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# ***Beyond “Little Taipei”: The Development of Taiwanese Immigrant Businesses in Los Angeles<sup>1</sup>***

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Both in their choice to settle in predominantly noncoethnic neighborhoods and in their economic development, recent Taiwanese immigrants in Los Angeles represent a fundamental break with the past. It is this new type of economic development that brings an unprecedented impact on the society at large. However, these unique features of Taiwanese immigrant business and their implications to the host society remain understudied.

Quantitative as well as qualitative methods were employed in this study. The data were obtained from document files, field observations, in-depth interviews, U.S. census data, and a telephone survey of 310 Taiwanese business owners in the greater Los Angeles area. The data analysis closely examined entrepreneurial process, ethnic integration, and industrial diversity among Taiwanese immigrant businesses. Provided with entrepreneurial capacity, Taiwanese enterprises grow rapidly within the context of Los Angeles's economic restructuring and dependency on Asian Pacific trade.

Significant Taiwanese immigration to the United States began in the 1960s with the result that Taiwan experienced a serious brain drain. Highly educated and talented Taiwanese elites, in the absence of suitable employment opportunities in their homeland, came to the United States to fill professional and technical positions (Cheng and Evans, 1991). The 1965 new immigration policy further opened the door for the established immigrants' family members to settle in the United States. The population of Taiwanese immigrants has grown dramatically ever since. California has been the major receiving state, and Los Angeles, which is considered an ideal place to settle, has become home to the largest Taiwanese concentration in the country.

Possessing better financial resources than most immigrants, the Taiwanese tend to move into middle – and upper-middle – class communities composed of predominantly white residents (Arax, 1987a). The suburbanization of the Taiwanese population has resulted not only in changing the nature of these residential communities, but also has promoted Taiwanese economic penetration into the neighboring communities. Initially, Taiwanese businesses were drawn by the needs generated by their coethnics. In

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turn, with more Taiwanese stores offering ethnic goods and services, the communities have become increasingly more attractive to newcomers (Tseng, 1992; 1994).

Both in their choice to settle in predominantly noncoethnic neighborhoods and in their economic development, these recent Taiwanese immigrants in Los Angeles represent a fundamental break with the past. The Taiwanese have been engaged in a "leapfrog migration," settling in middle-class suburban areas, whereas it usually takes a generation of social mobility for typical immigrants to achieve the same kind of settlement pattern (see Light, 1979). However, these unique features of the Taiwanese immigrant community and their implications to the host society remain understudied. Especially needed is a systematic study on the economic development of the Taiwanese and the impact of this development on local communities. To fill this research lacunae, this study aims to analyze how Taiwanese immigrant businesses develop and proliferate and to explore the social and economic impacts of the Taiwanese immigrant economy on the society at large.

The data for this research were obtained from field observations, in-depth interviews and a telephone survey of 310 Taiwanese business owners in the greater Los Angeles area. The sample frame consists of all firms listed in the 1992 *Chinese Business Directory*. A proportional stratified sampling method based on types of industry was used. The data collection period extended over six months, from March to September of 1992. From the 1992 *Chinese Business Directory*, which enumerates about 11,000 Chinese-owned firms in the greater Los Angeles area, 1,000 respondents were selected to be interviewed. Among them, 201 firms were eliminated either because of incorrect telephone numbers or because businesses were not owned by Chinese. From those being interviewed, 352 valid questionnaires were gathered. This constitutes a response rate of about 44 percent, which is considered a moderate representativeness. The data collection yields a sample consisting of 88 percent businesses owned by Taiwanese immigrants, 7 percent by Hong Kong immigrants, and 1 percent by the immigrants from the People's Republic of China. The most serious bias in the *Chinese Business Directory*, as in other ethnic directories, is that businesses serving a Chinese clientele tend to be overrepresented. The representativeness issue, therefore, renders cautious interpretation of the survey results.

## THEORETICAL CONSIDERATIONS

### *Immigrant Entrepreneurship*

Most immigrants to the United States share a common vision: a belief that the country offers better opportunities for themselves and their children

than their home countries. However, because of the language barrier, cultural unfamiliarity, and untransferable human capital, newly arrived immigrants often find only limited economic opportunities available to them, with the result that most are forced to settle for lower-skilled or underemployment types of jobs.

However, many immigrants are able to take another avenue to economic incorporation. The immigrant may begin to climb the ladder of upward mobility by starting up a business of his own. It is a familiar sociological observation that native-born Americans have a lower self-employment rate than their foreign-born counterparts (Light and Bonacich, 1988). However, great variations exist among different immigrant groups in their involvement in entrepreneurship. Certain immigrant groups, such as Cuban, Korean, Chinese and Iranian, heavily utilize entrepreneurship to create an avenue for economic mobility not utilized by other groups (Light, 1979; Portes and Bach, 1985; Light and Bonacich, 1988; Zhou, 1992). Theories have been advanced to explain the different rates of self-employment among immigrant groups. The disadvantage which immigrants encounter in the labor market, due to language and cultural barriers and unrecognized educational credentials, has long been considered an important explanation for the higher self-employment rate among immigrants than among the native born. However, the disadvantage theory fails to explain why some immigrant groups have been underrepresented in business, such as Mexicans, while others, such as Asians, have been more likely to be self-employed.

Light (1984) answered this discrepancy by pointing out that, in the absence of resources, mere disadvantage does not necessarily lead to a propensity to engage in business. Following this line of inquiry, Light pointed out that the kinds and quantities of resources people possessed greatly affect their likelihood of becoming self-employed. In the past decade, the resources theory of entrepreneurship has had tremendous impact on numerous studies of ethnic entrepreneurship (Chan and Cheung, 1985; Kim and Hur, 1985; Wong, 1989; Light and Bonacich, 1988).

However, criticisms of resources theory stress its neglecting the demand side of entrepreneurship, while arguing that opportunity structures haven't received enough attention by resources theory (Waldinger, 1986). They contend that entrepreneurial resources must be matched with the market opportunities in order to explain the establishment of immigrant businesses. Building on more than a decade's dialectical movement of thought in the literature of entrepreneurship, Waldinger, Aldrich and Ward (1990:21) contend that "ethnic strategies emerge from the interaction of opportunity structure and group characteristics." This interactive model emphasized the congruence between the demands of economic environ-

ment and the informal resources of the ethnic population, and it is now widely accepted and adopted (Light and Karageorgis, 1994).

Taiwanese immigrants in Los Angeles have generated much of their wealth and many jobs for themselves by establishing their own businesses. For example, in 1980, with a self-employment rate of 20 percent, their entrepreneurial propensity is comparable to other business-oriented immigrant groups (Razin, 1988). Following the interactive approach in this study, both the demand-side factors and supply-side factors will be discussed to fully examine the development of Taiwanese businesses in Los Angeles. I argue that the shape and size of the Taiwanese ethnic economy in Los Angeles is greatly affected both by economic development of the region and by the supply of entrepreneurial resources possessed by Taiwanese immigrants in the region.

### *Reaction to Immigrant business*

Very few studies have been conducted to investigate the social relations between immigrant business owners and established residents. Part of the reason is that most immigrant businesses cluster in an enclave, a community having tremendous impact on the in-group members but causing little concern to outsiders. The enclave economy is associated with ethnic agglomerations in a geographically confined area such as Koreatown, Chinatown, Little Havana, or Little Saigon (Zhou, 1992; Portes and Bach, 1985; Gold, 1992). Only when immigrant businesses entered nonethnic communities and developed outside typical economic enclave, like Korean merchants proliferating in black neighborhoods of Los Angeles and Chicago, did it stir concern from the larger society. Light and Bonacich, in their study on Korean entrepreneurs in Los Angeles, discussed extensively the American reaction to Korean businesses through the political system (1988:300–321).

Taiwanese immigrant firms in Los Angeles do not fit the conventional enclave economy model either. Although Taiwanese immigrants initially formed an enclave economy called “Little Taipei” in Monterey Park, a suburb of Los Angeles, their activities have quickly developed beyond the original concentration and spread throughout the geographical area. It is this new type of economy that has brought an unprecedented impact on the society at large. In the case of Taiwanese immigrant businesses, the local residents react rather negatively to the expansion of Taiwanese immigrant enterprises into their communities (Horton, 1990). This study, investigates the source and the nature of social conflicts that arose from the Taiwanese entrepreneurship. In this context, the interactions and confrontations between the Taiwanese immigrant business community and the established residents will be closely examined.

### *Definition of Taiwanese Immigrants*

Previous studies of Chinese immigrants tended to treat them as a homogeneous group and failed to recognize the internal ethnicity within the Chinese community (see Bozorgmehr, 1992). Chen, in his study *Chinatown No More* (1992), first challenged this conventional approach in his investigation of Taiwanese immigrants as a separate group from other Chinese subgroups. It is well documented in the immigration literature that premigration differences affect postmigration adaptation to the host society (Portes and Rambaut, 1990). Observers of Chinese societies are no strangers to the fact that among Chinese there exists great social, economic, and cultural diversity, depending on the different places of origin.

To avoid any ambiguity associated with the term "Taiwanese immigrants," I use it to refer to those immigrants whose country of last residence was Taiwan. The reason is simply that the immigrants' life experiences in their last country of residence constitute the contexts of exit. The contexts of exit are defined as those push and pull factors (forces that encourage remaining or leaving) associated with the emigration process. It is these same push and pull factors which affect immigrant adaptation in the host society. In light of this, the society of last residence is much more relevant than birthplace; especially is this the case for the Taiwanese, many of whom were born in China but had lived 40 or more years in Taiwan prior to emigration. Their life experiences in Taiwan directly affect their adjustment in the United States. Unfortunately, many U.S. statistics, including census data, rely on birthplace as the sole criterion to determine origin. From my point of view, this is very misleading. For example, the U.S. census total of 253,719 Taiwanese immigrants in 1990 is a serious underestimation because a great number of those categorized as China-born actually had come from Taiwan.

## IMMIGRATION AND SETTLEMENT

### *The Taiwanese Exodus to the United States*

Although Taiwan had already experienced a brain drain to the United States in the 1960s, the major migration from Taiwan began in the 1970s. According to the 1980 census, over half of the Taiwan-born immigrants entered this country in the period from 1975-1980. The Taiwan-born immigrants are the most recent immigrants among Chinese subgroups. The new influx of immigration from Taiwan is closely related to the island's political instability. Despite the rapid economic growth which has brought prosperity to Taiwan, the Taiwanese have constantly worried about their country's long-term prospects with regard to its relationship with the People's Republic of China (*China Post*, 1990).

Besides the concern over Taiwan's political uncertainty, the decision of whether to immigrate is further complicated by the deteriorating social conditions on the island. Today, the flight from Taiwan can be understood not only as a reaction to the political situation but also as a middle-class response to the social problems resulting from the burgeoning export-oriented economy (Lin, 1990). The island has been described as a "haven for making money" but a "hell for living." Many Taiwanese emigrated because of their increasing discontent with the quality of life on the island (Lin, 1990). According to a 1991 survey, one in eight Taiwanese indicated the desire to migrate overseas. Those who expressed the intention to migrate tended to be young, professional, and college educated (Hsiao 1991). Between 1985 and 1991, an estimated 50,000 Taiwanese a year emigrated abroad (Kotkin, 1993). The United States was ranked as the most desirable destination for this migration, followed by Australia and Canada (Hsiao, 1991). Consequently, the number of Taiwan-born immigrants to the United States has tripled: from 75,353 in 1980 to 253,719 in 1990.

Emigration from Taiwan has extensively relied on professional consulting sources. In 1994, there were an estimated 100 immigration consulting firms in Taipei alone, most specializing in migration to North America. These firms published at least four magazines offering information ranging from channels of immigration to employment and entrepreneurial opportunities in receiving countries (for example, *American Life Information Monthly* covering cultural, social, economic and political topics pertinent to immigrants in the United States). Utilizing these sources of professional help, immigrants from Taiwan could educate themselves before departure. These consulting firms and publications could advise people not only about how to immigrate but also how to make a living in the host country, thus providing potential migrants with information about economic opportunities from channels other than migration networks through kin and friends. My survey of these professional sources reveals that they tend to promote entrepreneurship in certain industries, for example, self-employment in real estate, the motel and hotel industry, computer businesses, and import/export businesses. This can be hypothesized as having certain impacts on the economic pursuit of Taiwan immigrants.

### *The Favorite Destination: Los Angeles*

California has received the largest portion of this influx. In 1990, a total of 106,914 Taiwanese immigrants were residing in California. Although San Francisco traditionally had attracted the Chinese who converged on its well-established Chinatown, those from Taiwan have been attracted to the Los Angeles area. According to 1990 data from the Immigration and Naturalization Services, while 22 percent of all Taiwanese immigrants

indicated their intention to reside in Los Angeles, only 11 percent of the immigrants from Mainland China (PRC) and 13 percent of the Hong Kong immigrants did so. In 1991, 46 percent of the California-bound Taiwanese immigrants were living in Los Angeles, while only 3 percent made San Francisco their home. In contrast, 30 percent of the PRC immigrants and 23 percent of Hong Kong immigrants who entered California during that year chose to live in San Francisco (Tseng 1994).

Channels of entering affect settlement in the United States. PRC and Hong Kong immigrants' ties to relatives already settled in the United States direct them to New York, which boasts the largest Chinese population concentration. On the other hand, the Taiwanese professionals and executives have found Los Angeles more attractive because of its engineering jobs in high-tech and aerospace industries and its Asia-Pacific business environment.

Traditionally, new immigrants to this country could be expected to settle in old, inner city neighborhoods, close to their jobs in the Central Business District. Dispersion from these initial settlements into suburban areas usually occurs after a period during which the immigrant has achieved a measure of upward mobility as well as cultural assimilation. However, this typical settlement pattern does not apply to the Los Angeles Taiwanese immigrants, where only a trickle have filtered into Los Angeles inner city neighborhoods such as Chinatown (McMillan, 1980). The city of Monterey Park in the San Gabriel Valley, a suburban community, was settled by the large wave of Taiwanese immigrants in the early 1970s (Wong, 1979). The city's development as a Taiwanese domain was the result of a successful marketing campaign launched by Chinese realtors and developers (Horton, 1992). Promoted as an upscale community for settlement, Monterey Park attracted Taiwanese investment. A brochure promoting Monterey Park in Taiwan read: "In Monterey Park, you can enjoy the American life quality and Taipei's convenience at the same time." Soon after the establishment of the "Little Taipei" in Monterey Park, the Taiwanese began quickly to disperse to neighboring cities. Referred to as the "Taiwan Syndrome," enterprising Taiwanese investors purchased commercial properties and homes in the San Gabriel Valley in order to sell them later to wealthy newcomers from Taiwan (Wong, 1989).

### *Socioeconomic Characteristics*

In general, highly educated professionals or managers dominate the Taiwanese flow to the United States (Waldinger and Tseng, 1992). This tendency is especially salient among those who choose to settle in Los Angeles. A study of class characteristics reveals that the Taiwanese are a select group endowed with higher education and professional and executive



experience. For example, in 1986, as seen in Table 1, executives and professionals comprised 63 percent of all Taiwanese who intended to reside in Los Angeles, in comparison to only 25 percent among Los Angeles-bound PRC immigrants. In contrast, 50 percent of all PRC immigrants who intended to make Los Angeles their home had previously worked in blue collar or agricultural jobs, while only 3 percent among the Taiwanese Los Angeles-bound immigrants had a similar blue collar occupational background.

Among these highly skilled immigrants, during this past decade there has been an increasing number of business people making the move to the United States. Those immigrants with executive backgrounds, who accounted for 30 percent of all Taiwanese, were likely from the entrepreneurial class. This class includes some big capitalists and their adult children (Kao and Bibney, 1993). According to a 1988 survey, one tenth of Taiwan's largest business owners interviewed had emigrated or were planning to emigrate, and about a quarter were contemplating at least moving their family members overseas (Yao, 1988). Los Angeles has received a substantial number of this entrepreneurial immigration (Watanabe, 1989; Kotkin, 1993). As is discussed in a later section, this group of entrepreneurial immigrants has played a dominant role in the development of business.

With their strong social, educational and financial backgrounds prior to migration, the Taiwanese retain an advantageous position after migrating to the United States. Table 2, which illustrates some socioeconomic characteristics of immigrants from China, Hong Kong and Taiwan, also indicates the unique class characteristics of the Taiwanese. College graduates are twice as common among Taiwanese immigrants as among immigrants

**TABLE 1**  
**PREMIGRATION OCCUPATIONAL BACKGROUND OF CHINESE IMMIGRANTS**  
**INDICATING LOS ANGELES AS INTENDED PLACE OF RESIDENCE BY THE**  
**COUNTRY OF LAST RESIDENCE, 1986**

Occupation	Country of Last Residence		
	Taiwan	PRC	Hong Kong
Professional	33%	20%	17%
Executive	30	5	23
Farmer	1	25	1
Laborer	2	25	15
Precision	3	3	5
Services	7	8	11
Teacher	24	13	27
Total	1,479	846	610

Source: Immigration and Naturalization Service, Public Use Sample.

from China. Those declaring professional or managerial occupations account for almost half of the Taiwanese population. The table also shows that significant emigration from Taiwan to the United States has occurred more recently than that from Hong Kong and China.

*TAIWANESE ENTREPRENEURS AND FIRMS*

*Explaining Entrepreneurship*

In 1987, Los Angeles became the leading Chinese business center in the United States, replacing San Francisco (U.S. Bureau of the Census, 1992a). Although this data did not provide separate figures for each Chinese subgroup, our 1992 survey revealed that a great majority of Chinese firms in Los Angeles were actually owned by Taiwanese immigrants. The Taiwanese entrepreneurial propensity is the highest among Chinese subgroups (see Table 2), with a 20 percent self-employment rate. To explain the Taiwanese immigrant entrepreneurship, we have to offer accounts unique to this phenomenon.

Extending the line of interactive theory of ethnic entrepreneurship, I argue that the rapid growth of Taiwanese businesses can be largely attrib-

**TABLE 2**  
**SOCIOECONOMIC CHARACTERISTICS OF CHINESE SUBGROUPS,**  
**LOS ANGELES COUNTY, 1990**

	Chinese Subgroups Place of Birth				
	U.S.	China	Hong Kong	Taiwan	Los Angeles <sup>a</sup>
Total Persons	57,448	66,246	20,058	48,942	8,849,529
% Female	49.4	50.9	50.8	53.8	50.2
% Immigrated 1980-	n.a.	55.7	49.9	71.4	52.2 <sup>b</sup>
% Naturalized Citizens	n.a.	39.0	47.0	34.9	27.0 <sup>b</sup>
% Completed Four Years College <sup>c</sup>	38.9	16.7	30.6	27.0	14.4
% Post-College <sup>c</sup>	22.1	10.9	16.7	26.7	7.8
% Professional and Managerial <sup>d</sup>	53.8	28.4	39.2	43.9	26.6
% Operatives and Laborers <sup>d</sup>	10.0	24.0	9.0	7.5	27.7
% Self-employed <sup>d</sup>	10.6	15.9	10.2	20.2	10.1
Mean Personal Income	\$29,167	\$18,957	\$24,225	\$22,502	\$22,425

Sources: U.S. Bureau of Census, *Census of Population and Housing*, 1990, 5 Percent Public Use Microdata Samples.

<sup>a</sup>Los Angeles general population.

<sup>b</sup>Among foreign-born population.

<sup>c</sup>Persons 25 years of age and over.

<sup>d</sup>Workers between 20 and 65 years of age.

uted to the congruence of two factors: demand opportunities and the entrepreneurial capacity.

*Demand Opportunity.* Light and Karageorgis (1994) suggested that demand-led explanations of ethnic entrepreneurship basically contain several common dimensions: special consumer demands of coethnics, the local industrial mix, the resurgence of small and medium businesses, and vacancy chains caused by retirement of existing owners. In the case of demand-side factors accounting for the proliferation of Taiwanese businesses, there are demand opportunities in Los Angeles particularly favorable to Taiwanese enterprises. These opportunities include the consumption needs generated by the presence of a large group of wealthy Taiwanese immigrants, the region's economic development as a Pacific financial and trade center, and the economic restructuring facilitating growth of small ethnic businesses.

Los Angeles is a gateway city for Taiwan's imports and exports. For example, in 1992, the aggregate trade with Taiwan through the Los Angeles-Long Beach port totaled 12.4 billion dollars. This amounts to about 10 percent of the total trade handled by the region. Taiwan is ranked among California's largest trade partners, just behind Japan. These trading activities have brought Taiwanese immigrants numerous entrepreneurial opportunities (Sheng, 1993). As a matter of fact, many of today's Chinese immigrants, coming from different parts of Asia to Los Angeles, have become prime facilitator of international trade. Much of the import/export trade from Taiwan is in the hands of Taiwanese traders in Los Angeles. For example, according to an estimation by the Chinese Computer Dealership Association, at least 65 percent of the 750 million dollars worth of personal computer equipment imported to the United States from Taiwan in 1991 was shipped through Los Angeles and handled by Taiwanese computer importers.

The economic restructuring process in Los Angeles has helped to create more opportunities for ethnic businesses (Soja, Morales, and Wolff, 1983). In Los Angeles, the collapse of big industries facilitated the growth of flexible, efficient and very differentiated types of production. This is the context in which Taiwanese ethnic businesses are well situated as small producers (for example, computer manufacturing) and some highly specialized services (finance and real estate, for instance).

*Entrepreneurial Capacity.* Entrepreneurial action depends on entrepreneurial capacity. Light and Karageorgis (1994) define entrepreneurial capacity as the ability of group members to open numerous, large and lucrative business firms. In this study, several entrepreneurial capacities are considered as important to the proliferation of Taiwanese enterprises in Los Angeles. The Taiwanese are well provided with resources such as financial and human capital, business expertise, and networks to

**TABLE 3**  
**SELECTED CHARACTERISTICS OF**  
**TAIWANESE BUSINESS OWNERS IN LOS ANGELES**

Characteristics	Taiwanese Owner
Education	
High School or less	12%
Four-year College	52
Postgraduate	36
Previous Occupation <sup>a</sup>	
Executive	25%
Professional	19
Laborer	8
Teacher	11
NA/didn't work	37
Previous Business Ownership <sup>b</sup>	
Yes	43%
Skill Transfer	
Yes	52%
Capital	
Homeland <sup>c</sup>	57%
Mean Years of Residence in U.S.	9
Frequency of Trips to Homeland	
Once a year	24%
Twice a year	21
Three times a year	20
Once in two years or less	35
Main Reason for Trips to Homeland	
Business purpose	41%
Total	310

Source: Own survey, 1992.

<sup>a</sup>Previous occupation prior to migration.

<sup>b</sup>Positive if respondents owned businesses in Taiwan.

<sup>c</sup>Starting capital was mainly accumulated in the homeland.

begin their business ventures in the New World. As seen in Table 3, the telephone survey offers evidences of the availability of these resources.

*Financial and Human Capital.* A large number of Taiwanese immigrants come to the United States with sufficient financial capital to open their own businesses in the host society. The extraordinary growth of the Taiwan economy in the past decade has provided the basic fuel for recent capital outflow to the United States. From 1985 to 1987, according to the Taiwanese government's estimation, more than 1.5 billion dollars have flowed from Taiwan into the Los Angeles area alone (Kotkin and Kishimoto, 1988). Fifty-seven percent of our respondents reported that their start-up capital was mainly accumulated in their homelands.

Immigrant entrepreneurs usually have a strong educational background. Eighty-eight percent of the Taiwanese merchants in our survey had completed four years or more of college, while only 35 percent of nonminority male business owners in the United States had received a comparable level of education (U.S. Bureau of Census, 1992b). Well endowed with human capital, Taiwanese entrepreneurs can quickly adopt the skills required for operating businesses in a new country.

*Entrepreneurial Expertise.* Portes and Rumbaut (1990) pointed out that the presence of a number of immigrants with substantial business expertise acquired in their home countries is one of the most critical requisites for an enclave economy to develop. The survey shows that a great number of Taiwanese immigrant merchants are members of the business-owner class. Forty-three percent were entrepreneurs in their homelands, compared to 24 percent of Chicago's Korean business owners who were self-employed in Korea (Yoon, 1991). Among nonminority male owners, 21 percent owned a business prior to the current enterprise, according to 1987 figures (U.S. Census, 1992b). While only 22 percent of the total working population was self-employed in Taiwan in 1990 (Institute of Social Science Research, 1991), Taiwanese immigrants to the United States were disproportionately drawn from the bourgeoisie class. The mobility of business owners from Taiwan offers a great supply of would-be entrepreneurs. Taiwanese entrepreneurs heavily rely on job skills which they transfer from the homeland, as evidenced by the fact that 52 percent of respondents indicated a high correlation between their present business activities and their job skills acquired in Taiwan.

*Human Networks.* There is another important resource possessed by the Taiwanese in their entrepreneurial pursuit. Studies show that immigrants heavily utilize their human networks established in the homelands to conduct business in the host society (Gold, 1991; Portes and Zhou, 1991). In the case of the Taiwanese, they are especially well provided with human networks back to their homelands. Their business networks in Taiwan

consist of friends, previous business associates, kinship members, or regional connections. Relying on these human networks, Taiwanese entrepreneurs have developed efficient forward and backward linkages based on personal ties which can be used to mobilize capital and locate other business resources (Tseng, 1992). Especially in the import/export industry, preexisting relationships in the home country offer immigrant traders the starting point to develop further networks needed in the business (Tseng, 1992). Frequent visits to the homeland are often used to strengthen these ties. A high proportion (65%) of Taiwanese business owners visit their homeland at least once a year, and 41 percent of the visits back to their country of origin were made for business purposes.

### *The Road to Entrepreneurship*

Our telephone survey found that the Taiwanese could open their businesses quickly, on average within four years from the day they entered this country. Their path to entrepreneurship is a quick one in comparison with Cuban immigrant entrepreneurs who usually took more than a decade to achieve self-employment (Portes and Rumbaut, 1990:23). Table 4 shows some characteristics related to the entrepreneurial process. Here I chose nonminority male entrepreneurs as a comparison group, in an attempt to show the distinct characteristics of Taiwanese business owners relative to "mainstream" entrepreneurs.

The partnership arrangement is very popular among Taiwanese businesses, although sole proprietorship is the dominant type of organization. The median starting capital is \$45,000, but great variations exist among businesses. Forty-three percent of the owners did not need to borrow money to start up, which is comparable to the proportion of mainstream entrepreneurs who can rely fully on their own capital. Faced with the difficulty of acquiring access to loans from American banks, like other immigrants the Taiwanese accumulate capital through self-help efforts, which in effect are informal financial arrangements. Family members and friends are among the most important resources. Among those who did borrow, a great majority (73%) obtained loans from family members or relatives and 17 percent borrowed from friends. The level of dependency on family sources for Taiwanese is very salient, while only about one-third of mainstream business owners borrowed from their kin and 4 percent sought help from friends (U.S. Bureau of Census, 1992b). The predominant source of loans for mainstream businesses is commercial banks.

Taiwanese entrepreneurs worked longer hours than did mainstream business owners. However, compared to Chicago's Korean shopkeepers, who worked 62 hours per week, the Taiwanese are not the extreme case of immigrant entrepreneurship. Finally, the high proportion of personal

**TABLE 4**  
**CHARACTERISTICS OF TAIWANESE-OWNED FIRMS VS.**  
**NONMINORITY MALE-OWNED FIRMS**

Characteristics	Taiwanese Business	Nonminority Male-Owned
Ownership		
Sole Proprietorship	44%	87%
Partnership	39	6
Corporation	16	7
Mean Years of Becoming Owner <sup>a</sup>	4	-
Mean Years of Ownership	6	8
% Personal Income from Business	75-100%	25-49%
Median Starting Capital	\$45,000	\$7,500
No Loan to Start the Business	43%	42%
Source of Loan <sup>b</sup>		
Family Members	73%	30%
Friends	17	7
Government <sup>c</sup>	0	2
Commercial Bank	6	53
Other <sup>d</sup>	10	32
Working Hours (per week)	53	45
Total	310	8,755,252

Sources: Own survey, 1992; 1987 Characteristics of Business Owners, U.S. Department of Commerce (1992, Washington DC).

<sup>a</sup>Length between year of migration and first ownership.

<sup>b</sup>Total percentage does not always equal 100 because respondents may have more than one loan source.

<sup>c</sup>Local, state, or federal government.

<sup>d</sup>Includes personal credit card, refinanced home, and other sources.

income from business profit among the Taiwanese indicates that their livelihood is greatly dependent upon their business operations. Their entrepreneurship is a road to success or failure in the New World.

## *THE FORMATION OF BUSINESS COMMUNITIES*

### *Beyond "Little Taipei"*

Corresponding to the settlement pattern, the thriving Taiwanese economy did not occur within Chinatown. Intra-ethnic conflict pushed economic development away from Chinatown. Wong (1989) explains that the Cantonese-speaking Chinese, who controlled Los Angeles Chinatown, resisted

commercial development by the Taiwanese. In the 1970s, a group of Taiwanese business people first found their way to Monterey Park and established a mini-shopping center, named the Ding Ho Market after a famous shopping square in Taipei. Subsequent population growth due to the continuing Chinese migration increased the demand for local ethnic goods and services. Within a decade, the growth of Taiwanese enterprises had overwhelmed the American business establishments. In the mid-1980s, when the business development in Monterey Park had become saturated, the Taiwanese commercial establishments began to spill over into the surrounding areas. The businesses now have dispersed to virtually every city in the San Gabriel Valley (Arax, 1987a). Further development moved east and south, beyond the San Gabriel Valley, for example, to Orange County and San Bernadino County, two newly industrialized localities.

As compared to a typical ethnic business enclave, the Taiwanese have developed a multinuclear economy. According to our survey, Taiwanese-owned businesses in Chinatown accounted for only 6 percent of all Taiwanese business establishments in the greater Los Angeles area. About 55 percent are located in the San Gabriel Valley, with 12 percent concentrated in the city of Monterey Park. The businesses located outside the San Gabriel Valley and Chinatown accounted for 39 percent of all businesses.

### *Industrial Diversity*

The development of the Taiwanese immigrant economy beyond the traditional enclave also reflects on its industrial diversity. Ethnic businesses typically tend to concentrate in leftover niches of the larger economy, such as underserved or abandoned businesses that serve unstable and uncertain demands (Waldinger, 1986; Zhou, 1992). However, these economic niches play a much less important role in the Taiwanese immigrant economy of Los Angeles as compared to other enclave economies. Traditional Chinese businesses – restaurants, garment factories and grocery stores – have been replaced by a large spectrum of both old and new industries.

According to the 1990 U.S. census, other than the traditional service industries which serve the Chinese population in the region other types of businesses include wholesale trade, health services, finance, insurance and real estate. Table 5 shows the diverse entrepreneurial activities in which the Taiwanese are engaged. Clearly shown, there is a sector characterized by economic niches that require higher and more formal training, as well as larger capital investment, that is now attracting many Taiwanese entrepreneurs.

The high-tech industry is a good case in point. According to the estimation of the Organization of Chinese Entrepreneurial Advisory Networks, a Chinese high-tech consulting group, there are more than 200 Chinese-



**TABLE 5**  
**INDUSTRIAL SECTORS AMONG TAIWANESE ENTREPRENEURS IN LOS ANGELES, 1990**

Industries	Taiwan-Born
Construction	202 (4%)
Manufacturing	602 (11%)
Apparel and Accessories	101
Printing and Publishing	114
Computers and Related	85
Transportation	184 (3%)
Wholesale Trade	875 (16%)
Commercial Equipment Supply	114
Drugs, Chemicals and Applied	62
Apparel	87
Not Specified	348
Retail Trade	1,197 (21%)
Grocery	72
Furniture	64
Radio, TV, and Computer	78
Eating and Drinking Places	347
Finance, Real Estate and Insurance	801 (14%)
Security and Commodity Brokerage	203
Insurance	60
Real Estate	502
Business and Repair Services	281 (5%)
Personal Services	649 (12%)
Hotels and Motels	268
Laundry	88
Beauty Shops	118
Not Specified	112
Professional and Related Services	830 (15%)
Physicians	161
Dentists	119
Hospitals	57
Other Health Services	88
Engineering Services	117
Public Relation	60
<b>Total</b>	<b>5,621</b>

Source: 1990 U.S. Census 5 Percent Public Use Microdata Samples.

Note: Only those industries with 50 or more Taiwanese immigrant entrepreneurs are shown.

owned high-tech companies in Southern California. This group of high-tech entrepreneurs mainly consists of Taiwanese scientists and engineers who formerly had worked for the aerospace or computer industries in California. Many took advantage of the recently developed subcontracting system of the aerospace and computer industries, which favors small and flexible production lines.

### *Ethnic Integration*

The ethnic integration of immigrant enclave economies, that is, the interdependency among coethnic suppliers and customers, is usually a source of strength for immigrant enterprises. Yoon (1991), for example, observes that Korean retailers receive some benefits or special services from Korean suppliers. Extended credit terms, lower prices and easy access to information are the main benefits reported by these merchants (1991:312). Empirical findings of the Taiwanese owners disprove the above observation. As seen in Table 6, the proportion of Chinese suppliers is very low, at most 25 percent. Also, while they still heavily depend on coethnic patronage, at least 25 percent of their customers are non-Chinese.

The question regarding the choice of banks, whether ethnic or nonethnic, offers another indicator of the extent to which Taiwanese businesses rely on institutions within their community. We found that more than half the Taiwanese businesses bank with non-Chinese financial institutions. Especially when there are a sufficient number of Chinese banks in the area, one would predict that the majority of Taiwanese businessmen would choose to bank with them. For those who did choose Chinese banks over non-Chinese banks, the reasons are both culturally and instrumentally rational. Language, cultural commonality, and convenience for capital transfer were cited as the most important advantages of banking with the Chinese institutions.

It is possible that as the length of time a business has been established increases, the level of dependency on ethnic resources may become less important. However, this hypothesis, confirmed by Yoon's (1991) study on Korean businesses in Chicago, is not supported by this present study. After correlating the length of time of ownership with three indicators of ethnic integration (*i.e.*, suppliers, customers, and banks), none of the relationships were shown to be significant. However, the owner's length of residence in the United States shows a significantly negative relationship with the proportion of coethnic patronage. Table 7 offers this finding.

Another interesting finding shown in Table 7 is the significant correlation among three indicators of ethnic integration. The relationship between coethnic client and coethnic bank is the strongest, suggesting that the more Chinese customers the business has, the more likely the business will utilize

**TABLE 6**  
**INDICATORS OF ETHNIC INTEGRATION**

Indicators	Percent
Mean Percent of Chinese Suppliers	1-25
Mean Percent of Chinese Clients	51-75
Bank	
Chinese-owned	48
Advantage of Using Chinese Banks <sup>a</sup>	
Language	60
Business Culture	20
Access to Loan	10
Money Transfer Overseas	19
Total	310

<sup>a</sup>Figures do not total 100% because respondents could choose more than one answer.

Chinese banks, and vice versa. The reason for this strong correlation may be that the businesses heavily dependent upon Chinese clients are service-oriented industries serving the needs of coethnics. Since those service businesses tend to cluster in a few enclaves where Chinese banks also concentrate, it is therefore convenient for them to bank with Chinese institutions. In general, the significant association among the three indicators of ethnic integration shows that there are sectors within the Taiwanese business community that heavily relied on various ethnic resources.

The ethnic integration in certain industries may be more prominent than in others. Different industries may depend on different types of ethnic resources. To test this hypothesis, I compared the level of dependency among four types of industries: 1) construction, manufacturing, and transportation; 2) wholesale and retail trade; 3) finance, insurance, and real estate (FIRE); and 4) services. For each indicator of ethnic integration, the

**TABLE 7**  
**CORRELATION MATRIX BETWEEN INDICATORS OF ETHNIC INTEGRATION AND OWNER'S LENGTH OF RESIDENCE IN UNITED STATES**

	Length	Supplier	Client	Bank
Length	1.0000	-.0413	-.1670 <sup>a</sup>	.0939
Supplier	-.0413	1.0000	.1274 <sup>b</sup>	-.1767 <sup>a</sup>
Client	-.1670 <sup>a</sup>	.1274 <sup>b</sup>	1.0000	-.3975 <sup>a</sup>
Bank	.0939	-.1767 <sup>a</sup>	-.3975 <sup>a</sup>	1.0000

<sup>a</sup>p < .01 (two-tailed)

<sup>b</sup>p < .05

level of dependency ranges from 1 to 4, where 1 indicates the least dependency among four industries and 4 indicates the most dependency. Table 8 shows the result of this comparison.

From Table 8, we learn that of the three indicators – banks, suppliers, customers – the finance, insurance and real estate industries depend most heavily upon coethnic banks, trade industries rely most heavily on the coethnic supplier, and Chinese customers are the most important clientele for service industries. If we combine these three indicators and give the level of dependency a total score, we find that, in general, FIRE industries have the highest level of dependency on ethnic resources, followed by service and trade industries. Construction, manufacturing and transportation are the most independent industries.

### SOCIOECONOMIC IMPACT

#### *Economic Impact: Who Enjoys the Benefits?*

Until the Taiwanese arrived, Monterey Park’s commercial community was deteriorating. Small merchants and shops had fallen victim to changing suburban commercial patterns. In this past decade, Taiwanese economic forces have been one of the most dynamic, vital and influential factors affecting the regional economy. The new capital and economic opportunities have transformed the San Gabriel Valley into a complex of offices, shops and small industrial plants. The *Los Angeles Times*, in a series of reports investigating the impact of Chinese business on the San Gabriel Valley, observed that:

Business strips once moribund have been revitalized with an infusion of Asian (Chinese) enterprise and money. Lots that were vacant only a few years ago now support an odd meld of suburban mini-malls and pulsing Far East marketplaces. (Arax, 1987a: A1)

Responding to the needs created by business expansion, Taiwanese investors have aggressively purchased commercial land in the San Gabriel

**TABLE 8**  
**DEGREE OF ETHNIC INTEGRATION AND TYPE OF INDUSTRY**

Ethnic Integration	Type of Industry			
	CMT <sup>a</sup>	Trade	FIRE <sup>b</sup>	Services
Bank	1	2	4	3
Supplier	2	4	3	1
Customer	1	2	3	4
Level of Dependency	4	8	10	8

<sup>a</sup>Construction, Manufacturing, and Transportation.

<sup>b</sup>Finance, Insurance, and Real Estate.

Valley. According to the estimate of C B Commercial, the region's leading commercial real estate company, in 1989, 60 percent of the shopping/retailing property transactions handled by the company in the San Gabriel Valley, which totaled 800 million dollars, was invested by the Chinese, mostly by Taiwanese. In 1991, 50 percent of the warehouse purchases in the San Gabriel Valley were Taiwanese related (Tseng, 1992). Even though Southern California is currently experiencing the worst economic recession since World War II, the Taiwanese are still heavily investing in the region. For example, of the four major development projects currently under construction in Monterey Park, three are financed by the Taiwanese. According to a survey conducted by San Antonio College in 1992, the San Gabriel Valley where most Taiwanese businesses are located, has experienced both business growth and expansion in the midst of the current economic recession. It is reasonable to conclude that the thriving Taiwanese economy has helped the area to remain economically healthy.

Although the economic outcomes brought about by Taiwanese businesses seem positive on the surface, the extent to which the Taiwanese have extended economic prosperity to the general population still remains unjustified in the eyes of many. Interviewed city government officials point out that many established residents questioned some of the presumed economic benefits contributed by Taiwanese businesses – tax revenues and job opportunities are two of the most controversial aspects. Many believe that these business newcomers do not hire noncoethnics and that they often underreport their business revenues.

The issue of underreporting sales revenue has been brought up especially frequently and used to argue against the growth of Chinese businesses by many established residents. Monterey Park, which boasts the largest Chinese business concentration in the area, suffers a serious budget crisis. The city government attributed part of the deficit to the Chinese underground business practices (Wong, 1991).

### *Social Impact: Whose Community Is This?*

An even more controversial issue concerning the Taiwanese business development in the area is its social impact. Established residents often find themselves lost in a foreign land within their own country. Oldtimers tend to blame the newcomers for the enormous changes in the region. Unplanned development, congestion, traffic and, above all, the loss of a familiar community are resented by local residents (Horton, 1992). There is a strong perception among established residents that the immigrant Taiwanese are “buying out our town.” For example, an Anglo shopper who went to a shopping center only to find most of the American businesses replaced by Taiwanese stores, expressed her frustration:

It used to be our place, but now it has become a strange land to me. I don't like this change, because I don't understand their language. Oftentimes, I feel I am being ignored when I walk into the store. It feels as if I am invisible to those Chinese shopkeepers.

The Taiwanese commercial expansion continues to overwhelm the American businesses in many areas. The demands created by Taiwanese businesses caused rental and land prices to increase, especially on commercial realty. The dramatic price increase has discouraged many American businesses from coming into this area. Taiwanese businesses have been able to survive the high rent because of their wide patronage base, which extends beyond the San Gabriel Valley to include the general Chinese population in greater Los Angeles. Hence, Taiwanese businessmen hold a confident outlook for this region despite the increasing cost of opening businesses.

Consequently, American businesses have been moving out of the area, making sites available for Taiwanese businesses to come in. This imbalance in development between Taiwanese and American businesses in the region has created an adverse public reaction to the expansion of the Taiwanese economy. In the city of San Gabriel, a community heavily provided with new Taiwanese businesses, 80 percent of the residents indicated that there were not enough "American" businesses in the city, according to a 1992 survey conducted by the city government. Labeled as "unAmerican," the Taiwanese business community suffers serious discrimination (Arax, 1987a). Established residents pressure their local government leaders to limit the entry of Taiwanese businesses, thus forcing them to choose between competing interests.<sup>2</sup> On the one hand, they wish to attract Taiwanese business and capital into their cities, but on the other, they want to avoid being blamed for bringing businesses that do not serve the local residents' needs.

Under the circumstances, when tensions between newcomers and established residents reach a critical level, city development agencies tend to intervene in the public interest to regulate business growth. Several measures have been employed to either restrict newcomer enterprises or to encourage the entry of "American" businesses. These include ordinances limiting the use of the Chinese language on commercial signs, financial incentives for developers bringing in more American businesses, and "tenant mix" regulations to retain a certain proportion of American stores. The Taiwanese tend to perceive the measures restricting their business development as outright racism against their business community. A Taiwanese supermarket chain owner discussed the unfriendly gestures he often encounters with government officials and council members:

<sup>2</sup>The remainder of this section draws on in-depth interviews with Chinese developers and real estate agents, city planners, and Chinese merchants.

They [government officials] don't feel comfortable about the fact that Chinese are the dominating business developments in the area. During this economic downturn, only the Chinese are investing. I think they should realize that we [Chinese] contribute a lot to this area's prosperity.

Taiwanese business people often complain that both city governments and local residents are insensitive to their needs and fail to appreciate their contribution, as shown in the efforts to increase restrictions on their enterprises and language. The unfriendly community reception has adversely affected the relationship between Taiwanese business newcomers and local residents.

## *CONCLUSION*

Better equipped with entrepreneurial resources, Taiwanese immigrants to Los Angeles have been able to establish their own businesses soon after their arrival. This mode of economic adaptation is significant because it creates opportunities not only for the original entrepreneurs, but for later arrivals as well. The findings of this study suggest that the Taiwanese have chosen business locations as well as opportunities beyond the initial enclave economy. The development of Taiwanese immigrant enterprises beyond traditional niches sets it apart from conventional enclave economies.

There are many unexpected political-economic consequences associated with this multinuclear ethnic economy. Although the Taiwanese commercial development has, to some degree, helped to vitalize the commercial development in many suburban cities, especially during the economic recession, the penetration of Chinese businesses into suburban communities has produced increasing conflicts between longtime residents and Chinese immigrants. Established residents often resent the Chinese immigrants moving into their communities, bringing with them wealth and their own culture.

The conventional model which positively associates immigrants' settlement in a suburban direction with their degree of assimilation does not apply to the Taiwanese case in Los Angeles. Taiwanese immigrants have moved to white-dominated suburban communities without previously going through the assimilation process. The Taiwanese have come right in with their own culture, languages and, more importantly, businesses. This is the major source of antagonism from the established residents.

In order to resolve the tensions between local communities and Taiwanese merchants, there is a need for an educational process to communicate the communities' needs to these business newcomers. Established residents often take the immigrants' adjustment process for granted. Given the fact that the Taiwanese tend to establish businesses not long after their arrival and that there are various societal differences between the sending country and the host country, it is necessary to help them understand the "rules of

the game.” Under the circumstances that the Taiwanese economic power will continue to grow in the future, city governments should take a proactive approach to develop strategies for handling the challenges imposed by the continuously growing Taiwanese business community.

Immigrant entrepreneurs are an essential part of American metropolitan life. There are Korean middleman merchants entering ghetto areas selling goods to inner city residents in Chicago and Los Angeles, Cuban entrepreneurs creating a self-sufficient “Little Havana” in Miami, and Taiwanese businesses penetrating into the suburban white communities in Los Angeles. The growth of immigrant enterprises will continue to challenge the American community development in the foreseeable future. What this study has shown is that when immigrant newcomers penetrate into mainstream communities at an early stage, Americans face the reality of what it really means to live in a country of immigrants.

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