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Firms' foreign-born founders

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Ease work-visa rules, venture capitalists say, pointing to . . .

By Bruce V. Bigelow

UNION-TRIBUNE STAFF WRITER

November 15, 2006

Injecting itself into a national debate on immigration, the venture capital industry reports that foreign-born entrepreneurs were crucial to the success of Intel, Google and scores of other U.S. technology companies.

In a study to be released today, the National Venture Capital Association found that over the past 15 years, immigrants founded one of every four venture-backed startups that became publicly traded companies.

By releasing the study now, NVCA officials said they hoped to seize a post-election opportunity to ease restrictions on employment visas that enable foreign engineers and scientists to work and study in the United States.



EARNIE GRAFTON / Union-Tribune
 Greek native Kleanthis Xanthopoulos combined Anatoli with Dysi, Greek words for the East and West, in naming Anadys Pharmaceuticals, which he heads.

Given the increased rancor of the immigration debate, "we decided we needed really hard data to make our case, and so we commissioned the study," said Mark Heesen, president of the Virginia-based trade group.

The group called the 39-page report the first attempt to quantify the success stories of people such as Andy Grove, the Hungarian-born engineer who founded Intel, and Russian-born Sergey Brin, who helped start Google.

Immigrant-founded public companies today employ about 220,000 people in the United States alone, and represent a total market value of more than \$500 billion, according to the study.

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“Yahoo would not be an American company today if the United States had not welcomed my family and me almost 30 years ago,” said Jerry Yang, who was born in Taiwan and co-founded Yahoo. “We must do all that we can to ensure that the door is open for the next generation of top entrepreneurs, engineers and scientists from around the world to come to the U.S. and thrive.”

About 62 percent of immigrant-founded public companies were based in California, most likely because of the regional clusters formed by venture capital firms and technology companies.

Massachusetts ranked second, with 14 percent, followed by New Jersey, with 6 percent. Washington state and Texas each had 3 percent, with the remaining 12 percent located in other states.

In San Diego, the list of immigrant-founded startups includes Anadys Pharmaceuticals, Novatel Wireless, Arena Pharmaceuticals and Wireless Facilities.

The NVCA also said two-thirds of the U.S. companies that rely on H-1B visas to hire foreign workers agreed that “current U.S. immigration laws affecting skilled professionals harm American competitiveness.”

H-1B refers to a section in the Immigration and Nationality Act that enables U.S. companies and universities to employ educated foreign workers with specialized skills in engineering, mathematics, business and other fields.

By the nature of their journey, people who immigrate to the United States are more driven and more willing to take risks, said Anadys founder Kleanthis Xanthopoulos, who was born in Greece.

“It’s an extremely short-sighted view to limit H-1B visas,” Xanthopoulos said.

Since the Sept. 11, 2001, terrorist attacks, the number of H-1B visas granted to U.S. employers has dropped to 65,000 a year, from 195,000 annually in 2000 and 2001.

Under a so-called skill bill, introduced by Texas Republican Sen. John Cornyn, the cap on H-1B visas would be raised to 115,000 a year – and would exempt nearly 260,000 foreign students enrolled in U.S. graduate programs. The NVCA backs the measure, along with technology groups such as the Semiconductor Industry Association and Microsoft founder Bill Gates.

Proponents distinguished their efforts, however, from the broader U.S. debate over immigration.

“Skilled immigrants are huge multipliers for the U.S. economy, as the study has shown,” said Vinit Nijhawan, an Indian-born entrepreneur who is a partner at Key Venture Partners, a venture capital firm in Waltham, Mass.

The broader debate, Nijhawan said, has mainly been about unskilled labor and the burdens imposed on U.S. health care and social services by illegal immigrants. But, he added, “the skilled labor debate really has to rise up in priority because it is extremely important for the future of the U.S.”

Although finding solutions to illegal immigration and the H-1B visas are not mutually exclusive, proponents suggested the H-1B issue might be a simpler problem for Congress to address.

“It’s very worthy of serious debate in these final days of the 109th Congress,” said the NVCA’s Heesen. “So we’re looking very closely at this lame-duck session, and hopefully something can be done in this period. If not, we’ll certainly be back in the 110th Congress.”

The study was co-written by Stuart Anderson, the executive director of the

National Foundation for American Policy, and Michaela Platzer, the president of Content First, a research group.

From 1990 to 2005, they found that 88 of 268 venture-funded public companies were founded by immigrants, or 25 percent. From 1970 to 2005, the percentage was almost 20 percent, with 144 of 725 venture-funded public companies started by immigrants.

In a glimpse of the future, the NVCA also reported that a survey found that immigrants founded almost 47 percent of existing venture-backed companies that remain privately held.

In other results, the study found the highest number of immigrant entrepreneurs were from India. Of the 144 ventures, 32 were founded or co-founded by immigrants from India; 17 were from Israel; and 16 from Taiwan. None was from Mexico, and only three were from Latin America or South America, Anderson said.

Slightly more than 90 percent of the 144 companies fell into four general categories: 60 were high-tech manufacturers, 34 were information technology companies, 30 were focused on life sciences, and 6 provided professional, scientific or technical services.

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