

**Diaspora Talent Dealing  
with Rent-Seeking Institutions at Home**  
Evidence from MARS

**Yevgeny Kuznetsov**  
**Migration Policy Institute**  
**and**  
**World Bank**  
**Washington DC**

**RASA Conference**  
**November 4, 2018**

## Context: A New Chapter in the Global Hunt for Talent

- Emergence of the “missing middle”: disappearance of the demand for mid-level skills because of AMT
- **Talent: ability to define problems and connect to others to solve it**
- Open migration chains (sequences of educational and job opportunities) replace ‘job ladders’
- Countries with significant creative class but bad business environment (талантливые но непутевые страны: Russia, India, Argentina, Mexico ) are on the crossroads: either create exclaves (or enclaves) that utilize domestic talent or witness a spike in ‘brain drain’
- A new strategic uncertainty in dealing with Russian organizations (seen as potentially ‘toxic’: ‘don’t touch’), yet not with individual talent from Russia

## Motivation: diaspora first movers' impact

In 1997, with funding from the [Ireland Funds](#) and with the endorsement of Nelson Mandela, Padriag 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.

## Skilled migration in numbers

Stock of tertiary-educated foreign-born residents in OECD economies, thousands (2010-11)

Rank	Country of birth	Number of expatriates
1	India	2,080
2	China	1,655
3	Philippines	1,417
4	(Take a guess)	1,384
6	Mexico	867
	Russian Federation	660
	Republic of Korea	637
	USA	590
	Argentina	223
	Kazakhstan	134

# Professional Diaspora as a Window to the World: How it Works

- Weakness of domestic institutions is the single most important binding constraints for productive diaspora engagement everywhere (a sort of a paradox)
- Project (a joint undertaking with domestic institutions) as the key unit of productive engagement
- Diaspora members who engage in joint project with home countries see domestic institutions more favorably than those who just read about them This is the evidence from surveys.

## **A quiz for the audience: pls. interpret this paradox**

- This project agenda is humble and ambitious at the same time: it is about incremental engagement – “a courtship”
- Disproportional importance of ‘high achievers’ on both sides: personalities with high credibility and professional standing who could share their status with home

## **Diaspora Perspective: “Courtship Before Marriage”**

- “Courtship”: start small, with joint projects and see how it goes
- Eventual return (‘marriage’) as a possible outcome, but not a starting point
- Professional conditions and quality of life at home are more important than monetary remuneration
- Diversity of motivation to engage: importance of gaining recognition at home, even for world stars

## **Example: Emergence of innovation clusters and venture capital industry in Taiwan**

- Massive foreign education and brain drain in the 1960's and 70's.
- Local culture of risk-taking and business experimentation at that time virtually non-existing.
- Silicon Valley as a role model: successful high-tech entrepreneurs from diaspora
- Four stages in the development of venture capital industry and innovation clusters

# Taiwan: Four stages in institutional co-development

- **Stage 0:** Establishing a platform for joint action

‘High achievers’ from both the diaspora and the organizational periphery of the government decide to promote venture capital industry.

- **Stage 1:** Micro-level – Pilot action

First venture capital fund is established. Diaspora members relocate to Taiwan to manage the fund.

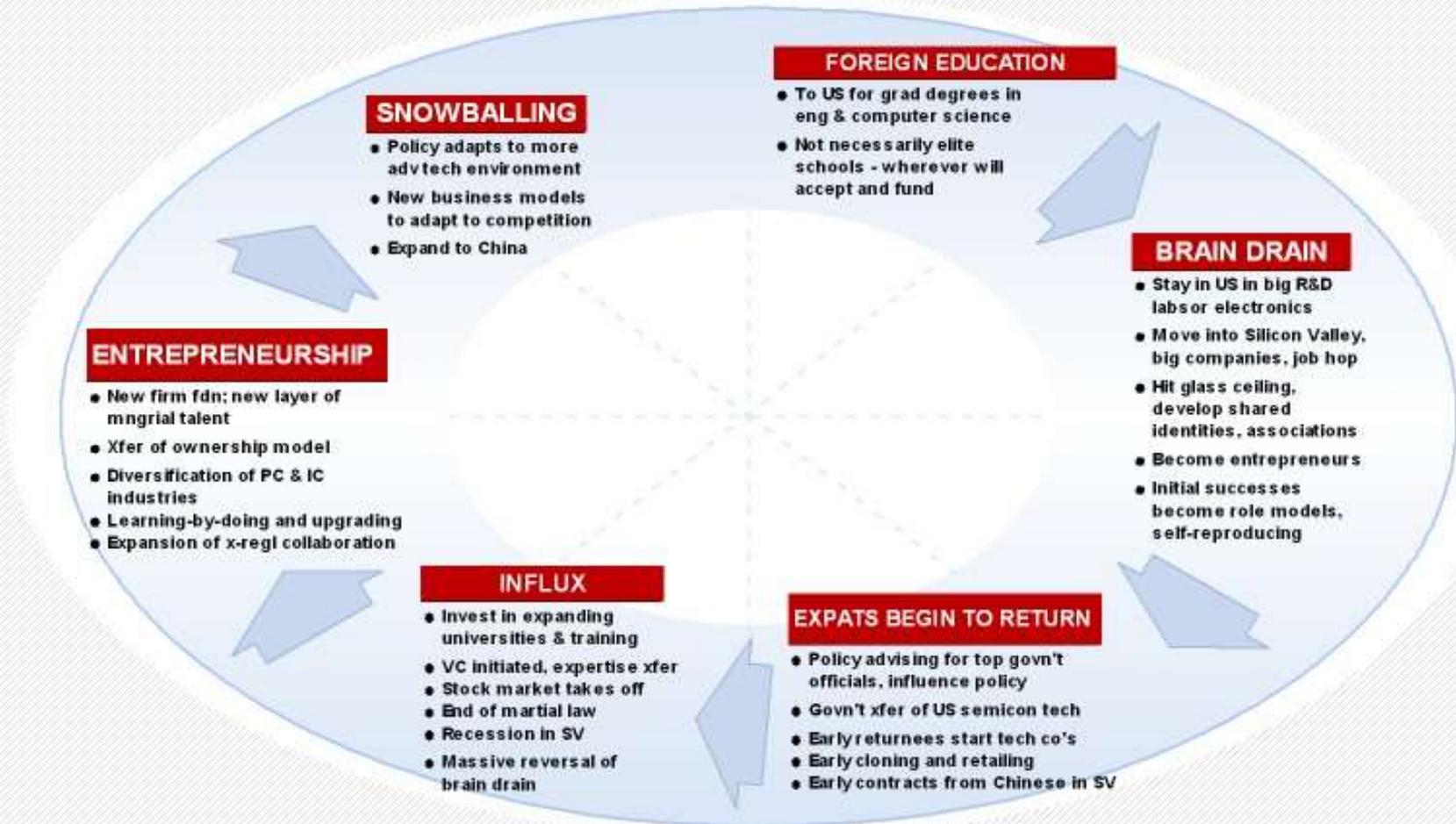
- **Stage 2:** Mezzo-level: Critical mass effect

Demonstration effect of the success triggers establishment of other funds.

- **Stage 3:** National Level: Institutional transformation

Emergence of globally competitive innovation clusters. Massive return of talent.

# Taiwan Technology Workers



## 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 knowledge 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 affecting investment climate).

# Roles of diaspora individuals

- **First mover**: initiates a new thing (bringing ideas of a new institution, a new project, a new firm)
- **Development partner**: engages in a day-to-day transformation of local institutions
- **Mentor**: provides advice and support for a local change
- **Deal-maker**: facilitates deals between local and foreign partners (India experience)
- **Investor**: risks her own funds (Chinese diaspora from Taiwan investing in mainland)
- **Donor**: provider of grant funding (overrated role)
- **Diaspora community organizer**: does not have any particular technical / business skills, but knows everyone and has ambitions to lead high profile diaspora initiatives

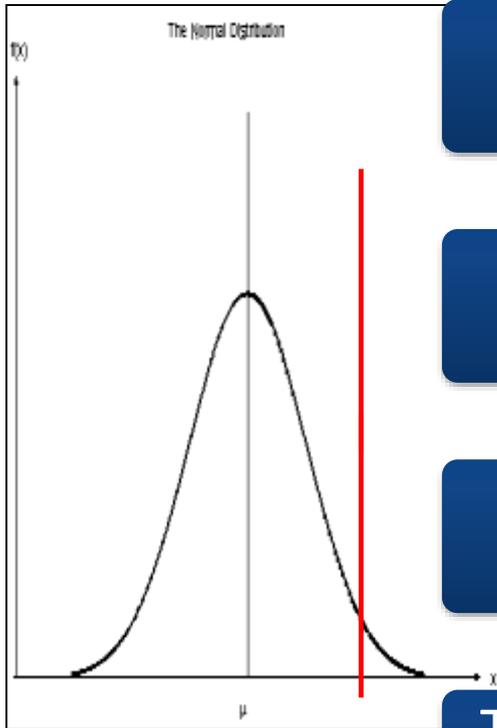
## **Heterogeneity of diaspora professionals: common types**

- **High achiever**: part of the elite. Has high status and credibility, and can share them from the home country
- **Successful mid-career professional**: looks for new career opportunities in a home country
- **Young aspiring talent**: diverse motivation, higher appetite for risk taking. E.g.: post doc
- **Frustrated professional**: can search for opportunities in the home country because of failures or stalled career development elsewhere

**Each of them requires a specific strategy of engagement**

# How does institutional development occur?

## Heterogeneity and search networks



Focus on exceptions first



Exceptions form their own 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

# 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: potential attractiveness of diasporas and returning migrants.
- ❖ Diaspora (individuals or organizations) (may help) 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, to the core of respective development agenda).

## Revealing the heterogeneity of Russian institutions

- General investment climate is 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.

# Впечатления от интервью

- Российский бизнес климат ограничивает потенциал сотрудничества:
  - Низкий спрос на инновации
  - Российские организации, вкл. в секторе R&D недостаточно заинтересованы в международном сотрудничестве; с улучшением финансирования ситуация стала хуже
  - Общие проблемы бизнес среды: запретительно высокие барьеры входа для новых игроков и малых организаций, high cost environment
  - И тем не менее, поучительные истории успешного сотрудничества
  - Но многие люди не хотят об этом рассказывать, примеров успешного сотрудничества наверняка больше, чем нам об этом известно (stay below the radar)

# 5 вариантов успеха

- Mega stars: IPG Photonics, \$ 1 bn capitalization. Leader in fiber lasers. 25% персонала в России
- Руководители транснациональных компаний, успешно лоббирующие открытие исследовательских центров в России (Boeing, Intel, EMC)
- Традиционные start-ups, которые по разным причинам переносят в Россию значительную часть своего бизнеса
- Традиционный outsourcing (IT, pharmaceuticals)
- Открытие параллельных академических лабораторий в быстро развивающихся прикладных областях

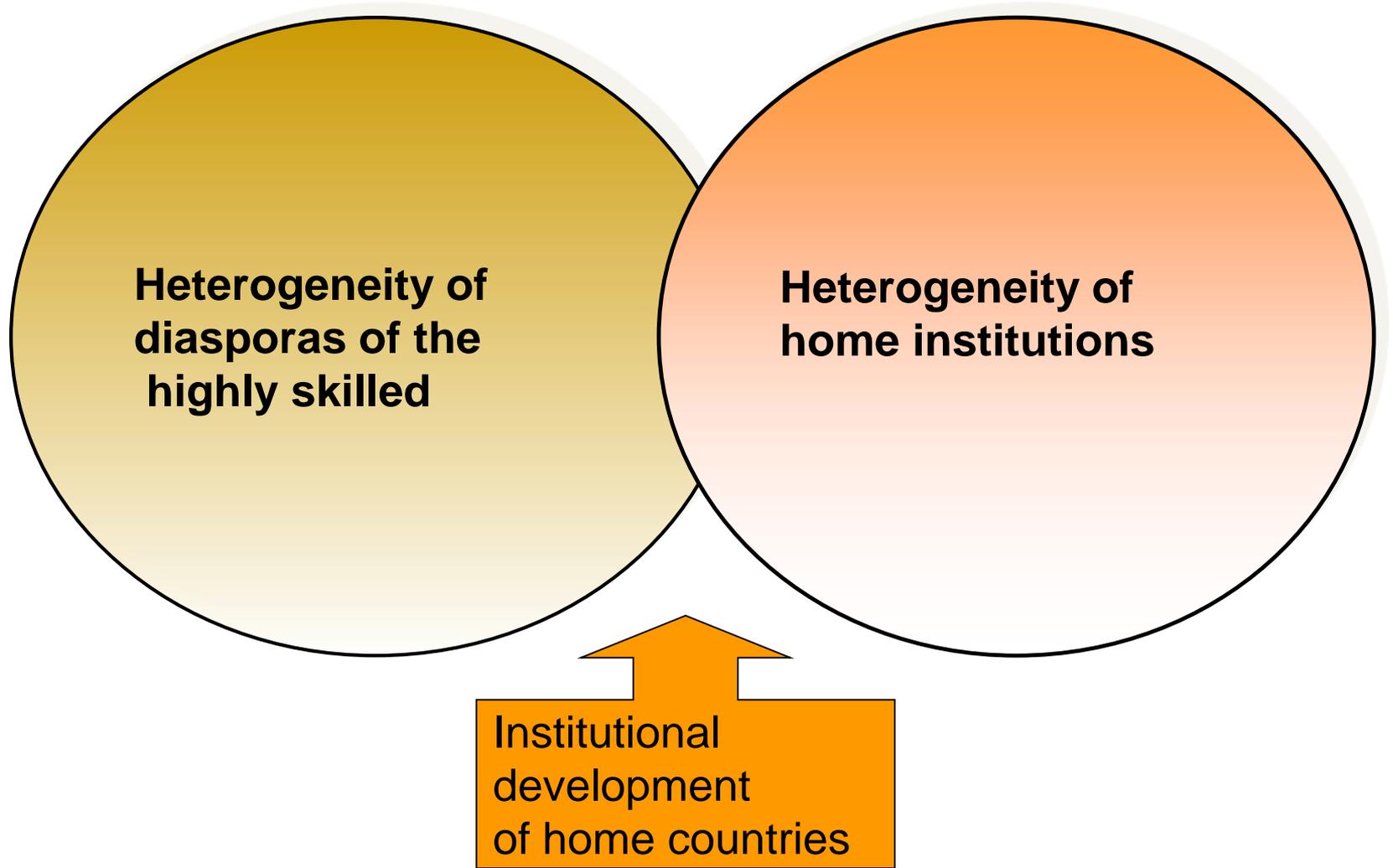
# Впечатления от интервью (2)

- Негативный тон преобладает в интервью и в интернет форумах
- Но люди с опытом реального сотрудничества менее пессимистичны
- Реальные риски ниже, чем воображаемые. Negative bias in perceptions
- Нужно больше информации о реальных успехах и проблемах
- **Столицы провинции:** Непропорционально много успешных историй происходит за пределами Москвы (Казань, Томск, Н Новгород)

# Comparative Analysis

	<b>Mexico</b>	<b>Argentina</b>	<b>Russia</b>	<b>South Korea</b>
<b>Start up dynamics</b>	Relatively weak: 'the big neighbor curse'	Visible but fragile diversity of regional dynamics	Diversity of regional innovation proto-clusters	Relatively weak: 'the big chaebols curse'
<b>Public sector 'islands'</b>	Strong in every ministry but 'coordination curse': Attention span is short	Very strong but very fragile	Betting on sub-national level (with support from islands at the federal level)	<b>Public sector is relatively uniform and effective</b>
<b>Science and Higher education islands</b>	Weak, despite significant investment	Binding constraint: elite/pragmatic sector is weak	Elite segment remains strong but declining	Elite segment is strong (KAIST, POSCO university)

# *Reliance on Heterogeneity*



# Engaging with Russian Professional Diaspora: “Do not Do” List

## Do Not:

- Try to lure them back, although the temptation now, in the current context, is high (but there are exceptions: e.g. certain postdocs)
- Make (unreasonable) promises: credibility of the state as the key issue
- “Pick the winner”: create special conditions for the diaspora (a general welcoming environment is more important than special rewards)
- Focus exclusively on certain diaspora segments: just on ‘stars’ or scientists (professional diaspora is very heterogeneous)

# Engaging with Russian Professional Diaspora: “Do list” (the Wish List)

**Extend, scale-up and institutionalize existing collaborative projects, rather than create new ones**

- A need for competitive transparent grant schemes to support such collaboration
- Make professional diaspora a stakeholder (a part of, a mentor) of existing science, education programs and initiatives of Russian development organizations (институты развития) rather than create special diaspora programs or initiatives
- For instance, mobilize diaspora to participate in the evaluation of the research done in Russia -- participate in the panels that do grant allocations; participate in editorial boards for top Russian journals, in selection of candidates to fill top academic positions in Russia, etc.
- A lot of this happening already. But 1) this practice should be expanded and institutionalized; and 2) Some evaluation of the emerging practices would be useful -- what works, what not? existing barriers?

**Share and celebrate success stories of collaborative engagement:**

**Страна должна знать своих героев**

# Engaging with Russian Professional Diaspora: “Do list”, continued

## Turn special situations in open migration chains into window of opportunity for the country:

- E.g. focus on “eternal” postdocs (offer tenured position at home), “high achievers” nearing retirement or plainly bored etc.
- Focus on ‘столицы провинции’ (big cities with good universities, such as Kazan’, Tomsk etc.) in addition to the two capitals: empirically, this is where the success stories are coming from
- In the country, focus on ‘exclaves’ – institutional extensions of world economy in Russia – as platforms for collaboration with the diaspora
- Exclave at the institutional level is a place with a critical mass of international, including joint diaspora programs, as well as some history of employing people with western PhD, including diaspora and foreign nationals.
- Three types of such exclaves in Russia, all exceptions from a general rule :
  - 1) Universities (HSE, European University, SkTech etc)
  - 2) Public programs such Russian Venture Company
  - 3) (obviously) born-global start-ups

# Focus on 'Exclaves' – Institutional Extensions of World Economy within the Country

- Exclaves (e.g. elite universities in India, SEZs in China) are platforms for productive diaspora engagement everywhere: a natural win-win
- Russia is no exception: dynamic universities like TUSUR in Tomsk or Skolkovo Tech Russia re receptive to diaspora talent
- Internal ventures (exclaves) can exist in (almost) any organization (even in Russian госкомпании or established universities)
- They are Archimedean levers of positive change:  
Мюнхгаузен, поднимающий себя за волосы

**How can government programs support growth of such exclaves through diaspora engagement?**

# Conclusions

## (for an architect of global diaspora networks)

### 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 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.

**Спасибо за внимание**

[YKuznetsov@migrationpolicy.org](mailto:YKuznetsov@migrationpolicy.org)

[YKuznetsov1@gmail.com](mailto:YKuznetsov1@gmail.com)

[YKuznetsov@Worldbank.org](mailto:YKuznetsov@Worldbank.org)