

## **Weaving the world together\***

*Mass migration in the internet age is changing the way that people do business*

Peoples do not have borders the way that parcels of land do. They seep from place to place; they wander; they migrate.

Consider the difference between China and the Chinese people. One is an enormous country in Asia. The other is a nation that spans the planet. More Chinese people live outside mainland China than French people live in France, with some to be found in almost every country. Then there are some 22m ethnic Indians scattered across every continent (the third Indian base in Antarctica will open next year). Hundreds of smaller diasporas knit together far-flung lands: the Lebanese in west Africa and Latin America, the Japanese in Brazil and Peru, the smiling Mormons who knock on your door wherever you live.

Diasporas have been a part of the world for millennia. Today two changes are making them matter much more. First, they are far bigger than they were. The world has some 215 million first-generation migrants, 40% more than in 1990.

Second, thanks to cheap flights and communications, people can now stay in touch with the places they came from. A century ago, a migrant might board a ship, sail to America and never see his friends or family again. Today, he texts his mother while still waiting to clear customs. He can wire her money in minutes. He can follow news from his hometown on his laptop. He can fly home regularly to visit relatives or invest his earnings in a new business.

Such migrants do not merely benefit from all the new channels for communication that technology provides; they allow this technology to come into its own, fulfilling its potential to link the world together in a way that it never could if everyone stayed put behind the lines on maps. No other social networks offer the same global reach—or commercial opportunity.

These networks of kinship and language make it easier to do business across borders. They speed the flow of information: a Chinese trader in Indonesia who spots a gap in the market for cheap umbrellas will alert his cousin in Shenzhen who knows someone who runs an umbrella factory. Kinship ties foster trust, so they can seal the deal and get the umbrellas to Jakarta before the rainy season ends. Trust matters, especially in emerging markets where the rule of law is weak. So does a knowledge of the local culture. That is why so much foreign direct investment in China still passes through the Chinese diaspora. And modern communications make these networks an even more powerful tool of business.

Diasporas also help spread ideas. Many of the emerging world's brightest minds are educated at Western universities. An increasing number go home, taking with them both knowledge and contacts. Indian computer scientists in Bangalore bounce ideas constantly off their Indian friends in Silicon Valley. China's technology industry is dominated by "sea turtles" (Chinese who have lived abroad and returned).

Diasporas spread money, too. The Chinese and Indian diasporas have long been commercially important. The overseas Chinese now connect the world to China and China to the world. The Indians do the same for India.

Migrants into rich countries not only send cash to their families; they also help companies in their host country operate in their home country. A Harvard Business School study shows that American

companies that employ lots of ethnic Chinese people find it much easier to set up in China without a joint venture with a local firm. A study by William Kerr and Fritz Foley of HBS showed that American firms that employ lots of Chinese Americans find it much easier to set up operations in China without the need for a joint venture with a local firm.

The creativity of migrants is enhanced by their ability to enroll collaborators both far-off and nearby. In Silicon Valley, more than half of Chinese and Indian scientists and engineers share tips about technology or business opportunities with people in their home countries, according to one study. Another study found that 84% of returning Indian entrepreneurs maintain at least monthly contact with family and friends in America, and 66% are in contact at least that often with former colleagues. For entrepreneurs who return to China, the figure is 81%. Another ingenious study calculated that foreign researchers cite researchers of their own ethnicity based in America 30-50% more often than you would expect if ethnic ties made no difference.

It is not just that Brazilian scientists in São Paulo read papers written by Brazilian scientists in America. There's also gossip. Brazilian scientists in America will often alert their old classmates in São Paulo to intriguing research being done at the lab down the hall. And the information flows both ways. A study in 2011 by the Royal Society found that cross-border scientific collaboration is growing more common, that it disproportionately involves scientists with diaspora ties and that it appears to lead to better science.

This "new type of hyperconnectivity" is fundamental to today's networked diasporas, according to Carlo Dade, of the Canadian Foundation for the Americas, a think-tank. "Migrants are now connected instantaneously, continuously, dynamically and intimately to their communities of origin...This is a fundamental and profound break from the past eras of migration." That break explains why diaspora communities often find themselves in the thick of things as the world becomes networked.

\*Excerpted and adapted by Christopher Hall (Davis School District, UT) for the use of students from "The Magic Diasporas" and "Weaving the world together" which appeared in The Economist magazine on November 19, 2011.