

Recognizing the Canadian Diaspora

The immigrant composition of Canada's population is among the most cherished of national mythologies. More than 18 percent of residents were born outside the country. Politicians routinely speak of diaspora communities in Canada. What has rarely been acknowledged, however, is the community of Canadians living overseas – the “Canadian diaspora” – and its implications for public policy.

Recent research by the Asia Pacific Foundation of Canada puts the number of Canadians overseas at around 2.7 million. At nine percent of the population, the share of Canadians living overseas is larger than similar overseas populations of Australia, China, the United States, and India. Canadian expatriates don't share a common ethnic background, as do more typical diaspora communities, but the sheer size of this group suggests that it is more than a demographic curiosity.

The evacuation of Canadian citizens from Lebanon in 2006 has precipitated a debate on dual citizenship that is long on emotion and short on facts. This debate has been framed in terms that pre-judge the value of Canada's dual citizenship policy and which characterize the new Canadian diaspora (including return migrants) as a liability to Canada.

Canadians living overseas who hold dual citizenship are being characterized as ingrates for their apparent lack of patriotism, possible tax avoidance, and tenuous cultural and political ties to Canada. If any of this is true, why does it apply only to the more recent wave of return migrants and not to an earlier generation of Canadians living in the United States or England, many with dual citizenship?

In fact, the implications of the Lebanon evacuation have much less to do with dual citizenship than with the urgent need for a Canadian diaspora strategy that recognizes the transnational reality of modern day immigration. Under the broader rubric of policies to embrace Canadians living overseas, there may well be a need to

revisit our citizenship and naturalization policy, which is one of the most liberal in the world. Even so, any tightening of citizenship requirements has to be weighed against the negative effects on immigration and citizenship ascension. It is no surprise that the highest rates of return migration are found among skilled workers, which is the “preferred” class of migrants in current immigration policy. The abolition of dual citizenship could well make it more difficult to attract and retain skilled worker immigrants. It could also mean fewer immigrants taking up citizenship.

Increasingly, overseas Canadians are recent immigrants who have chosen to emigrate not long after coming to Canada. A Statistics Canada study estimates that a third of male immigrants between 25 and 45 (at the time of arrival) left Canada within 20 years of arrival, with about half of those relocating within the first year. This finding was especially striking in the

case of Hong Kong immigrants who arrived between 1990 and 1994, a few years before the handover of the former British Territory to Chinese rule. There are an estimated 250,000 Canadians living in Hong Kong today, most of whom are natives of Hong Kong and return migrants from the 1990s.

There is a tendency to regard return migrants as “failed” immigrants. This perspective is fed in part by widespread reporting on the inability of many new Canadians to find meaningful work. It does not follow, however, that return migrants are not pursuing successful careers in their native countries. In fact, the pull of rapid economic growth in emerging markets such as China and India are as important a reason for return migration as push factors such as mediocre job prospects in Canada.

China is one of a growing number of countries with explicit policies concerning their “diaspora” communities. In India,

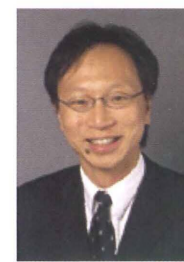
a Ministry of Overseas Indian Affairs was created in 2001, as part of a range of initiatives to strengthen ties of “Non-resident Indians” (Indian citizens living abroad) as well as “People of Indian Origin” (who are citizens of other countries). In 2003, the Indian government launched a dual citizenship initiative, which recognizes dual status for people of Indian origin from 16 countries, including Canada.

Traditionally, public policy discussion on overseas Canadians has focused on consular services, taxation, and voting. This is a very narrow set of issues that does not do justice to the Canadian diaspora, which is expected to grow in size and importance. Canadians overseas can be key elements of international business strategies and public diplomacy, but there has been little thought given to how these human capital assets can be identified, cultivated, and mobilised. There is a growing body of anecdotal evidence that return migrants in China and

Hong Kong facilitate trade and investment with Canada, through taste and technology transfer, as well as human networks.

Beyond commercial and diplomatic considerations, there are also a range of deeper questions around the meaning of Canadian citizenship and identity, and the obligations of the state to nationals living overseas. At the very least, we should be as ready to speak of a Canadian community overseas as we are about the multiplicity of ethnic and religious communities in Canada. Yann Martel once quipped that Canada is the world's greatest hotel. In fact, the world is Canada's hotel, and Canadians are among its most frequent guests.

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The Changing Landscape of Corporate Tax Reform in China

The long awaited and much anticipated decision to unify China's corporate tax law was approved on March 16th, by the National People's Congress (NPC) and will become effective as of January 1st, 2008. But are all parties welcoming this new tax regime? What are the repercussions for Hong Kong and foreign invested enterprises (FIE's) that are either currently situated within the region or are considering taking advantage of the many opportunities by establishing an entity in the near future?

The announcement of the unification between foreign and domestic corporate tax rates at 25% came as no surprise, seeing that the revision has been 13 years in the making with several separate readings. The real question on every tax conscious businessperson's mind was regarding how the PRC will go

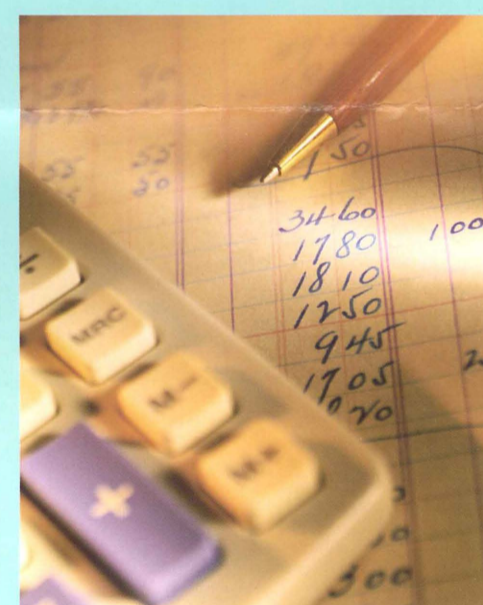
about implementing the transition process from old to new and whether there would still be preferential treatment for designated industries.

The new tax law reportedly will continue to grant tax incentives aimed at encouraging development of value-added industries such as high-end technology, environmental protection, energy conservation and infrastructure development. In the years to come, Hong Kong is expected to benefit from the growth of these industries, as a larger demand for internationally renowned professional and financial services will be required. As well, Hong Kong could see a considerable amount of growth in regional corporate structuring services, with higher incentives for corporations to enter the PRC via Hong Kong.

Foreign enterprises currently established in the PRC enjoy a five-year grandfathering period. In order to

establish a Chinese entity in the near future, enterprises would need to fast-track their entry strategies by taking advantage of the five year grace period. The government's current stand on this particular ruling is unclear and investors will need to monitor government sources for further confirmation. By investing in research and development or environmentally beneficial business practices, corporations may be able to mitigate the impact of the new tax amendments.

Although there may be a different set of advantages and disadvantages, depending on what side of the fence you sit, the end result seems to indicate a higher level of accountability and overall transparency by both government



and corporate organizations.

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