

# Regrounding the ‘Ungrounded Empires’: localization as the geographical catalyst for transnationalism

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*Abstract* The emerging literature on transnationalism has reshaped the study of immigration in the USA from ‘melting pot’ and later ‘salad bowl’, to ‘switching board’, which emphasizes the ability of migrants to forge and maintain ties to their home countries. Often under the heading of ‘transnationalism from below’, these studies highlight an alternative form of globalization, in which migrants act as active agents to initiate and structure global interactions. The role of geography, and in particular, localization in transnational spaces, is central to the transnationalism debate, but is yet to be well articulated. While it has been commonly claimed that transnationalism represents deterritorialized practices and organizations, we argue that it is in fact rooted in the territorial division of labour and local community networks in immigrant sending and receiving countries. We examine closely two business sectors engaged in by the Chinese immigrants in Los Angeles: high-tech firms and accounting firms. Each illustrates, respectively, the close ties of Chinese transnational activities with the economic base of the Los Angeles region, and the contribution of local-based, low-wage, small ethnic businesses to the transnational practices. We conclude that deeper localization is the geographical catalyst for transnational networks and practices.

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At Los Angeles International Airport (LAX), it is easy to spot Chinese travellers heading to, or coming back from, Asia. Many are family bound. A good proportion of them, however, come and go with suitcases full of sample products to market either in Asia or the USA. These are Chinese business people. Through jet flight, telephone, fax, and the Internet, they weave a worldwide business network that encompasses ethnic strongholds in the heart of American metropolitan areas and industrial cities in Asia. Unlike immigrants who left Europe for America in the late nineteenth and early the twentieth centuries, to whom the Old World represented treasured, yet fading memories,<sup>1</sup> this paper focuses on a new type of immigrant entrepreneur whose well being in the New World depends heavily on their connections to the Old World.

The article engages the emerging literature on transnationalism as a framework to study international migration. Transnationalism recognizes the concurrent nature of immigrant connections with home and host countries, thereby introducing a critical social field in which nation states are not ultimately restraining factors, but provide an arena to be transgressed, evaded, and taken advantage of by migrants. Transnationalism

also highlights an alternative form of globalization in which migrants act as active agents to initiate and structure global interactions (Basch et al. 1994; Guarnizo and Smith 1998). Central to the concept of transnationalism is the reconfiguration of geographical space and territorial boundaries to accommodate intricate and flexible interactions engaged by migrants at global, regional and local levels. But how geography is practised on this transnational space has yet to be articulated in full. It is commonly suggested that transnationalism represents a deterritorialized form of social activity or organization, and that the nation state, being the hegemonic territorial form, is losing its grip on citizens (Ong and Nonini 1997). By contrast, we agree with Guarnizo and Smith (1998) that the term deterritorialization obscures the spatial processes and local specificity essential to transnationalism. Furthermore, we contend that not only is locality important, but also that localization is catalytic for effective transnational networks or practices. We will substantiate our points by closely examining two business sectors in Los Angeles with strong Chinese immigrant involvement: high-tech firms and accounting firms. The empirical cases identify the key to the success of Chinese transnational activities in Los Angeles as being the close ties between transnational networks and the regional economic structure on the one hand, as well as the ties between transnational-oriented immigrant businesses and local-oriented ethnic economies on the other.

#### **‘Melting pot’, ‘salad bowl’, and ‘switching board’: transnationalism as a new framework of migration studies**

Starting from the Chicago School in the 1920s, studies of immigration in the USA have generally been characterized by either the assimilation (the ‘melting pot’) or the cultural pluralism (the ‘salad bowl’) model. Despite their opposing ideological stands, both models regard the outcomes of immigration as resting on the tension or dialogue between a current environment of a dominant culture, and a persistent, yet struggling, ethnic tradition. In other words, the forces affecting immigrants are framed on a linear scale of the past and present. While the assimilation model argues in favour of the inevitable replacement of the past by the present, cultural pluralism advocates the co-existence or preservation of the tradition or heritage. What has often been taken for granted, however, is the concurrent nature of forces affecting immigrants from both home and host countries. Based on the realization that immigrants are increasingly living lives across national borders, a new conceptualization of migration has emerged, termed variously ‘transnationalism’ and ‘transmigration’. Drawing on and also reworking the pre-existing notion of diaspora, scholars define transnationalism as a process in which migrants or diasporic populations build a social field that links together their countries of origin and settlement (Basch et al. 1994; Glick Schiller et al. 1992, 1995; McKeown 1999; Tölölyan 1991). In contrast with the term ‘immigrant’, which implies unidirectional movement, transmigrants are a new type of immigrant, one who develops and maintains multiple relations – familial, economic, social, organizational, religious and political – that span international borders (Basch et al. 1994; Glick Schiller et al. 1992). Studies on Caribbean, West African, or Asian immigrants in the USA show that transnational ties play a critical role in the political, social, economic and cultural spheres of many immigrant groups (Glick Schiller et al. 1992; Guarnizo and Smith 1998; Smith 1992, 1994). Appadurai (1996: 172), in his

assertion that we are living in a post-national era in which nation states are increasingly less relevant, argues that '[the] United States, always in its self-perception a land of immigrants, finds itself awash in these global diasporas, no longer a closed space for the melting pot to work its magic, but yet another diasporic switching point.' Here we borrow his 'switching point' analogy and expand it into 'switching board', as 'board' better represents a sense of space and a collection of multiple linkages. Differing from melting pot or salad bowl, the switching board envisions a space where the external linkages practiced by many diasporic groups constitute a fundamental identity of place.<sup>2</sup>

The extent to which transnational practices are new is still debateable, since strong homeward connections have historically existed for various immigrant and diasporic populations: Jews, overseas Indians, and overseas Chinese are obvious examples.<sup>3</sup> Research on African and European migrants also noted long distance social ties and persistent identification with distant origins (Epstein 1958; Guarnizo and Smith 1998; Portes and Rumbaut 1990). Yet, Portes et al. (1999: 225) argue that traditional immigrants 'lacked the elements of regularity, routine involvement, and critical mass characterizing contemporary examples of transnationalism'. Regardless of how new transnational practices are, what does seem to be new is the willingness of social scientists to develop a social space for transmigrants that is unbounded by the nation state at either end of their migration.

It is no accident that the growing attention to transnationalism coincides with the much greater attention to globalization. Basch et al. (1994) argue that the current moment of capitalism as a global model of production necessitates the transnational practices. Globalization provides the context, possibility and motivation for transnational practices. Social scientists have for quite some time tied migration with global capitalism (Castles and Miller 1993; Parnwell 1993). Paul Ong et al. (1994), for example, illustrate the powerful global forces in motivating Asians to immigrate to the USA and in shaping their economic and political integration patterns in Los Angeles. However, this literature only tends to see migration as the outcome of globalization. For example, Ong et al. (1994) view Asian Americans as accommodating, adapting, or resisting global forces, but largely in a reactionary fashion. A transnational framework, in contrast, allows transmigrants to be cast as active agents who initiate or forge global interactions by engaging simultaneously in a number of countries relating to their migration. In this way, transnationalism accounts for a broader range of global activities than those that are normally associated with globalization. Much of the current discussion of globalization concerns the global movement of goods, capital and information, and features such players as multinational corporations, international organizations, treaties and national governments in structuring the global network of communication and interactions. Transnationalism, or more precisely as some call it 'transnationalism from below' (Guarnizo and Smith 1998; Smith 1992, 1994), stresses the role of everyday practices of ordinary people in structuring political resistance, economic strategies and cultural hybridity. We argue that transnational activities by transmigrants represent an alternative form of globalization where the flow of capital, information and commodities is embedded in the movement of human populations, and governed not merely by treaties, laws or corporate hierarchies, but by a network of social relations. Such personalized networks used to be dismissed as outdated or marginal modes of

transactions. Now they seem to command new respect under the condition of late capitalism, globalization and flexible accumulation (Guarnizo and Smith 1998; Hamilton 2000; Redding 1990; Yeung 2000).

### **The geography of transnationalism: the nation state and localization**

A distinct feature of the emerging literature on transnationalism and diasporas concerns territoriality as framed by the nation state. Diaspora is seen as the 'other' of the nation state. Even as it challenges the domination and discipline of the nation state, it is also defined and shaped by, and implicated with, the nation state (Appadurai 1996; Dusenbery 1995; McKeown 1999; Tölölyan 1991). The consequences of transnationalism are that nations become unbound and deterritorialized communities emerge (Basch et al. 1994). Aihwa Ong and Donald Nonini's work is a good example of this perspective. They are the leading voices in reinterpreting overseas Chinese experiences under the post-colonial and globalized context. *Ungrounded empires*, a volume edited by Ong and Nonini (1997) argues that overseas Chinese transnational practices constitute 'a third culture'. Featherstone (1990: 8) describes third cultures as 'new types of flexible personal controls, dispositions and means of orientation, in effect a new kind of habitus'. Central to the overseas Chinese strategy is a spatial mobility that resists and evades the discipline of the Chinese family, the capitalist workplace and the nation state, all of which require the disciplinable subjects to be localized or confined by a specific space.

When discussing the overseas Chinese transnational practices and imageries at different locations around the Pacific Rim, ranging from China to Canada, Ong and Nonini (1997: 17, 20) argue that:

Our chronotopes are *not*, however, *locales or sites*, but rather time-bound, irreversible *paths or itineraries* of connection between places that are spanned by imagined and remembered narratives of Chinese transnational practices and discourses. ... It is precisely for this reason that we have entitled this book *Ungrounded empires*, to refer to the new *deterritorialized* and protean structures of domination that span the Asia Pacific and within which diaspora Chinese act – empires that constantly change shape, being constituted by Chinese transnational practices in the ether of airspaces, international time-zones, migrant labour contracts, mass media images, virtual companies, and electronic transactions, and operating across all recognized borderlines.

(Emphases added by the authors)

In essence, Ong and Nonini see their project as envisioning transnationalism as a deterritorialized organization, with an emphasis on 'travel', not villages'. They view localization primarily as a disciplinary tool that is rejected or evaded by Chinese diasporas. Their interpretation of deterritoriality, however, is largely framed by rejecting the nation state as the hegemonic form of territoriality. Yet with this broad stroke of deterritoriality and 'ungrounded' structures, they lose the opportunity to enquire into other forms of territoriality and the spatial process that may be essential for Chinese transnational activities. Can 'ungrounded empires' be truly ungrounded? Sassen (1994, 123), in her study of global cities, argues that 'globalization processes

assume concrete, localized forms.' Similarly, Guarnizo and Smith (1998: 11) argue that local specificity is central to transnationalism. 'Transnational practices, while connecting collectivities located in more than one national territory, are embodied in specific social relations established between specific people, situated in unequivocal localities, at historically determined times.'

Perhaps equally important as changing the focus to 'travel' is reconceptualizing locale or 'village' from a socially, politically and spatially bounded community into a site of practices where various forces at different spatial scales converge (Amin 2000). The geographical literature is particularly keen to regard place and locale as fundamental categories of analysis and crucial dimensions of social action. Soja (1989) argues that spatialization is essential to understanding social changes and social movements. Studies in regional economic dynamics and industrial clusters, a heated field in economic geography and associated disciplines in the last two decades, have made major contributions in delineating the role of localization or regionalization in contemporary global capitalism (Blim 1990; Camagni 1991; Crevoisier and Maillat 1991; Piore and Sabel 1984; Saxenian 1991; Sayer and Walker 1992; Scott 1988, 1993; Scott and Storper 1986; Storper 1997; Storper and Walker 1989). Amin and Thrift, for example, argue that while the world economy may have become more decentralized, it is not without geographical centres. They describe these centres as 'place-bound communities in which the agglomeration and interaction between firms, institutions and social groups acts to generate and reinforce that "industrial atmosphere" which nurtures the knowledge, communication and innovation structures required for retaining competitive advantage in a given global production filière' (1992: 577). It is not the purpose of this paper to engage in a full discussion of the literature on industrial geography.<sup>4</sup> But we would like to stress that this literature underscores the persistent significance of locale and localization in the age of increasing ease of transportation, communication, and corporate mobility.

So what is locality and how does local work? The power of place exists not so much in the location itself but in the interactive patterns between social agents and processes within local contexts. Cox and Mair (1991) argue that locality should be understood both as a localized social structure and as an agent. The former develops through territorial forms of the division of labour, and the latter captures the ability of local actors to form alliances, negotiate local identities, and implement local changes.

In the transnationalism literature, some scholars also begin to pay greater attention to local specificity in transnational flows. The term 'trans-locality' is used to account for both the local embeddedness and external connections (Goldring 1998; Smith 1998). Yet, the role of locale in shaping transnational flows is still under-theorized. While it is generally more obvious that migrants are socially embedded in the sending societies, we know far less about how their activities are also conditioned by the receiving community. More generally, little research has attempted to look at the link between localization, and the scale and effectiveness of transnational activities. One can certainly engage in transnational activities such as sending remittances while being only minimally embedded in the locales in the host country. But more sophisticated and larger scale activities such as transnational business or politics would require a deeper and wider set of connections to local contexts at either end of the migration route.

These are the areas our article addresses with empirical examples. If we visualize the transnational activities as a complex network through which flow humans, goods, capital and information, such a network can not be effective if it does not have firm anchors in particular locales within which migrants, with and without transnational ties, as well as non-migrants, all play important parts. We view localization as a deliberate and central strategy to the vitality of transnational networks and practices, in short, a catalyst for transnationalism.

### **Transnational centres and ethnic enclaves**

If transnational practices are indeed localized, what are the nature and dynamics of such transnational centres? The transnational framework has led many researchers to separate transnational activities or transnational centres from 'regular' immigrant activities and enclaves. Portes et al. (1999), for example, contrast immigrant entrepreneurs and transnational entrepreneurs, and argue that the former 'simply settled abroad and became progressively integrated into local ways', while the latter are 'cultivating their networks across space, and travelling back and forth in pursuit of their commercial ventures' (225). The former move along the course of assimilation, while the latter refuse to be confined in either one space or the other. Rogers (1992: 244–7) similarly classifies ethnic communities in the USA into three types. The first is a community plagued with job losses due to the closing of major manufacturing industries and the suburbanization of urban economies. The second type of ethnic community locates near the emergent international centres of metropolitan areas, and is comparable to the ports-of-entry of earlier immigrants. It contains a large secondary labour market characterized by new employment opportunities in personal and producer services, in downgraded or petty manufacturing and in retailing (Sassen-Koob 1984; Waldinger 1987). This would be the area of the predominantly working-class immigrant enclave. The third type, the transnational business enclave, according to Rogers, has no recognizable antecedents in earlier periods of immigration because it is a product of the internationalization of the urban economy. The emergence of a transnational business enclave is due to 'the arrival of immigrants with an established adaptation to urban conditions, middle-class characteristics, and sometimes directly connected to transnational businesses or the homeland government' (p. 247).

Li (1998a, 1998b) develops the term 'ethnoburb' to describe the unique dynamics and class structure of middle-class Asian communities at suburban locations as contrasted to traditional Chinatowns. Ethnoburbs replicate some features of an enclave, but also those of a suburb without a minority majority. Its economy may be based on a high technology or capital-intensive businesses that are able to draw on and feed global flows of capital, commodities, and of skilled labour and managers (Li 1998a, 1998b). Without being her main concern, Li's ethnoburb concept in many ways captures some of the essential spatial distinction and dynamism characterizing the transnational centres. Given the human and financial resources, ethnoburbs, far more than traditional immigrant enclaves, tend to host a high concentration of transmigrant activities and serve as anchor points for transnational networks.

While the economic distinction between the traditional ethnic enclave and transnational business centres is necessary, it should not be overdrawn. Low-wage secondary labour markets and petty businesses often co-exist at many locations with

transnational financial institutions and high-tech ventures established by immigrants from Little Havana in Miami, Chinatown in New York, to Silicon Valley, California. This is certainly the case in the Los Angeles Chinese community where the central Chinese business district in Monterey Park is crowded with banks, certified public accountant (CPA) firms, insurance and real estate companies, and international trading offices amid abundant restaurants, grocery markets, gift shops and bookstores. We argue that such co-existence of higher and lower level immigrant businesses is by no means accidental, but provides the crucial local conditions for the development of transnational practices. It is essential not to isolate transnational activities from their regional context and the ethnic economy at large. In the following section, we will first briefly outline the development of Chinese transnational activities in Los Angeles and then provide a detailed examination of two Chinese immigrant business sectors: the high-tech and accounting service sectors. Each sector reveals in different ways how Chinese transnational activities are embedded and integrated within both the regional and the ethnic economies.

The information presented in this article was collected during the two authors' fieldwork in Los Angeles from 1992 to 1994 and some subsequent fieldwork in New York and Taiwan. Both researchers rely on a combination of qualitative and quantitative methods in data collection. Both conducted surveys and intensive personal interviews with different Chinese ethnic business sectors in Los Angeles. The case of the high-tech firms draws primarily from Tseng's work. She relies on an analysis of the 1990 population census public use micro data sample (PUMS) and interviews entrepreneurs, informants and community leaders. The information on the accounting sector is based primarily on Zhou's investigation. She conducted a mail survey for all 181 identifiable Chinese accounting firms in Los Angeles County in 1993 and obtained a 45 per cent response rate. In addition, she also interviewed about 15 accountants who were either self-employed or were employees in CPA firms. The interviews cited in this article are identified via each author's own numbering system.

### **Chinese transnational activities and Los Angeles**

The transnational activities of the Chinese have both deep historical roots and a wide geographical scope. The active long-distance trading conducted by the Chinese merchants in Southeast Asia can be traced back to the thirteenth century (Abu Lughod 1989). The dispersion of Chinese since the sixteenth century from mainland China to many parts of the world in conjunction with European colonization has built up an extensive transnational network with Southeast Asia as the core (Wang 1991). In North America, a significant Chinese presence along the West Coast dated back to the mid-nineteenth century. Their number was kept small, however, due to the operation of the Chinese Exclusion Act between 1882 and 1943, and discriminatory immigrant policies until 1965. The Chinese population in the United States has soared only in the past two decades, at the same time as the intensified economic integration between North America and East Asian countries.

Los Angeles has become a focal point of the Chinese transnational networks both because of its burgeoning Chinese population and the status of Los Angeles as a world city, particularly as a trade and service link between the USA and the Pacific Rim. Emerging from restructuring in the 1970s and 1980s, Los Angeles has become a

post-modern capital of North America and a Pacific Asian trade and financial centre. Along with Los Angeles' increasing Asian linkages is the growing Asian population, in which the Chinese are one of the largest groups. From 1970 to 1990, the Chinese population in Los Angeles County grew twelve-fold (Table 1). The new immigrants consist of an increasing proportion of people with professional skills and financial capital (Ong et al. 1994). While the old pattern of unskilled labour migration has not entirely disappeared, a substantial number of new immigrants are from urban, educated, middle-class backgrounds and come to the USA as professionals, managers and entrepreneurs (Tseng 1994a, 1994b).

**Table 1. The growth of Chinese population in Los Angeles County, 1960–1990**

	Chinese population	Percentage increase
1960	19,400	100.0
1970	40,798	210.3
1980	93,747	229.8
1990	248,415	265.0

Source: Censuses of Population, USA, 1960, 1970, 1980, 1990.

The largely middle-class background of this migration influx leads to several unique developments in Los Angeles. First, it has become a prominent node of the Chinese ethnic economy in the USA. While the Chinese population more than doubled between 1980 and 1990, Chinese-owned businesses grew at a much quicker rate. The number of Chinese-owned firms more than tripled from 1982 to 1992. The annual sales grew more than ten times during this period (Table 2). In particular, during the latter part of this decade, between 1987 and 1992, there was an over 400 per cent growth in sales with a 160 per cent growth in the number of firms, indicating the increasing size of Chinese firms measured by average sales. During the 1980s, Los Angeles became the single largest Chinese business centre in the USA (US Department of Commerce 1992). With a population size virtually identical to the Chinese population in New York City in 1990, Los Angeles in 1992 had 32 per cent more Chinese-owned firms, hired three times as many paid employees, and generated more than three times as much in revenue (Zhou 1998b). Secondly, the Chinese economic structure has become increasingly diversified and sophisticated. Prominent Chinese self-employment sectors in Los Angeles today include not only the ethnic staples such as groceries, restaurants, and gift shops, but also skill-intensive professional services such as banks and high-tech firms, and the capital-intensive hotel and motel sector (Tseng 1994a, 1994b).

Thirdly, the structural change of Chinese businesses in Los Angeles has been accompanied by spatial change during the last two decades. A good number of studies, including our previous work (Fong 1994; Li 1998a, 1998b; Tseng 1994a, 1994b; Zhou 1996, 1998b) detail the trajectory of the Chinese community in Los Angeles, so it will be outlined only briefly here. The rapid increase in Chinese population since the 1970s has largely been a suburban phenomenon. Although

downtown Chinatown expanded in absolute numbers of people, particularly with the heavy influx of Southeast Asian refugees, the bulk of Chinese immigrants and newly developed Chinese businesses located themselves in the suburban community of Monterey Park, about 13 km to the east of Chinatown, immediately adjacent to the city of Los Angeles (Figure 1).

**Table 2. The expansion of the Chinese ethnic economy in Los Angeles County, 1972–1992**

	Number of Chinese-owned firms	Percentage increase	Annual sales of Chinese-Owned firms (\$mil)	Percentage increase
1972	1,378	100.0	107	100.0
1977	3,063	222.3	283	264.5
1982	7,611	248.5	754	266.4
1987	16,049	210.9	1,963	260.3
1992	26,279	163.7	8,077	411.5

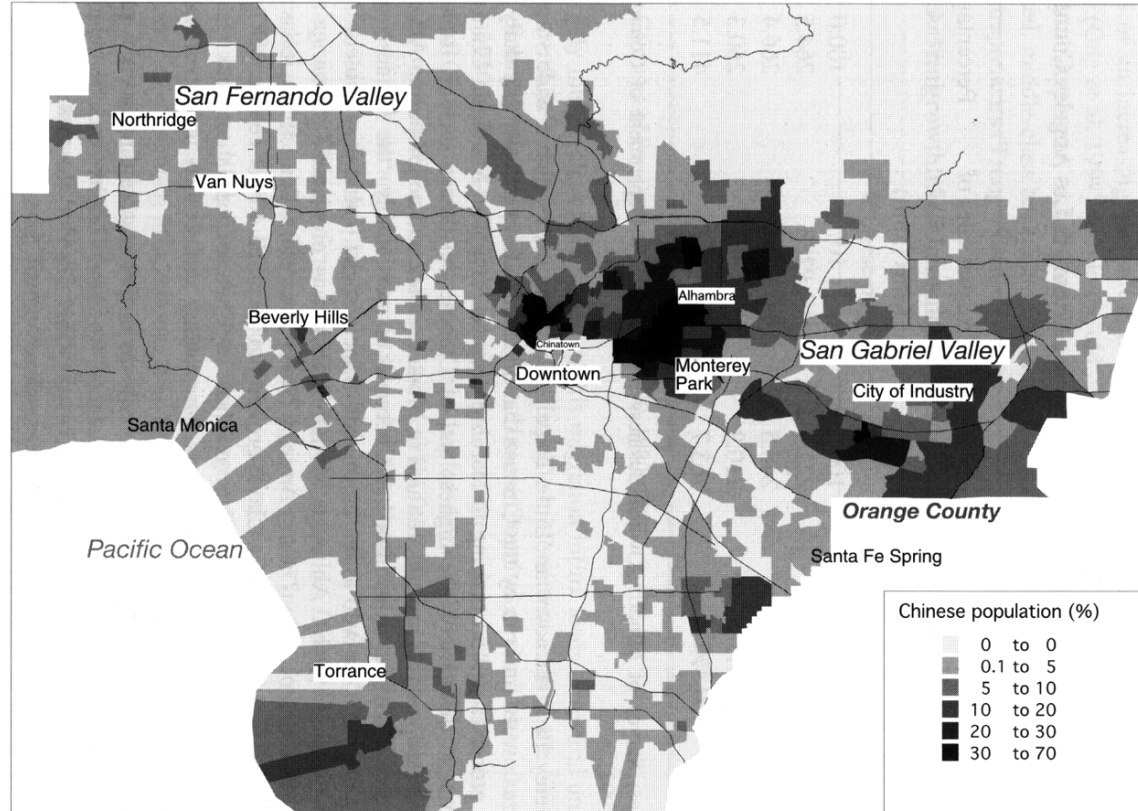
Sources: Survey of Minority-Owned Business Enterprises, US Department of Commerce (1992).

Monterey Park is known as 'Little Taipei' because it offers such a wide variety of services owned and run by the Chinese that one can fulfil practically any daily need, from groceries and advertising to learning deep-sea diving in Mandarin Chinese. In addition to the variety, the highest end of Chinese businesses such as banks and professional services are concentrated in Monterey Park and neighbouring Alhambra. Monterey Park and Alhambra have become unquestionably 'the Chinese central business district' as well as the prominent Chinese social, cultural and entertainment centre (Tseng 1994b). Although Monterey Park was proclaimed 'America's first suburban Chinatown' by *The Los Angeles Times* (Arax 1987, Fong 1994), it has never become an exclusive ethnic enclave, growing to less than 40 per cent in its Chinese population. Before Monterey Park reached its Chinese population peak in 1985, Chinese businesses quickly spread to surrounding cities, such as Alhambra, San Gabriel, and Rosemead (Figure 2).

The more affluent Chinese population moves further east, settling in cities such as Walnut, City of Industry, Hacienda Heights, Rowland Heights and Diamond Bar. These cities are known by the Chinese as the 'East District'. In contrast to the two earlier Chinese business centres, where development was fuelled by residential growth in combination with retailing and consumer services, development in the East District was led by Chinese *industrial* activities, particularly computer hardware manufacturing and distribution firms. Following the industrial firms, the Chinese population, especially professional Taiwanese immigrants, grew rapidly in this area, followed by Chinese consumer and business services (Zhou 1996).

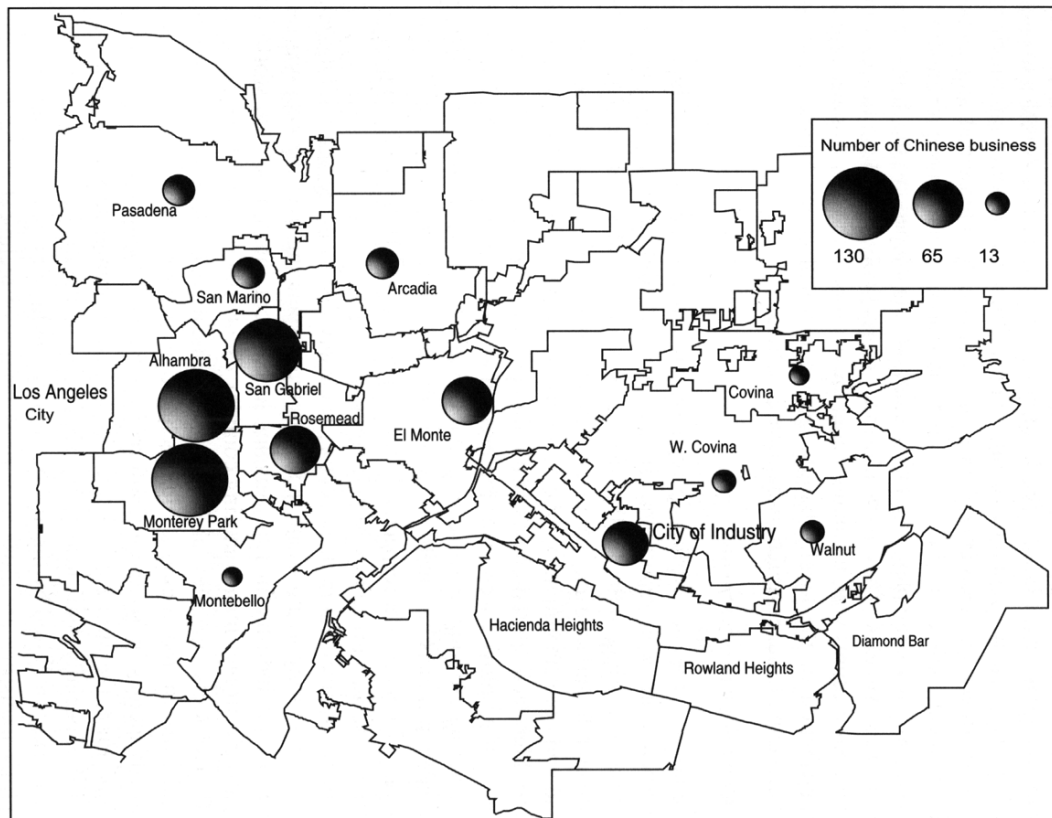
At the heart of the growth of the Chinese community in Los Angeles is the role of transnational linkages. Zhou (2000) details the impact of foreign capital, trade,

**Figure 1. Distribution of Chinese population in Los Angeles County, 1990**



Source: Census of Population, 1990, Census tract level. Highways are from TIGER file, 1992.

**Figure 2. Distribution of Chinese-owned businesses in San Gabriel Valley, Los Angeles County**



Source: Tseng 1994a.

expertise and information on the Los Angeles Chinese communities. It would be difficult to find a major Chinese business sector in Los Angeles that does not involve in one way or another a significant role for overseas capital, markets, information or labour forces. We contend that the Chinese business community in Los Angeles is neither an isolated ethnic enclave nor simply a vibrant outpost of Chinese business people. Rather, it has become a transnational anchor point in a vast global web of ethnic Chinese including such cities as Vancouver, Sydney, Singapore, Kuala Lumpur, Bangkok, and Manila. The Chinese community in Los Angeles exemplifies a new type of ethnic economy within which financial, labour, information, and commodity flows are international in scope, yet deeply intertwined and embedded within a local milieu of intense ethnic networking and entrepreneurship. The following are two examples of ethnic businesses developed by the Chinese immigrants in Los Angeles. They each illustrate, respectively, the close ties of Chinese transnational ventures with the major economic sectors in the Los Angeles region and the contribution of the locally based, low-wage, small ethnic business part of the ethnic economy to successful transnational practices.

#### *High-technology entrepreneurs*

Far removed from a typical perception of ethnic entrepreneurship, Chinese entrepreneurs are well represented in the dynamic high-tech industry in Southern California. According to the 1990 Census, Los Angeles had 85 self-employed Chinese in computer manufacturing, 65 in aircraft and parts, 16 in guided missiles, 20 in medical and optical equipment, and 59 in electrical machinery. Table 3 compares the Chinese high-tech entrepreneurs with the general population, and it shows that Chinese self-employed were over-represented in all sectors except for guided missile manufacturing. Among these sectors, the Chinese business ownership in computers and related products, as well as in aircraft and parts manufacturing is the most significant. They account respectively for 12 per cent and 10 per cent of all businesses in these two sectors in the Los Angeles region.

Chinese involvement in these sectors is closely tied to the region's industrial base and its restructuring. Large-scale federal defence spending over the post-war decades led the aircraft industry in Los Angeles to blossom into one of the world largest aerospace-electronics manufacturing complex (Scott 1993: 3–4). Three major sectors, aircraft and parts, missiles and space equipment, and electronics, represent the essential core of the region's high-technology industry. Sassen (1988) identifies several advantages in Southern California for the development of a high-technology economy. First, the numerous, cheap and proficient immigrant workers from all over the world, especially Asia, lowers the labour cost and at the same time provides high-quality workers required by the high-technology industries. Second, California's high-technology industries are close to various centres of technical research, control and design. Third, the industries enjoy an availability of industrial land that accommodates a territorially-clustered organization of production firms

Chinese high-technology entrepreneurs mainly consist of scientists and engineers who obtained postgraduate degrees in the USA and formerly worked for TRW, McDonnell Douglas, Rockwell, or Lockheed. They chose self-employment in part due to the glass ceiling they experienced at the large companies. Many Chinese high-tech entrepreneurs cited their disadvantage in promotion and the lack of training

opportunities as the most important reasons for leaving their companies and becoming self-employed. According to one interviewee who started his aerospace parts manufacturing firm:

As Asian engineers and scientists, they are perceived as competent in technical-oriented tasks of research and development but weak in marketing and management. This persistent perception greatly increases their chance of being laid off when the company is not doing well.

(Tseng Interview, 21 February 1994)

**Table 3. Number of high-technology business owners in Los Angeles County, Chinese versus total population, 1990**

Industries*	Chinese population	All population	Index**
Computers and related products	85	705	384
Aircraft and parts	65	605	342
Guided missiles	16	748	68
Medical and optical equipment	20	511	125
Electrical machinery	88	964	290
Business owners in all industries	16,625	528,896	

\* Note: All of the following are manufacturing industries.

\*\* Note: Index =  $b/a \times 100$ .

a = Chinese business owners in all industries/ All business owners in all industries = 16625/528896.

b = Chinese business owners in specific industries/ All business owners in specific industries (for example,  $b = 85/705$  for computer and related products).

If index = 100, that means  $a = b$ .

If index <100, Chinese business owners are underrepresented.

If index >100, Chinese business owners are over-represented.

Source: US Bureau of Census, *Census of Population and Housing, 1990, 5% Public Use Microdata Samples*.

However, the major reason for their willingness to go off on their own has to do with the industrial restructuring in high-tech sectors in Southern California, which tends to favour small competitive subcontractors. One of the restructuring trends in recent years has been the vertical disintegration of large companies with small subcontract shops and input suppliers providing specialized services. These small subcontractors are manufacturers of printed circuit boards and aluminium foundry products, transistors, assembly services and moulded plastics. The subcontracting system of the aerospace and defence industries, which favours small and flexible production lines, offers an opportunity for the Chinese to establish their businesses in these sectors. According to Scott (1993: 122), one of the important characteristics of the aerospace and defence industries is that they are dominated by large systems houses embedded

in dense networks of smaller, flexible, specialized establishments that provide them with innumerable physical inputs and subcontracted services. Large systems houses are called 'prime contractors'. They receive the primary contracts from the government or the private sector, and distribute the work among second-tier subcontractors who subcontract to other smaller manufacturers. Large systems are in charge of the final assembly, putting together parts from smaller specialized producers.

Chinese self-employment in the aerospace and defence industries began with a handful of Chinese entrepreneurs who pioneered work in the aircraft parts and guided missiles industries during the early 1980s. Later, they became second-tier contractors. They obtained contracts from large systems such as TRW, McDonnell Douglas, or Hughes based on their previous ties established while employed by these companies, and subcontracted to smaller Chinese producers. The need for smaller producers in the area of specialized parts manufacturing has encouraged more Chinese engineers and scientists originally employed in the aerospace and the defence industry to set up their own companies. Chinese engineers working in large systems also help Chinese suppliers to gain contracts.

Given the education and technical resources of the Chinese engineers, the glass ceiling they encounter and the opportunity structure of the Southern California aerospace industry, it would not have been surprising if a few Chinese engineers decided to be self-employed under the circumstances. What is surprising, however, is the number of them to do so. This is linked to an additional condition, the emergence of a supporting structure of transnational-based resources, in particular the venture capital from overseas. Even with human capital to start up a high-tech venture on their own, potential entrepreneurs still need substantial financial capital to enter the high-tech industry. Capital supply from overseas is identified as the major source for Chinese high-tech ventures. Southern California has attracted foreign capital to its thriving high-technology, capital-intensive industries. Due to the presence of a large number of Chinese scientists and engineers in California, Chinese source countries interested in high-technology ventures have invested capital in this area (Liu 1991). In 1990, California absorbed 45 per cent of all high-technology venture capital collected in Taiwan, and almost all the capital was invested in Chinese-owned ventures (Liu 1991). Information, electronics and biotechnology were the three most favoured industries. We lack recent figures to update the above statistics. However, according to the survey conducted by Taipei Venture Capital Association (TVCA newsletter 1997), in 1995, 90 per cent of all the venture capital invested in the US high-tech enterprises was in California. Saxenian's (1999) research in Silicon Valley also pointed out the importance of venture capital from Taiwan in the high-tech ventures of Chinese entrepreneurs. Southern California, although to a much smaller degree than northern California, is also a major destination for venture capital.

One might wonder why venture capitalists favour their co-ethnic-owned high-tech enterprises. In the mid-1980s, Taiwanese venture capital was initially invested in non-Chinese American high-tech companies. However, most of them failed to generate profit and later much of the investment was withdrawn. The director of the Taipei Venture Capital Association stated the problems of investing in non-Chinese in contrast to Chinese firms:

Those initial investments failed mainly because there was a serious defect in communication due to the language barrier and inefficient information flow. To generate a positive result, the venture capitalists need to continue to monitor as well as to assist the company invested. In terms of these aspects, it is more difficult to achieve an ideal communication with non-Chinese. On the contrary, investments in the Chinese high-tech ventures have been more successful. Later, it became a consensus among Taiwan's venture capitalists that it is better to invest in Chinese firms. From my judgement, they (capitalists and Chinese firms) can communicate better and establish a more informal relationship. As a result, the investments often lead to technology transfers and international subcontracting later on. In other words, the investments in Chinese firms enhanced the industrial linkages across borders.

(Tseng interview, 21 March 1997)

According to him, Chinese firms in the USA depend heavily upon the supply of venture capital from Taiwan. He estimated that of 60 venture investment opportunities he handled in 1996, half were from Chinese or Chinese-co-owned high-tech firms in California. He said, 'there is a well-known saying within our circle: for start-up capital in high-tech ventures, Chinese Americans can count on Taiwan, but the Asian Indians would have to collect locally in the USA.' The venture capital available in Taiwan mainly came from the profit made by early returnees from the USA who had established successful high-tech ventures in Taiwan (Chen and Jou 1996). According to Dr Denny Ko, the founding president of the Organization of Chinese Entrepreneurial Advisory Networks (OCEAN), a non-profit Chinese high-technology consulting group based in Los Angeles, since many Taiwan venture capitalists are scientists or engineers, they mainly rely on existing networks such as former colleagues, classmates, or friends to search for ideal investments in high-tech ventures established by the Chinese.

There are also various organizational channels aimed at facilitating high-tech ventures in Los Angeles and overseas capital. For example, in the area of aerospace, they network through Chinese American Aerospace Engineers Association (CAAEEA). They often come together to exchange information regarding the business opportunities in the aerospace industry and venture capital available from Asia. For example, in a 1994 event, the CAAEEA offered a one-day conference addressing issues of self-employment opportunities for components suppliers in the aerospace industry and Taiwanese venture capital. The conference was conducted mainly in Chinese. The Chinese speakers included successful high-tech entrepreneurs and engineers from Hughes and TRW, introducing new developments at both companies and the implications for business opportunities. The development of Taiwan's aerospace industry was also discussed and considered to be one of the important business opportunities for Chinese aircraft parts suppliers. Venture capitalists from Taiwan also addressed their interests in the areas of Chinese high-tech start-ups. More than 100 Chinese engineers attended, both salaried as well as self-employed in the aerospace industry. Many of these companies have financial backing and production facilities within the Chinese-dominated economies of East Asia. From the membership directory of Chinese high-tech organizations, it is common to find companies with overseas branch offices or factories in Asia. The international division of labour

occurs in different forms. Some run research and design facilities in the USA and production lines in Asia, while others use the reverse of this arrangement.

The case of the Chinese high-tech sector shows that the local industrial and corporate structure has provided incentives, labour supply, expertise, experience, networks and market opportunities for the Chinese entrepreneurs. Transnational resources, such as venture capital, expanded the possibilities by injecting strong overseas support. Without such deep embeddedness within the receiving society, Chinese high-tech engineers will not be able to enter such a high-level market. On the other hand, without overseas capital, most engineers would end up as employees of large firms, rather than independent entrepreneurs. What we observe is a powerful alliance of transnational mobilization with a primarily locally induced industrial specialization. Transnationalism in this case clearly goes hand in hand with localization.

### *Chinese accounting firms*

In great contrast to the Chinese high-tech sector, the presence of Chinese accounting firms is rooted in the Chinese enclave economy as opposed to the Southern California regional economy. In Chinatown, bookkeepers have long assisted other small firms with bookkeeping and filing tax returns. Before 1970, these basic accounting services were about the only accounting facilities available in Chinatown. Interviews with long time residents suggest that due to small and fluctuating demands, most bookkeepers were part-time, often operating from a small shop, and did accounting in their spare time or in the tax season. The formally trained Chinese CPAs launched their careers in mainstream firms rather than in the Chinese community.

Starting in the 1970s, demand for various levels of accounting services soared as Chinese businesses boomed in the San Gabriel Valley of Los Angeles. Most businesses were established by new immigrants and were mostly small in size and relatively inexperienced. They were also likely to operate on a more stringent budget and face tougher competition as new players in unfamiliar fields. Subcontracted accounting work to independent firms was especially advantageous for them. Subcontracting not only saves overhead costs, since the workload may be too light or seasonal to sustain an in-house accountant, but it also enables Chinese entrepreneurs to use the expertise of accountants to overcome their unfamiliarity with the business environment. Mainstream American accounting firms were poorly adjusted to the needs of the emerging ethnic market and were unable to offer the cross-cultural or language services necessary for new immigrant-owned small firms. Chinese accountants working in mainstream firms responded cautiously to these new opportunities, with a few Chinese CPAs opening offices in the rising Chinese business centre in Monterey Park in the late 1970s. They were mostly full-time firms, typically with CPAs. The firms mainly targeted the Mandarin-speaking Taiwanese, and some of their projects involved investment consulting and financial planning that went beyond simple bookkeeping and personal tax returns. Until the middle 1980s, Chinese CPA firms, estimated at fewer than 20, were still too few to meet the demands of a vibrant ethnic economy. As recalled by one interviewee who was among the first group setting Chinese CPA firms in San Gabriel Valley. 'Until the middle of the 1980s, there was a lot of demand for accounting in the community. If you were a CPA, you had no problem finding clients. They would come to you'

(Zhou's Interview No. A-7). From 1985 to 1993, the number of Chinese-operated accounting offices mushroomed. Seventy-two Chinese accounting firms were listed in the *Chinese yellowpages*, published in 1985. In 1993, the same publication listed 196 CPA firms, and another 39 bookkeeping and tax services. The survey conducted among Chinese-owned accounting establishments in Los Angeles in the early 1990s showed that slightly more than 10 per cent of the firms were in existence since the 1970s, 63 per cent of the firms opened in the 1980s, and 23 per cent of the firms opened in the 1990s. Thus within a few years, this once empty field suddenly became crowded and extremely competitive.

Chinese transnational practices are a driving force behind the boom of Chinese accounting firms. As overseas investments from Taiwan and Hong Kong increase steadily in Los Angeles, Chinese accountants are in great demand to guide this capital into a variety of industrial and commercial activities, and ensure that these activities conform to the American accounting and regulatory systems. In their own words, accountants have to 'baby-sit' these new arrivals, as most of them are unfamiliar with, and frequently confused by, the new commercial environment in the USA. The CPA would start by convincing them that they need to pay taxes and explain the US tax code and accounting system, and then move into tax strategies and investment and financial consulting. Many interviewees suggested that international finance and taxation are among their major services, indicating how common overseas connections are for their clients (Zhou 2000). In fact, the most profitable and the fastest-growing clients are those immigrant entrepreneurs who have international business backgrounds, own businesses or have other investments overseas, since they are likely to be involved in large projects financed by overseas capital. Many accountants viewed international connections as the major advantage of doing business in Los Angeles. As one CPA operating a three-partner firm suggested:

I believe Chinese CPAs are better situated than their American counterparts. We are bilingual and bicultural. The globalization integrates the USA and the Chinese Rim [usually used to refer to mainland China, Taiwan, and Hong Kong and some Southeast Asian countries where Chinese dominate the economy]. Our client base will expand as the global economy grows. Every week, one or two of my clients are flying across the Pacific. There is so much demand for us to help them with their tax and accounting systems.

(Zhou's Interview, No. A-10)

Chinese accountants make frequent trips to East Asian countries. Some 43 per cent of respondents visit mainland China, Hong Kong, Taiwan, or Singapore at least once every one or two years. The different accounting systems limit their ability to transfer their skills to other countries, however, so they tend to focus on local transnational firms rather than work directly for overseas firms. Even so, the survey found that Chinese firms tend to have more overseas clients than out-of-state clients in the USA. The survey also shows that 36 per cent of the accounting firms claimed to have close relations with overseas business associates, the majority of which were located in Taiwan, Hong Kong, mainland China, and some Southeast Asian countries.

What is interesting, however, is that the transnational part of the accounting

services only constitutes the tip of the iceberg, albeit the most lucrative part, among the services provided by Chinese accounting firms. Few interviewees suggested that they could rely on the international sector exclusively, either because their small size and specialization do not allow them to handle very large-scale projects, or because there is an oversupply of accountants for the transnational projects available. The vast majority of the clients in most accounting firms tend to be locally-based small businesses in the San Gabriel Valley, such as restaurants, gift shops, and miscellaneous services. As described by the CPAs, it was these small, local businesses that provide the 'bread and butter' of their firms, so that they could survive and hopefully grow into larger, more specialized and profitable firms.

What is clearly beneficial for the Chinese accounting firms in Los Angeles is the spatial integration of transnational businesses and local businesses in the San Gabriel Valley (Figure 3). When asked for location preferences, almost half of the surveyed firms chose Monterey Park/Alhambra and its vicinity as the preferred choice, and another 17 chose the East District. Such locations enable Chinese accountants to access the largest possible ethnic client base and, more importantly, a dense ethnic network that could at one point or another lead the accountants to more lucrative parts of the transnational practices. New York City illustrates a contrasting case. New York's Chinatown represents the largest enclave of the Chinese ethnic economy in the city, dominated by garment manufacturing and restaurant businesses (Zhou 1992). However, the transnational businesses such as Chinese international traders are concentrated in the midtown area (Zhou 1998b).<sup>5</sup> The spatial separation forces Chinese professional services to choose which sector or location they would rather be involved in. The president of the New York Chinese CPA Association (who owned a CPA firm) commented that the two accounting bases are vastly different. Chinatown provides a large business base, but low profit, while midtown clients are fewer and more demanding, but lucrative. He would have to relocate from Chinatown to midtown to capture the transnational business there. He made this move in 1996. Two years later, he had to return to Chinatown, conceding that he still needed the stability provided by Chinatown clients and the midtown location put him out of touch with this group of clients. He would have been grateful if these two client bases were spatially integrated as in the case of Los Angeles. Ultimately, the spatial separation in New York leads to a far less viable ethnic professional service sector.

In short, Chinese transnational practices desperately need bilingual and bicultural accounting services to guide them into the local commercial environment and regulatory framework. Yet, the Chinese accounting sector could not have flourished without the large number of Chinese locally oriented businesses ranged from restaurants to advertising services in the San Gabriel Valley. These local businesses form a rich and diverse base that provides stability and fertile ground for growth and further development of Chinese accounting firms. They also provide endless entry points into a potentially international network.

Chinese accounting firms are not alone in drawing markets and resources from both local and international businesses. A similar case is true in other professional services, such as legal, advertising, real estate and banking in the Chinese central business district (Tseng 1994a, 1994b; Zhou 1998a). In other words, the restaurants, small family stores and factories that may be characterized by low-wage labour is an integral part of what builds the Chinese transnational phenomenon.

**Figure 3. Chinese population in San Gabriel Valley, Los Angeles, and the distribution of Chinese owned accounting firms**



Sources: Census of Population 1990, Chinese accounting firm list are compiled from *Chinese yellowpages/Southern California*, 1993, and *Dun & Bradstreet microcosm, Los Angeles County*, 1992.

## **Conclusion**

By addressing the concurrent ties that immigrants maintain with their home countries, transnationalism introduces an additional dimension in the ongoing debate between assimilation and cultural pluralism as a desired mode of integration. Transnationalism also represents an alternative form of globalization initiated by migrants as opposed to globalization guided by multinationals, international agencies or treaties. This study focuses on the geography of transnationalism. Unlike some scholars who see it as a rejection of localization, we view transnational practices as rooted in the territorial division of labour and community networks. We maintain that such practices may be decentred and fluid, and transnational empires may be borderless and ever changing, but successful transnational organizations are necessarily grounded. Such practices are only effective by creating powerful alliances between the local and international interests, resources and opportunities.

Places such as Monterey Park and Alhambra in Los Angeles represent a prototype of a transnational community where global ties intersect and take root in the network of a local community. Monterey Park and Alhambra host a range of Chinese firms from the very local to the very international. The area has a mixed class structure ranging from highly paid professional entrepreneurs or high-tech engineers, to low-wage restaurant workers and barely surviving small-business owners. Yet, all of them are important actors constituting the dynamism of transnational place. It is important to observe the deep local embeddedness of the transnational practices even as we appreciate their distant outreach. After all, localization is the geographical catalyst of transnationalism.

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## **Notes**

1. Some studies show that earlier European immigrants also maintained active engagement with their home countries, only disrupted by the two world wars and Americanization campaigns (Basch et al. 1994; Guarnizo and Smith 1998).
2. The analogy is partial, as it does not adequately account for the assimilation and intermingling among groups with geographical proximity. But it is a useful way to conceptualize the complex flows and intersections metropolitan areas embody today, in which migrants play a vital role.
3. One may argue that in southeast Asia and the Pacific, the overseas Chinese and Indians have managed to sustain a close relationship and routine interactions with their home regions with the important institutions such as trading, marriage and education (McKeown 1999; Kelly 1992).
4. To start, see Zhou 1996, 1998a, 1998b for a review of geographical literature on space and place in economic enterprises.
5. For a fuller discussion, please refer to Zhou 1998b.

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