period, or a value of \$9.9 billion, of which \$1.8 billion or 19 percent were contributed by immigrants from PRC.

In sum, between 1991 and 1995, 13,593 university-educated immigrants immigrated from PRC to Canada. If the university degrees of immigrants from China were to be acquired in Canada, it would have cost Canadian families an equivalent of \$390 million in 2001 constant dollars to acquire them. Between 1996 and 2000, 53,480 university-educated immigrants from China immigrated to Canada, bringing with their human capital an educational saving that amounts to \$1.8 billion (2001 constant dollars), and accounting for 19 percent of all university degree holders immigrating to Canada during this period.³¹

How much of such human capital value is realized in the Canadian labour market? Using the 2001 Canadian census data, the participation rate and income returns of immigrants from PRC to Canada between 1996 and 2000 can be estimated. The findings indicate that although Canada saved some \$1.8 billion in educational expenses by accepting 53,480 immigrants from China with university degree between 1996 and 2000, only about 59 percent of them are estimated to be in Canada's labour market earning employment income in the 2001 census.³² In monetary terms, only about \$1.09 billion of human capital worth were applied to Canada's labour market. However, there is a further discount of the value of human capital because university degrees held by PRC-born men and women are not rewarded at the same rate as degrees held by Canada-born white men and women, despite adjusting for intergroup variations

²⁹ Li, "Immigration from China to Canada in the Age of Globalization."

³⁰ *Ibid.*

³¹ *Ibid.*

³² *Ibid.*

in field of study, industry of work, number of degrees earned, full-time or part-time status, weeks worked and foreign and Canadian work experiences. In short, in terms of average discounted net earnings for a university degree, the loss in productivity or brain loss is \$7,788 to \$14,670 a year for each China-born male immigrant to Canada, and \$6,435 to \$6,709 a year for the female counterpart.

In 2001, Canada lost between \$226 and \$354 million from not realizing the full productivity of PRC-born university-educated immigrants. When this loss is taken into account along with the fact that only about 59 percent of those who came from China to Canada with a degree between 1996 and 2000 participated in the labour market, Canada only managed to retain about 39 to 46 percent of the \$1.8 billion in educational savings transferred by immigrants from China during this period.

It is difficult to specifically pinpoint whether foreign credentials are devaluated in Canada because of racial factor or quality of education. However, another recent study shows that not all foreign credentials of immigrants are devaluated in Canada; in fact, foreign credentials held by immigrants of European origin enjoy an earnings premium compared to their counterparts with Canadian credentials. Only immigrant men and women of visible minority background suffer an earnings penalty.³³ Other studies have indicated that foreign accent, visible minority status and foreign credentials are often grounds for earnings devaluation.³⁴ It appears that foreign credentials of immigrants are racialized in that the market value of foreign credentials depends in part on the racial features of the holders of credentials and in part on how such features are evaluated in the Canadian market by employers.

FUTURE TRENDS

Several trends are clear. First, there is no sign that Canada's fertility rate will improve, and population aging will continue like other advanced industrial countries. Second, the future prosperity and well-being of highly industrialized countries like Canada will continue to depend on the growth of the new knowledge-based economy. Third, Canada will increasingly depend on international migration to sustain its future growth in labour force and population. Fourth, the demand for highly-educated immigrants with technological and professional expertise will continue for Canada as well as for other industrialized countries, resulting in more severe international competitions for such a form of specialized labour. Fifth, as long as China can maintain a large surplus of university graduates beyond what its growing market can absorb, it will be able to generate a highly-trained labour pool from which Canada can select its desirable immigrants with substantial human capital.

Since the late 1990s, China has been a major contributor in furnishing Canada with a large number of immigrants with substantial human capital content. The above trends suggest that immigration from China will continue to play a key component in the future growth of Canada. Thus far, Canada has benefited from a surplus of university graduates from the PRC which produces a large pool of potential immigrants with high educational qualifications. This oversupply of university graduates occurred in part because China increased the capacity of the higher educational system to a point beyond what its market growth

³³ Peter S. Li, "The Role of Foreign Credentials and Ethnic Ties in Immigrants' Economic Performance," *Canadian Journal of Sociology* 33, No. 2 (2008): 291-310.

³⁴ Jeffery G. Reitz, "Immigrant Skill Utilization in the Canadian Labour Market: Implications of Human Capital Research," *Journal of International Migration and Integration* 2, No. 3 (2001): 347-378.; Jeffery G. Reitz, "Immigrant Success in the Knowledge Economy: Institutional Change and the Immigrant Experience in Canada, 1970-1995," *Journal of Social Issues* 57, No. 3 (2001): 579-613.; Peter S. Li, "The Market Worth of Immigrants' Educational Credentials," *Canadian Public Policy* 27, No. 1 (2001): 1-16.

can sustain. This oversupply will continue in the short-term, especially in light of the global financial crisis and the time it takes China and the rest of the world to recuperate from it. However, as the world economy recovers and the growth of China continues and opportunities improve, some immigrants originally from PRC would be attracted to return in order to better realize the returns to their educational credentials. When that happens, Canada may not be able to continue to benefit from an abundant supply of university-educated immigrant workers from PRC. The case of emigration from Hong Kong to Canada in the late 1980s and early 1990s, followed by a subsequent return of many Hong Kong immigrants to Hong Kong in the late 1990s, well illustrates the dilemma facing an immigrant-receiving country like Canada.

Canada has benefited from the injection of human and financial capital brought by middle-class immigrants from Hong Kong in the 1980s and 1990s. However, the economic success of many Hong Kong immigrants that enabled them to fulfill the immigration requirements of Canada in the 1990s also gave them the option to move back to Hong Kong once Hong Kong's economic and political climate improved.³⁵ Thus, while Canada's policy of admitting immigrants well-endowed in human and financial capital meets the country's labour needs, such a policy also brings potentially mobile immigrants who have the capacity to move away once the opportunities elsewhere become more attractive. It can be expected that some immigrants from PRC with substantial human capital will be drawn back to China once employment opportunities and remuneration levels for professional and technical workers become competitive with that offered in Canada.

Thus far, the discussion in this paper has focused on the value of human capital transferred by PRC immigrants to Canada and the savings for Canada in educational costs. There are other developments that suggest that new immigrants from PRC with advanced education will be able to make an even greater contribution to Canada beyond what is captured in the worth of the human capital they bring with them.

As China's economy continues to grow, it can be expected that China will assume a greater economic influence in the world, in terms of the size of its GDP, share of world trade and control of foreign assets and international monetary reserves. In the course of the financial crisis that began in 2007, there have been signs that suggest China will continue to play a key role in helping the world economy to recuperate by devising its national policy to stimulate domestic consumption, investing in the energy and other sections in the world, making monetary decisions about its large monetary reserves, and supporting its national corporations to diversify in the ownership of international firms. In view of the growing international financial influence of China, Canada and many countries of the European Union are beginning to redefine their relationships with China, in the hope of diversifying some of their economic ties to the growing market of Asia, in light of the faltering economy of the US. The continuous rise of financial and economic importance of China means that international firms and nation states interested in maintaining closer economic ties with China will be looking for professionals and experts who not only have the financial and technical knowledge but also the social capital to be able to operate in the China market. Highly-educated PRC immigrants in Canada will make up the rich human resources that can greatly benefit Canada as it expands its trade and economic undertakings in China. In turn, they can also contribute to the future growth of China by taking advantage of their cultural capital, language skills, international contacts and professional expertise.

There are also suggestions that return migrants to China contribute to the technological and economic development in China, and that human capital circulation in international migration benefits both sending and receiving countries. But some studies have questioned the capacity of return migrants to do so, based on findings that indicate that China's state control of knowledge assets in terms of venture capital and

³⁵ Li, "The Rise and Fall of Chinese Immigration to Canada."

research development constrain the capacity of return migrants to develop technological ventures.³⁶ However, there is also a vast literature that suggests overseas Chinese have been instrumental in building a Chinese diaspora capitalism that stresses social ties and trust, and such a unique form of capitalism has been partly responsible for the economic prosperity in the coast regions of mainland China since the 1980s.³⁷ Accordingly, overseas Chinese are able to develop strong financial ties in mainland China in part because of language advantage, cultural affinity and social ties. These arguments suggest that PRC immigrants with financial and technical expertise may be able to contribute to both Canada and China not only in terms of their professional specialties, but also their cultural and social capital as part of the Chinese diaspora.

POLICY IMPLICATIONS FOR CANADA

Canada has succeeded thus far in being able to save substantial educational costs in admitting immigrants with university education from PRC and other parts of the world. Both the new immigration act of 2001 and the revised immigration regulations of 2002 have further facilitated the selection of skilled immigrants based on educational qualifications and work experiences.³⁸ The changes were in part a reaction to the old system of economic immigrant selection that relied heavily on specific occupational demands based on a priority occupational list. But the list often became outdated by the time it was used to select immigrants, and even more so when immigrants actually arrived in Canada. The revised immigration system is premised on the belief that immigrants with substantial educational credentials and qualifications also possess generic skills suitable to Canada's knowledge economy. In reality, the emphasis on selecting economic immigrants with substantial educational credentials creates a large cohort of arriving immigrants with a university degree but at the same time contributes to the mounting pressure for well-qualified immigrants with credentials not being able to find jobs that match their credentials.

The relatively low labour force participation rate for PRC immigrants and the serious undervaluation of foreign credentials for those in the Canadian labour market mean that only a portion of the initial benefit of human capital transferred by PRC immigrants to Canada is realized. An important policy consideration would focus not only the selection of immigrants with educational credentials, but also the integration of such immigrants to the Canadian labour market. One aspect of economic integration is to develop employment agencies that would help Canadian employers to identify immigrants with the proper credentials to fit job requirements, as well as to help immigrants to apply for jobs that better suit their experiences and training. Some immigrant-serving agencies have established internship programs for newcomers to Canada and these programs seem to have produced successes in landing immigrants with jobs that fit their credentials.³⁹ Another aspect of economic integration would establish clear procedures for recognizing foreign credentials at the provincial level so that immigrants coming to Canada with educational credentials can have their credentials properly assessed for equivalence.

³⁶ David Zweig, Siu Fung Chung, and Wilfried Vanhonacker, "Rewards of tTechnology: Explaining China's Reverse Migration," *Journal of International Migration and Integration* 7, No. 4 (2006): 449-471.; Yun-Chung Chen, "The Limits of Brain Circulation: Chinese Returnees and Technological Development in Beijing," *Pacific Affairs* 81, No. 2 (2008): 195-215.

³⁷ Constance Lever-Tracy, David Ip, and Noel Tracy, *The Chinese Diaspora and Mainland China: An Emerging Economic Synergy*. (London: MacMillan Press, 1996); *Chinese Business and the Asian Crisis*, ed. David Ip, Constance Lever-Tracy, and Noel Tracy (Aldershot, UK: Gower Publishing, 2000).

³⁸ Statutes of Canada, *An Act Respecting Immigration to Canada and the Granting of Refugee Protection to Persons Who are Displaced, Persecuted or in Danger* 2002-997 (2001) c. 27; *Immigration and Refugee Protection Regulations SOR/2002-227* cited in Canada Gazette Vol. 136, No. 9, Part II (June 14, 2002): 177-360.

³⁹ Gordon Nixon and Dominic D'Alessandro, "Skilled Immigrants are Key to Business Success," *The Globe and Mail*, September 11, 2009, A11.

Thus far, Canada has not paid sufficient attention to the potential resources immigrants from China can offer in establishing closer trade and business relations with China. One reason is that both the government and major businesses have identified the US market as the key component to the Canadian economy, and it is only recently that Canada has begun to change its interest in diversifying in China and other Asian countries. Besides educational credentials, immigrants from China also have the language skills, social connections and cultural ties that would give them an advantage to be successful in economic ventures in China. Canadian companies interested in the Asian market should take advantage of this type of human resources in Canada. Many banks have opened specialized branches in Canada to capitalize on the growing Asian immigrant market in Canada. These branches have profited from hiring employees who speak the language of the community they serve while also offering banking programs geared towards the needs of immigrant customers.⁴⁰ The success of Asian banking in Canada reflects the contribution of social and cultural capital in opening new business markets.

In the long-run, highly-qualified immigrants will have options to go to whichever country can offer them the highest enumeration rate and quality of life. Canada should position itself in a future global market for highly-trained immigrants. The competition for skilled immigrants in the world market is likely to increase as developing countries raise their economic output and reduce the disparity with developed countries, and as demographic pressures increase in the advanced industrialized world. Under this scenario, countries which can maintain a competitive level of remuneration as well as an enlightened policy of multiculturalism and immigrant integration will be in a better position to attract and to retain skilled immigrants. Immigrant receiving countries like the US, Canada, Australia, New Zealand and the UK will continue to facilitate the admission of well-educated professionals and skilled workers. There is no doubt that international migration under economic globalization represents a form of brain drain from less developed to more developed regions of the world. But as the shortage of skilled immigrants increases, brain drain may become multi-directional as immigrants well endowed in human capital may be able to circulate in various regions of the world market subject to competitive market prices for their labour. At the moment, there is no agreement in the international community to support a universal policy of international migration, in the same way that free trade has been supported and regulated under the World Trade Organization. Canada can play a leadership role in creating an international forum that aimed at developing a universal framework of international migration under which the supply and demand of various types of skilled labour may be properly regulated.

³⁹ Gordon Nixon and Dominic D'Alessandro, "Skilled Immigrants are Key to Business Success," *The Globe and Mail*, September 11, 2009, A11.

⁴⁰ Wei Li, Alex Oberle, and Gary Dymski, "Global Banking and Financial Services to Immigrants in Canada and the US," *Journal of International Migration and Integration* 10, No. 1 (2009): 1-29.

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THE CIC CANADA-CHINA RELATIONS PROJECT

Bilateral relations between the governments of Canada and the People's Republic of China are a matter of strategic interest to Canada. Recent changes in the frequency of high-level visits, the effective style and content of bilateral communications and perspectives held about each country by various sectors of each other's society all suggest that the Canada-China relationship has changed significantly in recent years. Yet China remains vitally important to Canada for a variety of reasons and in a variety of sectors. Political and diplomatic cooperation on issues of direct bilateral concern and also on issues of global import remains critically important. Commercial and trade ties linking Canada with the world's third largest and fastest growing economy are of obvious importance. Cultural and civil society ties, including immigration patterns and the ancillary effects they generate, are also important. In these and other matters, the Canada-China relationship will likely grow in importance in the years to come. While the diversity of links between Canada and China militates in favour of giving due attention to a multiplicity of commercial, academic and civil society links, bilateral cooperation at the federal/central government level remains important.

In keeping with CIC objectives to advance research and dialogue on international affairs issues of importance and interest to Canadians, the CIC Canada-China Relations Project has focused on supporting research and analysis toward building a policy framework for Canada's relationship with China. The project's activities have been developed along three thematic areas that reflect issues of common concern: a) Chinese domestic institutional and normative contexts for engagement; b) Economic relations; c) Collaboration on global issues such as environment, health and security.

- a) Domestic Context for Engagement: The Canada-China relationship can be most effective when it is grounded on complementarity of interests, which in turn requires mutual understanding of domestic normative and institutional conditions in both countries. Canadian initiatives with China, ranging from WTO compliance and business regulation to human rights, can be effective only if they are designed and implemented in light of China's domestic conditions, ranging from popular norms to governmental structures and policy priorities. Similarly, China's success in nurturing productive relationships with Canada will require appreciation of Canadian domestic conditions. The papers for this thematic area were commissioned and directed by Professor Jeremy Paltiel of Carleton University.
- b) Economic Relations: Economic relations between Canada and China are critically important. Economic relations include bilateral trade and investment relations, and also extend to local effects of economic conditions and behaviour. In the trade area, Canada's strengths match up extremely well with China's needs. In trade and investment relations, efforts to promote normative and institutional accommodation in China for Canadian business objectives are consistent with Chinese development policies and also serve important Canadian interests in the areas of good governance. As well, national economic behavior by the two countries in response to changing economic conditions at the global, regional and local level have important effects on the Canada-China relationship. The papers for this thematic area were commissioned and directed by Yuen Pau Woo, President of the Asia Pacific Foundation of Canada.
- c) Collaboration on Global Issues: The importance of China's responsible participation in systems for addressing global policy concerns in areas such as environment, health and security cannot be overstated. Yet China's participation in the global community can be distorted by its responses to apprehension and competition from other global actors, particularly the United States, the European Union and Japan. Canada has a significant role to play in supporting China's responsible participation, not only through direct bilateral programming but also through our capacity to deploy good offices, legitimation and other soft power resources both bilaterally and globally. The papers for this thematic area were commissioned and directed by Professor Brian Job of the University of British Columbia.

The papers here presented in connection with the CIC Canada-China Relations Project offer informed, non-partisan recommendations for a variety of stakeholders in Canada, including the government and private and public sector institutions and individuals, with a view toward furthering the development of healthy long-term relations between Canada and China. While historical and current conditions may result in disagreement as to how best to manage the Canada-China relationship, China's importance to the world requires our attention. We hope that the papers presented here can further the process of understanding and effective engagement that will strengthen the foundation for productive relations for the long-term interests of both countries.

Dr. Pitman B. Potter

Chair

CIC China Working Group

The Canadian International Council (CIC) is a non-partisan, nationwide council established to strengthen Canada's role in international affairs. With local branches nationwide, the CIC seeks to advance research, discussion and debate on international issues by supporting a Canadian foreign policy network that crosses academic disciplines, policy areas and economic sectors.

The CIC features a privately funded fellowship program and a network of issue-specific Working Groups. The goal of the CIC Working Groups is to identify major issues and challenges in their respective areas of study and to suggest and outline the best possible solutions to Canada's strategic foreign policy position on those issues. The CIC aims to generate rigorous foreign policy research and advice.

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