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Senate Bill Would Aid U.S. Entry For Foreign Entrepreneurs

By Angus Loten

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San Francisco entrepreneur Brian Wong has already hired two employees and secured \$300,000 in funding for his start-up, and hopes to have a staff of 40 or more full-time workers by this time next year.

But there's at least one red flag in his business plan: Mr. Wong isn't American; he's Canadian. As such, his long-term immigration status is up in the air. That kind of uncertainty can spook investors and clients alike, says Mr. Wong, whose start-up, called Kiip, aims to develop a new mobile game advertising platform.

"It's already hard enough to raise funds and this is an added risk," Mr. Wong says of his temporary visa status.

With prospects for the latest immigration reform efforts fading in the Senate and new Republican lawmakers calling for tougher border security, Mr. Wong and other immigrant entrepreneurs are holding out hope for a separate bipartisan bill that seeks to spur job growth by easing visa restrictions on foreign-owned start-ups.

The StartUp Visa Act, introduced by Sens. John Kerry (D., Mass.) and Richard Lugar (R., Ind.) in February, would grant permanent residency to any foreign-born entrepreneur whose new business attracts at least \$100,000 in venture capital or angel backing out of a total \$250,000 in equity financing, while creating five new jobs within two years. The bill is expected to be reintroduced in the Senate as early as January.

Last week, Senate Democrats blocked a vote on the Dream Act, a bill that provides a path to citizenship for younger undocumented immigrants, in the face of strong Republican opposition.

By contrast, the start-up visa bill has won broad support among both parties. It's also backed by some big names in venture capital and angel investing, including Y Combinator's Paul Graham and Foundry Group's Brad Feld, who have faced a dearth of homegrown start-up activity since the economic downturn.

While the recession has forced many Americans to go into business for themselves, fewer are taking on employees, according to recent Labor Department data. That's left policymakers targeting small-business job-creation programs at existing firms, through a mix of grants and tax credits. Yet data show start-ups are strong vehicles for job growth. In a typical year, an average of 800,000 jobs are created by firms in their first full year of business, compared with just 335,000 by firms launched six to ten years earlier, according to a study by the Kauffman Foundation, an entrepreneurship advocacy group in Kansas City, Mo.

And foreign entrepreneurs have long played an outsized role in the U.S. start-up sector, especially in the tech industry. Immigrants are nearly 30% more likely to start a business than nonimmigrants, the Small Business Administration says. University of California researchers estimate about a third of Silicon Valley technology firms were started by Indian or Chinese entrepreneurs, while a joint study with Duke University found at least one immigrant founder in over a quarter of all engineering and technology firms launched in the U.S. since the mid 1990s, together generating nearly 450,000 jobs by 2005. Google Inc., Intel Corp., Yahoo Inc. and eBay Inc. all had at least one immigrant founder.

Yet many of these companies were also started on a shoestring, leading some tech industry insiders to say the bill's capital requirements are far too high.

"What I've seen is people raising maybe \$50,000 or \$100,000 at the most," says Edith Yeung, a 33-year-old Silicon Valley technology consultant who hosts monthly tech entrepreneur meetings.

Before getting her green card three years ago, Ms. Yeung had been on a string of temporary visas since leaving Hong Kong in the early 1990s. Her last was a six-year H-1B visa tied to her employer.

"It was frustrating. I wanted to start something on my own, but I was stuck," she says. "If I left my job, I would have to leave the country."

As it is, the bill is a more accessible version of the current EB-5 visa, which offers a green card to foreign entrepreneurs whose businesses have an upfront investment of \$1 million and employ at least 10 workers. Last year, less than half of the allotted 10,000 EB-5 visas were issued, largely reflecting a dearth of qualified candidates. The start-up visa bill proposes filling these unused slots, rather than creating new spots and raising immigration quotas.

Though restrictive, the start-up visa's high capital requirement is certain to filter out sole-proprietorships, while ensuring it attracts innovative, mostly tech-savvy entrepreneurs, says Bob

Litan, a researcher at the Kauffman Foundation. The downside, he says, is that only a handful of immigrant entrepreneurs will qualify.