

HOW CAN COUNTRIES' TALENT ABROAD TRIGGER DEVELOPMENT AT HOME?

Yevgeny Kuznetsov

Senior Non-Resident Research Fellow

Migration Policy Institute

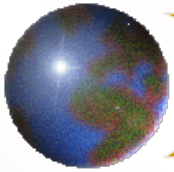
and

Lev Freinkman

Higher School of Economics

Moscow

MPI, September 17, 2013



Roadmap

1. Motivation for and brief overview of the book

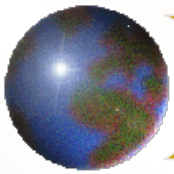
2. Analytical framework: heterogeneity and search networks

3. Some findings

4. Focus on innovation systems (MARS economies)

5. Policy implications

6. Conclusions

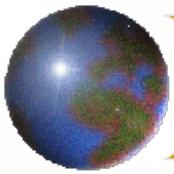


Motivation for research: diaspora first movers' impact

In 1997, with funding from the [Ireland Funds](#) and with the endorsement of Nelson Mandela, Padraig O' Malley (a professor in the US of Irish origin) brought negotiators from **all** the warring factions of the Northern Ireland to South Africa to learn from a successful local experience.

A week-long session with the negotiators from **all** the South African parties helped to start an open discussion between the Northern Ireland factions.

This trip and the informal dialogue that followed were a key contributing factor to the Northern Ireland peace agreement in 1998.



Economic development as the main focus

Focus

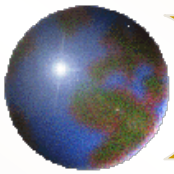
- How skills and talent abroad can engage in institutional development at home?
- 'How to' question: institutional design of diaspora initiatives. If some of them work, why?
- Countries with diverse reform dynamics: South Korea, Russia, India, Mexico, Argentina, Chile, Morocco.

Evidence

- Survey work
- In-depth structured interviews
- (Largely) tacit knowledge of practitioners: South-South Network of Talent Abroad Pilots (South Africa, Armenia, India, New Zealand, Chile, Argentina, Mexico, etc.)

Appreciative Theory

- Hypothesis on the basis of a very diverse set of stories



Instrumental (indirect) view of international migration and diasporas

As a pragmatic tool to advance the domestic reform agenda

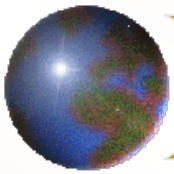
‘Engagement with diaspora for what?’ – as the second step in the discourse

Key focus: domestic institutions and constraints for development (rather than migration flows)

Key question: how can diaspora members help to design and implement reforms to alleviate these constraints

Paradoxes:

- Diaspora members as antennae and mentors to reveal and support the most dynamic segments of the home country institutions (particularly in the public sector)
- Diaspora as part of the country: engaged in practices and projects in the home country on a continuous basis



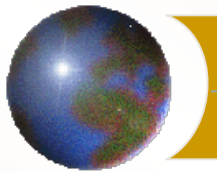
Parts of the MacArthur Project

1. Diaspora members as contributors to the home countries development:

- Inside-out reforms: India, Sub-Saharan Africa, Morocco, Taiwan, Chile;
- Mid-skill migration: to bridge the research gap in the analysis of either low or highly skilled migrants (Mexico);
- Cross-cutting issues (motivation of diaspora members).

2. Innovation clusters and innovation environment: Mexico, Argentina, Russia, South Korea (MARS)

3. Policy implications: design of new diaspora policies and initiatives

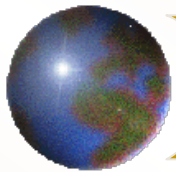


Diasporas in search networks

In focus: search networks involving diaspora members and migrants. (*Not the same as diaspora networks*).

Search networks (C. Sabel) consist of institutions and individuals who help relax constraints and construct a solution.

- Search for capacity-enhancing connections to the global economy and expertise.
- Search for solutions to alleviate existing constraints for growth (including those influencing investment climate).



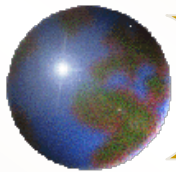
Chile: Developing a biotechnology industry

Example

In 1997 Ramón L. García, a Chilean applied geneticist with a PhD from the University of Iowa and biotechnology entrepreneur, contacted Fundación Chile, a Chilean private-public entity charged with technology transfer. Ramón is the CEO of InterLink Biotechnologies, a Princeton, NJ company he co-founded in 1991.

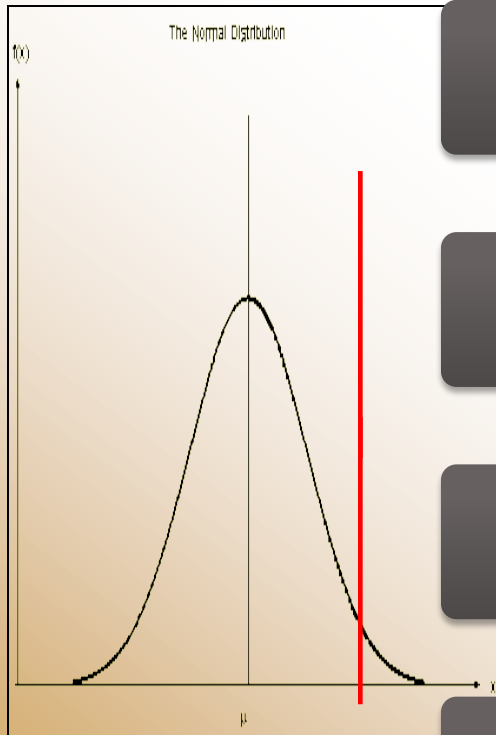
After jointly reviewing their portfolios of initiatives, Fundación and Interlink founded a new, co-owned company to undertake long-term R&D projects. These projects were needed to transfer to Chile the technologies that were key to the continuing competitiveness of its rapidly growing agribusiness sector.

Without Ramón's combination of deep knowledge of Chile, advanced US education, exposure to the US managerial practices, and experience as an entrepreneur, the new company would have been inconceivable.



How does institutional development occur?

Heterogeneity and search networks



Focus on exceptions first



Exceptions form search networks

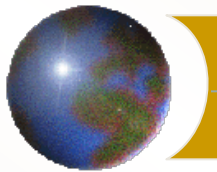


Some sort of a critical mass emerges



This critical mass becomes an Archimedean lever driving further change

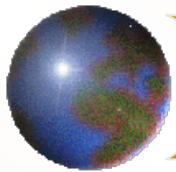
Institutionalization of search networks is the major issue



Heterogeneity at work

Example of an institutional reform: Emergence of innovation clusters and venture capital industry in Taiwan

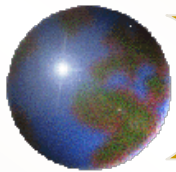
- ✚ Massive foreign education and brain drain in the 1960's and 70's.
- ✚ Culture of risk-taking and experimentation at that time virtually non-existing.
- ✚ Silicon Valley as a role model: successful high-tech entrepreneurs from diaspora.
- ✚ 'High achievers' from both the diaspora and the organizational periphery of the government decide to promote venture capital industry.
- ✚ First venture capital fund is established. Diaspora members relocate to Taiwan to manage the fund.
- ✚ Demonstration effect of the success triggers establishment of other funds.



Why is the potential of diasporas so high?

Archimedean lever hypothesis

- ✦ Vested interests as the main problem of development (local landlords, subsidy recipients, universities, trade unions, etc.).
- ✦ Agents who know the system yet not part of the entrenched interests are few and far between: rediscovery of diasporas and returning migrants.
- ✦ Diaspora (individuals or organizations) (may) articulate entry points and micro-reforms which (may) grow and expand.
- ✦ Scrapping bottom-up vs. top-down dichotomy: inside-out reforms (which evolve laterally from organizational periphery to the center).



Findings (continued)

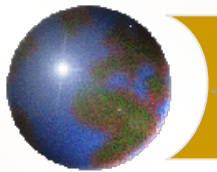
Do countries need large numbers of Diaspora talent to generate Taiwan's type dynamics?

NO

- ✚ Relatively small diasporas of skilled individuals can make a lot of difference.
- ✚ But the virtuous cycle is likely to be limited to certain dynamic segments of society.
- ✚ Search networks that link exceptions from the public sector, private sector and the Diaspora are crucial

Example:

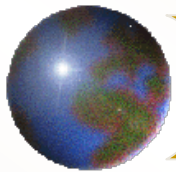
Chile Global: a network of about 100 successful professionals of Chilean origin in the US, Canada and Europe



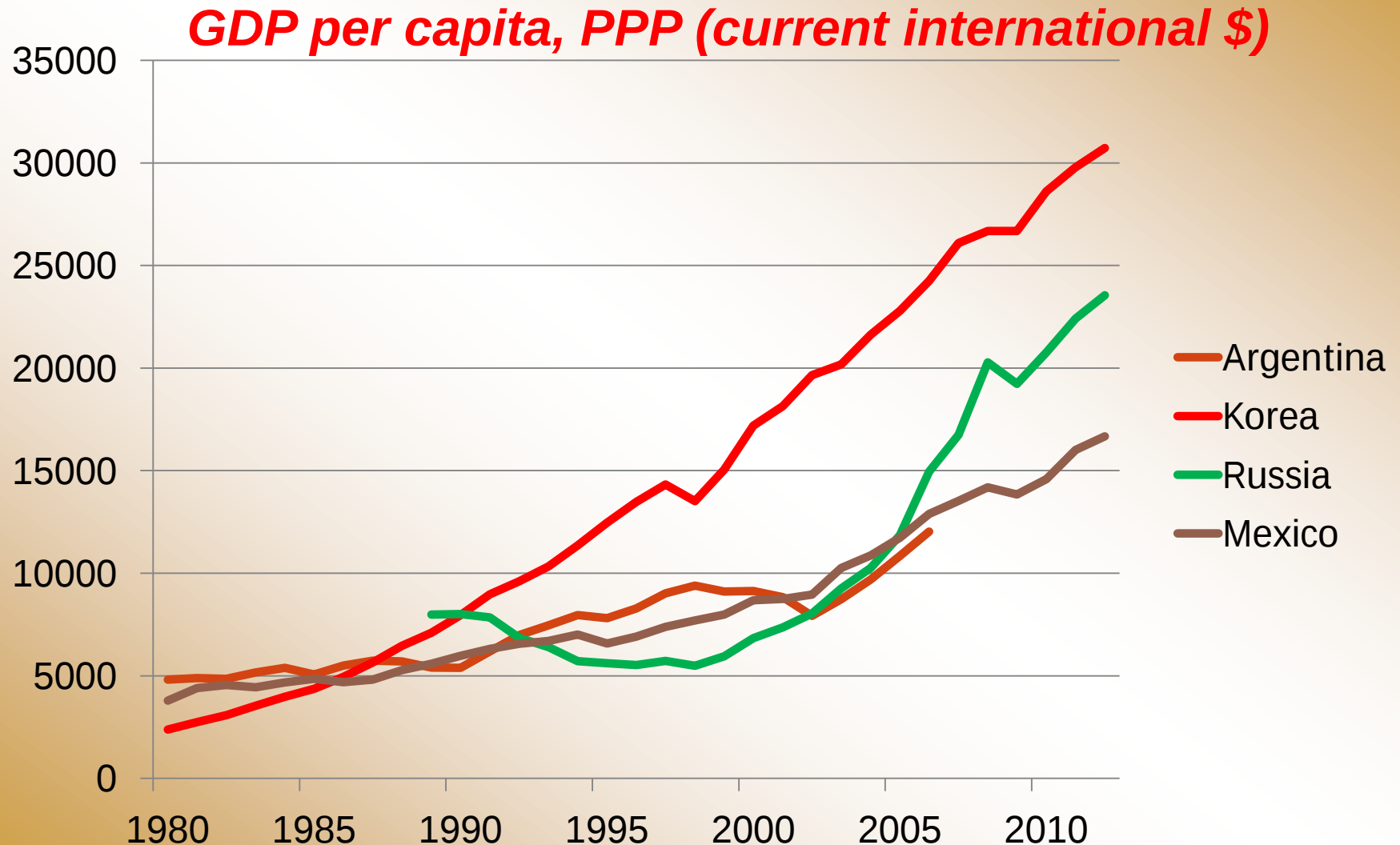
Search to relax constraints: Example

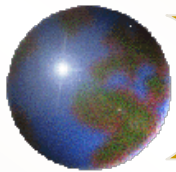
Upgrading capabilities of the regional technical university in Russia:

- Tomsk University of Electronics (TUSUR): need to upgrade the curricular; train students for the technical skills demanded by the market; improve students' entrepreneurial skills.
- Large migration of TUSUR graduates to North America in the 1990's.
- Association of graduates in California: successful entrepreneurs in the US seeking public recognition at home.
- Joint projects: Student Incubator, new courses, new departments.
- Incubator: equipment for shared use funded by diaspora; seed grants; internships in the US-based companies.
- Similar examples of diaspora-universities engagement in Chile, India, China.



Growth trajectories of MARS (Mexico, Argentina, Russia, South Korea) economies

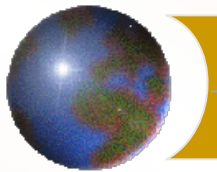




Top skilled emigration countries and MARS economies

Stock of tertiary-educated foreign-born residents in OECD (2005)

Rank	Country of birth	Number of expatriates
1	India	1,660,952
2	<i>Take a Guess</i>	1,199,823
3	Philippines	1,179,475
4	China	1,002,269
5	Mexico	774,991
6	Russia	684,337
13	USA	323,493
14	Taiwan	301,822
27	Ireland	186,460
41	Argentina	117,027
43	South Korea	105,592



Two views of development constraints

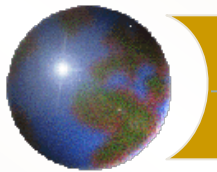
General: bad investment climate and bad governance in general.

The diaspora surveys revealed a lot of complaints about those.

Contextual: in the context of implementation of a specific project.

Success or promise stories: about search for solutions to relax the specific constraints.

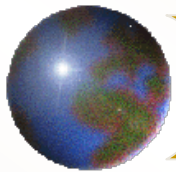
Diaspora members engaged in projects view local business environment more favorably than those who are not.



Illustration

Revealing the heterogeneity of Russian institutions

- ✚ General investment climate is seen as quite poor.
- ✚ Diverse portfolio of private innovation projects: diaspora as a part of a new private sector. Often outside the two capitals.
- ✚ New public sector: senior officials (deputy minister level) and their ambitious portfolio of projects and programs.
- ✚ Exclave agencies (public sector 'islands'), such as RusVenture, which work with diaspora high achievers to link the emerging new private and public sectors.



Portfolio approach

Diasporas design and implement projects with various degrees of risk and impact

Low risk - low impact

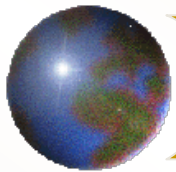
Traditional charity and cultural agenda. “Painting churches”. Giving away money and going home. Conferences and talks.

Medium risk – medium impact

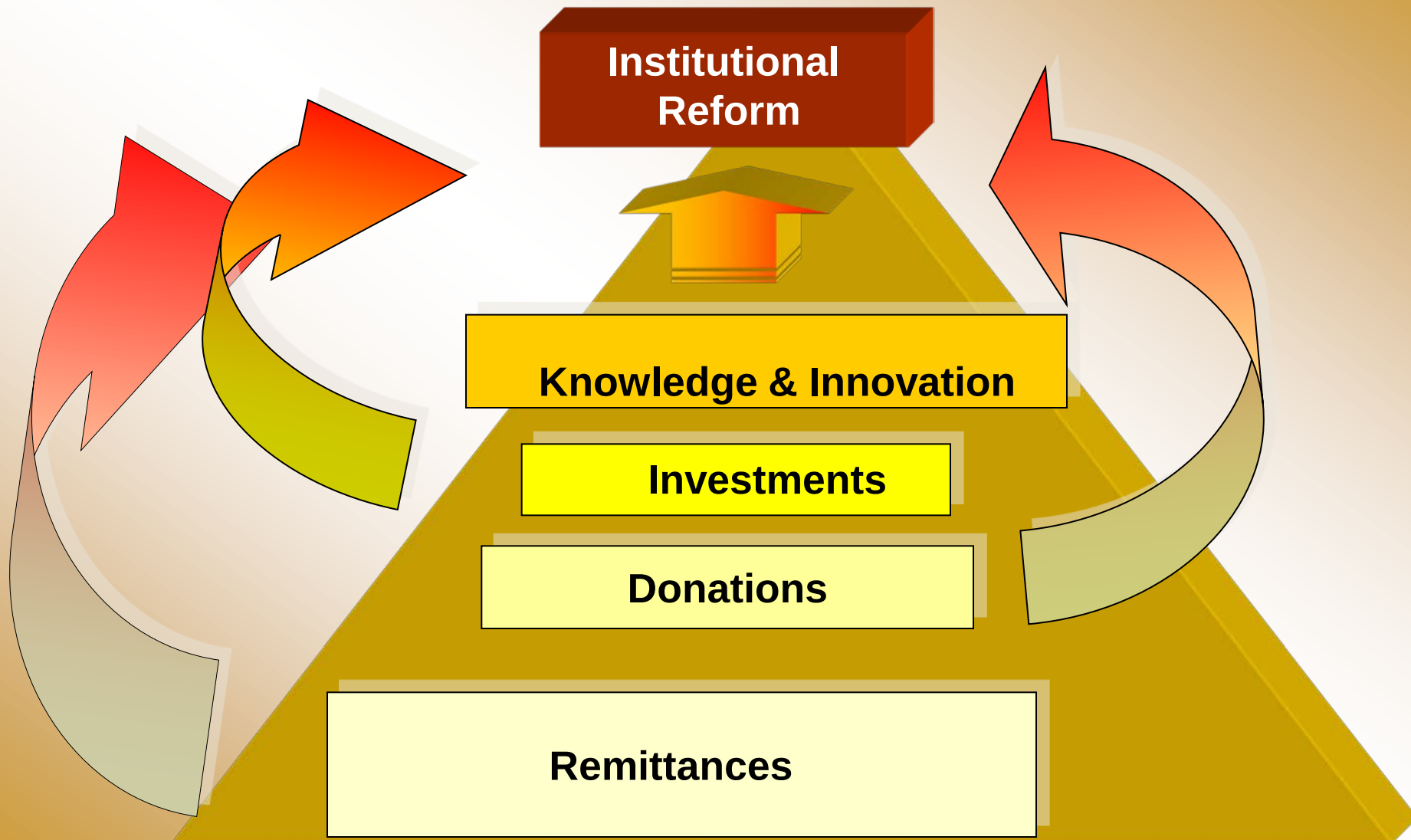
Talking development policy. FDI, skill transfers, export linkages, image building, investment climate, support for educational and health reforms.

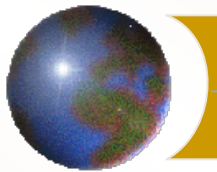
High risk – high impact

Agents of change. High impact projects. Taking the risk. Being a first mover. Impact can also be negative (It works both ways. For example, long distance nationalism of diasporas).



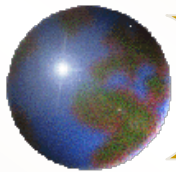
Diaspora impact: Portfolio approach





In search for projects with high spillover effects

- ✚ Global shortage of high impact, high risk projects.
- ✚ Key players in the development field are risk averse.
- ✚ They spend other people's money.
- ✚ Funding is usually not the binding constraint, but project design and implementation capacity are.
- ✚ Development field may need other types of agents to balance this situation.
- ✚ A new diaspora agenda proposed: a testing ground for venture capital approach to development and development assistance.



Issues of diaspora policy design

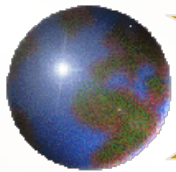
Two logics:

Indirect / Pragmatic:

ex-ante, no special preferences to diaspora agents compared to other agents of change

Direct / Administrative:

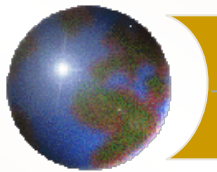
diaspora as a special agent (historical links, responsibility of the state etc.); “picking winners”



Options for diaspora policies

Combining bottom-up and top-down approaches

	Administrative/Direct agenda (diaspora as the single focus): dialogue, integration and coordination	Pragmatic/Indirect agenda (diaspora as one of change agents): engagement driven by specific projects
Decentralized / Bottom-up approach	Diverse entry points Support to diaspora NGOs, associations, research groups, databases, social networks Main issue: continuity, institutionalization and impact	Guiding Serendipity Managed networks (as Global Scot and Chile Global) and specialized NGOs Main issue: requires advanced institutions in a home country
Centralized / Top-down approach	Central focal point Diaspora ministries Main issue: self-entrenchment and stifling of initiatives	Incorporation into everyday practice Reliance on diasporas as an extension of work of sectoral agencies (e.g. diaspora as a tool for FDI promotion) Contests for projects with diaspora involvement Main issue: 'Below the radar screen' diaspora agenda. Sharing good practice



Conclusions

Key common features of diaspora engagement:

1. **Binding constraint:** it is the strength and flexibility of domestic institutions, not brilliance, size and resources of diasporas which are a key factor of the diaspora impact.
2. In the best of circumstances, **diaspora becomes a part of the home country** – participating in everyday practices.
3. **Success stories** and role models are crucial.
4. **Guiding serendipity** as an elusive trade-off between bottom-up creativity and an imperative to manage it.