Chapter 11

Leveraging Diasporas of Talent: Toward a New Policy Agenda

Yevgeny Kuznetsov

The Promise and Frustration of Diaspora Networks

Members of expatriate communities have three resources that position them to make a unique contribution to the development of their home country: unusually high motivation to make the mark in spite of and against all odds, knowledge and expertise of both global opportunities and local particulars, and (not necessarily but frequently) financial resources to act on new opportunities. When these resources combine, usually as a matter of pure luck, the contributions of diasporas can be spectacular, as the experiences of China and India reveal.

But in fact the stakes are even higher. Diasporas can also help establish robust institutions, including key state institutions, as they did in nineteenth century Palestine. Zionists from Europe wanted to change their “home” country in Palestine. Edmond James de Rothschild, a French Jew, provided these exceptional individuals with funding on humanitarian grounds. This money helped set up a government in exile and initiate gradual colonization and development of Palestine. In a wild stretch of (wishful?) imagination, one could consider the Iraqi transitional government as a major pilot for the United States to use the diaspora for achieving broad development goals (with which one, of course, can disagree) in developing countries.

The promise of diaspora involvement as shown throughout this book, is very high—and so is the frustration. For every success story from China, India, and Scotland, there are many more stories—from Argentina, Armenia, and Colombia—of diaspora members who have tried but failed to make a contribution to their home country. In other countries diaspora networks have failed to emerge as yet, despite the large number of high-skilled migrants; migrants from these countries do not even try to get involved with their home countries (think about the Russian Federation and Ukraine). This chapter provides an analytical perspective on policy interventions to help realize the high potential of diasporas and help avoid disappointment and failures.

Successful diaspora networks combine three main contrasting features:

- They bring together people with strong intrinsic motivation. Section 2 of this chapter elaborates on the synergy between intrinsic and extrinsic motivation that is needed for successful engagement in a diaspora network and describes three stages in the evolution of diaspora networks.
• Members play both direct roles (implementing projects in the home country) and indirect roles (serving as bridges and antennae for the development of projects in the home country), as section 3 shows.

• Successful initiatives move from discussions on how to get involved with the home country to transactions (tangible outcomes). Section 4 describes diaspora interventions as the process of turning discussions into transactions.

Section 5 puts successful diaspora networks into a broader context of venture search networks, such as alumni networks. Section 6 elaborates on a central theme of the book—the coevolution of home country institutions and diaspora networks—providing a taxonomy of broad policy agendas related to diaspora mobilization. Section 7 draws policy conclusions.

**Talent and Motivation as Key Resources of a Knowledge-Based Economy**

The defining characteristic of a network of expatriate professionals is that it deals with talent—technical, managerial, or creative. Talent is an elusive category yet a powerful one. A working definition used in this book is talent as individuals of high impact. That impact can be in science and technology, business, culture, and politics.

Talent is about creativity and new ways of doing things. Hence innovation (not necessarily technical innovation) is at the root of talent. Talent is impossible to measure, but it can be seen in unusual personal trajectories. These personal trajectories are all the more unusual when one considers the international migration of talent. Leaving the home country is an act of risk-taking, a “leap of faith” that is impossible to measure objectively.

Innovation—technological and institutional—is at the root of successful development. Expatriate talent could be a key resource for home country development precisely because of its inherent creativity and inventiveness. But there is something else: motivation. Talented people tend to be characterized not just by high motivation but more importantly by intrinsic motivation. The ability to achieve results despite many obstacles and against all odds is due to intrinsic motivation. An intrinsically motivated activity is an activity carried out for its own sake. The activity is an end in itself, not a means to some other end. The factors that motivate a person to pursue an activity for its own sake are usually based on self-identity. When asked why she abandoned the comfort and security of her home to come to a newly formed Israel, Golda Meir responded, paradoxically, that it was “pure selfishness.” The task was so challenging and huge that “I must be a part of it. Just pure selfishness, I suppose” (G. Meir quoted in A. Hirschman 1982). This is a classic example of intrinsic motivation.

Talent and intrinsic motivation are two key factors in the creation of knowledge. To capitalize on talent, knowledge-based economies are designing new organizational forms

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1 Engagement with the diaspora organizations, including involvement with home country support activities, could be seen as a tool for preserving national identity. Thus, for instance, pride in Israel after the 1967 war helped to shape the US Jewish organizations (Freidman 1990)
to make talent the driving force of business enterprise and create conditions to enhance individuals’ intrinsic motivation to advance knowledge. Diaspora networks of expatriate talent are one such new organizational form of the emerging global knowledge-based economy.

But intrinsic motivation is not the only factor, often not even a central g factor, in spurring people to get involved with the home country. The more traditional “external” motivation of professional advancement is also crucial. High-profile members of the Indian diaspora took the risk of convincing their U.S. bosses to establish research operations in India because doing so was a smart career move (see chapter 4). In general, in the early stage of personal development of expatriate talent, the motivation of professional advancement predominates; this overarching motivation makes a migrant forget where he or she came from. Migrants are usually concerned with getting ahead individually and are not concerned with collective diaspora identity, and those personal ambitions drive the nature of the projects they sponsor at home, which are often limited to unpublicized sporadic and individual efforts. This embryonic stage of diaspora involvement is apparent in many postsocialist countries, such as the Russian Federation and Ukraine.

As migrants advance from lower paid and lower skilled jobs, they acquire the confidence needed to think about contributing to the communities of their home countries. Thin search networks of simple job searches evolve first into thick search networks of professional advancement, mentoring, and learning and then into diaspora networks. Whether simple job search, professional advancement, and engagement to contribute to home countries are stages of the process or its functions is an open question. Tentative evidence from diaspora networks in Armenia, India, and Mexico suggests that it is difficult to skip stages and that it is more accurate to think about them as a succession of stages. The sequencing shown in table 11.1 does not mean, however, that an association of, say, Argentine professionals in the United States should wait decades before designing a meaningful agenda of giving back at home or that it should mimic the evolution of other professional associations such as the Indus Entrepreneurs.

To the extent that motivation to engage with the home country is intrinsic (that is, it comes from inside rather than in response to a set of incentives), insights from psychology can be useful. Abraham Maslow’s hierarchy of needs argues that people need to satisfy basic needs before indulging in the luxury of self-actualization (Maslow 1971). Viktor Frankl (1962) provides a no less compelling personal account of how self-actualization became a precondition for mere survival (see his personal story of life in a concentration camp). To the extent that diasporas are called upon in critical moments of crisis and transition (Israel in the 1940s and 1950s, Armenia in the 1990s, Afghanistan and Iraq today), these issues are central to a rapidly growing literature on how to elicit participation by diaspora members. They are rarely discussed, however.
Table 11.1. Evolution of Diaspora Engagement with Home Country

<table>
<thead>
<tr>
<th>Stage</th>
<th>Motivation</th>
<th>Engagement with home country</th>
<th>Organizational structure of diaspora</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embryonic</td>
<td>Individual success; belonging to diaspora viewed as disadvantage</td>
<td>Sporadic, unpublicized involvement. Pure commercial projects driven by &quot;quick profit&quot; motives</td>
<td>Mostly informal and small networks</td>
<td>All countries of the former Soviet Union except Armenia; most African countries</td>
</tr>
<tr>
<td>Developing</td>
<td>National pride, desire to engage with home country</td>
<td>Diaspora organizations and government provide general support but little specific involvement. Relatively small start-up costs of engagement.</td>
<td>Large and diverse informal networks assisted by variety of professional diaspora organizations</td>
<td>Pakistan, most Latin American economies</td>
</tr>
</tbody>
</table>

Two Roles of Diasporas: Search (Antennae and Bridges) versus Direct Involvement

This volume documents the critical role expatriates have played in accelerating technology exchange and foreign direct investment in China, India, and Israel. Expatriates frequently took on the role of pioneer investors at a time when major capital markets regarded these economies as too risky. For some of these investors, there was nonfinancial intrinsic motivation for early-stage participation. And some had access to effective mechanisms for risk mitigation that were not available to other investors.

Many countries that are also regarded as too risky for mainstream investors now have successful expatriate communities. Other countries—in Latin America and the expanded European Union—enjoy significant foreign direct investment but face the challenge of moving to higher knowledge-intensive development. Expatriates in both groups of countries can serve as an entry point into new markets.

Three paradoxes about diaspora networks can be noted. First, when the role of diasporas is most useful, it is most difficult to define (box 11.1).

**Box 11.1 Using the diaspora to obtain cutting-edge technology in the Republic of Korea**

The diaspora played a critical role in the Republic of Korea in the late 1990s, when chaebols such as Samsung found themselves unable to obtain key technologies from U.S. multinationals through licensing, as they had done for decades. U.S. firms viewed these chaebols as too advanced and the technologies too critical to warrant licensing. The Korean government put together an expensive precompetitive stage consortium to deal
with the problem. It largely failed because the *chaebols* had little trust in one another and little experience working together.

Where a high-intensity government program failed, light-touch diaspora intervention succeeded. A small network of Koreans working for cutting-edge firms in the US proved critical in identifying binding constraints and designing ways to obtain and transfer necessary knowledge. Some of these expatriates returned to Korea to work for the *chaebols*, while others remained in the United States as antennae for expertise, creating a transnational search network. The contribution of these expatriates was neither reverse engineering nor industrial espionage. They helped identify critical constraints, ways to get around them, and relevant technical knowledge in the United States. These expatriates formed a search network. Other institutions—the Korean *chaebols*, the government, and small firms (often spin-offs of the Korean *chaebols*)—acted on their leads.

Second, while the strength and magnitude of the talent abroad is important, the capacity of home country institutions to use talent abroad is critical. Thus Chile, Korea, and Scotland (chapter 10)—countries with strong institutions—use their diasporas well, whereas Argentina and Armenia (chapters 6 and 7) fail to take advantage of their talent, despite many programs. A third set of countries (Bosnia, the Russian Federation, Ukraine) does not as yet recognize their talent abroad as an opportunity.

Third, although successful cases of diaspora engagement are relatively rare, when they do occur, it is not usually due to deliberate intervention. In most cases diasporas and expatriate networks emerge spontaneously. Serendipity—a happy coincidence—seems to be much more important than government interventions.

These are the three paradoxes of diasporas. In explaining these paradoxes, it is important to distinguish between direct contributions, or engagement of the diaspora in a well-defined role such as investor, consultant, lawyer, philanthropists, or business angel, and indirect contributions, and a search role of the diaspora, as bridge, translator, and midwife. In a search role, expatriates open doors and make connections, but someone else still has to do the job. This is why government and the private sector of the home country are so crucial: they, not diaspora members, need to do the job. Diasporas may be crucial in helping formulate innovative projects, but it is up to home country organizations to implement them. But since those institutions are often weak and rudimentary, diasporas are expected to compensate for this weakness by substituting for the underdeveloped institutions. This is an understandable expectation, but it is wrong. Diaspora members can complement the activities of home country organizations but cannot substitute for them. Of course, diasporas can be very instrumental in strengthening home country organizations.

The direct role can include financial contributions, both commercial and noncommercial, and contributions in terms of knowledge transfer (table 11.2).
Table 11.2. Types of Direct Contributions by Expatriates

<table>
<thead>
<tr>
<th>Type of support</th>
<th>Form of involvement</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noncommercial financial</td>
<td>Private transfers</td>
<td>Direct remittances to family (Comoros, Somalia); collective remittances to community groups to support development projects (El Salvador, Mexico)</td>
</tr>
<tr>
<td></td>
<td>Philanthropic contributions</td>
<td>Contributions to specific projects (support to universities in Somalia, construction of family houses in Albania and Bangladesh)</td>
</tr>
<tr>
<td>Commercial financial</td>
<td>Investment in commercial enterprises</td>
<td>Investments in information technology in India, communications in Somalia</td>
</tr>
<tr>
<td>Provison of critical skills</td>
<td>Provision of political leadership</td>
<td>China (Sun Yat Sen), Baltics</td>
</tr>
<tr>
<td></td>
<td>Filling of public sector positions</td>
<td>Actively recruited in Afghanistan; Web sites covering both opportunities and available diaspora members to link supply and demand (Nigeria)</td>
</tr>
<tr>
<td></td>
<td>Filling of private sector positions</td>
<td>Major impact on information technology sector in India</td>
</tr>
<tr>
<td></td>
<td>General</td>
<td>Ethiopian diaspora skills bank</td>
</tr>
<tr>
<td>Knowledge transfer</td>
<td>Documentation of knowledge and experience, especially in home language</td>
<td>Publication of books. Support for universities, distance learning (Turkey, Thailand)</td>
</tr>
</tbody>
</table>

*Note:* The author is grateful to David Potten (World Bank) for the idea for and inputs to this table.

In contrast to direct contributions, the indirect role—the role of expatriates as members of search networks—is more difficult to define—in part because the variety of possible roles is so extensive. This indirect role is illustrated by a successful search network (globalscot) and two diaspora networks in the making, one in Chile and one in Mexico.

Globalscot is a highly innovative and successful network of about 850 high-powered Scots from all over the world who use their expertise and influence as antennae, bridges, and springboards to generate projects in Scotland (box 11.2; see also chapter 10). Interestingly, although the organization relies on the strengths of Scottish Enterprise, a highly capable local economic development organization, it initially failed to utilize the ideas and connections of globalscot members.Globalscot is now forging direct
connections between its members and businesses in Scotland, bypassing Scottish Enterprises.

Box 11.2. The Indirect Role of the Diaspora: Globalscot

The indirect or search role of Diaspora members can be illustrated by the following examples:

- An inward investment project identified by one of the first members to join globalscot brought an Internet licensing company to Glasgow. The company, which, initially employed eight people, will “quickly become a multimillion pound business,” according to the company’s founder.

- At a crucial stage of its negotiations with a U.S. blue chip company, a Scottish electronic engineering company received, within a day of its request, a full day’s advice on how to negotiate a licensing deal.

- A specialist training provider to the international oil and gas industry looking for an entry point into the Gulf of Mexico was connected to a globalscot member who was the former president of Enterprise Oil, Gulf of Mexico. The member introduced the firm to oil and gas companies in the region, leading to business with several of the companies and a firm foothold in the market.

- A company specializing in creating virtual characters for gaming software made valuable connections with a number of globalscot during a trip to California for an exhibition. A nonexecutive director at the company described the contacts as “an absolute bull’s-eye target for the type of business advice needed...people you would never dream of trying to reach, as there would usually be about a dozen gatekeepers between you.”

- A globalscot member who is Vice-President for Production Procurement at IBM donated one day a month to work with Scottish Enterprise’s electronics team, providing insight into the global electronics sector by advising on new product developments, growing and shrinking markets, and new opportunities.

- A University of Strathclyde spin-off company developing applications for innovative 3-D display technology in the medical imaging sectors and oil industry requested access to U.S.–based globalscot who could advise on the commercial development of imaging technology. Thirty-two members in the medical imaging sector responded immediately, resulting in valuable relationships that saved initial consultancy fees and opened doors to commercial entities that would otherwise have been inaccessible.

- A globalscot member who is Chief Scientist and Vice-President for Research and Development for a California biotechnology company undertook a two-day tour of the Scottish biotechnology sector that directly influenced Scottish Enterprise’s Biotechnology Framework for Action. Back in California, he engaged other life sciences members in implementing his report, resulting in a program to develop internships for Scottish life science students at Californian firms.

Source: M. McRae, former head, globalscot, Scottish Enterprise.

Taking inspiration from globalscot, Chile is in the process of designing a program called ChileGlobal. The program is housed in Fundación Chile, a premier and highly
idiosyncratic business innovation organization that designs and finances business innovation projects. As of December 2005, ChileGlobal included about 70 influential Chileans living in the United States, Canada, and Europe. The program is a natural extension of the core business of Fundación Chile, an incubator of search networks. ChileGlobal is seen as yet another such search network, albeit a special one.

The point that search networks help uncover partial solutions that are working is illustrated by the case of Mexico. About 1 million Mexicans with tertiary education live in the United States, about 400,000 of them in managerial positions. To benefit from the talents of these expatriates, the Mexican Ministry of Science and Technology (CONACYT), with advisory assistance from the World Bank, established the Mexico Talent Abroad Network (Red de Talentos para Innovacion), a search network similar to globalscot and ChileGlobal.

The project got off to rocky start. By their very nature search networks are interdisciplinary and interorganizational: they bridge boundaries, identifying new projects by finding previously unnoticed similarities. Bridge organizations, such as Fundación Chile and Scottish Enterprise are critical, because they serve as incubators of search networks. Mexico lacks such an institution, and it lacks a tradition of meaningful interorganizational communication and joint action. There is no dearth of interministerial councils to coordinate issues, but they tend to be cartels of established interests, arenas in which each agency protects its turf. Moreover, every action in Mexico is mandated from the very top, and breakdowns of the corporatist system result in a governance paralysis at the federal level.

To proceed, the Mexico Talent Abroad required creative day to day collaboration between the Ministry of Foreign Relations and CONACYT. A solution (an unintended one?) found by a high-ranking official of CONACYT was simple yet brilliant. He instituted a series of meetings of relevant agencies, which were held on Saturdays. The fact that the meetings were outside the established routines helped open a meaningful discussion and define a new agenda of concerted action. Management of the program is handled by the Mexican Enterprise Accelerator in San Jose, California, established by the Ministry of Economy. All these initiatives show promise of the development in Mexico of an institution similar to Fundación Chile. A humble and small (in terms of its cost to the government) diaspora program is an important organizational innovation leading to the development of a postcorporatist governance structure for the country.

These examples show how diaspora networks help formalize other networks while making them more effective as means for incubating new programs as governance structures as well as new projects. Now that we have an idea of how serendipity in the formation of diaspora networks can be transformed (through Saturdays-only meetings or otherwise) into more systematic “guided serendipity,” let us turn to the discussion of lessons of the design of deliberate programs to utilize diasporas of talent for the benefits of the home countries.
Turning Diaspora Networks into Search Networks: Triggering Guided Serendipity

A variety of light-touch interventions can help trigger the creation of diaspora networks and transform them into sophisticated search networks.

Turning “Transactions” into “Discussions”: Producing Tangible Outcomes

Diaspora members can be useful to their home countries in two broadly defined modes of involvement: “discussions” and “transactions.” “Discussions” include Web sites, conferences, workshops, on-line communications, and other activities that help diaspora members get to know one another, connect, and define the ways in which they can contribute to the development of their home countries. “Transactions” involve actions that usually require a time commitment. They can, although they need not, also involve monetary contributions.

Diaspora activities are easy to initiate but very difficult to sustain. Enthusiasm about getting involved is enormous and manifests itself in diaspora Web sites, conferences, and other meetings—activities that do not require major commitments of time or money. But initial enthusiasm tends to evaporate as easily as it emerges: people get tired of meetings and discussions alone. The most common mistake in trying to harness a diaspora is to be carried away by discussions (organizing diaspora conferences) without turning them into tangible outcomes. People like to see tangible outcomes, such as joint research projects with home country scientists and helping a start-up in the home country find new markets. These tangible activities can be referred to as “transactions” or “projects.” A project then is a set of discrete activities and outcomes that can be measured. A project can be as small as a visit of a professor to a home country, but it does require active commitment in terms of time and money.

Diaspora programs need to elicit commitments from diaspora members. The commitment can come in terms of the time associated with developing a project or the money needed to finance it. A project can be commercial or philanthropic (this dichotomy is becoming increasingly obsolete).

Most diaspora initiatives run out of steam (and thus eventually fail) because they fail to transform discussions into projects. Many diaspora initiatives naively assume that initial enthusiasm will spontaneously result in something tangible—and that the early enthusiasm will last forever. Too often results are expected quickly—an understandable desire, since demonstrable effects are what keeps the process going. Thus a central issue is the long gestation period from initial discussions to commitments (particularly when large commitments are involved). A recommendation is to start with small commitments and small projects, increasing the scale and scope of projects gradually and incrementally, with the accumulation of trust and experience. Commitments may start from occasional lectures at a home country university or supervision of a project of a talented student and grow, gradually and incrementally, to a large research or business project.

Trust and experience build credibility, which must be earned by all participants. Diaspora members may have been involved in activities that started with good intentions but failed
because a key actor (usually the government) was unable to keep its commitments. To win the hearts and minds of skeptics who may have had unsatisfactory experiences in the past, efforts should start small in order to produce tangible outcomes. These outcomes can serve as demonstrations, which can be celebrated at meetings, conferences, and workshops. The proposed sequence then is from small discussions to small transactions and only then to large discussions, convened to generate larger transactions. This differs from the usual sequence, which begins with large discussions that gradually devolve into small discussions because there are no transactions to focus the energy of the participants and maintain the momentum of the process.

Developing diaspora networks is a long process in which the network gradually earns credibility within the diaspora and at home. As credibility strengthens, diaspora members move from negligible contributions (“feel good” engagement) to exploration mode and then to large-scale engagement (table 11.3). Examples of exploratory engagement include a self-financed visit to the home country, self-financed participation in diaspora conferences, and activism in diaspora organizations. Examples of large-scale involvement include development of large projects, such as arranging for contract outsourcing for a group of local firms or for the provision of capital for a venture fund in the home country or mobilizing resources for modern MBA course in a local university.

**Table 11.3. Synergy between Project Development and Project Implementation in Diaspora Engagement**

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Level of engagement</th>
<th>Relatively large</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low: seed money</td>
<td>Negligible</td>
<td>“Feel good” philanthropy: small, occasional donations, private transfers</td>
</tr>
<tr>
<td>(investments and donations)</td>
<td>“Let’s try it” engagement</td>
<td>Development of major projects</td>
</tr>
<tr>
<td></td>
<td>Relatively small</td>
<td>Mobilization of resources for major research project.</td>
</tr>
<tr>
<td></td>
<td>Consistent investment of time to develop useful projects</td>
<td>Engagement with start-up firms in a home country to help firms enter foreign</td>
</tr>
<tr>
<td></td>
<td>Self-financed participation in diaspora conferences</td>
<td>markets</td>
</tr>
<tr>
<td></td>
<td>Activism in diaspora organizations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Investment in community infrastructure and development of</td>
<td></td>
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<tr>
<td></td>
<td>through collective remittances projects</td>
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</tbody>
</table>
### Initiation and Sustaining the Process: The Role of Individual Champions and Institutions

Before the credibility of the network is developed, individual champions initiate the process by investing their own social capital, bringing people together for a cause. It is difficult to overestimate the role of individuals in mobilizing the diaspora. When little else is available or can be trusted, they are the key institutions. Individual champions make connections, allay skepticism, and propose project ideas. They move the process forward against all odds. Such champions usually combine their commitment as individuals with a high position in a formal hierarchy, using resources and organizational “weight” to initiate the process.

Many diaspora initiatives were unsuccessful because they failed to identify such champions or ensure that they stay involved for a sufficiently long time. In the absence of individuals with high personal credibility, very little can lend credibility to an insipient diaspora process, particularly because governments begin with very little credibility.

Individuals are crucial to initiate the process, but it is home country organizations that sustain it. The quality of home country organizations appears to be the single most important determinant of diaspora initiatives. Even where diasporas are massive, rich, entrepreneurial, and enthusiastic about getting involved—as in the case of Armenia—they often run up against the binding constraint of the home country organization. A kind of paradox (don’t diasporas, by definition, reside outside the country?) but it shows, again and again, that diasporas are no panacea. Diaspora members live outside the country but once they engage the home country, they become constrained by its institutions. True, they can do much, perhaps more than anyone else, to relax these constraints in the longer run. But in the short-term they will feel their bite quite strongly. This is why Chile and
Scotland have had much more success in interactions with their diasporas, even though their diasporas are small and less wealthy than the diasporas of Armenia and Argentina.

Huge variation in the quality and diversity of home country organizations creates a tremendous number of organizational paths to generate credible commitments of diaspora members. In induced development, the government program serves as a trigger; the evolution is from individuals to government organizations to nongovernmental organizations. In spontaneous development the evolution runs from key individuals outside the government to professional diaspora associations to government organizations, which gradually assume a larger role. Spontaneous development tends to be sufficient in large countries with large diasporas (China and India are two examples), while a more proactive effort is necessary for small countries with small diasporas.

Where home country institutions are weak, donors can play an important role in mobilizing the diaspora. Donors are engaged with the country anyway, despite its institutional weaknesses. Using the diaspora as a partner for development provides donors with one more instrument. This could be a cost-effective channel through which to provide development assistance, with a considerable upside gain if things turn out well.

**Three Generations of Diaspora Programs**

The focus of this chapter—the interaction of expatriate talent with their countries of origin—has been treated at some length in the literature. The literature on policy interventions to turn brain drain into brain gain for countries of origin has evolved in three distinct generations. The first generation is illustrated by the 1968 debate between Harry Johnson and Don Patinkin, in one of the first anthologies on the brain drain (Adams 1968). Johnson set forth a “cosmopolitan liberal argument,” emphasizing individual welfare gains for the migrating talent, while Patinkin stressed welfare losses for the country of origin. These welfare losses are particularly significant when the country loses a critical mass of skills, with a risk of its intellectual community turning into a ghetto.

Their differences notwithstanding, both Johnson and Patinkin focused on the physical movement of people; the policy preoccupation was the physical return of migrants to their home countries (see also Bhagwati and Partington 1976). By the 1980s the debate about brain drain had dissipated; it did not receive renewed attention until the 1990s. The sharp increase in skilled emigration from developing countries brought back the brain drain debate.

The second generation of literature focuses on networks of professionals organized in diasporas and other forms of brain circulation networks (see Saxenian 2000; Brown 2003; Kapur 2001). Partly because the return of expatriate professionals has proved unrealistic, a new focus is on leveraging the expertise and capital of expatriate professionals. This literature is insightful in outlining the potential of expatriate professionals as sources of capital and knowledge, yet in this literature skilled diasporas tend to fall as manna from heaven. Diasporas and brain circulation networks appear suddenly as a magical solution,
allowing home countries to leverage the experience of their expatriates to the benefit of the country of origin. The literature recognizes that much more understanding is needed to uncover the intricacies of the evolution of diaspora networks and their endogenous dynamics. Yet since little systematic information on the internal diversity of diasporas is usually available, this subject does not receive proper examination. A hallmark of these second-generation programs is the direct role of expatriates—as investors, consultants, scientists, and doctors rather than as bridges, mentors, and antennae. The chapters of this volume on Argentina, Colombia, and South Africa describe various attempts to trigger these types of diaspora programs.

A focus on the indirect role of diaspora networks is a hallmark of a third generation of migration programs. Programs such as globalscot remain exceptions but their demonstrated success shows the high potential of this approach. Co-evolution of home country institutions and diasporas is a central thrust of this emerging approach.

Diaspora networks can usefully be compared with alumni networks. Both types of networks connect alumni (of a country in one case, of a university in the other). Both are institutionalized search networks. Well-run alumni programs generate substantial contributions. As in venture capital networks, financial contributions are important, but they are not all-important: defining a promising project is as important as financing it. Private universities, particularly elite universities in the United States, have perfected the craft of nurturing dispersed alumni. Successful alumni program at elite institutions can bring in contributions worth 12 times what the cost of running the program.

The alumni model has considerable relevance for developing countries and the organizations that support them. While all alumni are asked for support, actual support is highly concentrated. It is not unusual for 1 percent of the alumni base (which often includes 100,000 or more members) to provide 90 percent of contributed resources. The universities are highly skilled at identifying this group of alumni and maintaining contacts with them through individually crafted programs.

Universities are very careful in selecting and cultivating a small core of alumni who form a group of intellectual leaders for the entire alumni community and who can be critically important for the success of alumni mobilization. This leadership group consists of an exclusive community of the institution’s most valuable supporters. Members of the core group and the alumni as a whole must have high regard for these members’ professional achievements; these alumni leaders must make all alumni proud of being affiliated with the group. Intensive personal interaction among group members leads to major synergies: through group discussions, members gain better understanding of the needs of their universities. This helps them produce better development proposals and ultimately become more generous in their financial support. Internal competition within the group often increases the average size of members’ contributions.

Formation of alumni leadership groups according to these principles could be difficult for many diaspora communities. The leaders of many expatriate associations are volunteers.

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2 The discussion of alumni mobilization program is due to Lev Freinkman and Richard Devane.
(often political appointees), whose status and resources do not qualify them to be major development partners for governments in the home countries. Most diaspora organizations were created to support the local needs of expatriate communities in their new countries, not to support development of the homeland. Their current leadership is not well prepared for such a new agenda. Nevertheless, these leaders feel entitled to participate in (and dominate) forums about their home country.

The alumni model suggests that governments in home countries should be proactive in creating more selective diaspora leadership groups with more strategic views of home country development. It also suggests that some way must be found to isolate the traditional type of diaspora leaders, without entirely discouraging them, from leadership meetings. This upgrading of the diaspora leadership was critical to the formation of the very successful Indus Entrepreneurs (TiE) organization (see chapter 4). Charter members in this group had to bring status to, not obtain status from, the group.

Managing an alumni leadership program requires translating benevolence into productive action. Rather than simply hitting alumni up for money, university fund-raisers usually ask them to participate in a vision-building exercise—the design of a new direction for the university or an important part of it. In the course of discussing the existing problem and its possible solutions, donors come to share an understanding of development priorities and to become personally committed to implementing the recommendations that were set up with their participation. Once they become part of the “design team,” they support the agreed upon recommendations with their resources and influence. Such a participatory process also helps convince major donors to refrain from pushing individual vanity projects.

Few governments or NGOs genuinely adopt this approach to diaspora mobilization—expatriate leaders are rarely invited to help design national development programs or support formation of new strategic partnerships between the government and diaspora leaders. Instead, suboptimal forms of cooperation between home country government and diasporas dominate. These include traditional, very broad and unfocused government pleas for support, usually for humanitarian relief; intensive political consultations between governments and traditional political leaders of the diasporas; and sporadic attempts by diasporas to rearrange themselves and establish new organizations with a stronger focus on home country developments, attempts that usually do not receive adequate support from the government.

The third generation of diaspora programs, in which diaspora networks are viewed as transnational search networks, can be compared with venture capital networks. Diaspora networks are light-touch and informal global equivalents of venture capital networks, whose role is to provide seed support for innovation in their home countries. Innovation can be technological, as it has been in India. But even more important is institutional innovation. Venture capital networks combine three ingredients: high-powered motivation, expertise on how to put together and run a project, and access financing (in the form of equity stakes in a project). A modern view of venture capital downplays its project financing role (to view venture capital as a pool of money is to miss the crucial
point that venture capital is first and foremost a search network) while emphasizing its project development role: pooling together diverse expertise to transform a vague idea into a project that investors can take a gamble on (Avnimelech and Teubal 2004).

Both diaspora and venture capital networks are search networks: both help their members look for new solutions and formalize them in projects. But the nature of monitoring (the need to stay engaged in the day to day management of a project) implies that venture capital networks are neighborhood networks: to stay engaged, one needs to be geographically close. By definition, diaspora networks span continents. Members may come from the same neighborhood, but they are likely now to live on different continents.

Alumni networks of major U.S. universities, venture capital networks, and transnational diaspora networks share many similarities; all can be called venture search networks. They combine venture capital perspective on the development and financing of projects with a search network perspective of bridging boundaries, serving as antennae, and mentoring by network members. Several features are common to these networks:

- Members have an equity participation in success or failure. Like venture capitalists, alumni and some diaspora network members provide financial capital. They may also put their reputations and credibility at risk, as in the case of the indirect “bridging” involvement of the Indian diaspora (see chapter 4).
- Nonfinancial tools to develop a project are as important as financial support. Search networks allow a member working on a problem to rapidly identify people or institutions solving (part of) a similar or related one.
- Support—financial capital, members’ reputations, connections, and knowledge—is provided to meet a well-defined, catalytic objective; it is not provided indefinitely. The objective of support is explicitly catalytic, not to support business as usual.
- Members’ intrinsic motivation is enhanced by participation in the network. Networks select individuals who can make projects happen, obstacles and problems notwithstanding;
- Members’ extrinsic motivation is enhanced by participation in the network. Members stand to gain by success.

This is not the place to discuss similarities and difficulties between various types of search networks. A tantalizing observation, to be explored in further research, is that venture capital networks, vibrant alumni networks, and transnational diaspora networks seems to be emerging in a given location in a broadly similar pace. The contrast between all three types of networks in the United States and in Europe is striking. The United States pioneered alumni networks, which remain all but nonexistent in Europe. It invented venture capital networks, which remain weak in Europe. And all of the third-generation networks of expatriates from China, India, Taiwan (China), and Scotland are led by people residing in the United States.

**International Migration of Skills: A Taxonomy of Emerging Policy Agendas**

A meaningful analytical model requires understanding the dynamic relationship between country conditions (unfavorable, moderately favorable, and very favorable) and the size
and sophistication of diasporas of the highly skilled (relatively large and sophisticated versus relatively small and dispersed). Juxtaposing these two classifications yields six analytical cases of diaspora engagement (table 11.4). These categories are, of course, a highly stylized description of reality; in many cases classifying a country is subject to dispute. The main concern is to outline different dynamic trajectories of the interaction of country conditions and diaspora networks. In the best case—favorable growth conditions and large diasporas of talent—a virtuous interaction between country conditions and diaspora networks occurs. In the worst case—unfavorable conditions and weak or dispersed diasporas—such a virtuous cycle of co-evolution is in its infancy or has not yet begun.

Table 11.4. Level of Diaspora Engagement Given Country Conditions and Characteristics of Diaspora

<table>
<thead>
<tr>
<th>Characteristics of diaspora</th>
<th>Country conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unfavorable</td>
</tr>
<tr>
<td>Relatively large, mature, and well organized (sophisticated diaspora networks)</td>
<td></td>
</tr>
<tr>
<td>Role of expatriates</td>
<td>Antennae and role models</td>
</tr>
<tr>
<td>Activities</td>
<td>Engage diaspora in dialogue over reform and engineer visible demonstration projects</td>
</tr>
<tr>
<td>Country examples</td>
<td>Armenia, Bangladesh, Sri Lanka</td>
</tr>
<tr>
<td>Relatively disengaged diaspora (emerging diaspora networks)</td>
<td></td>
</tr>
<tr>
<td>Role of expatriates</td>
<td>Antennae and role models</td>
</tr>
<tr>
<td>Activities</td>
<td>Engage diaspora in dialogue over reform and engineer visible demonstration projects</td>
</tr>
<tr>
<td>Country examples</td>
<td>Colombia, Comoros, Nigeria, Russian Federation, Ukraine</td>
</tr>
</tbody>
</table>
Unfavorable Country Conditions, Sophisticated Diaspora: Establish Demonstration Projects

Armenia (see chapters 1 and 6) has unfavorable country conditions and a sophisticated diaspora. This is a case where the diaspora hold the most promise and where working with diasporas results in most frustration. Promise come from the wealth and success of the diaspora (by some estimates, GDP produced by the Armenian diaspora in the United States is 20 times higher than Armenian GDP) and its desire to help. Frustration comes from unfavorable country conditions: Armenia’s weak investment climate and protective government preclude quick results and create conditions for disappointment.

A recommendation in this case is to make the diaspora a search network first only later engage it in a direct role (as investors, philanthropists, and providers of knowledge and expertise). The search network role involves designing realistic projects that country stakeholders and diaspora members can implement together. Commitment of time and financial resources is relatively small. Successful implementation of projects can serve as demonstration cases. Unfavorable country conditions mean that demonstration cases are exceptions from the general rule. This is what makes such projects so valuable. For instance, much time was spent attracting the Marriott Corporation, the first and only international chain hotel in Armenia. While investments were relatively small, Marriott’s investment in Armenia was an important signal that one can do business in this landlocked economy.

Unfavorable Country Conditions, Dispersed Diaspora: Focus on Individuals and Engagement in Broad Policy Dialogue

Many countries (most African countries, former Soviet republics, and smaller Latin American countries) have both unfavorable country conditions and dispersed diasporas. All of the recommendations of the previous case apply, but the focus needs to be on individuals, as organized networks hardly exist. Expatriates from new diasporas often focus more on individual advancement than on re-engaging with their home countries. Rather than focusing on diaspora organizations, efforts should therefore center on individuals who have already achieved professional success and are interested in sharing their status and credibility with their home countries. These individuals can then be engaged in discussions of policy reform and vision-building exercises in their home countries and serve as advisors to top government officials.

Moderately Favorable Country Conditions, Sophisticated Diaspora: Use the Diaspora as a Launching Pad to Move to Knowledge-Intensive Value Chains

In countries with moderately favorable conditions, growth is underway but serious binding constraints remain. In these situations, the impact of the diaspora is greatest. Expatriates do not start projects from scratch but rather connect emerging domestic success stories with relevant niches in the world economy. The software and knowledge-process outsourcing story in India (chapter 4) is the best-documented case of this kind of impact. Other countries in this category, such as El Salvador and Vietnam, can learn much from India’s experience.
**Moderately Favorable Country Conditions, Dispersed Diaspora: Engage Gradually**

The potential impact of the diaspora is great in countries with moderately favorable conditions, such as Argentina (chapter 7), Brazil, Mexico, and South Africa (chapter 8). But realizing that potential has been a source of frustration. The best strategy is to focus on diaspora networks as search networks and on engineering success stories to generate credibility. In those countries, return of expatriate talent is also on the agenda, although it is clearly an exception rather than rule. One hypothesis for this category put forward for Brazil (De Ferranti (2003) is that these countries experienced too little brain drain. The Brazil innovation system is too self-contained. The international exchange of graduate students and engineers is not sufficient. To reduce the relative isolation of national innovation systems, Brazil would benefit from greater human capital mobility of professionals, scientists, and engineers. Broader and deeper human capital mobility needs to be accompanied by the creation of agile brain circulation networks. In this category of countries, Mexico presents a special case, because its diaspora of professionals is growing rapidly as a result of NAFTA.

**Favorable Country Conditions, Sophisticated Diaspora: Diaspora Networks as a Key Resource for Transition to Knowledge-Based Economies**

This ideal case—exemplified by China, Ireland, Israel, the Republic of Korea, Taiwan (China), and the United Kingdom—is characterized by vibrant brain circulation networks and a massive return of talent. This is the case in which country conditions and diasporas are co-evolving in a virtuous cycle. This virtuous cycle is characterized by a synergy between the search role of diasporas and their direct involvement in home countries: project development and project implementation appear to be two sides of the same coin. Scotland’s globalscot program (chapter 10) is a paragon program for leveraging diasporas of highly skilled professionals; this volume also touches on China and Israel (chapters 1 and 3).

**Favorable Country Conditions, Dispersed Diaspora: The Diaspora as an Entry Point to Knowledge-Intensive Growth**

Countries in this category are growing and prospering, but many are in transition from reliance on natural resources (Chile) or labor-intensive foreign direct investment (Hungary) to more knowledge-based growth. Expatriates can become important antennae and entry points into knowledge-intensive ventures and initiatives. The main policy message in this category is that leveraging diaspora networks is not a numbers game. Small diaspora networks can have a large impact by bringing new agendas to home countries (see the discussion of Ramón García story in chapter 1). Strong institutions in countries like Chile allow policymakers to take concerted action to mobilize and effectively leverage influential expatriates abroad.

**Conclusion**

The policy agenda summarized in this Chapter and discussed throughout the book is both ambitious and humble. It is ambitiously optimistic because is suggest an opportunity, at
least for middle-income economies, of a win-win situation – an evolving virtuous cycle of co-development of migrant human capital and home country institutions. It is humble, however, in recognizing intricacies of policy solutions to make it happen. As a previous section showed, creation of a robust Diaspora network as a search network requires substantial amount of time, patience and institutional capabilities. Above all, good expatriate networks -- as any search networks -- tend to generate opportunities and projects but someone else has to act on those opportunities and finance the projects. Capabilities of government and private sector stakeholders remain the key: Diaspora networks are no panacea.

On an ambitious note, this paper contributes to a discussion on so-called new industrial policy viewed as a set of interventions which is distinct from the ‘old’ functional / horizontal industrial policy of the 80s and 90s, yet capable of avoiding familiar old pitfalls of ‘picking winners’ -- is becoming a subject of policy debate and experimentation. As our example of Mexico highlighted, well-designed Diaspora programs can contribute both to the creation of new public sector and new industrial policy. Their significance therefore extends beyond the narrowly defined issues of international mobility of talent.

References


