

# Chop-Shop Workers and Bootstrappers: Chile Really Wants You

<http://techcrunch.com/2010/08/21/chop-shop-workers-and-bootstrappers-chile-really-wants-you/>

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Silicon Valley's vitality depends on a constant influx of bright people who challenge its inhabitants to work harder and think smarter. And, as I noted in my last post <http://techcrunch.com/2010/08/14/startups-or-behemoths-which-are-we-going-to-bet-on/>, America's economy depends on startups to create jobs and innovation. Skilled immigrants have provided both. So, given the miserable state of the economy, we should be laying out the welcome mat for the world's best and brightest. Yet we're doing the exact opposite. Meanwhile other countries have figured out the secret of the Valley's success and are laying out their red carpets and welcome mats, not only for the foreign skilled workers we're turning away but also for our techies.

Fifty-two percent <http://ssrn.com/abstract=990152> of Silicon Valley's startups from 1995 to 2005 were founded by foreign-born workers. And in 2006, 26% of America's global patents <http://ssrn.com/abstract=1008366>—including 40% of those filed by the U.S. government, 72% of Qualcomm's, 65% of Merck & Co.'s, and 64% of General Electric's—were invented wholly or partly by foreign nationals residing in the U.S. You would think that we would develop policies to bring in more of these people. Yet, sadly, the only immigration legislation our political leaders have been able to agree on, unanimously, is to hire 1000 more border-patrol agents and to fly drones on the Mexico border—like the ones we use to kill terrorists in Pakistan—to keep the nannies, gardeners, and farm workers out. Ironically, to pay for all this, the new border-security law levies taxes on companies that the bill's sponsor, Senator Schumer (D-NY), calls “chop shops”—because they bring in tech workers who compete with Americans and supposedly “take their jobs away”. These “chop shop” [http://en.wikipedia.org/wiki/Chop\\_shop](http://en.wikipedia.org/wiki/Chop_shop)s are Indian companies such as Infosys, Tata Consulting Services, and Wipro—which have the best employee-training and -development programs, and are amongst the best-managed companies, in the world. They compete head to head with American “chop shops” such as IBM Global Services and Accenture, and increasingly with management consultants such as McKinsey & Co and The Boston Consulting Group.

I am opposed to illegal immigration and believe that H1-B visas should be abolished <http://techcrunch.com/2009/08/30/free-the-h-1bs-free-the-economy/>. (If we need skilled workers, bring them in as permanent residents, so that they have the same rights as Americans and can switch jobs if an employer underpays them.) But the political debate has degenerated into nothing but racism and xenophobia. Some politicians are simply pandering to uninformed sectors of their electorates.

Meanwhile, countries such as Russia, Singapore, and Chile are doing what they can to build their own Silicon Valleys [http://www.businessweek.com/technology/content/may2010/tc2010053\\_047892.htm](http://www.businessweek.com/technology/content/may2010/tc2010053_047892.htm). Russian President Dmitri Medvedev visited Silicon Valley last month, to let American techies know that they are welcome to move to his new science park. Singapore has long been offering visas and incentives to any skilled worker who moves there. And Chile has launched the most ambitious program of all.

In addition to the incentives <http://techcrunch.com/2009/10/10/chile-wants-your-poor-your-huddled-masses-your-tech-entrepreneurs/> that Chile has been offering established tech companies, it took my advice [http://www.businessweek.com/technology/content/oct2009/tc20091020\\_195682.htm](http://www.businessweek.com/technology/content/oct2009/tc20091020_195682.htm) and announced an ambitious new program for bootstrappers, called Startup

Chile<<http://www.startupchile.org/>>. In return for hanging out in one of the most beautiful places on this planet, Chile will provide fledgling entrepreneurs with a grant of \$40,000 to help them cover expenses for six months (\$40,000 goes a long way<<http://startupchile.wordpress.com/2010/08/20/expense-comparison-chile-vs-silicon-valley/>> in South America, by the way). As well, they'll provide the entrepreneurs free temporary office space; connect them with mentors, VCs, and angels; and help them settle in. They are also pumping money into local VC funds to ensure that the capital is there for the most promising companies.

A handful of entrepreneurs have already signed up for the program, and Chile's minister of Economy, Juan Andres Fontaine, is coming to Silicon Valley on Sept 21 to meet two dozen more entrepreneurs who he hopes will return to Chile with him. (Here<<http://www.corfo.cl/startupchile>> is the link to apply.) Chile wants to lure hundreds of entrepreneurs, eventually.

Seems too good to be true, doesn't it? No obligation to stay; no equity ownership in return for the money; no onerous contracts that promise a pound of flesh—as VCs typically demand. Why would Chile do this? Because they're betting that if they get enough smart, talented people there, three things will happen: first, many of the entrepreneurs going there will fall in love with the country and decide to stay; second, they will enrich the local ecosystem by teaching local entrepreneurs about global markets; and third, their tech community will develop stronger links to the world. Who knows, a couple of startups may also hit home runs. After all, isn't this how Silicon Valley left tech centers like Boston in the dust<<http://techcrunch.com/2009/10/31/the-valley-of-my-dreams-why-silicon-valley-left-bostons-route-128-in-the-dust/>> and became the world's tech leader?

Chile's strategy of attracting skilled immigrants makes a lot of sense when you consider that it costs practically nothing compared with the billions that regions invest in creating industry clusters<[http://www.businessweek.com/smallbiz/content/dec2009/sb20091230\\_959975.htm](http://www.businessweek.com/smallbiz/content/dec2009/sb20091230_959975.htm)>. The fact is that smart people, when given the education and means to innovate, make the magic happen. And that's what makes the American immigration policies so troubling: we're chasing away the highly educated and experienced workers who could be boosting our economy. They are instead turning countries like China and India<<http://techcrunch.com/2010/07/03/dear-mr-president-immigration-reform-won%E2%80%99t-be-enough-to-stop-the-brain-drain/>> into major tech centers.

America won't always be the place to which the world's best and brightest flock—they will go where they feel the most welcome. And it won't be long before Senator Schumer or his successor has to sponsor legislation to offer “chop-shops” incentives, like those Chile is offering, to bring skilled workers to the U.S.

Editor's note: Guest writer Vivek Wadhwa <<http://www.crunchbase.com/person/vivek-wadhwa>> is an entrepreneur turned academic. He is a Visiting Scholar at the School of Information at UC-Berkeley, Senior Research Associate at Harvard Law School and Director of Research at the Center for Entrepreneurship and Research Commercialization at Duke University. You can follow him on Twitter at @vwadhwa<<http://twitter.com/vwadhwa>>and find his research at [www.wadhwa.com](http://www.wadhwa.com)<<http://www.wadhwa.com/>>.