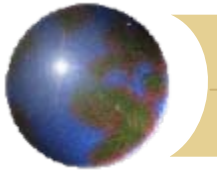


# ***Porque ChileGlobal?***

## ***Red de Talentos en el Exterior para Desarrollo Tecnológico de Chile***

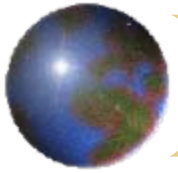
***Yevgeny Kuznetsov  
Senior Economist  
Knowledge for Development Program***

***Reunion de ChileGlobal  
San Francisco, June 10, 2005***



# *Structure of Presentation*

- 1. Context: what is at stake?**
- 2. Creating 'win-win': for the Chilean talent abroad and for Chile**
- 3. Emerging models of mobilizing Diasporas of highly skilled: lessons from India, China and other countries**
- 4. Red de Talento Chileno: options to explore**
- 5. Conclusions**



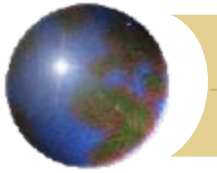
# **1. Context: What is at Stake?**

## **Challenge for Chile**

### **Transition to knowledge-based**

**economy** (this is not about IT and high-tech but transfer of technology for renewable resources etc.)

**Leveraging the Chilean talent abroad  
as an entry point into knowledge-  
based economy**



# 1. *Why Diaspora of highly skilled?* *Jig-saw puzzle of Chile*

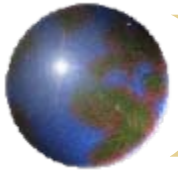
Metaphor of development as jig-saw puzzle

Many good elements already exist:

- Many good firms ('first movers')
- Many promising/ successful initiatives
- Highly skilled professionals abroad
- Yet critical mass of rapid sustained growth is slow to emerge: frustration (the promise is there but it is very elusive)

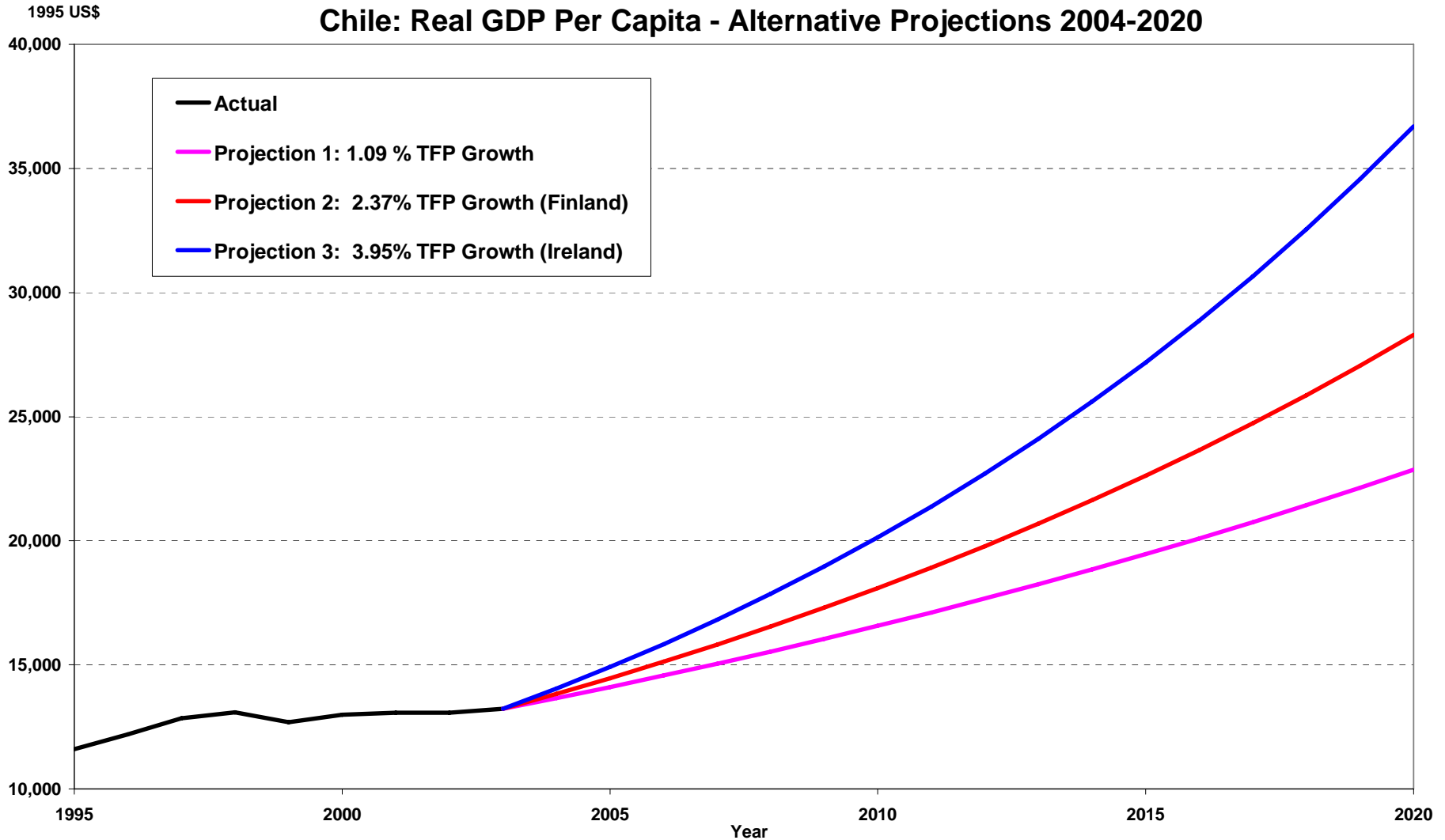
The problem: how to achieve critical mass in 5-8 years

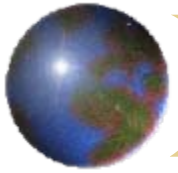
- Countries which achieved that: Asian high performers
- Countries which have made substantial progress: China, India, Hungary, Estonia



# 1. Context: What is at Stake?

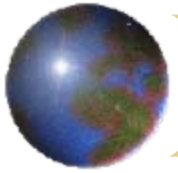
Chile: Real GDP Per Capita - Alternative Projections 2004-2020





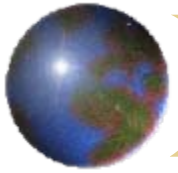
# 1. Why Diaspora of highly skilled?

- **Fostering a new generation of technology alliances between Chile and USA**
- A big change is underway:
- Two new trends:
- **1. Dramatic restructuring of how corporate R&D are performed** (from in-house to elaborate outsourcing). Newly industrialized countries emerging as a preferred location for outsourcing
- India, China, Russia and EU accession countries as new locations to outsource corporate R&D
- **2. Emergence of transnational ‘brain circulation networks’**
- Global hunt for talent: dramatic transformation of Silicon Valley.



# **1. Why Diaspora of highly skilled?**

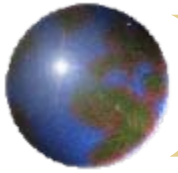
- **Firms now go where the talent is residing.**
- **China and India are two major beneficiaries of these two new trends. Because of this, they emerging superpowers.**
- **But also countries with advanced human capital, such as East European economies.**
- **Can Chile capture these new opportunities?**



# 1. Why Diasporas of Highly Skilled?

In many countries, Diasporas played a critical role  
In knowledge-based growth: China, India, Ireland,  
Israel

- Providers of venture capital, trade networks:
- Indian experience
- Sources of knowledge
- Chinese approach to attract back high level migrants  
(Specialized technology parks)



## *Why Diasporas of highly skilled?*

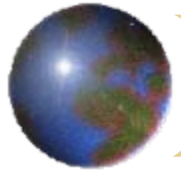
Passions fuelling interests: harnessing social energy

**Passions:** intrinsic motivation

Sense of duty, desire to 'repay', get involved in home country

**Interests:** responding to incentives

Professional incentives; profitability



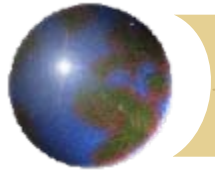
## 2. Creating 'win-win'

### Win-win: for the Chilean talent abroad and for Chile

#### Example

- In 1997 Ramón L. García, a Chilean biotechnology entrepreneur, CEO of InterLink contacted Fundación Chile.
- Interlink developed a way to identify novel chemical entities derived from microorganisms
- After jointly reviewing their portfolios of initiatives, Interlink and Fundación founded a new, co-owned company, Biogenetic S.A
- The company is key to the continuing competitiveness of its rapidly growing agribusiness sector.
- Without García's deep knowledge of Chile, advanced U.S. education, exposure to U.S. managerial practice, and experience as an entrepreneur, the new company would have been inconceivable.

This is an example of nascent 'brain circulation'



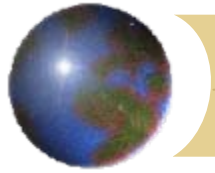
## 2. Creating 'win-win'

What is 'brain circulation' network?

A network of business talent spanning more advanced country and a country of origin

Source of policy, technological and market intelligence

Example: Taiwan. Venture capital industry in Taiwan was created with direct policy, technological and marketing support of successful entrepreneurs in Silicon Valley of Chinese origin



## 2. Creating 'win-win'

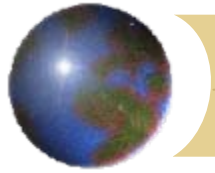
### Chile as a new Asian tiger?

Chile already has a highly capable public sector (like Asian tigers)

It is part of Pacific rim and its markets are increasingly in Asia?

Can it define its own version of 'second-mover' advantage, like Taiwan has done 15 years ago?

(Second-mover advantage: innovation-based mass-produced products (e.g. biotechnology in salmon))



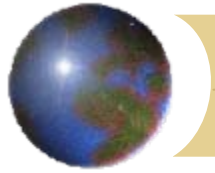
## 2. Creating 'win-win'

### Chile as a new Asian tiger?

- Chilean talent abroad as a critical resource, like in Taiwan, China, India etc.
- You are making history here while advancing professionally ('win-win')

A view of the skeptics:

- Chilean talent abroad is fairly small, numbers are not there
- Taiwan is really an exception

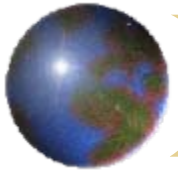


## 2. Creating 'win-win'

### Chile as a new Asian tiger?

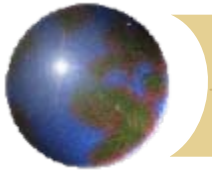
A response to skeptics

- brain circulation network with Chile is already emerging but as serendipity (happy coincidence)
- we need dozens 'Interlink' stories to accelerate innovation clusters in Chile
- objective of ChileGlobal: move from serendipity to institutionalized brain circulation networks
- other countries have done it : India, Scotland, even Armenia



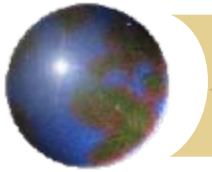
## **2. Ejemplos de éxito: ejemplo Hindú**

- En los últimos 20 años el número de inmigrantes hindúes a EE.UU. de muy elevada calificación ha sido muy significativo.
- Muchos de ellos se convirtieron en ejecutivos seniors en las mayores corporaciones de EE.UU. Estas posiciones les permitieron estimular en la India la industria de software y de servicios informáticos. Por ejemplo:
- Kanwal Rekhi de Novell fue uno de los primeros que generó desde su puesto en EE.UU. contratos a Infosys y a otras empresas emergentes hindúes de software.
- Alok Aggarwal de IBM convenció a su compañía para que establezcan un centro de investigación en la India y para que lo trasladaran ahí para que se encargue del desarrollo del proyecto.
- Rajat Gupta de McKinsey convenció a su compañía para que se transforme en una de las pioneras en establecer subcontratos en el mercado de servicios de investigación en la India y se constituyó en un líder para el desarrollo de una escuela hindú de negocios en Hyderabad.
- Ash Gupta de American Express tuvo una influencia clave en la decisión de establecer en la India un centro de servicios a los clientes que actualmente ocupa 5000 personas.



## **2. Example of Greater China: Transnational Venture Capital Networks**

- Networks bring together Silicon Valley and high tech industries of the world and Greater China
- New immigrant entrepreneurs build professional and social networks
- Taiwan has been very successful in tapping into the market and technical knowledge of Chinese Diaspora. Has also set up very strong incentives to repatriate many.
- China is also beginning to do this. Is attracting many to high tech centers set up throughout China. Is even attracting Taiwanese born Diaspora to set up and manage high tech industry in China.



## *2. Ejemplos de éxito: Global Scot*

- **A program to manage enthusiasm to get involved of about 800 high-placed Scots all over the world**
- **A part of Scottish Enterprise – Scottish Economic Development Agency**
- **A program with annual budget of about 300 thousand pounds**
- **A highly successful network of expatriate professionals due to a diversity of early success stories**



### 3. Emerging models of mobilizing Diasporas of highly skilled: lessons from other countries

Most government initiatives to establish 'brain gain' networks have failed

- A lot of initial enthusiasm which dissipates. E.g.: Red Caldas of Colombia
- Major lesson: Expatriate networks need to generate transactions (demonstration effects), people get tired of discussion
- New sources of promising experience: South Africa, Armenia



### **3. Emerging models of mobilizing Diasporas of highly skilled**

#### **Why Diaspora initiatives tend to fail?**

- Easy to start: a lot enthusiasm**
- More difficult to maintain momentum: enthusiasm tends to evaporate**
- a need to produce win-win situations for everybody**



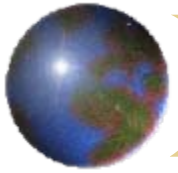
### 3. Emerging models of mobilizing Diasporas of highly skilled: lessons from other countries

Two types of initiatives:

-- Diaspora initiatives: organize Diaspora to promote interests if migrants abroad

Social events, conferences: let Diaspora members get to know each others

**-- Create networks of talent to generate projects**  
**More humble objective. Start from accidental successes (serendipity) and create institutionalised network.**  
**Expatriate network as project development facility**



### 3. Roles of prominent members of the Diasporas/ Emerging models of Diaspora mobilization

#### 1. Top executives model – India

Indian executives in major multinationals influenced investment decisions to outsource knowledge-intensive operations to India:

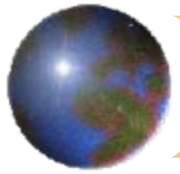
*Technology and R&D outsourcing networks*

#### 2. Mentoring/ Venture capital model – South Africa, Korea, Taiwan, Israel

Managers and owners of European start-up firms of South-African origin work South African start-up to develop and finance commercially viable projects: *Venture capital networks*

#### 3. Diaspora members as investors – greater China ('Bamboo network')

Diaspora members know reality of home countries well and have access to risk-mitigation strategies. Personal trust between members of *cross-border investor networks* reduces transaction costs.



### 3. Roles of prominent members of the Diasporas/ Emerging models of Diaspora mobilization

#### 4. Setting new strategic direction/ identification of new opportunities – Israel, Armenia, India

Diaspora members identify niches: translate global opportunities into business projects: *scanning networks*

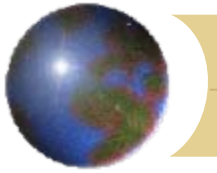
(e.g. ‘Armenia 2025’: four detailed scenarios of Armenia’ development, an about \$2 mln. study by McKinsey – *was done for free thanks to top executives of Armenian origin in McKinsey* )

#### 5. Return of talent model – China, Korea

Incentives (like special technology parks in China) for the talent to come back: *brain circulation networks*

#### 6. A model of basic outsourcing – Armenia

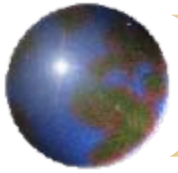
Successful Diaspora members who ‘made it’ send back outsourcing contracts to firms back home: *outsourcing networks*



## 4. Pragmatic Diaspora Initiatives

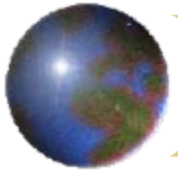
### Paradox of Diaspora Initiatives

- ❖ **Individual champions** ('padrinos') are indispensable to **initiate** Diaspora initiatives
- ❖ **Capable organizations** in home countries are critical to **sustain** it (e.g. GlobalScot a network of 800 influential Scots all over the world is successful thanks to Scottish Enterprise)
- ❖ **A paradox: to utilize Diasporas one needs capable institutions at home**
- ❖ **Pragmatic** initiatives: relying on individual champions to develop institutions



## 4. *Diaspora initiative: institutionalizing existing informal Diaspora networks*

- Informal Diaspora networks already exist.
- Objective, as always, is ‘critical mass’: getting from spectacular exceptions to an institutionalized procedure of reaching to influential Chileans abroad.
- Building such a critical mass means creating an exclusive club of ‘overachievers’ and defining specific commitments from them. A spirit of exclusivity is the key here.
- India has done it, Armenia is doing it right now and Chile should and could set an example for the whole of Latin America.

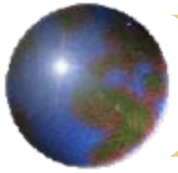


## 4. Pragmatic Diaspora initiatives

The challenge is to nourish the following agents:

- A small group of dedicated overachievers is the key: these champions act a springboard for tangible projects
- A small secretariat of paid professional staff serves a system integrator to transform ideas to projects
- Broader network of professionals abroad who participate with ideas,

Decision-making power, and (less important) funding.



## **4. Pragmatic Diaspora initiatives**

**Synergy between two parallel directions:**

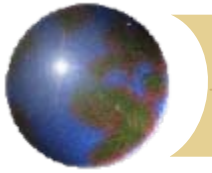
- network of networks (red de redes): Discussions (conferences, websites, publications)**
- specialized networks to transform good business ideas into projects: Transactions**

**Red de Redes: a small secretariat, a new NGO can be created**

**Specialized networks: Red de Talentos as Project Development Facility**

**Extension of core business of Fundacion Chile.**

**Recognized brand name is important: rely on it  
Fundacion Chile as a hub of business brain circulation**



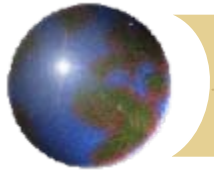
## 4. *Pragmatic initiatives*

### **Red de Talentos as Project Development Facility: focus on transactions**

1. Taking stock of existing successful cases of collaboration with influential Chileans abroad
2. *Preparar carpeta de proyectos*

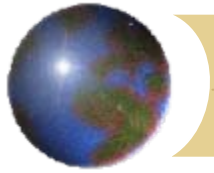
A small consultancy study to match areas of strengths of Chile S&T and restructuring of corporate R&D of major US multinationals. Prominent Chileans abroad to lead/participate in this study

3. Consultations with prospective 'padrinos'



## 5. *Conclusions*

1. Diasporas of talent can be very useful for home countries but to develop their potential, concerted effort is required. This concerted effort takes time.
2. In the **short term**, individual champions and tangible success stories (demonstration effects) are the key
3. In the **longer-term**, institutions of the home countries are the key (Diasporas are not a panacea)
4. Focus on **pragmatism**: **relying on individual champions to develop institutions**



## **5. Conclusions**

**Chile is at the turning point.**

**You are making history ...**

**While advancing professionally**

**But this 'win-win' is not automatic, it needs to be constructed.**

**This is the objective of ChileGlobal**