

# **Chinese business migrants in Australia: What shapes their business activities and economic contribution?**

Australia's business migration program aims to attract high- and ultra-high net-worth individuals to Australia to develop links with international markets, create employment, and promote investment, innovation, entrepreneurship and greater international competitiveness.

The program represents an instance of 'capital-linked migration'. This refers to a process whereby people integrate migration and capital investment as a strategy to best serve their interests. It is also an instance of 'transnationalism from above'—that is, the connectedness across borders, the formality/informality of frequent cross-border activities and practices, and the high intensity and degree of cross-border exchanges. Capital linked migration is an attempt on the part of the Australian government to harness the transnational connections of Asian and other diasporas in Australia to further Australia's economic development.

The growth and implementation of communication technologies and increased possibilities for relatively cheap travel have facilitated processes of globalisation and encouraged migrants to create and maintain social and economic relations all over the world, especially social contacts in their country of origin. This is the case for Chinese business migrants in Australia specifically. Chinese business migrants in Australia are embedded in a transnational and multi-level social-economic sphere and are trying to exploit and link their social and economic resources in China and Australia.

Australia's business migration program has remained an important component of the government's economic strategy during the COVID-19 pandemic despite the nation's borders largely being closed. On 1 July 2021, the federal government introduced changes to the Business Innovation and Investment Program (BIIP)—as the business migration program is currently known—to support Australia's post-COVID-19 economic recovery. As the Minister for Immigration, Citizenship, Migrant Services and Multicultural Affairs Alex Hawke said: 'Australia is an attractive destination for

investors and these changes will directly benefit emerging enterprises, the commercialisation of Australian ideas, and research and development.’ The importance of business migrants has been further strengthened by the Australian government’s decision to double the BIIP quota (the number of visas allocated) from 7,260 to 13,500 while reducing the number of skilled migrants to keep the total migrant intake at 160,000. Furthermore, the government has revisited the desired qualities and paths of business migrant investment to give greater emphasis to the growth of critical sectors (e.g. health, agriculture, and Science Technology Engineering and Mathematics (STEM)), venture capital, innovation, and emerging enterprises (e.g. high-tech start-ups). Such moves clearly show that, in the government’s view, business migrants and the investment and entrepreneurship they bring will be central to Australia’s economic recovery from the COVID-19 pandemic.

Despite the importance of the BIIP we know little about the factors that shape its impact. This article seeks to improve our understanding of the BIIP by examining how a set of ‘structural variables’, specifically institutional arrangements and economic contexts, influence the nature of business migrants’ business activities and their contribution to the economy.

Business migrants’ decisions with regards to sector of investment and business activities do not simply reflect individual choices, but are shaped by structural constraints emanating from the economic and institutional spheres. In particular, they are shaped by the nature of visa arrangements and the wider economic context. In exploring these relationships, I focus on Chinese mainland business migrants because they have been the largest source of business migrants to Australia in recent years. I draw on interviews, focus groups, and participant observations with business migrants and stakeholders, such as migration agents and government officials in Adelaide and Melbourne. This data collection was carried out from May 2019 to December 2019 as part of my PhD project on how business migrants integrate and contribute to the Australian economy.

## **Business migrants from the Chinese mainland**

Since 2000, business migrants from the Chinese mainland have been playing an increasingly crucial role in the global economy. China’s rapid economic development

over the past 40 years has resulted in large-scale outward migration of Chinese high net-worth individuals seeking comprehensive social security, high-quality education and a clean environment. Since 2004, the Chinese mainland has been the top source of business migrants to Australia. From 2012, an average of 5,000 business migrants each year have moved from the Chinese mainland to Australia (except in 2019-2020 due to the COVID-19 pandemic when Chinese mainland business migrants decreased to 2,872). Business migrants from the Chinese mainland account for approximately 70 percent of total business migrants to Australia.

During the last decade, Chinese mainland business migrants have made use of three subclasses of BIIP visa: Subclass 188A (Business Innovation stream), Subclass 132A (Significant Business History stream), and Subclass 188C (Significant Investor Visa stream). These three streams have different requirements for business migrants during the provisional period. For example, 188A visa holders and 132A visa holders are required to establish a business and conduct daily management of it to bring business skills or create employment opportunities, while 188C visa holders need to invest a minimum of \$5 million into designated projects. All visa holders regardless of category can be granted permanent residency if they achieve the business requirements during the provisional period (132A visa provides a direct pathway to permanent residence, but visa holders have to pass the supervision period to secure the permanent residency). There is also a specific geographical distribution with respect to visa type. Australia's second most populous state, Victoria, is most attractive for 188A and 188C visa holders. Approximately 78.5 percent of 188A visa holders and 60 percent of 188C visa holders chose Victoria as their destination. For 132A visa holders, the state of South Australia is the most popular and 51.5 per cent have been nominated by the Government of South Australia (Department of Home Affairs, Freedom of Information request, 24 August 2021). This is a clear indication that the business activities and behaviours of Chinese business migrants are influenced by local institutional arrangements and economic contexts.

## **The influence of the BIIP on business migrants' business activities**

The business activities in which business migrants engage are highly dependent on the requirements of the business migration program as well as its different sub-categories.

## ***Subclass 188A: Business Innovation Stream***

The Business Innovation stream has evolved from the Business Owner category in the previous iteration of the business migration program, the Business Skills Program (BSP). In addition to a basic minimum turnover requirement of Australian business of \$200,000, Business Owner visa holders under the BSP had to meet at least two of the following three requirements to achieve permanent residency:

- Employ at least the equivalent of one full-time employee who is an Australian citizen, Australian permanent resident or New Zealand passport holder;
- The net value of personal and business assets in Australia should be at least \$250,000; and
- The net value of main business assets should be at least \$75,000.

These are not high thresholds and could be met by running a small-scale business. This has meant that low-end and domestic industries such as hospitality and retail businesses have become the most common choices for the majority of business migrants especially during their visas' provisional period.

Under the Business Innovation stream, the more recent iteration of the BSP, the minimum annual turnover of Australian business has been raised from \$200,000 to \$300,000. Two of the following requirements must be met:

- the threshold of personal and business assets has been increased from \$250,000 to \$600,000
- the business assets value has been raised from \$75,000 to \$200,000
- the minimum employment has changed from one person to two persons.

Chinese mainland business migrants interviewed for this study feel that it is now more difficult to achieve the turnover requirement if they only rely on host country-based businesses exclusively, such as restaurants and shops.

Some have responded by establishing their main business in the hospitality or retail sectors, and have also set up an export business in order to meet the turnover requirements. For example, if a business migrant who is running a restaurant only has an annual turnover of \$200,000, he or she could purchase wine worth \$100,000 for export to make the required total. They do not need to hire employees for their export business because it is usual for local manufacturers to provide all the services relevant to export for their clients, which mean the business can avoid labour costs. This approach, however, comes at the cost of a larger initial business investment. In

these ways, then, visa-related policy change has played a role in shaping the business transnationalisation of migrants directly or indirectly.

Even though the federal policy has the potential to drive Chinese business migrants toward export businesses, revamps and changes at the state level may have some offsets. Melbourne (the biggest city in the state of Victoria) is the most popular city for 188A visa holders. From 22 July 2019, 188A visa holders engaging in export activities must export 100 percent Victorian manufactured products. This has narrowed the domain of possible export products and slowed the trend of Chinese business migrants conducting export business.

## ***Subclass 132A: Significant Business History Stream***

The 132A visa, which aims to attract exceptional business talent, has a demanding requirement of application selection in terms of business turnover in home country: \$3 million. Further requirements are set by state governments. For example, there are no specific industry requirements in Victoria, but a minimum of \$2 million is required to invest into the businesses. Such a level of investment therefore must be poured into labour- and capital-intensive industries rather than restaurants and cafes so profitable returns can be generated. A federal parliamentary report into BIIP between July 2012 and July 2014, revealed that the two most popular intended industries amongst 132A visa holders in Victoria were professional services and manufacturing.

In contrast, the thresholds associated with the 132A visa are more flexible in South Australia. Applicants can choose one of four options:

- export Australian products to the value of \$600,000 to \$1.2 million;
- engage in project development and invest at least \$1.5 million;
- conduct an investment of at least \$1.5 million into a business;
- create four job opportunities.

In South Australia, the effect of these requirements has been that wine export has become the priority for Chinese business migrants due to the lower investment requirement, and because it's lower risk than directly investing \$1.5 million into project development. In addition, Chinese business migrants can claim wine as investment goods for appreciation if they are unable to establish a sales network within a short time. Both of these make wine exports feasible and fairly low risk in

South Australia. Again, this shows how the nature of visa arrangements in South Australia has shaped the business transnationalisation of migrants.

## ***Subclass 188C: Significant Investor Visa (SIV) stream***

The establishment of the 188C visa stream in 2012 has provided an express channel for very wealthy families. Under the Complying Investment Framework (CIF) introduced on 1 July 2015, SIV holders are required to inject their investment into specific areas including balancing investments (that is, Australian-listed companies, infrastructure trusts, corporate bonds, annuities, or commercial property), venture capital and private equity, and small caps companies/emerging companies (that is, Early Stage Venture Capital Limited Partnership, ASX-Listed companies, or non-listed Australian companies). The framework was introduced with the purpose of redirecting SIV investments into sectors of the economy where an injection of capital could spur growth, innovation and entrepreneurship. The CIF has been effective in this respect, in that there has been a shift in investment of SIV holders away from managed funds and government bonds to emerging businesses, equities and corporate bonds and venture capital in line with the framework.

## ***After permanent residency***

Regardless of visa pathway, it is important to pay attention to the business performance of business migrants from the Chinese mainland after they have secured permanent residency. This can reveal whether they are making a long-term economic contribution to Australia or a short-term one that dissipates after they achieve what, for many, may be the key goal—the right to live permanently in Australia. Even though a high percentage of permanent residents are not in the labour force those who are in paid employment work in a diverse range of higher-end industries. Without the restrictions imposed by provisional visas, permanent visa holders are free to choose whether they become employees or business owners. They also have more time to select the nature of their businesses. Interviews with Chinese mainland business migrants who had become permanent residents suggest that their industry selections therefore become more diversified. In comparison with provisional visa holders, permanent visa holders have been in Australia longer. They have become more familiar with Australia and are more likely to integrate into the local environment. Rather than only engaging in hospitality and retail service, permanent visa holders begin to engage in areas that require intensive investment

such as manufacturing, construction, and real estate.

# **The influence of economic contexts in China and Australia in shaping business migrants' business activities**

Economic contexts, as that term is used here, refers to economic reform settings, industrial structure, market accessibility, business regulation and so on. Business migrants are obviously subject to incentives and pressures associated with these factors.

## ***China's economic context***

China's economic development has not only spawned HNWIs, it has also resulted in the rise of an upper-middle class with strong consumption potential. In contrast to other social classes in China, the upper-middle class is more likely to be exposed to Western culture, and has a strong appetite for imported food and beverages regarded as high quality. Interviews with Chinese mainland business migrants in Australia suggest that they have sought to seize the business opportunities resulting from the expansion of the Chinese market. This is reflected, for instance, in their generally optimistic perspective toward the potential of export businesses.

Among an array of export products, wine has been viewed favourably by Chinese business migrants due to its storability, its value preservation, and because it is easy to transport. Further, the high degree of acceptance by China's middle and upper classes of imported wine makes a wine export business attractive. Approximately 52 million Chinese, out of an urban mid-to-high income population of 112 million, drank imported wine at least twice a year in 2018. China's total wine imports increased from US\$457 million in 2009 to US\$2.4 billion in 2019. China was the biggest wine import market for Australia in 2019. Of the AU\$2.9 billion worth of wine that Australia exported in 2019, AU\$1.2 billion went to China. Increasing Chinese demand for Australian wine, therefore, provides Chinese business migrants with increasing business opportunities.

## ***Australia's economic contexts***

Economic contexts in Australia also play a significant role in shaping business

migrants' business activities. This can be seen, for instance, in the difference between South Australia and Victoria in terms of their respective states' industrial structure. Even though Chinese business migrants in both states have a tendency toward export businesses, South Australia has a higher proportion than Victoria and they are more likely to be wine export businesses. In addition to institutional factors mentioned previously, the fact that South Australia has a more developed wine production industry than Victoria incentivises business migrants to choose exports of high-quality and well-known brands. As the largest wine production state in Australia, South Australia has more than 3,400 grape growers, over 700 wineries and an estimated 76,000 hectares under vine. The 18 wine regions within South Australia produce 610 million litres of wine each year, equivalent to 820 million bottles and account for 50 percent of Australia's total wine production. The total wine production of Victoria is only 223 million litres which is 17 percent of the total production in Australia. South Australia also contributes 80 percent of the premium wine production in Australia including well-known brands in China such as Penfolds and Jacob's Creek. The relatively developed wine industry in South Australia has spawned a mature sales chain linking wine manufacturers to Chinese clients. This makes the wine export business accessible for Chinese business migrants. A majority of South Australian wineries have Mandarin-speaking employees and can provide a one-stop service that covers sales, sea transportation and customs clearance. The low barrier of entry allows Chinese business migrants to start a business within a short period of time, even if they don't have any previous business experience and cannot speak English.

In comparison with South Australia, Victoria has a much higher economic output and larger population base resulting in a more vigorous domestic economy. In 2019, over 604,379 local small businesses were registered in Victoria, three times larger than the 143,000 small businesses registered in South Australia. In Victoria, an increasing number of Chinese business migrants are considering exporting wine to China compared with previously, but it is still not comparable with the number in South Australia. Domestic businesses including traditional hospitality and retail services are still the mainstream among Chinese business migrants in Victoria. A vigorous urban economy, higher population flow and a larger Chinese community have created a more supportive structure for Chinese business migrants.

In sum, local economic contexts play a significant role in shaping the entrepreneurship of business migrants. Their entrepreneurship can be viewed as a process in which business migrants as rational economic beings weigh the cost and



benefit of different options and make the most optimal decisions according to the environment in which they operate.

## Looking ahead

The importance of intermediary agencies such as migration agents and business associations will be further strengthened in the next decade. These agencies can facilitate business migrants to establish businesses and get access to native networks. Stricter supervision and regulation should be imposed on intermediary agencies. Unqualified consultations and services could result in economic loss for business migrants and dampen their enthusiasm for conducting long-term business in Australia.

Moreover, the requirements relating to the length of the provisional period and business performance should be relaxed to some extent for business migrants who have shown commitment to engaging in high-end industries. These areas usually have higher risks and costs. This adjustment could also drive more people with entrepreneurship and financial capital into critical sectors.

These changes are particularly needed because COVID-19 and rising geopolitical and trade tensions between Australia and China over the past two years have increased uncertainty for Chinese business migrants in Australia, including those engaging in import/export businesses.

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