



Reverse entrepreneurial migration in China and India: The role of the state

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ABSTRACT

China and India have significant overseas populations that constitute global talent, and both countries recognize that reverse migration of diasporic talent can contribute to domestic economic development. This study compares China and India's capacity to encourage return migration with a focus on overseas entrepreneurs who return to start new firms in their homeland. In addition to reviewing state policies and prior related research, we analyze returnees' views towards the state using two original data sets: a China survey of 100 returned and 100 local entrepreneurs from Shanghai, Beijing and Guangzhou conducted in 2004 through a face-to-face format; and an India survey administered in 2016–17, comprising 150 returned entrepreneurs and senior managers, and 75 local entrepreneurs in the Indian cities of Pune, Bangalore and New Delhi. Given that India and China began their reforms approximately 13 years apart, comparing these two surveys provides a more developmentally appropriate comparison than purely synchronic surveys. We find that that returned Chinese entrepreneurs have a more positive view of the state and are more willing to work with the local state than their Indian counterparts. Furthermore, returnee entrepreneurs in India are less tolerant of rent-seeking behaviour by local bureaucrats than those in China, and view the local state as being more of an impediment than a source of support. Overall, a significant gap remains between China and India in terms of policies, returnee perceptions, and on-the-ground experiences of returned entrepreneurs.

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1. Introduction

We need to deepen reform of the institutions for developing talent, and support enterprises to raise remuneration packages for recruiting talents. We also need to encourage returnees to start their businesses in China.

Premier Li Keqiang at the 13th National People's Congress, March 2018

Brain drain can become brain gain... This is actually a brain deposit that is waiting for an opportunity to be of use to the motherland... Now is the time that every Indian can show people their strength.

Prime Minister Narendra Modi addressing 18,500 Non-Resident Indians in San Jose, California, September, 28, 2015

Brain drain of national talent is typically attributed to the lure of more attractive employment opportunities abroad (Koser & Salt, 1997). As such, reverse migration of educated elites is

expected to operate along a similar dynamic (Kuptsch & Pang, 2006). International migrants who have upgraded their economic resources and human capital are expected to “vote with their feet” in pursuit of better employment opportunities and lifestyles in their home country. In practice, however, the circulation of human capital does not operate in a market-clearing manner. Reverse migration cannot be assumed even when there could be advantages to returning to one's homeland, especially with successful elites who constitute a core of global talent. They are the ones with other attractive options. In this context, state policies may incentivize reverse migration of highly skilled entrepreneurs who are poised to develop new markets and technology domestically. Just as many late-industrializing countries in Asia established developmental states to mobilize investment and deploy industrial policy to nurture domestic capacity in strategic sectors, state policies are equally important in fostering inviting perceptions and improving actual conditions for elite entrepreneurs returning from abroad.

As the world's two largest countries, China and India have significant overseas populations that constitute a global talent pool. But the two states diverge when it comes to state-diasporic relations. China has introduced numerous national level policies and

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created incentives for the local state to encourage reverse migration. By contrast, the central state in India has been slow in establishing national bodies to facilitate large scale reverse migration, and local states in India have generally been either absent or, worse, predatory in engaging returnees. Given that the commencement of economic liberalization in India lags China by about one decade (1991 versus 1979), observers might claim that it is only a matter of time before India “catches up” to China in implementing favourable policies to attract returnees. Indeed, under Prime Minister Narendra Modi, since 2014 India has been much more attentive to mobilizing the support of non-resident Indians (NRIs) living abroad. So today, leaders in China and India recognize that reverse migration of diasporic talent can facilitate technological transfer from abroad.

These observations raise a series of comparative research questions: How do returnee entrepreneurs view the role of the state at the national and local levels in China and India? Do they view the state as helpful or a hindrance? Given the reality of corruption in both economies, how comfortable do returnee entrepreneurs feel about navigating home country business norms and practices? How do the perceptions of local entrepreneurs and returnees differ? To address these issues, this paper combines insights from prior research with two original surveys of entrepreneurs that employ the same questionnaire and reflect the time lag in China and India’s commencement of economic liberalization and acceleration of reverse migration – one survey was conducted in three cities in China in 2004, and the other one was carried out in three cities in India in 2016–17. We find that by the early 2000s, the local state in China was pursuing pro-development policies that encouraged reverse migration and helped returned entrepreneurs develop their enterprises. On the other hand, until recently, both the national, but particularly the local Indian state, have played a minimal or obstructionist role in drawing in its overseas talent to develop the national economy. Local entrepreneurs in India, more than the returnees, believe that their businesses suffer from state impediments, while their Chinese counterparts are more likely to have positive working relations with the local state. These findings have implications for the extent to which reverse migrants to China and India are able to add value and introduce new technology to their countries of origin.

2. The state and reverse migration

This paper engages two disparate literatures, one on the role of the state in economic development, and the second, on “reverse migration.” The developmental state literature on late-industrializing countries focused on the financial, fiscal, and trade policies that facilitated industrial competitiveness, and noted that a well-educated workforce provided an important basis for success in East Asia (Amsden, 1989; Evans, 1995; World Bank, 1983). In particular, Dwight Perkins examined the role of education in the East Asian development model and noted that China’s emphasis on education was likely to help put China on the path of its regional neighbours (Perkins, 1986).

However, the human capital needed to promote development was regarded as a resource contained within national borders that was developed domestically, and not the product of the overseas flow of talented individuals into a diaspora, who then returned to the homeland with ideas, capital and innovations from abroad. The East Asian developmental state literature similarly neglected the possibility that human capital remaining in the diaspora might promote economic development in the homeland. Jackline Wahba (2015) points out that “the evidence on the impact of return migration on the economic development of the home country is relatively understudied, given its importance (p. 329).” Still, the

significant role of highly educated returnees in promoting the IT sector in Taiwan’s Hsin-chu High-Tech Industrial Park has been widely noted (Iredale and Fei, 2001).

In another separation between the study of economic development and the flow of human capital, studies of the developmental state did not anticipate that growth would create a new middle class that could afford to send their children to study abroad. Most explanations of the “brain drain” emphasize how the income gap between the developed and developing world pull locals to go overseas, rather than focusing on how the developmental state facilitates young members of the emerging middle class to go out – and then, as growth continued, return home in a form of “brain circulation” (Saxenian, Motoyama & Quan, 2002), and contribute to the domestic economy.

In contrast, the more policy-oriented literature on reverse migration has been sensitive to the role of the state in bringing back its overseas nationals to contribute to development. Mariano Mazzucato (2017) advises that an activist “entrepreneurial state” cultivate a positive and inviting national-level environment through appropriate regulations, secure property rights, and research infrastructure. Saravia and Miranda (2004) emphasize expanding the R&D component of the national economy, advising that “when real opportunity exists within the context of coherent internal policies and investments in science and technology, returning to the home country becomes an attractive option for emigrants (p. 608).” According to the OECD (2002), sending countries should “develop an adequate scientific, technological and business environment that will provide rewarding opportunities for the return of individuals who have upgraded their skills abroad. Equally important is to improve the legal infrastructure or “soft” environment, including Intellectual Property Rights (IPR) protection and the rule of law (Newland, 2009). Also, if corruption is present, it should not be “system debilitating” (Johnson, 1986). Various negative externalities, such as bureaucratic “bias” against returnees (Cerese, 1974) and local obstructionism or “firewalls” (Solingen, 2012) should also be minimized.

Active national and local leaders are critical in this regard (Bang, 1992; Bunce, 1981). When top leaders encourage such policies and dedicate bureaus to facilitate reverse migration, the confidence of overseas nationals will increase. New national organizations often created, or at least endorsed, by the top leaders, should coordinate the efforts of ministries to ease the process of returning, while the local state or municipal governments should build a similarly inviting eco-system in which returned entrepreneurs can thrive (Massey, Quintas, & Wield, 1992). Other policies involve help in finding funding and markets, flexible labour policies, and ensuring a relatively level playing field with local businesspeople, if not giving returnees initial advantages unavailable to locals. To assess the relative effectiveness of the state, measuring the perceptions of returnees is a key indicator as formal policies are hollow if they are not perceived as helpful in practice by the target population – highly capable, overseas entrepreneurs.

3. Some working hypotheses

Based on the above insights and our long-standing research on related topics, this paper explores the following hypotheses regarding the relationship between the state and returnee entrepreneurs:

H1: States that implement national-level policies to promote reverse migration of talent are more likely to attract returnee entrepreneurs, as they respond to the positive incentives proffered by the state.

H2: Returnee entrepreneurs are more likely to welcome support by the local state when it proactively supports private businesses and

helps them overcome bureaucratic “firewalls.” Outsiders to the local economy, returnees need the help of the local developmental state, though the benefits of state activism could be undermined by predatory behavior.

H3: *Local entrepreneurs are more likely to tolerate corrupt practices than returnee entrepreneurs.* Having studied and/or worked abroad in OECD countries, returnees may be expected to confront some reverse culture shock in adapting to corrupt norms and practices upon their return.

H4: *Returnee entrepreneurs are more likely to hold negative views of the state, and are more likely to avoid interacting with state entities as a result.*

4. Methodology

This paper draws on the following sources of data:¹

- Two original in-person surveys of returned and local entrepreneurs conducted by the authors in China in 2004, and in India during 2016 to 2017 (discussed further below).
- Field interviews with returnees, local entrepreneurs, local researchers, and government officials, conducted mostly between 2013 and 2019, though we draw on prior field research in both countries as well.

Our China survey of 100 returned and 100 local entrepreneurs from Shanghai, Beijing and Guangzhou was administered in 2004 through a face-to-face format.² This survey occurred during a pivotal moment in China’s reverse migration. China had joined the World Trade Organization three years earlier, and the party-state had constitutionally legitimized the role of the private sector in the national economy, encouraging Chinese with overseas technology to return. Concurrently, the bursting of the dot-com bubble pushed many talented Chinese to leave the West, while the Chinese Communist Party (CCP) had just established a Leadership Small Group on Talent to coordinate this policy. Municipal governments actively recruited overseas entrepreneurs following the dotcom bust. As such, the survey revealed much about relations between the local state and entrepreneurs, including both returnees and domestic ones during this particular juncture in China’s political economy.

Our India survey of 150 returned entrepreneurs and senior managers, and a comparative group of 75 local entrepreneurs in the three cities of Pune, Bangalore and New Delhi, was administered through face-to-face interviews between summer 2016 and spring 2017. The questionnaire was nearly identical to the 2004 China survey, allowing us to compare the entrepreneurs’ attitudes towards the state in both countries. The methodological logic of comparing India in 2016–2017 with China in 2004 is that those dates were 25 years following the initiation of economic liberalization. Furthermore, reverse migration of entrepreneurs to India had only taken off a few years prior to the survey. Our fieldwork in 2015 found that returnees in Bangalore were just beginning to view India’s domestic economy as a potential market. As the CEO of an e-commerce start-up explained, “Bangalore can be more than

Table 1
Comparison between the Survey Samples for Chinese and Indian Returnees.

	Chinese	Indian
Female	18.2%	17.9%
Age of entrepreneur		
30 and below	8.0%	23.9%
31 to 40	44.0%	53.4%
41 to 50	37.0%	18.5%
51 and above	11.0%	4.8%
Highest degree overseas		
No diploma	14.3%	0%
Technical college, Undergraduate or Diploma	17.4%	11.8%
Masters or Graduate Diploma	42.9%	79.5%
PhD	25.5%	7.1%
Post-doctoral fellowship	0%	1.6%
Number of interviewees	100	150

the outsourcing capital of the world for multinationals. There is a tremendous thirst among consumers right here in India (BG371082018).³ At that time, Prime Minister Narendra Modi had also introduced several new policies to encourage foreign investment and reverse migration, providing further justification for the present comparison.

Table 1 presents descriptive statistics of the surveyed returnees in China and India. Gender representation is similar with 18 percent female respondents in both samples. The average age of the surveyed returnees in China is higher than in the India sample with 48 percent above the age of 40 in China and 23 percent above the age of 40 in India. This demographic difference is reflected in the educational level of returnees, with the Indian sample being notably better educated than those in the China sample, where over 14 percent lack high school diplomas. In China’s context, however, the level of educational attainment among business owners is not correlated with entrepreneurial success (Li, Zhu, & Fu, 2017). In Hurun Research Institute (2017)’s list of over 2000 entrepreneurs in China with assets of over 2 billion yuan, over 50 percent have not earned a full-time undergraduate degree.

The following empirical discussion evaluates how India and China perform on the conditions identified as being necessary for providing a successful domestic environment for reverse migration. Key indicators include *national policies* (including state investment in R&D and levels of corruption), *leadership and central administration*, *local state practices*, and ultimately, the *perceptions of Indian and Chinese returnees* themselves.

5. National policies in India and China

Under the leadership of the CCP, China has met many of the requirements that generate a reverse flow of talent. While China spent only 0.57 percent of its GDP on S&T in 1996, that figure rose to 2.05 percent by 2014 (World Bank, 2014). Compared to R&D investment by the US, China moved from spending only three percent of the US total in 1997 to 45 percent in 2015 (Table 2), affording overseas mainland researchers and entrepreneurs access to large amounts of funds if they return to China.⁴ Indian investment in R&D as a share of GDP rose from 0.63 percent in 1996 to 0.82 percent in 2011. Even though public investment rose dramatically after

¹ We compare our results at several points with an on-line survey of Chinese and Indian returnee entrepreneurs commissioned by the Kauffman Foundation (Wadhwa et al., 2011). Carried out through LinkedIn in 2010–11, the survey received 153 responses based in India and 111 in China.

² Interviews were carried out by the Chinese Private Enterprise Association, the Beijing Academy of Social Sciences and the Chinese Academy of Social Sciences. Firms had over one million RMB in revenue and had been in business for two years or more.

³ Direct quotations from field interviews cited in this paper are indicated by an anonymized code, such that the first two letters indicate the location of the interview (e.g., AH for Ahmedabad, BG for Bangalore, KC for Kochin, SF for San Francisco, TR for Trivandrum, etc.), followed by the number of the interviewee and the date of the interview.

⁴ At a meeting sponsored by the Beijing City Leadership Small Group on Talent, one entrepreneur complained that while Beijing Municipality had lots of money, he could not get access to it. May 2019. As of 2020, *Nature* magazine sees China almost catching up to the US in spending on R&D (Viglione, 2020).

Table 2
R&D expenditure (current US\$bil.), 1997–2017.

	1997	2001	2005	2009	2011	2013	2015	2017
European Union	157.9 (0.74)*	160.9 (0.57)	251.7 (0.77)	330.3 (0.81)	361.6 (0.84)	364.6 (0.80)	336.0 (0.66)	409.4 (0.77)
Japan	122.3 (0.57)	127.9 (0.46)	151.3 (0.46)	168.9 (0.42)	200.0 (0.46)	171.0 (0.37)	143.9 (0.28)	169.2 (0.32)
Republic of Korea	12.7 (0.06)	12.5 (0.04)	23.6 (0.07)	29.7 (0.07)	45.1 (0.10)	54.1 (0.12)	58.5 (0.12)	88.1 (0.17)
China	6.1 (0.03)	12.6 (0.04)	29.9 (0.09)	85.0 (0.21)	134.5 (0.31)	191.3 (0.42)	228.5 (0.45)	484.5 (0.91)
US	212.7	280.8	328.0	406.9	430.3	457.4	506.3	533.3
India	2.9 (0.01)	3.6 (0.01)	6.9 (0.02)	11.3 (0.03)	13.9 (0.03)	13.1 (0.03)	14.1 (0.03)	16.8 (0.03)

Source: All countries and dates other than India are from World Bank statistics. For India, the source is *Research & Development Statistics at a Glance 2019–20*, Department of Science & Technology, Ministry of Science & Technology, Government of India.

Note: *Numbers in brackets signify the share of investment for each country relative to the US investment in the same year.

Table 3
Transparency International: Perceptions of Corruption, India and China, 2012–2018.

Country	2012*	2014	2016	2017	2018	2019	Rank in 2004**	Rank in 2019***
India	36	38	40	40	41	41	90/145	80/198
China	39	36	40	41	39	41	71/145	80/198

Note: * The higher the score, the less corrupt the state.

** Scoring in 2004 differed from later years. In 2004, India scored 2.8, China 3.4, making India more corrupt than China. Finland ranked first with 9.7.

*** These scores rank India and China out of 198 countries. Denmark, which scored 1/198 in 2019, was the least corrupt country in the world.

Source: For 2012–19, see: <https://www.transparency.org/en/cpi/2019/results/>. For 2004, see https://www.transparency.org/research/cpi/cpi_2004/0.

2012, reaching 22 percent annual growth in 2016 (Mukherji, 2009), the major gap between China and India's R&D expenditures has continued to widen (Table 3).

Other macro-level comparisons include the degree to which the two countries have conditions that are hospitable to doing business. In the World Bank (2020)'s *Ease of Doing Business Report 2020*, China ranks 31st out of 190 countries, while India ranks 63rd. Managing corruption is also key for states to attract elite returnees accustomed to operating in less venal contexts. Transparency International (TI)'s Perception of Corruption Index indicates that China and India have considerable room for improvement. In 2019, both ranked 80th out of 198 countries, which places them in the middle zone of countries (TI, 2019). Nonetheless, our survey found that Chinese returnees are more amenable than their Indian counterparts to working within a somewhat corrupt system. Many returned Indian entrepreneurs had become comfortable with the West's relatively transparent mode of conducting business, while in China, many forms of corruption are more developmental (Ang, 2020; Wedeman, 2012). Therefore, even though their scores are currently identical, the implications for development and the operational experiences of entrepreneurs are not.

Relative to China, the potential for corruption and interference by administrators in India makes many Indian returned entrepreneurs glad that the state remains "absent;" otherwise, they would face more local bureaucratic challenges. In fact, both local and returned Indian entrepreneurs prefer state absenteeism. In Bangalore, a Stanford-trained portfolio manager that we interviewed in 2015 complained, "The government is completely in the way when it comes to labor policies, taxation, investment facilitation, and so on. The number of compliances is so high that at every stage, there's a possibility there could be an issue (BG181212015)."

A returnee with an MBA from Wharton echoed this frustration, explaining that when his company wanted to pay their taxes, "No one could tell us how much we owed, so we paid it ourselves using an on-line form. Three years later we were told that we underpaid (BG241222015)." Meanwhile, Indians with Silicon Valley experience would welcome greater state activism if it could alleviate the problems they face upon returning. Also in Bangalore, an entrepreneur whose first start-up failed lamented, "We are on our own here. The government doesn't help with anything (BG121202015)."

The gap between state activism in China and relative state absenteeism in India is striking, as reflected in the national leadership and institutions discussed next.

6. The role of leaders and central administration

Leadership matters greatly. On balance, India lags behind China in terms of policies and institutions to attract its diasporic talent to return. Over the course of China's reform era, several leaders have devoted great efforts to persuade its best overseas talent to return (Zweig, 2017; Jiao, 1998). In 1978, Deng Xiaoping called on China to send 15,000 students a year overseas,⁵ arguing that "self-reliance" does not mean closing China off to the world. General Secretary of the CCP, Jiang Zemin (1989–2004), continued this policy of letting people go out; and by the mid-1990s, accepted that China's individual human talent was a global commodity that should go abroad, improve its value, and then be lured back to China through appropriate and effective policies.

When we conducted our survey of Chinese returned entrepreneurs in 2004, the CCP had just begun to encourage reverse migration directly. The year before, the head of its Organization Department announced that the CCP would take responsibility for "human talent" (*rencai*) nationwide, not just "talent" within the party. A new Leadership Small Group on Talent, including representatives of 15 ministries under CCP leadership, would coordinate the effort. Then in 2008, Li Yuanhao, the new director of the Organization Department, initiated his own campaign – the "1000 Talents Plan" – that mobilized cities nationwide to recruit needed talent from abroad (Zweig & Wang, 2013). His assertive effort was maintained until 2012.

Over these years, a plethora of new policies and organizations flexibly responded to changes in the domestic and international environment. For example, in 1988, as reverse migration slowed, the Ministry of Education (MOE) set up the Chinese Service Center for Scholarly Exchange (CSCSE) in Beijing to register all overseas educated returnees, with 33 sub-centres throughout the country. To analyze trends and suggest policies, in October 1991 the MOE

⁵ The Ministry of Education, always more cautious, cut it to 3000/yr. over 5 years. Jiao (1998).

set up the All-China Research Association on Overseas Study, which for many years published an excellent journal called, *Research on Overseas Work and Studies*. The MOE also established the Department of International Cooperation and Exchanges to coordinate its programs related to overseas study and returnees.

In 1994, China's leading scientific research institute, the Chinese Academy of Sciences, established the "100 Talents Program" to attract back the top 100 young mainlanders in natural science who were living abroad. In June 1996, a National Overseas Fellowship Management Committee, renamed the China Scholarship Council (CSC), took over management of all aspects of overseas study and returnees for publicly funded students and scholars.⁶ The organization had 40 staff spread across 14 related organizations, ministries and bureaus. To celebrate Peking University's 100th anniversary in 1998, General Secretary Jiang Zemin, started the "985 Program," which poured billions of RMB into the top universities in China, of which 20 percent was mandated for recruiting Chinese with overseas PhDs. By the mid-2000s, China had established 55 overseas education sections in embassies and consulates. For entrepreneurs, the preeminent program was the "1000 Talents Plan" launched in 2008, which included a special category for returnees setting up new enterprises. Awardees were treated with great respect, though they were not captured in our 2004 survey.

In stark contrast, until recently India's top leaders and government bureaus have shown notable disinterest in overseas Indian talent. Nehru's Era (1947–1964) witnessed mostly indifference towards the diaspora, with a slight shift under Indira Gandhi (1966–1984). While in office, she invited an overseas Indian entrepreneur, Sam Pitroda, to return from the US to spearhead policy on telecommunications. Rajiv Gandhi's further promotion of Indian technology enhanced the environment for returned entrepreneurs, though there were no specific policy initiatives targeted at this group. As Devesh Kapur (2010) shows, the number of returnees in politics, science, the bureaucracy and business, declined from the 1980s to the early 2000s. But, as India liberalized after 1991, the importance of the diaspora grew and returnees were gradually welcomed to support the development of India's economy.

In 2004, the state created the Overseas Citizenship of India (OCI) program for former Indian citizens who were now citizens of other countries, as a way to keep them engaged. To attract overseas Indian capital, the state in 2007 established the Overseas Indian Facilitation Centre (OIFC), a not-for-profit trust in partnership with the Confederation of Indian Industry (CII), to serve as a "one-stop shop" for economic engagement, investment and business.

Following these initial modest efforts, it was Prime Minister Modi's personal involvement that led India to acknowledge the import of its diaspora and ease procedures for Indians overseas. Thus, in 2014 the state merged the Persons of Indian Origin (PIO) and Overseas Citizen of India (OCI) schemes by introducing a single identity card for easier access to India and created an e-visa to facilitate visits by the Indian diaspora. In a similar streamlining spirit, in 2016 the government dissolved the Ministry of Overseas Indian Affairs and merged it into the Ministry of External Affairs to reduce duplication of diaspora services.

Despite these efforts, India's policy on the diaspora and mobility are not mainstreamed into the country's overall development policy. In fact, engaging Indians living abroad is sometimes seen as counter to the interests of domestic industry and trade, even though it can spur innovation and growth. For example, when the former Planning Commission in New Delhi encouraged Indian diaspora scientists and academicians to relocate (even temporarily) to government science labs and universities, in return for

higher salaries than locals receive, the response was not encouraging and as in China, was resented by existing local staff.⁷

This absence of a strategic medium- to long-term view on reverse migration has created a fragmented approach to India's diaspora. Although the Ministry of External Affairs absorbed the former Ministry of Overseas Indian Affairs, facilitation or regulation of returnee entrepreneurs has remained with individual state or provincial governments due to India's federal structure. These state bureaucracies responded to the returnee issue mostly in a generic manner, similar to their promotion of all new investments. Most states have no special structure or policy for returnee diaspora entrepreneurs (except Kerala and Gujarat, where they had separate departments dealing with non-resident Keralites or Gujaratis) (Tsai, 2016). Moreover, these returnees were not necessarily entrepreneurs. Field interviews in Kerala in 2017 and 2018 found that the Non-Resident Keralite Affairs Office is underfunded and generally assists migrant workers returning from the Gulf (KC21252017; KC31252017; TR151232017). Meanwhile, the Non-Resident Gujarat Center in Ahmedabad operates in collaboration with the Gujarat Chamber of Commerce and Industry, but seems more active in receiving dignitaries and hosting ceremonial and cultural activities than in assisting returnee entrepreneurs (AH4182016; AH5192016).

The Role of the Local State

While national policies set the context or the overall environment for returned entrepreneurs, the individual entrepreneur interfaces most extensively (if only) with the local state, meaning the administration running from (Indian) state or (Chinese) provincial governments to the municipal governments. These sub-national governments have different strategies and incentives.

In China, many local states are highly "developmental" (Walder, 1995; Oi, 1992; Zweig, 1995). China's cadre evaluation system links promotion with local economic indicators, which incentivizes government and CCP officials at various levels to use both conventional and creative means to promote economic development. With access to foreign technology, advanced management techniques, market channels and foreign capital markets, returned entrepreneurs constitute a potentially important driver for a city's growth. Beginning in 2006, Wuxi Municipality launched one of the most aggressive efforts by any city in China to recruit top overseas entrepreneurs. They offered inbound firms a 50 percent partnership with the city government, thereby resolving the thorniest of problems for returned entrepreneurs – start-up capital.⁸ When Li Yuanhao, then director of the CCP's Leadership Small Group on Talent, mobilized the entire country in his effort to bring back the very best Chinese talent from abroad, the municipalities served as his agents (Zweig & Wang, 2013). In June 2019, when the Beijing Communist Party Committee's Leadership Group on Talent convened a conference to discuss strategies for economic development, they focused on the role of returnees in the city, particularly in its top high technology zone, Zhongguancun.

The administrative structure of the Indian state is less conducive than the Chinese system for promoting economic development and harnessing returning entrepreneurs. India's administrative structure includes the central government, sub-national states, and municipal governments. Although local states promote growth, they have limited funds (CLGF, 2018a). In 2011, localities accounted for only three percent of total governmental expenditure (CLGF, 2018b), though the average in 2012–2017 rose

⁷ Existing staff in government laboratories and universities resented the higher remuneration to the imported diaspora staff since their own salaries were capped as per government scales. Interview in Planning Commission, September 2011.

⁸ See inter alia, <http://www.bio-park.org/news/2011726/n5373317.html> and <http://www.530.gov.cn/english/infodetail/?infoId=b0b599a9-940d-447d-b7b0-6eb88ce3087>.

⁶ The committee was established by Document No. 92 of the central government's "Establishment Office." See Miao (2010), pp. 331–6.

to 16.3 percent (CLGF, 2018a). Municipal governments only have authority over cultural, environmental and sanitation issues, while they share some responsibility for road and transport development with the state governments. Still, their power to tax is governed by state-level legislation and varies regionally. Moreover, mayors of municipalities are appointed by the chief minister of each state and the city’s economic growth plays little role in their promotion.

Nonetheless, some states and municipalities have been proactive and successful in pulling in overseas Indian entrepreneurs. According to Chacko (2007), the states that host India’s two leading high-tech cities, Bangalore and Hyderabad, and the city governments themselves, have given entrepreneurs, laboratories and corporations tax breaks; established special economic zones; and promoted infrastructural development to attract firms to their locality. During field visits to Karnataka State (home of Bangalore) in January 2018 and June 2019, we found the state actively promoting its start-up space, particularly in frontier technologies such as AI, internet-of-things (IOT), blockchain, fintech, digital animation, and so forth. A state official in Karnataka’s Department of IT, Biotech, and Science and Technology admitted that the state had not pushed any policies to make Bangalore into India’s IT capital, but now it was more actively developing venture capital funds, incubation spaces, and connecting industry with academia (BG371082018). Still, returnee entrepreneurs are not given an advantage in accessing those facilities.

In many cases local bureaucrats complicate the efforts of returned entrepreneurs by demanding bribes for facilitating opportunities, causing many returned entrepreneurs, or potential returnees in the diaspora, to prefer a state policy of benign neglect. Still, the abundance of red tape in India makes it difficult to avoid the state altogether. According to an Indian official interviewed in the United States, consular staff work assiduously to help potential or active reverse migrants deal with the local bureaucracy. In key consulates, such as San Francisco, which abuts Silicon Valley, the Consul General has a direct phone line to some of Prime Minister Modi’s “problem solvers.” Interviewed in 2018, this consular official felt that the biggest obstacle to overseas Indians doing business in India is often the government: “The Indian government is a bit of a dead weight, but they have social links to the localities, ‘a reach into the country’ [local society] and they hold that information very tightly and are very protective (SF3042018).”

Given these differences in China and India’s business climate for returned entrepreneurs, it is not surprising that the Kauffman survey found that 90 percent of the Chinese respondents viewed economic opportunities as an important factor for returning as compared with 60 percent of Indians (Wadhwa et al. 2011, p. 4). This lends support for hypothesis 1 linking state policies for overseas talent and returned entrepreneurs.

7. Views on the role of the state in India’s and China’s reverse migration

Given the different pathways of development, one would expect the Chinese state to be much more hands on and involved in encouraging reverse migration. But did Chinese returned entrepreneurs in 2004 actually perceive this deeper level of engagement and how did they feel about it? How do Indian entrepreneurs feel about the state’s role now?

In line with hypothesis 1, we asked Chinese entrepreneurs in 2004 whether “preferential policies” introduced by the central or local governments – such as start-up funds for new firms (sometimes as much as US\$300,000), zero tax for two to three years, free work space in an “incubator,” special assistance finding schools for children or jobs for a spouse, etc. – influenced their decision to return. Among returnees, 35 percent felt that the state’s influence

was “very large” (14 percent) or “large” (21 percent), while 44 percent felt that the role was “very small” (29 percent) or “small” (15 percent). Despite the absence of equivalent policies in India, the questionnaire did ask respondents why they returned – and only three (< 2 percent) of 152 Indian returnees selected “government policy on entrepreneurship attracted me to return.” Along similar lines, the Kauffman Foundation study in 2011 found that only four percent of Indians ranked government incentives as very important, while 23 percent of Chinese respondents did (Wadhwa et al., 2011, p. 5).

Our survey also asked returnees to indicate the five most important ways in which the local state helped their company (Table 4). Indian respondents expressed little appreciation for the state, while Chinese returnees viewed the state as having contributed to their firm’s development.

Here we see a far more significant role for the state in China, particularly in terms of office space for new firms and financial support, the biggest constraint faced by returned entrepreneurs. In addition, because many Chinese returnees were unfamiliar with the domestic market, 14 percent accepted state support in finding domestic customers. For Indian firms, financial support is the most important state contribution, but only eight percent of returnees reported such assistance. Once again, our findings mirrored the Kauffman study, which found that Chinese, far more commonly than Indians (Indians, 7%; Chinese, 31%), said that government support is very important (Wadhwa et al., 2011, p. 16).

How did these two cohorts feel about liaising with the local state upon returning (hypothesis 2)? Wadhwa et al. (2011) found that compared to Chinese entrepreneurs, Indian respondents were less likely (28%) than Chinese entrepreneurs (48%) to regard ties to government officials as very important (p. 19). Table 5 shows that in our 2004 survey, 84 percent of the Chinese firms were willing to work with the state, as 57 percent “cooperated” and 23 percent “established good working ties,” while four percent “took the state as a partner.” Only 16 percent indicated that they worked with the state only when necessary or had little or no contact with the local government.

In our 2016–17 survey, some Indian entrepreneurs also worked with the state. Among Indian firms, 16 percent worked relatively closely with the government (rows 1, 2) – with seven percent willing to take them as a partner – and another 20 percent were willing to “cooperate” with the government (row 3). Still, unlike Chinese entrepreneurs, 64 percent of Indians would avoid being too involved (28 percent) or have no contact at all (36 percent; rows 4 and 5) with the state. The row percent (column 3) highlights the major difference between the two cohorts, showing that Chi-

Table 4
Five most important ways the government helped your company, China and India.

CHINA	Mode of assistance	Primary	Secondary
1st choice	Land, office space and/or equipment	28	24
2nd	Financial resources	33	9
3rd	Helped get domestic clients	8	6
4th	Helped with import/export procedures	6	4
5th Choice	Human resources	3	10
Total*		70	47
INDIA			
1st choice	Financial resources	6	6
2nd	Land and office space	2	0
3rd	Tax reduction	1	2
4th	Created economic zone for companies	2	0
5th Choice	Helped get foreign clients	0	2
Total*		11	12

Notes: * The total number of returnees to China in our sample was 100, while the number of Indian returnees was 154. People could select more than one mode, so the 70 responses for China does not necessarily mean 70 percent (70/100 cases).

Table 5
Strategy for Dealing with the State: Indian and Chinese Returned Entrepreneurs.

Relations with the Government	China (2004)	India (2016–17)	Row Percent
1. Become business partners	4% (6)	7% (11)	6.0% (17)
2. Establish a good working relationship	23% (35)	9% (14)	16.2% (49)
3. Try to establish cooperative relations	57% (85)	20% (30)	38.1% (115)
4. Work with government when necessary, but avoid becoming too involved	13% (19)	28% (42)	20.2% (61)
5. Have little or no contact	3% (5)	36% (41)	15.2% (46)
Column total percent	100%	100%	100%

Note: 1. The chi-square test result is statistically significant. $p < 0.01$.
2. Percent in India and China column are column percent. Percent in final column is the row percent, with the row total in parentheses.

nese returnees are willing to work with the much more assertive, Chinese state to make their businesses succeed, thereby confirming hypothesis 2.

One reason Indian returnees avoid the state is that they encountered more local hurdles while developing their firms. Among Indians, 18 percent faced impediments from bureaucrats, while only 6 percent of Chinese reported such interference. During our interviews, Indians expressed deeply negative views of state bureaucrats, sharing accounts of byzantine regulations and ubiquitous rent-seeking. Even if they did not have such experiences themselves, they knew of many such cases. Avoiding the state seemed to be the best strategy.

Yet complete avoidance of the state is not realistic either. Table 6 presents the state offices with which returnee entrepreneurs interacted the most, plus their attitudes towards these offices, with 1 as positive and 5 as negative. The survey shows that returnees from both countries interacted most frequently with the tax department, with Chinese reporting a more favourable attitude towards that office than Indians ($p < 0.05$). Second, both groups interacted with a bureau responsible for industrial development, and the Chinese again had a more positive attitude. Overall, the average score for the nature of interactions with the five top state bodies (row 6) is 3.24 for the Indians and 2.66 for the Chinese, showing that the latter had better relations with – or were far more tolerant of – the local state.

Finally, both groups shared their views on the state’s role in running their firms in response to several statements. These statements reflect normative and practical perceptions, not necessarily how they actually ran their companies (Table 7). Chinese returnees were more likely than Indians to feel that they needed the state’s political support to succeed (Chinese, 2.24 vs. Indians, 3.59; $p < 0.05$), and also were more likely to agree that “Good relations with government officials protect my business” (Chinese, 2.68 vs. Indians, 3.07; $p < 0.1$). In response to the statement, “It is better

Table 6
Important State Offices and Returnee’s Attitudes to them, India and China.

Most referred	India	View	China	View
1st	Income and Sales Tax Department (44)	3.45*	Tax Department (76)	2.43*
2nd	Local Government Bodies (36)	3.30	Trade and Industry Bureau (75)	2.42
3rd	Customs and Excise Department (24)	3.19	Technology Bureau (52)	2.83
4th	Maharashtra Industrial Development Corporation (MIDC) (9)	3.00	Development Zone Administrative Committee (45)	3.01
5th	Police (4)	3.25	State Banks (29)	2.62
Average	Attitudes towards top 5 bureaus	3.24	Attitudes towards top 5 bureaus	2.66

Note: The score in parentheses is the number of returnees reporting interactions with these bureaus. 1 is positive and 5 is negative. The asterisk (*) means that the t-test is statistically significant at the 0.05 level.

Table 7
Chinese and Indian Attitudes towards the State and Morality.

	China (2004)	India (2016–17)	P-value
Returnee entrepreneurs need political support to succeed	2.24	3.59	<0.05
Good relations with government officials protect my business	2.68	3.07	<0.10
It is better to go along with existing business practices than be morally correct.	4.26	3.58	<0.05

to go along with existing business practices than to behave morally correct,” Chinese agreed more than Indians (4.26 vs. 3.58, respectively; $p < 0.05$). This suggests that Indian returnees feel less comfortable with domestic pressures to engage in non-ethical behavior, though as shown below, Indian returnees are more tolerant of corruption than local entrepreneurs.

8. Returned and local Indian entrepreneurs and the state

Compared to local entrepreneurs, how do Indian returnees feel about the state’s role in economic development? Do they see the local state as predatory, developmental or simply absent? Overseas entrepreneurs need incentives – potential profits, family conditions or government encouragement – to shift back to India successfully. However, if returned entrepreneurs view the local state as a predator that undermines their business, then they are less likely to stay in India or encourage others in the diaspora to return. In fact, members of the diaspora have negative views of the business opportunities in India due largely to impediments from government bureaucrats.

To test these assertions, this section utilizes the survey of 150 returned entrepreneurs (Table 1) – composed of 50 returnees each in three cities in India (Pune, Bangalore and Delhi) – that was used previously for the India–China comparison. We also added interviews with 75 local entrepreneurs – 25 interviews in the same three cities – to compare their impressions with that of returnees. We further differentiated between returnees who had established their own company and those employed by others. We had expected that entrepreneurs will be more hostile to the local state due to their direct experiences and because payoffs would come directly out of their pockets. Nevertheless, on most issues related to the state, returned owners and returned employees (mostly managers) shared similar views.

Table 8 compares the local and returned entrepreneurs along several dimensions. The age structure of the groups differs: 77 percent of returnees were below 40, while over 50 percent of locals were below 40. This difference in ages may reflect the fact that 52 percent of returnees were employees so had not spent years building their own overseas company. Educational levels are

Table 8
Comparison between Indian Returnees and Locals, 2016–17.

	Locals	Returnees
Female	22.2%	17.9%
Aged 30 and below	15.3%	23.9%
31 to 40	32.0%	53.4%
41 to 50	37.5%	18.5%
Above 50	15.3%	4.8%
Company's mean age	14.4%	13.2%
Highest degree		
High school diploma	6.9%	0%
Technical College, Undergraduate or Diploma	52.8%	16.3%
Masters or Graduate Diploma	33.3%	76.2%
PhD	6.9%	6.1%
Post-doctoral fellowship	0%	1.4%
Experienced state impediments	8.3%	18.7%
Experienced state help	25.7%	12.6%
Products		
IT and Software	4.1%	50.0%
Finance	13.7%	4.9%
Health Care	4.1%	9.2%
Manufacturing	28.8%	12.7%
Others	49.3%	23.2%
Company owners (versus employees)	82.7%	47.4%

Source: FICCI survey in Pune, Delhi, and Bangalore, 2016–17.

strikingly different: over 80 percent of returnees had an MA or higher, while only 40 percent of locals had a post-graduate degree.

Our locals and returnees relate to the state very differently. Locals were twice as likely as returnees to have received state help (25.7% vs. 12.6%, respectively), while the returnees were more than twice as likely as locals to have experienced state interference (8.3% vs. 18.3%, respectively). In fact, our field researcher in Pune felt strongly that local officials view returnees as wealthy and seek a share of that wealth (Padhye, 2016). Little wonder that returnees prefer to keep their distance from the local state.

Returnees are also far less sanguine about the performance of their firm, again calling into question their decision to return. Both returnees and locals rated their company's performance relative to the average firm in their respective industry (Table 9).⁹ Overall, returnees rated their firms lower than local entrepreneurs. The findings are statistically significant on several issues, including employee satisfaction, profitability and return on assets. Surprisingly, however, returnees also felt that their firms were below the levels of the locals in terms of technical product/service design and development, and the quality of product and product services, suggesting that they do not feel that they are contributing to domestic national development.

Responses to other questions demonstrated that returned entrepreneurs in India have a far more negative view of the local state than local entrepreneurs, feel that the state has been more an impediment than a benefit to their firm's development – and yet, are much more likely to try to work with the state. These results run counter to hypothesis 4, which suggested that negative views of the state would incline returnees to away from the state.

An OLS regression compared the relationship between the state and the entrepreneurs along a number of dimensions (Table 10). Column 1 shows that returnees, as compared to locals, were more likely to feel that the local state had been an impediment to their efforts ($p < 0.05$). They also were less likely to experience state assistance; the result was highly significant ($p < 0.01$). Location of their firm mattered as residents of Bangalore were slightly less likely to feel that the state had assisted them ($p < 0.10$), but much more likely to prefer not to interact with the state ($p < 0.01$). Com-

⁹ We did not ask their firm's real income or real profits as they would not have disclosed that to us.

pany owners, as compared to employees, were slightly more likely to feel that the state hindered their firm's development. Finally, among the returnees, respondents in Bangalore were much less likely to adopt a positive strategy towards the state ($p < 0.01$). And yet, Bangalore is the heartland of India's high-tech revolution, which in part is driven by returned entrepreneurs.

Returnees had a considerably more negative view of the state offices with which they interacted than locals (Table 11). For example, the most important bureau for returnees is the Income and Sales Tax Department and their negative attitude, as compared to the locals, is much stronger (3.45 vs. 2.43 respectively; $p < 0.05$). The difference in the attitude between the two groups with regard to the "local government" is also apparent (3.30 vs. 2.83; $p < 0.05$). While no other findings were statistically significant, returnees had a more negative view of the police as well (3.25 vs. 2.62). Similarly, while their respective attitudes towards the top five bureaus with which they interacted was quite different (3.24 vs. 2.66), this large difference is not statistically significant.

While we did not ask interviewees directly if they regard the state as predatory, their self-reported tolerance for corruption (Table 12) sheds light on their perception of local state conduct (hypothesis 3). Unexpectedly, compared with locals, Indian returnees were more tolerant of corruption. Even though they lived and worked abroad, and suffer more from state hindrances, they adopt local norms and pay off local officials when they demand bribes ($p < 0.05$). This finding is the opposite of China where returnees were far less likely than locals to accept corrupt activities overall, including by their employees, even if it hurt their business (Zweig & Yang, 2014). But Indian returnees, compared to locals, oppose outside auditing and external supervision (-0.760 , $p < 0.01$); perhaps they worried that outside auditors or supervisors would demand kickbacks if they discovered financial misbehaviour. Hence, the expectation in hypothesis 3 that local entrepreneurs would be more tolerant than that of returnees is mixed – supported by Chinese respondents, but not the Indian ones.

However, tolerance of corruption did not bring returnees success in business (Table 13). In essence, "paying off" did not "pay off" among Indian respondents. While tolerance for corruption helped locals across many indicators, especially sales growth and overall performance ($p < 0.05$), for returnees, tolerating corruption has a strong negative impact on the quality and technological component of their product ($p < 0.01$) and no statistically significant impact on their firm's overall performance.

Similar to the Chinese in 2004, Indian returnees in 2016–17 were more likely than locals to view working with the state as the most effective strategy (Table 14). Despite holding strongly negative views of the government agencies with which they work (see Table 6), 36 percent of returnees saw cooperating with the state as the best strategy (rows 1, 2, and 3) for promoting their businesses. So, although they saw the local state as predatory, they had little choice but to engage it. Among locals, however, 55 percent had little or no contact, while only 17 percent felt they should cooperate with it, if not get more deeply involved (row 3, column 4).

9. The diaspora option for development

In the late 1990s, development economists and migration specialists introduced the "Diaspora Option" (Meyer et al., 1997; Gaillard & Gaillard, 1997). Boyle and Kitchin (2014) defined this as "a formal and explicit policy initiative or series of policy initiatives enacted normally by a sending state, or its peoples, aimed at fortifying and developing relationships with expatriate communities, diasporic populations, and foreign constituencies who share

Table 9
Evaluating Company Performance, Indian Locals and Returnees, 2016–17.

Category		No.	Mean	Standard Deviation	t-score*	P-value
Profitability-Return on Assets	Local	70	3.31	0.96	2.22	0.014
	Returnees	136	3.06	0.68		
Cash Flow	Local	66	3.05	0.81	1.13	0.129
	Returnees	34	2.92	0.64		
Sales Growth	Local	71	3.18	0.90	1.18	0.120
	Returnees	136	3.05	0.76		
Market Share	Local	50	2.66	1.27	0.07	0.471
	Returnees	96	2.65	1.05		
Technical Product, Service Design and Development	Local	65	3.51	0.94	2.46	0.007
	Returnees	140	3.21	0.06		
Quality of Product /Service on Product	Local	72	4.17	0.89	4.94	0.000
	Returnees	142	3.56	0.93		
Employee Satisfaction	Local	72	4.14	0.68	4.18	0.000
	Returnees	142	3.61	0.97		

Notes: A score of 1 says that they believe their firms perform much lower than the industry average, while 5 reflects a score much higher than the industry average; 3 would be equal to the industry mean.

* t-test results show a statistically significant difference between the two cohorts, $p < 0.05$.

Table 10
State Impediments or Assistance: Indian Returnees versus Locals, 2016–17.

	State as impediment	State assistance	Positive Strategy for dealing with the state
Returnee	0.175** (0.072)	-0.276*** (0.074)	0.127 (0.089)
Region: Delhi	-0.113 (0.070)	-0.010 (0.073)	0.022 (0.087)
Region: Bangalore	-0.068 (0.077)	-0.155* (0.080)	-0.270*** (0.095)
Company owner	0.123* (0.070)	-0.002 (0.071)	-0.069 (0.085)
Observations	176	178	178
R-squared	0.286	0.241	0.297
Individual controls	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes

Note: Standard errors in parentheses. For region, reference group is Pune. * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$.

a special affinity” (Boyle & Kitchin, 2014). They noted that members of the diaspora can promote development as donors, investors, knowledge networks, markets, ambassadors and through brain circulation.

While the Chinese state for many years criticized those in the diaspora who did not return for betraying the country, in 2001 it announced that those who did not “return to the nation” could still “serve the nation” (Zweig, Chung & Han, 2008). This initiative encouraged Chinese overseas to open firms, form business associations, remit capital, transfer technology to the homeland, or help Chinese firms find export markets (Ministry of Personnel et al., 2001).

Local governments liked this policy, as most could not match the salaries entrepreneurs were earning in the West; nor could they afford the expensive equipment available to Chinese in the

Table 11
Perceptions of the Most Important State Offices: Indian Returnees vs. Locals.

Importance	Returnees	Attitude	Locals	View
1st	Income and Sales Tax (29%)	3.45**	Income and Sales Tax (32.0%)	2.43**
2nd	Local government (23.7%)	3.30**	IT department (26.7%)	2.42
3rd	Customs and Excise dept. (15.8%)	3.19	Local government (16%)	2.83**
4th	Maharashtra Industrial Development Corporation (5.9%)	3.0	Customs and Excise dept. (6.7%)	3.01
5th	Police (2.6%)	3.25	Police (4.0%)	2.62
Average	Attitude towards top 5 bureaus	3.24	Attitude towards top 5 bureaus	2.66

Notes: Percent selecting each bureau out of the total number of interviewees is in parentheses. 1 is most positive, 5 is most negative, while 2.5 would reflect a neutral attitude. Thus, in all cases returnees have a consistently negative view of the local government and in every case but one, have much more negative attitudes towards the state.

** The t-test between returned and local entrepreneurs for this table is significant at the 0.05 level.

diaspora. One leader of a county outside Shanghai applauded this process, saying “if we let them stay overseas, and invite them back to serve the country, we can use them. This is a terrific choice and model” (Chen & Liu, 2003).

As mentioned above, India’s central government has introduced few policies targeting its diaspora. Moreover, NRIs and government officials working abroad revealed strong resistance to doing business in India, largely due to the obstructionism and the predatory nature of the local state. Several entrepreneurs interviewed in Silicon Valley recounted their negative experiences; and those who knew the system succeeded largely by keeping their personal distance. For example, one entrepreneur did not run his firm in India himself, but had an India-based manager work with the manager of his firm in Silicon Valley (SF1042018). Also, the consulting firm, Deloitte, coordinates interactions with the Indian government because “dealing with the bureaucracy is not our core competence.” (SF2042018).

One consular official admitted, “The block to these people doing business in India is often the government.” Hence, rather than recruit returnees, his major job was to help members of the diaspora who, after investing in India, ran into problems with the local government (SF3042018). To do this, he either contacted local officials directly or phoned members of PM Modi’s team who run interference for NRIs. In his mind, the degree of developmentalism versus predation or absenteeism depended on the chief minister of each state or his family members. Thus, some “Indian state governments are realizing that they need entrepreneurs, and that they should not milk them (SF3042018).” But even where the family members of the government ministers have projects, no systematic strategy or incentives exist to encourage or reward members of the Diaspora who bring back technology. However, the emergence of “software parks,” with “one stop chopping,” as in China, simplifies entry into India, particularly if returnees are able to buy land from the state at lower prices and with clearer property rights.

Table 12
Tolerance for Corruption and Other Norms: Returnees versus Locals.

	Tolerance of corruption	Auditing and External supervision	Social responsibility	Environmental responsibility	Respect for law
Returnee	0.415** (0.193)	-0.760*** (0.283)	-0.081 (0.187)	0.601** (0.250)	-0.062 (0.222)
Delhi	-0.066 (0.184)	-0.507* (0.262)	-0.400** (0.178)	-0.017 (0.238)	-0.934*** (0.211)
Bangalore	1.560*** (0.205)	1.051*** (0.296)	-0.510** (0.200)	-1.211*** (0.267)	-0.749*** (0.238)
Company owner	-0.236 (0.193)	0.321 (0.276)	0.280 (0.185)	-0.571** (0.247)	-0.040 (0.219)
Observations	149	150	157	157	156
R-squared	0.574	0.340	0.175	0.240	0.328
Individual controls	Yes	Yes	Yes	Yes	Yes
Firm controls	Yes	Yes	Yes	Yes	Yes

Note: Standard errors in parentheses. For region, the reference group is Pune. * p. < 0.1, ** p. < 0.05, *** p. < 0.01.

Table 13
Tolerance for Corruption and Firm Performance: Returnees vs. Locals.

	(1) Profitability/Return on assets	(2) Cash flow	(3) Sales growth	(4) Technical product/service	(5) Quality of product/service	(6) Employee satisfaction	(7) Overall performance
Locals' tolerance	-0.084 (0.136)	-0.104 (0.116)	0.257** (0.126)	0.381*** (0.136)	0.254* (0.141)	0.275* (0.151)	0.462** (0.224)
Returnees' tolerance	0.267* (0.154)	0.180 (0.132)	-0.120 (0.143)	-0.427*** (0.154)	-0.1314 (0.160)	-0.333* (0.172)	-0.217 (0.254)
Returnees' relative to locals'	0.078 (0.193)	-0.096 (0.166)	-0.319* (0.179)	-0.455** (0.193)	-0.727*** (0.201)	-0.391* (0.215)	-0.934*** (0.318)
Observations	149	149	149	149	149	149	149
R-squared	0.169	0.167	0.243	0.190	0.271	0.222	0.250
Individual controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Company controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Notes: Standard errors in parentheses. *p. < 0.1, **p. < 0.05, ***p. < 0.01.

Table 14
Best Strategy for Dealing with the State: Locals and Returnees in India.

	Returnees	Cumulative	Locals	Cumulative	Row Percent*
	Column 1	2	3	4	5
Take state as a business partner	7% (11)		1% (1)		5% (12)
Proactively establish good relations	9% (14)	16% (25)	5% (4)	6% (5)	8% (18)
Try to establish cooperative relations	20% (30)	36% (55)	11% (8)	17% (13)	16.9% (38)
Work with the government when necessary, avoid being too involved	28% (42)	64% (97)	27% (20)	44% (33)	27.6% (62)
Have little or no contact	36% (55)	100% (152)	55% (41)	99% (74)	42.7% (96)

Note: The Chi square test is statistically significant at the 0.01 level.

* Row percent compares returnees and locals in that row.

10. Conclusion

Comparing Indian and Chinese returnees highlights structural, as well as attitudinal, influences towards reverse migration in the two states, and identifies the difficulties those differences create for returning Indian entrepreneurs who wish to promote local development. A summary in visual format is presented in Table 15.

China's state-led development model introduced a series of national policies that have brought back many overseas entrepreneurs who see significant opportunities in the domestic economy. As of the mid-2000s, economic incentives and local policies led entrepreneurs to bring back important technologies from overseas that filled gaps in China's technology landscape (Zweig, Chung & Vanhonacker, 2006). Moreover, the local state in many regions of China is developmental. With promotions linked to GDP growth, local leaders have strong incentives to push for economic development. Hence, local governments give tax breaks and some invest in

start-up firms or industrial parks to lure returnees. While local state involvement is not always benign, returnees in China work with the local state and benefit from that involvement despite their preference for autonomy. These findings confirm our first hypothesis that targeted national policies can attract returnees.

India's federal political structure, where the central and the state governments dominate the political economy and devolve limited power to cities, generated a "hands-off" attitude towards reverse migration. Indian entrepreneurs must either fend for themselves, within a climate of "state absenteeism," or against a predatory local state. And, in fact, they experienced more corruption. But contrary to our expectations (hypothesis 3 and 4), returnees were more tolerant of bureaucratic venality than locals and more likely to work with the state. Meanwhile, some regions in India have become more developmental and returned entrepreneurs may welcome state engagement in such localities. We also found that returnees who accommodate local corrupt practices do not profit

Table 15
Typology of State and Returned Entrepreneurial Relations in India and China.

	Developmental (China)	Predatory (India)	Absenteeism (India)
Returnee policies a. Central b. Local	Actively publicize policies with dedicated institutions and policies at national and local level	Limited national policies with arbitrary local ones	Limited national policies, institutions or incentives; local policies depend on local leaders
Impact of Corruption	Market or growth-facilitating	Growth-inhibiting	Growth-inhibiting
Taxation Policy	Relatively clear, tax relief as an incentive. Local governments may cut local taxes to compete	Arbitrary	Uncertain-some local officials do not know the rules
Returnee Attitudes	Working with the state seen to be largely beneficial	Avoiding the state is best option	Overseas Indians prefer more state support from local officials
Outcome	Successful reverse migration of entrepreneurs	Hesitancy to return	Returned entrepreneurs struggle in localities

financially from compromising their morality, while local firms find that accommodation with corrupt local officials does pay off.

Moreover, when we compared Indian returnees with local entrepreneurs, we see the difficulties the former group faces. They, more than their local competitors, have difficulties dealing with tax departments or local state bodies. They confront more impediments than locals, but as expected in hypothesis 2, are more willing than locals to cooperate, if not proactively work with the local state, similar to our returnees to China. Meanwhile, they are more concerned about good governance, and also feel that their firms are less successful. Surprisingly, and contrary to the idea that returnees can drive the technological development of the country, our surveyed Indian returnees regard their firms as technologically inferior to local ones. This sense of deficiency may be because they did not bring back technology from abroad, but rather, tried to develop it within India after they returned by using talented and inexpensive domestic labor.

Combined with insights from other studies, our research shows that returned Indian entrepreneurs face more challenges than returned Chinese entrepreneurs. In addition, these challenges are largely experienced through quotidian interactions with the local state. Certain policy implications flow from these observations. Above all, the local state in India should create an environment that encourages returned entrepreneurs to use the knowledge and skills learned abroad to promote local economic growth. Returnees yearn for greater clarity in rules and regulations when it comes to opening a firm, hiring staff, paying taxes, and other routine matters in running a business. If taken seriously by higher levels of leadership, training courses could enhance the quality of local officials, while incentivizing them to provide better services to both local and returned entrepreneurs. As seen in China's experience, engaging returnees themselves in the reform process can be effective in diffusing international business norms, though not necessarily in curbing corruption. In an era of growing xenophobia in many advanced industrialized countries, developing a more welcoming start-up environment for elite returnees would be a promising investment.

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Appendix A. Supplementary data

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