

WBI DEVELOPMENT STUDIES

Diaspora Networks and the International Migration of Skills

How Countries Can Draw on Their Talent Abroad

Edited by
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The World Bank
Washington, DC

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1 2 3 4 5 09 08 07 06

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ISBN-10: 0-8213-6647-5

ISBN-13: 978-0-8213-6647-9

e-ISBN: 0-8213-6648-3

DOI: 10.1596/978-0-8213-6647-9

Library of Congress Cataloging-in-Publication Data

Diaspora networks and the international migration of skills : how countries can draw on their talent abroad / edited by Yevgeny Kuznetsov.

p. cm. -- (WBI development studies)

Includes bibliographical references and index.

ISBN-13: 978-0-8213-6647-9

ISBN-10: 0-8213-6647-5

1. Alien labor. 2. Human capital. 3. Brain drain. 4. Employment in foreign countries. 5. Emigration and immigration--Economic aspects. I. Kuznetsov, Yevgeny (Yevgeny N.), 1964-- II. Series.

HD6300.D53 2006

331.6'2--dc22

2006046424

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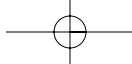
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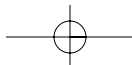
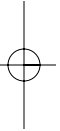
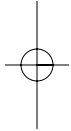
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Foreword

International migration is an increasingly important development issue. Transition to a knowledge-based economy creates a more integrated market for skills and puts a premium on talent. With talent and skills becoming the most precious assets of the world economy, the brain drain from the developing world is intensifying. The emergence of far-flung diasporas is a consequence of the global hunt for the best and brightest from the developing world. How to leverage the expertise and knowledge of diasporas for the benefit of sending countries is the main issue this book discusses.

For the World Bank Institute, publication of this book marks the beginning of a new agenda of promoting policy reform and institutional innovation in collaboration with diaspora members. Actors in diaspora networks can be crucial bridges between global state-of-the-art in policy, technological, and managerial expertise and local conditions in their home countries. Public sector reform, innovations in education and social services, and promotion of a knowledge-based private sector are just a few areas where diaspora members could team up with developing countries' governments and external funding agencies to promote a shared agenda of poverty reduction. This book describes emerging best practice of how this could be done.

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Contributors

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David Ellerman spent 10 years at the World Bank highlighted by three years as adviser and speechwriter for Chief Economist Joseph Stiglitz. He is currently a visiting scholar at the University of California at Riverside, and in 2005 published a book, *Helping People Help Themselves*, that discusses an indirect and autonomy-respecting approach toward development assistance.

Lev M. Freinkman is a senior economist at the World Bank, where he has worked primarily on economies in transition since 1992. In 1998–2002 he was a country economist working on Armenia and led various Bank teams that were involved in developing several credits for the Armenian government, as well as in preparing reports on the country's reform policies.

Yevgeny Kuznetsov is a senior economist with the World Bank's Knowledge for Development Program. Trained as a mathematical economist, he is a specialist in innovation policies and institutions. For the past 10 years, he has held various operational positions at the World Bank. Prior to joining the Bank, he was with the Brookings Institution.

Mairi MacRae is currently country head for China with Scottish Development International, the International arm of Scotland's economic development agency. Previously she was responsible for developing and managing the globalscot initiative, an 850-strong network of Scots and those with an affinity for Scotland who are actively engaged in Scotland's economic development efforts.

Jonathan Marks, a South African national, teaches at the University of Cape Town's Graduate School of Business. His teaching and research interests include entrepreneurship, issues of international migration, and mechanisms for leveraging diaspora networks for the benefit of countries of origin.

Victoria Anahí Minoian, an Argentinean national, is a public information specialist at the World Bank. Born and raised in Buenos Aires, she considers herself a member of two diasporas: the Argentinean diaspora and the Armenian diaspora.

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Federico Torres, at the time of writing the chapter on Mexico, was a consultant specializing in economic development and migration issues. He was involved in projects with the World Bank, the InterAmerican Development Bank, and the United Nations. He passed away in 2002.

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Preface

International mobility of talent and its most visible manifestation, brain drain (usually defined as the migration of human capital from less to more developed economies), is an important and hotly debated development issue. This volume examines how expatriate talent can make a contribution to the development of their countries of origin. The focus is on self-organized groups of expatriates: diaspora networks. Rather than viewing a diaspora as a relatively homogeneous, all-inclusive group of people from a particular country, this book stresses the heterogeneity and diversity of such networks.

The defining characteristic of networks of expatriate professionals (diaspora networks) is that they pertain to talent, be it technical, managerial, or creative. Talent is an elusive category, but a powerful one. This book defines talent as individuals of high impact. That impact can be in science and technology, business, culture, and politics.

This book examines the interaction of expatriate talent and institutions in expatriates' countries of origin in an attempt to make the potential of diasporas and their knowledge a reality. The critical importance of institutions in the home country is a central theme. However large and entrepreneurial networks of diaspora professionals are, home country institutions that are interested in and capable of implementing joint projects with expatriates are critical. The quality of these institutions varies widely: some are extremely capable; others are not. Diaspora networks link better-performing segments of home country institutions with forward-looking segments of the diaspora. The latter have the potential to generate a virtuous cycle that develops both home country institutions and diaspora networks. The question of how to trigger and sustain such a virtuous cycle that generates benefits for all parties involved—sending countries, receiving countries, and expatriates themselves—is a central concern of this book.

This is a book for practitioners by practitioners. The main audience is policy makers in developing countries who are developing programs and interventions to design effective diaspora networks and transform brain drain into brain gain. The focus is on the “how to” details of such interventions. The book will also be of interest to academics working on the migration of skills and development economics. Most of the chapters are written by individuals with direct knowledge of diaspora interventions or with diaspora experience. The wealth of such practical knowledge tends to remain tacit, therefore putting this knowledge in a coherent form is a major contribution of this book.

The book evolved as its editor and one of the co-authors, Lev Freinkman, became involved in practical projects to tap the potential of diasporas' talent. Starting with initial projects in El Salvador, they became involved in pilot projects and initiatives in countries as diverse as Argentina, Armenia, Chile, Mexico, and South Africa. In the process, they learned a good deal about how to leverage expatriate talent for the benefit of expatriates' countries of origin.

The analysis is structured in four parts. Part I, on analytical and policy issues, includes three chapters. Chapter 1, by Yevgeny Kuznetsov and Charles Sabel, provides an analytical overview of the main themes and introduces the book's key concepts. Decision makers pressed for time can read this chapter along with the concluding chapter, chapter 11, which summarizes policy recommendations.

Chapter 2, by David Ellerman, overviews the rapidly growing literature on the migration of skills, diasporas, and development and discusses virtuous and vicious cycles of development in the era of the global mobility of skills. It also explains why flows of remittances are unlikely to generate economic development, although they are certain to reduce poverty.

Chapter 3, by Richard Devane, surveys practical issues associated with mobilizing the expertise and financial resources of expatriates for the benefit of the home country. It highlights the role of diaspora networks in China, India, Israel, and Taiwan (China). The chapter shows how a few influential members of diasporas in decision-making positions in multinational companies can put their home countries on the map of major investment decisions of these firms.

Part II examines mature diaspora networks: large and sophisticated diasporas that have been in the making for decades. Chapter 4, by Abhishek Pandey, Alok Aggarwal, Richard Devane, and Yevgeny Kuznetsov, examines the evolution of the Indian diaspora and its contribution to India's development. It describes the evolution of diaspora networks and their members. The achievement of high professional status by a large number of Indian expatriates, which occurred in the 1980s and 1990s, seems to have been a precondition for them to contribute to India's development.

Chapter 5, by Federico Torres and Yevgeny Kuznetsov, examines the contributions of low-skilled migrants from Mexico. The chapter discusses the evolution of collective action by the diaspora, an important theme of this book. Migrants' clubs in the United States initially emerged to protect the rights of Mexican migrants. Over time they developed significant social capital, which allowed them to develop innovative programs for collective remittances. This chapter on low-skilled migrants provides a contrast with the rest of the chapters, which all focus on diasporas of highly skilled migrants. Migrants' clubs and collective remittances are quite sophisticated institutions, but even these institutions seem to have a limited impact on local development in Mexico. This is a cautionary note for the current hype equating remittances with development. Sadly, Federico Torres passed away in 2002. Yevgeny Kuznetsov updated and added to this chapter.

Chapter 6, by Victoria Anahí Minoian and Lev M. Freinkman, focuses on the Armenian diaspora, whose wealth dwarfs that of Armenia itself. Although philanthropic contributions are massive, private investments by the diaspora are scant. The chapter describes diaspora investments and examines the conditions necessary to scale them up and make them demonstration cases for other investors.

Part III examines emerging networks of relatively small diasporas of highly skilled expatriates. Chapter 7, by Yevgeny Kuznetsov, Adolfo Nemirovsky, and Gabriel Yoguel, tells the fascinating story of Argentina's diaspora. It illustrates how the diaspora functions as a mirror of national development. Every one of Argentina's many political and economic crises resulted in the emigration of skills. The Argentine diaspora is relatively small, but it is highly entrepreneurial and highly motivated to help Argentina. This motivation has not translated into tangible

projects, however, because Argentine institutions are weak. The individual ambitions of politicians and turf battles between government agencies have consistently blocked efforts to involve the diaspora in projects.

Chapter 8, by Jonathan Marks, on South Africa provides a contrasting story. South African institutions are relatively strong, but diaspora networks are too young to think seriously about investing in the home country (to say nothing about returning home). The chapter provides empirical evidence of diaspora motivation to get involved in the home country and describes innovative programs for transforming this motivation into tangible outcomes.

Chapter 9, by Fernando Chaparro, Hernán Jaramillo, and Vladimir Quintero, tells the story of the Network of Colombian Researchers Abroad, a network of Colombian graduate students abroad. The network showed promise because of the leadership of the head of the Colombian science and technology agency and support for scholarships abroad provided by a loan from the Inter-American Development Bank. Once the champion left his position and support for graduate scholarships dried up because of the budgetary crisis, the network ceased to be the vibrant network it once was. This is a story of institutional fragility. More robust institutional foundations are necessary to sustain this virtuous cycle. The chapter, written by the founders and advisers of the Network of Colombian Researchers Abroad, provides a critical assessment of the demise of the network and draws lessons for the future.

Part IV focuses on policy and institutional implications. Chapter 10, by Mairi MacRae, with Martin Wight, describes *globalscot*, a highly innovative and successful program to organize a brain circulation network of influential Scots abroad. It describes how a successful program can be constructed. The devil is said to be in the details, and the chapter provides those details with an engaging flow of argument and many telling examples.

The last chapter, by Yevgeny Kuznetsov, pulls the strands together by identifying the features of successful programs and interventions to organize effective diaspora networks. While home country institutions remain the key to success, key individuals in positions of influence can sometimes remedy institutional weaknesses. The chapter provides a taxonomy of different types of diaspora networks and relevant interventions for triggering such networks. It also touches on a broader issue of economic development by noting that diaspora networks are just one example of search networks. The “new industrial policy” is a new generation of interventions that addresses economic development problems without picking winners based on a diversity of search networks.

Yevgeny Kuznetsov

Acknowledgments

This book benefited from the talent of many individuals and diasporas in many countries. I would like to thank the U.K. Department for International Development's Knowledge and Skills Fund, and the World Bank President's Contingency Fund for generously supporting the preparation of the book and the pilot initiatives on which it is based.

I am most grateful to Elkyn Chaparro for his help in fermenting ideas about diasporas before such ideas were fashionable, and for providing inspiration at the embryonic stages of the book. Thanks also to Carl Dahlman, founder and former manager of the World Bank Institute's Knowledge for Development program and to Phil Karp for their advice and support. Finally, I would like to acknowledge Faythe Agnes Calandra, John Didier, and Alexey Volynets of the World Bank Institute for their help in the publishing process, and Alice Faintich for her able editorial assistance.

