



Indians Without Borders

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The Indian diaspora can create tremendous value for itself
and for India – the time to act is now.

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Introduction

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Thousands of people will gather in Delhi on 9 January 2003, to discuss the potential of a global community of Indians, to rejuvenate the bonds among overseas Indians, and to sensitize India about their issues and concerns. This is likely to be a terrific event. Yet, after the music is over and the speeches are made, after the awards are presented and friends united, there will remain the question that will only be answered one transaction at a time in the years to come: What is the economic and social basis for a sustainable partnership between India and its diaspora, and for a valuable network amongst the diaspora?

Economists believe that Indian GDP growth of 10 percent per year will require an increase in annual investment from 24 percent of GDP to 30 percent of GDP, and a doubling of labor and capital productivity. The Indian diaspora can help close India's investment gap, raise productivity, and can also contribute in a number of other ways that make it a significant partner in India's development. This paper lays out a framework for exploring the role of the Indian diaspora in India and independent of India.

The first chapter demonstrates that the diaspora wields commercial and social influence from its rising prosperity, its business and technical skills, its willingness to invest in India, as well as the value the network itself generates for its members. The diaspora, which is often considered a liability, a 'Brain Drain', is in fact a severely underutilized asset; it is a 'Brain Trust', to be leveraged.

The second chapter discusses how overseas Indians believe they can contribute to India's development. They hope that India will welcome their involvement and recognize that they can be important contributors to India's growth. The diaspora can and has already begun to partner with India in several ways: as investor, customer, supplier, ambassador, and philanthropist.

The third chapter argues that cultivating a partnership with the diaspora requires an 'enabling environment', i.e., creating a virtuous cycle that includes clear-headed economic, trade, and foreign policy; availability of labor, capital, technology, and business infrastructure; effective and efficient legal recourse; and demonstrable progress in quality of life. Although several efforts to develop partnerships with, and among, the diaspora are already underway, strong leaders, a win-win mindset, and sustained implementation can significantly accelerate growth.

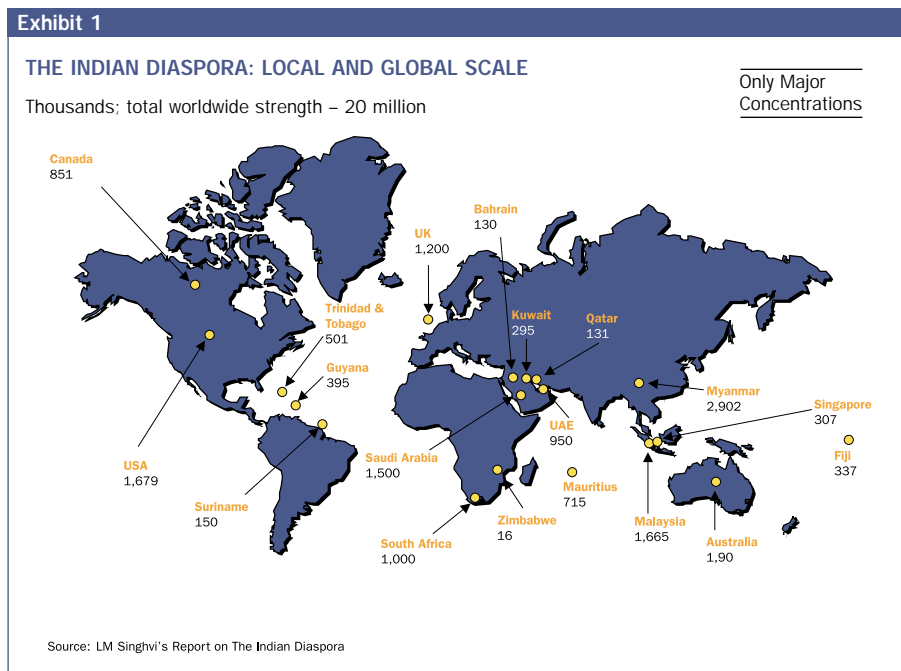
The Indian diaspora: An influential and valuable community

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The Indian diaspora, the global community of Non-Resident Indians (NRIs) and People of Indian Origin (PIOs), is 20 million strong (equal to about two percent of India's population), and generates an annual income equal to 35 percent of India's GDP. The diaspora has already had positive worldwide influence on government, corporate, and peoples' perception of India. It wields commercial and social influence due to its local and global scale, its rising prosperity, its business and technical skills, its willingness to invest in India, as well as the value the network itself generates for its members. Often considered a liability, a 'Brain Drain', the diaspora is in fact a severely underutilized asset, a 'Brain Trust', to be leveraged.

LOCAL AND GLOBAL SCALE

Around twenty million overseas Indians in 110 countries growing at about 10 percent per year represent, after China and UK, the largest diaspora in the world. Indians make up the largest minority group in the UK, Saudi Arabia, and Mauritius, and the third largest (six percent of the population) in Singapore. Indians tend to live in local concentrated clusters – over 17



percent of the entire population in Edison Township, New Jersey, is Indian; close to 42 percent of Fiji is Indian. This critical mass at a global, country, and local level provides the impetus for the Indian community to organize itself and collaborate towards common goals.

RISING PROSPERITY

An annual per capita income of around \$8,000 puts overseas Indians, on average, in the same income bracket as the top seven percent of urban households in India in 2001. Equally importantly, the Indian diaspora is considered an affluent segment in most of its adopted countries – a target for marketers and an influence in local business and politics. The median income of an Indian-American family is 50 percent higher than the national average. UK Indians have the highest household income among the minority groups. The per capita income of Singapore Indians tracks the national Singapore average. The diaspora has the credibility to raise capital in world markets and drive trade in Indian products.

WORLD-CLASS BUSINESS AND TECHNICAL SKILLS

Overseas Indians are highly educated and over 35 percent of them pursue managerial and professional occupations. In Singapore, Indians have the highest and fastest growing share of university graduates. More than 5,000 Indians serve as university faculty in the US. Senior executives in multinationals such as Citibank, HSBC, McKinsey, Pepsi, and Standard Chartered are of Indian origin. Overseas Indians in countries such as Canada, Mauritius, Singapore, and UK are leading political figures. While Indians abroad have distinguished themselves in several fields, specific professions in certain countries are inexorably associated with Indians. Indians own around 60 percent of independent retail stores in the UK, nearly 25 percent of UK doctors are of Indian origin, and Indians operate almost half of all hotels/motels in the US. This is a talent pool that can lend its intellectual capital to India, provide insights to Indian corporate boardrooms, and advise Indian businesses on global best practices.

WILLING TO COLLABORATE WITH INDIA

Since the 1960s, Indians have emigrated to other countries to seek better economic opportunities, rather than escape any political or social persecution. The diaspora, by and large has a very positive emotional bond with India, and their ties are based on family, religion, values, language, and tradition. Marketers have observed a resurgence of interest in India, even among second and third generation Indians. In addition, India's progress in the last decade has created a reinforcing momentum for its expatriates to increase their involvement with their country of origin.

In the last three years, NRI FDI has doubled to ~\$1 billion, and deposits have

increased 33 percent to over \$25 billion. These investments in hospitals, tourism, research, education, and technology have already had profound social and economic impact and can be nurtured even more.

VALUE IN THE NETWORK

Overseas Indians derive tremendous value from their community in their adopted countries. Indians founded 15 percent of all high-technology startups in Silicon Valley. These start-ups often use Indian talent – over 300,000 Indians work in Silicon Valley, are able to leverage a network to raise funds, get mentorship, access distribution channels, promote the image of a modern India through their success, and spawn more enterprise. Several diaspora organizations, such as the IndUS Entrepreneurs, enable this support. These networks among the expatriates benefit not only their participants, but India as well.



Network power: Roles the diaspora can play

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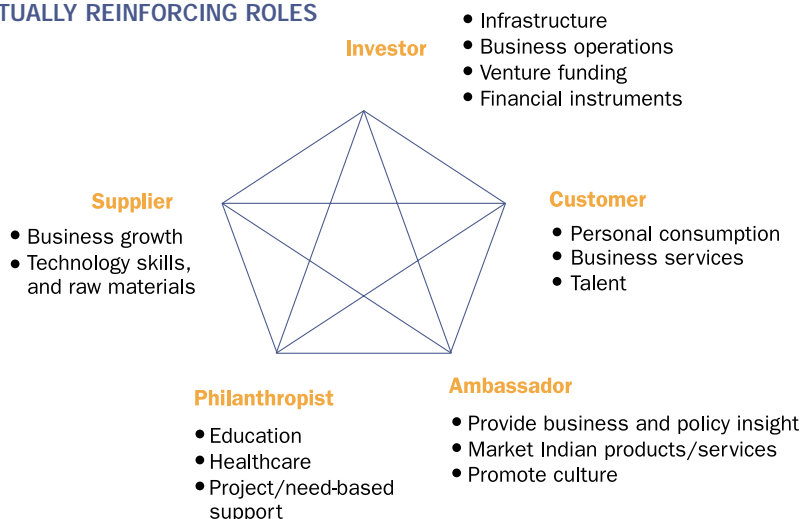
Overseas Indians feel they should contribute to India's development, and many are disappointed that they have not done more. Several first-generation Indians recognize that they have benefited from low-cost education. Some of them will return to retire in India, but their productive income-earning years have been elsewhere. Members of the diaspora we interviewed echoed warm memories of home and a willingness to participate in India's future, but had no regrets about having left their country to find superior economic opportunities.

Diaspora members are hopeful that India will welcome their involvement and recognize that they can be important contributors to India's growth. The diaspora network could play many different roles: investor, customer, supplier, ambassador, and philanthropist; each of these relationships must of course demonstrate a positive return for all partners.

The five roles that the diaspora could play are highly interlinked and reinforce each other. Supportive policies and swift implementation to enable diaspora partnerships will result in the kind of bottom-line economic and social impact that will truly help India. The examples below illustrate how the union of economic and emotional motivations can have a powerful impact.

Exhibit 2

MUTUALLY REINFORCING ROLES



INVESTOR

India needs to considerably grow capital formation and the diaspora can play a major role in this area. There has been some headway in attracting diaspora

investment, but it is still too little, and too slow. Diaspora investments could be in social infrastructure, business expansion into India, new venture funds to spark innovation, and deposits in diversified financial instruments.

- **Infrastructure:** India needs world-class power, communications, transportation, urban development, and education infrastructure. The diaspora can play an important role in buying bonds, channeling funds, and participating in the debate on infrastructure priorities.
 - Indus Holdings, founded by the Hinduja family of London, leverages tax-breaks in Mauritius, and channels money from overseas Indian investors into banking, communications, power, airports, and urban transit systems.
 - Amid much debate, the Andhra Pradesh Government stays committed to the US \$17 million Pulichintala reservoir project, in some part due to the support shown by NRI Telugus in offering to purchase bonds, and in lobbying the World Bank and the Central Government.
- **Business operations:** Overseas Indians working in multinationals can help their companies take advantage of lower cost, but high-quality, services and talent in India to establish manufacturing and research and development facilities. For example, Motorola is setting up a \$13 million flagship facility in Bangalore. At a press conference, Motorola's GM for its software group accompanied by two Indians, the Asia-Pacific GM and the MD of Motorola India, said that the center will develop software and applications for Motorola's global wireless networks, mobile phones, and consumer electronics businesses; will operate at the highest quality level (SEI level 5); and will utilize Indian software talent.
- **Venture funding:** Growing entrepreneurial activity, fostering innovation, and raising productivity are critical in any economy. US \$3.7 billion of venture capital funding spawned 742 start-up/seed and early-stage companies in the US in the first three quarters of 2002. Funds in India have raised about US \$500 million, mostly targeted to later stage companies rather than true start ups, since regulations still hinder business launch and exit. By comparison, Taiwan created a venture capital industry with its diaspora – Silicon Valley returnees started more than half of the companies in the Hsinchu Science-based Industrial Park, which now accounts for roughly 10 percent of Taiwan's gross national product.

- **Financial instruments:** A high-growth economy like India should be able to successfully compete for overseas Indian savings. Assuming a savings rate of 15 percent, overseas Indian individuals invest US \$24 billion every year in bank deposits, shares, and bonds, but India only attracted about US \$3 billion of these savings in 2002. Unit Trust of India has launched growth sector and international funds to attract international deposits. Besides deposits, overseas Indians remit money to their families in India. Remittances of US \$5 billion came in from 2.5 million Indians in the Gulf last year. Much more is possible if draft and wire processes were made simpler, cheaper, and quicker.

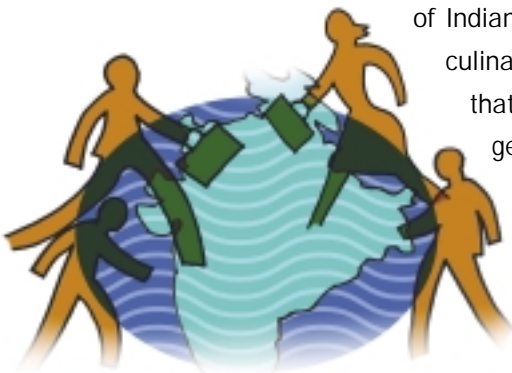
CUSTOMER

The diaspora could be an attractive market segment for Indian exports and success with this segment could influence consumption among broader international consumers. In addition, companies around the world are becoming customers of India's business products and services, and remain customers of its talent.

- **Personal consumption:** There are diaspora customers of Indian goods both within India and overseas.
 - Diaspora consumption in India: Overseas Indians are a key segment in making India the number one tourist destination in the world. Over 28% of India's tourists are NRI's. Tourist infrastructure has been improving, but is still not of the breadth and quality Indian heritage deserves.
 - Diaspora consumption of Indian goods outside India: Demand for Indian goods (e.g., art, movies, music, food, literature) has been increasing. Bollywood movies now premiere in cities across the world at the same time they launch in India. International receipts contributed 42.5 percent of the total receipts for the movie Devdas.

Each of the 10,000 curry-houses in the UK is a customer of Indian spices, food products, handicrafts, and even culinary talent. In addition, the UK Indian population that made curry a 'national' dish, has helped them generate revenues of over \$2 billion per year, greater than the combined revenues of the UK steel, coal, and shipping industries.

- **Business services:** Indian firms have already established their global



reputation as low-cost, high-quality outsourcers of business processes (e.g., IT, software development, customer support), and this market is poised to grow. CIOs currently outsource about three percent of their budget, but up to 10 percent of their budget can be addressed. Diaspora-owned companies and overseas Indians working in major multinationals were the original customers who gave Indian companies their first contracts, and are an important segment for new growth.

- **Talent:** India has been, and will continue to be an exporter of people. It is a country with a large number of educated, English-speaking people, and will inevitably lose them to better international opportunities. Singapore is recruiting in China, India, and Malaysia to fill IT positions. Japan forecasts that it will have to import at least 30,000 high-technology workers over the next five years. The United States has nearly doubled the annual quota of temporary work visas it grants to foreign professionals. The exodus of talent has worried policy makers, but it is unavoidable in the short term. Indeed, the Indian diaspora could double in size. The challenge is to form productive ties with this diaspora, and over the long term accelerate domestic economic growth to create world-class opportunities within India that attract back and reduce the exodus of this talent.

SUPPLIER

The diaspora, as a supplier, can participate in, and help their companies expand into the growing Indian market. At the same time, Indian industry needs access to world-class technology, skills, and raw materials through a dependable and competitive network of vendors.

- **Business Growth:** Multinationals we interviewed maintained that while the Indian market is currently a small part of their global performance, it has always represented an attractive growth market. However, it is perceived as a difficult market to navigate. Overseas Indians working in multinationals can help their companies expand into Indian markets. For example, overseas Indians in senior management positions were instrumental in launching the Indian sales and marketing operations of AT&T, Pepsi, and Nortel.
- **Technology, skills, and raw materials:** Diaspora owned or operated companies can be a valuable resource for Indian businesses. Indian business process outsourcing firms have aggressively leveraged

diaspora consultants to expand sales. An Indian telecom company used diaspora engineers and licensed software applications from diaspora firms to incorporate the latest technology in their network and services platform.

AMBASSADOR

The diaspora is already the virtual representative of India. As overseas Indians rise to the highest levels of international business and politics, they can influence the way people think about India. They can provide business insights, promote Indian products and services, act in behind-the-scenes thought partnering roles with corporate, civic, and political leaders, and even act as a go-between where necessary to facilitate relationships and negotiations among Indians and other global stakeholders.

- **Provide business and policy insight:** We are in a highly competitive world, where product lifecycles are short, and first-mover advantage is critical. The diaspora can help provide the edge to Indian business leaders and policy makers by being a source of counsel.
- **Market Indian products/services:** Overseas Indians can promote Indian products/services abroad. This is already happening, but needs to be accelerated. Country-wide organizations, such as the Federation of Indian Associations in the US, and occupational guilds, such as the South Asian Bar Association, can open new doors for investments into India and facilitate exchange programs.
- **Promote culture:** Indian media is already influencing the diaspora with frequent, perhaps daily, connectivity to India. Movies by non-resident Indian directors have showcased India. ForIndia.com, a website started by an NRI, is one of several Internet portals offering instant news and information on Indian politics, economic affairs, and social trends.

PHILANTHROPIST

The diaspora has always been very involved in philanthropic activities. Some examples of these initiatives are recounted below.

- **Higher education:** Several Indian business leaders supplemented by a number of overseas Indians, both in their personal and institutional capacity, led the effort to establish a world-class management institution in India – the Indian School of Business in Hyderabad. A similar effort is now underway to establish an Indian Institute of Public

Health. Alums have donated over \$50 million to the IIT's so that they may continue to provide high quality education.

- **Primary education:** Of the 133 million children in the world between the ages of 6 and 18 who have never attended or dropped out of school, 32 million are in India. The Dacca, Senegal declaration of 2000 aspires toward the attainment of universal education by 2015. Several major diaspora organizations, such as Asha for Education, are actively supporting primary education in India, but the effort needs to be intensified.
- **Healthcare:** Over the years, thousands of Indian doctors have returned for short periods of time to provide medical services to Indians. They have worked in hospitals, medical camps, and teaching institutions to deliver healthcare. Many major medical institutions have been established and funded by diaspora members such as the Hinduja Hospital in Mumbai and the L V Prasad Eye Institute in Hyderabad.
- **Project/need-based support:** The diaspora has proven its support time and again for project-based efforts targeting specific issues. Thousands of overseas Indians have volunteered their help for disaster relief operations. After the Gujarat earthquake, NRI groups in the UAE adopted small towns and villages, the American India Foundation in North America raised US \$4.7 million for the quake victims, and thousands of overseas Indians were among those who volunteered in the aftermath.

India is fortunate to have a large and thriving NGO community. There are also many NGOs operating in the diaspora to provide various kinds of social services to the community. For instance, Saheli is a well-recognized NGO working to help South Asian women adjust to life in America. It has also done pioneering work to report abuse and harassment cases. Indians around the world are happy to contribute to such deserving causes, but there is no efficient intermediary that funnels donations to deserving NGOs. The United Way in the US and the United Jewish Communities are two efficient intermediaries that can accept donations from individual donors and then distribute them to a set of qualified charities. There is a real need to establish a similar organization to assist Indian NGOs around the world.

From ideas to action: Building a vibrant diaspora network

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India will surely benefit by strengthening its partnership with its diaspora. Of course, any such partnership is predicated on a long term enabling environment in India. This environment must encompass clear-headed economic, trade, and foreign policy; availability of labor, capital, technology, and business infrastructure (e.g., power and transportation); effective and efficient legal recourse; and demonstrable progress in quality of life.

Several efforts to develop partnerships with, and among the diaspora are already underway, and some progress has been made. But now is the opportune time to substantially strengthen the partnership through strong leadership, a win-win mindset, and sustained implementation.

PROGRESS MADE

Significant progress has been made, particularly in the last 6 to 12 months, to highlight the beneficial role overseas Indians can play in India's economic development, to acknowledge their concerns, and to begin taking action.

- **Public visibility of the diaspora opportunity:** The report by the High Level Committee on the Indian diaspora provides data on the strength and breadth of the diaspora, and offers options for debate and discussion.
- **Ease of travel for overseas Indians:** The cost of a PIO card, a multiple entry visa for 20 years, has been reduced from about US \$1,000 to US \$310.
- **Public acknowledgement of diaspora contributions:** The diaspora is being publicly acknowledged for its successes and for its potential through an annual 'Pravasi Bharatiya Divas' and through 'Pravasi Samman' awards to 10 prominent PIOs and NRIs.
- **Financial instruments to channel funds:** The Government continues to issue bonds to finance infrastructure investment, and has raised over US \$10 billion from overseas Indians.
- **Communication with and among the diaspora:** FICCI is creating a database of overseas Indians who will attend the first 'Pravasi Bharatiya Divas' conference in Delhi (January 9, 2003). In addition, several regional and occupational organizations have created databases relevant to their areas. For example, the Council of Scientific and Industrial Research (CSIR) draws people for its exchange programs from its register of Indians abroad that tracks scientific expertise.

CAREFUL CULTIVATION OF THE CHINESE DIASPORA

- Establishing clear responsibility and authority in the Overseas Chinese Affairs Office
- Developing clear priorities around which to build partnerships
- Actively attracting overseas talent
- Encouraging trade, investment, and travel policies
- Acknowledging the importance of the diaspora
- Providing forums for diaspora networking

- **Specialized services for overseas Indians:** Initiatives like Invest India of the Confederation of Indian Industry (CII), provide information on foreign investment policy, advisory services to investors, and access to a network of 33 offices in India and 10 offices internationally.
- **Continued progress on investment and foreign exchange policies:** India continues on its path of economic reform and laying the groundwork for attracting the diaspora. NRI rupee deposits are largely convertible, talent tax credits encourage companies to hire expatriates, and simplified laws facilitate property acquisition.
- **Organic developments in the diaspora:** The Indian diaspora is already beginning to cluster on its own accord, such as in Chambers of Commerce, and proactively establish avenues for collaboration with India.
- **Early business successes:** There are now several success stories of diaspora collaboration that offer a guidebook for others to follow. Apollo Hospital was established in 1980 by Dr. Reddy, a US-based cardiologist, and is now an umbrella body for over 26 hospitals with the latest medical facilities. It began with the support of 450 doctors each contributing cash (US \$10,000 to \$50,000), in-kind equipment, and expertise.

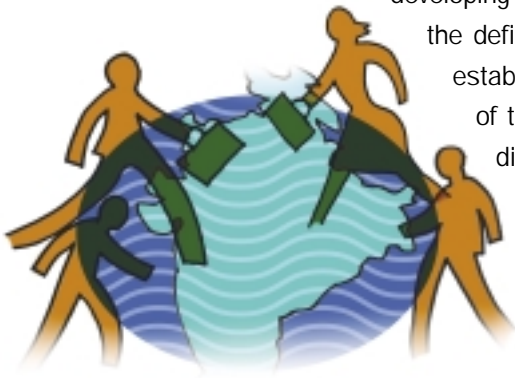
CHALLENGES AHEAD

These efforts need to continue with high aspirations of world-class success, and a firm commitment to achieving them. This will require strong leadership, a win-win mindset, and sustained implementation.

- **Strong in-country and diaspora leadership:** Leaders of the Chinese diaspora focus primarily on economics and profits while leaders of the Jewish diaspora focus primarily on culture and heritage. In both cases, in-country leaders encouraged outreach to the global community, overseas talent was recruited, and teams of potential leaders were trained. Individual links amongst these leaders helped to develop the vision around which the diaspora and its home country coalesced, and to lead the initiatives that led to economic, political, and social change.
- **Win-win mindset:** Indians are often accused of being short-term oriented, of optimizing immediate gain and disregarding the long term. Value from the diaspora will not accrue quickly. It will require a longer term perspective, institutional integrity and memory, and a commitment to providing world-class service. It will require providing support to the

diaspora, listening to their counsel and recognizing their achievements. This is a mindset that will take many years to build.

- Sustained implementation:** Forging a long-term partnership with the diaspora requires sustained effort and initiatives that extend across broad geographies and industries. Successful execution of these initiatives requires clear accountability, detail-driven program management, and constant communication. India needs to establish a high-level office in which the diaspora initiative can find a home for the next decade – from developing strategy to being accountable for results. One of the defining moments of the Chinese diaspora was the establishment of the Overseas Chinese Affairs Office of the State Council. It had clear responsibility and directives, the authority to work expeditiously with different levels of government, and the resources to coordinate initiatives of overseas Chinese through its provincial offices and the international community organizations it supported.



MOVING FORWARD

As India and its diaspora move forward in this effort to build a partnership, there are some key questions that should be considered. These have to do with setting high aspirations and the ways in which India and the diaspora can be organized for action.

- Set high aspirations:** Successful diaspora networks are usually centered on energizing aspirations around which the global community can coalesce. The Chinese network is chiefly oriented around wealth creation and economic growth. The Jewish diaspora is well known for its cultural cohesion and support for the Jewish way of life. The aspirations of the Indian diaspora must represent the multi-faceted interests of overseas Indians and India's regional and sectoral priorities. They could include aspects of India's economic growth and its rich cultural heritage.
 - What are the uniquely Indian aspirations and priorities that will resonate with the Indian diaspora?
 - How can these aspirations weave together national pride, economic motivations, cultural elements, and so on, to connect the global community?
 - What are India's social, political, and business priorities that warrant diaspora collaboration? By state? By sector?

- **Organize India for action:** Governments have played effective roles as facilitators of diaspora networks. China's, Singapore's, and Thailand's governments, for example, have facilitated multiple seamless points of connection between their diasporas and the home country.
 - What is the formal organization that will coordinate the diaspora initiative?
 - What role will the Indian government have to play? Should the initiative be executed at the Federal level or should States spearhead overseas Indian collaboration?
 - What are the mechanisms that will forge personal ties between Indian government/business leaders and the diaspora?
- **Organize the diaspora for action:** Diasporas, which have been successful, are organized for action. Organic developments are natural and indeed necessary, but some institutional structure is important as well.
 - How should the Indian diaspora be organized (e.g., geographic networks, occupational guilds)?
 - Who are the global leaders who will commit themselves to organize the Indian community?
 - What is the best way to ensure participation of and provide support to overseas Indians in the diaspora initiative? Should there be a steering group comprised of prominent overseas Indians?
 - Should the diaspora have political representation in India?

The Indian diaspora has the potential to play an important role in India's development and can be a valuable network for its members. China and Israel have shown the way in building win-win partnerships with their overseas communities. India needs leadership and vigorous action to transform its far-flung diaspora into a vibrant community. The time is now.

The authors would like to thank Preeti Singh, Pramath Sinha and Adil Zainulbhai for their contributions to this paper. They would also like to thank all the experts, too many to name, who agreed to be interviewed.

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China's careful cultivation of overseas Chinese

Bamboo network: China's careful cultivation of overseas Chinese

A3

The 'Bamboo Network' of overseas Chinese comprises 55 million people, together earning about US \$700 billion per year, organized by guilds and clan associations. By some estimates, overseas Chinese provide US \$1.5 trillion to US \$2 trillion of floating capital to Chinese diaspora businesses around the world, investments in foreign enterprise, and investments in China. They wield control over 40-80 percent of business in South East Asian countries such as Malaysia, Indonesia, Singapore, Philippines, and Thailand.

'Guanxi', meaning 'connections', has been lauded as the critical factor in China's economic transformation, and has been romanticized in literature and film. This is a story of meaningful overseas contributions for profit, honor, and sentiment – a story of careful, diligent cultivation by the Chinese government and initiative by the Chinese diaspora.

MEANINGFUL PARTNERSHIPS IN THE BAMBOO NETWORK

The overseas Chinese network has derived tremendous economic and emotional value from partnering with China, and has been instrumental in supporting Chinese diaspora business abroad. They have taken part in the, often intertwined, roles of investor, customer, supplier, ambassador, and philanthropist.

- **Investor:** About 65 percent to 80 percent of China's Foreign Direct Investment comes from overseas Chinese. This translates to over US \$60 billion per year that is invested against priority sectors, such as regional development. For example, overseas Chinese with roots in Choayang, including several tycoons, invested in advanced equipment and urban infrastructure resulting in local GDP growth of over 20 percent. Recently the Chinese government has been spearheading an effort to focus overseas investment into developing Western China.
- **Customer:** China has actively encouraged its manufacturers to invest overseas and grow transnational activities, targeting Australia, Canada, the US, and Hong Kong. These include overseas sales and marketing offices, raw-material supplies, and investment projects. Examples include CITIC's investment in a sawmill and CNPC's investment in an oil extraction plant in Alberta, Canada. These investments, while not directed at overseas Chinese, have invariably found them as customers.

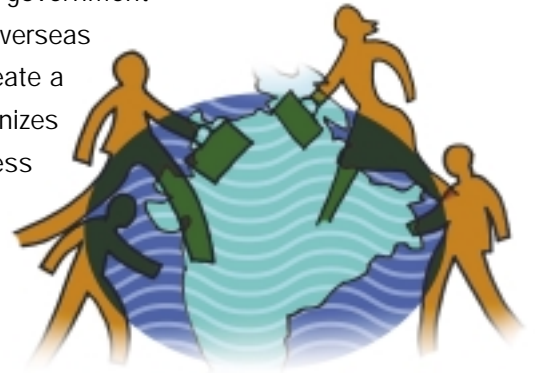
- **Supplier:** Overseas Chinese mainly from various Southeast Asian nations and the US have taken advantage of “backward” linkages with China-based enterprises. Like supplier relationships that have developed around MNCs in Ireland and Singapore where local small businesses have effectively connected with them, many overseas Chinese enterprises (mostly small business) used the opening of the Chinese market to establish supplier relationships with large-scale Chinese enterprise. In major part, these supplier relationships accentuated services (management, inventory control and systems) that were more efficiently provided by outside entities. A good example is hotel and catering expertise that successful Southeast Asian enterprises were able to localize in China through clan and foundation connections (e.g., Lee Foundation in Singapore).
- **Ambassador:** Vice-premier Qian Qichen said that overseas Chinese act as economic and cultural bridges between China and the outside world. Overseas Chinese participated in the global marketing campaign that introduced China to the WTO, and contributed their talent to scientific and technological exchanges. In fact, the Chinese diaspora is considered unlikely to raise the kinds of issues, such as human rights, intellectual property, and trade imbalances, which other foreigners might bring up.
- **Philanthropist:** The Chinese diaspora has donated actively to education, art, and social welfare. For example, they donated US \$10 million and hundreds of pieces of art to the Shanghai museum. Guangdong province has received donations from overseas Chinese of over US \$3.7 billion in the last 20 years, for local infrastructure, hospitals, social welfare organizations, universities, and schools.

CAREFUL CULTIVATION OF THE DIASPORA

This degree of involvement from overseas Chinese, and the level of impact they have had on China, was deliberately and strategically pursued. Let us not assume that it was easy, or that it happened overnight, or that the ties of nostalgia are enough to initiate investment of the scale seen today. China had to reverse the perception propagated by Mao, that overseas Chinese were enemies. They had to attract people who had escaped poverty and politics. They had to demonstrate capitalist incentives in a communist state. The self-reinforcing strategy China is using includes the following initiatives.

- **Establishing clear responsibility and authority in the overseas Chinese**

Office Affairs: This high profile department, with provincial offices, was founded 10 years ago, following efforts by Deng Xiaoping to woo overseas Chinese. It has clear responsibility for tightening relationships between overseas Chinese investors and relevant government departments, protecting the legal rights and interests of overseas Chinese, and working with every level of government to create a flexible investment environment for the diaspora. It organizes conferences and youth programs to promote business opportunity and culture; and has the influence to expeditiously solve business operations issues through other government departments.



- **Developing clear priorities around which to build partnerships:**

There is a commonly accepted set of priorities that allows overseas Chinese to participate in issues of interest. These priorities can change, but have included Western China development, Beijing development, social security, joining the WTO, etc.

- **Actively attracting overseas talent:**

The Chinese government actively worked out policies and measures to attract or benefit from overseas talent. For example, Deputy Prime Minister of Singapore in the 70s and 80s, Dr. Goh Keng Swee (of Chinese descent and reputed as the Father of Economic Singapore), was invited by China on his retirement as adviser to the Chinese government's initiative to set-up Special Economic Zones in coastal China. There were others from Hong Kong, Malaysia, and Singapore, who played key roles in the modernization of China. Given China's relative success compared to many Southeast Asian economies, analysts believe that 'reverse-migration' has begun, that overseas Chinese now think that the opportunities in China country are superior through those they may find elsewhere.

- **Encouraging trade, investment, and travel policies:**

Overseas Chinese are offered special benefits compared to other foreign partners. In fact, overseas natives of a province may be offered more favorable investment terms than even other overseas Chinese. The government worked hard to offer capitalist incentives and lower the costs associated with cross-border business. Some examples include:

- Guarantees against nationalization of overseas Chinese investment or assets in China

- Overseas Chinese could invest anywhere in China, even outside the special economic zones
 - Foreign investors were allowed to designate representatives in China who could manage business operations in their absence and who could represent them in government dealings
 - Multiple-entry visas were issued quickly and easily to facilitate travel
- **Acknowledging the importance of the diaspora:** Top government leaders including the Premier, Vice-Premier, Provincial Heads, and Department Heads frequently and enthusiastically praise overseas Chinese and their contributions, raising their honor and prestige in their home country. This contribute to the nostalgic commitment of overseas Chinese. When asked many reply, “I invest because I am Chinese.”
 - **Providing forums for diaspora networking:** The government sponsored and supported several organizations of overseas Chinese. These organizations allow the diaspora to network amongst itself, and build relationships with government leaders. These organizations are geographic, like the “Taiwan, Hong Kong, Macao Overseas Chinese Committee”; governmental like the “Overseas Chinese Affairs Committee”; represent issues in policy, like the “All-China Federation of Returned Overseas Chinese”; or occupational, like the “Allied Social Science Association”. The Chinese Entrepreneurs Conference attracts participation from all over the world, and has been held in Canada, Australia, Singapore, Hong Kong, Thailand, and China.

A CONTINUOUSLY EVOLVING NETWORK

The strategy described above worked well during the initial 10-year spurt of economic development. It helped China exploit its comparative advantage of cheap resources and emerge as the country with the second largest GDP (by purchasing power parity) in the world. With a new set of challenges created by globalization, China is now modifying its strategy and is beginning to invest in strengthening the foundation for world-class leadership.

- **Building global brands:** Chinese businesses, until now, primarily focused on sales tactics and on leveraging existing Chinese networks. They are now beginning to build world-class marketing programs to create global brands and prepare for the next spurt of business growth.
- **Investing in intellectual property:** China, often called the ‘manufacturer

for the world' has for years been involved in replicating processes and designs, and has achieved economies based on low-cost labor and favorable trade policy. It is now beginning to focus on research and development and on creating indigenous product designs.

- **Exploring new sources of capital:** Chinese businesses have historically preferred private capital, raised through the bamboo network, rather than public equity. Even though a large amount of capital flows through the bamboo network, businesses are now starting to tap public markets as they expand, and are yielding control to strategic and financial investors.
- **Transitioning to professional management:** It is becoming obvious in China that talented individuals who have received world-class education prefer to seek established careers with large multinationals, rather than bear the risk of working in family-owned enterprise. Businesses are making efforts to attract and retain this talent.
- **Focusing on policy reforms:** As Chinese businesses globalize, pressure mounts for policy reform and new financial incentives. Consequently, they are gearing up for greater change than that required by the earlier wave of relatively passive overseas Chinese investors.

These are challenges in which the diaspora is playing a large role. The way in which the bamboo network is constantly evolving demonstrates adaptability among the diaspora, Chinese residents, and the Chinese Government.

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