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South Asian Diasporas: Agents of Change in a Poorly Integrated Region

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Introduction

‘Migration has shaped our world and will define our future’ is the title of a recently published book that uses a number of new tools of research, including genetic tests, to trace the history of the movement of people since the birth of mankind.² One conclusion the three authors of the book reach is that migration has always brought large rewards not only for those who were directly involved in it, that is, the migrants, it has also benefited the receiving and sending countries. It is, therefore, not surprising that the number of international migrants has doubled in the last quarter century to more than 200 million.

There are no firm estimates of the number of people of South Asian origin who live outside the borders of their respective countries. One of the more often quoted number of the size of the South Asian diasporas scattered in many parts of the world is 50 million. If this estimate is correct then the share of South Asians in the pool of migrants would be 25 per cent, about the share of the subcontinent in total world population. In 2009, the total population of South Asia was 1.75 billion or 25.7 per cent of the world total of 6.8 billion.

The contributions made or being made by the South Asian diasporas around the globe are now being recognised. The members of these communities are contributing to both the countries in which they work and live as well as those from which they originate. All countries in the region are receiving large amounts of remittances from their citizens or those

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² Ian Goldin, Geoffrey Cameron and Meera Balarajan, *Exceptional People: How Migration Shaped our World and Will Define our Future*, Princeton, NJ., Princeton University Press, 2011.

descendent from them who have settled abroad. The World Bank estimates the total flow of remittances to South Asia at US\$75.8 billion in 2009. This was 18.2 per cent of the world total of US\$416.2 billion and 4.5 per cent of the combined Gross National Income (GNI) of the area. Remittances accounted for 28.5 per cent of Nepal's GNI. For Bangladesh the proportion was 11.2 per cent; for Pakistan, 8.7 per cent (see Table 1 below). Remittances for India were much lower; 3.5 per cent of the country's GNI.³ For countries such as Pakistan, seriously short of foreign capital, remittances have brought considerable relief.

Members of the diasporas are making other contributions as well. Some have established new instruments of finance to help develop start ups in information technology (IT) and health-related industries. For some of the countries, some of members of their diasporas are returning home, bringing with them valuable skills and experiences. For these and other reasons it is useful to discuss how these communities got established in the first place and their effectiveness in promoting the development of the homelands from which they came. A related question is how the diasporas from the various countries could work together to bring about better economic integration of the region.

Table 1: Flow of Workers' Remittances to South Asia, 2009

Country	Gross National Income (US\$ Bn)	Remittances (US\$ bn)	Remittances (as % of GNI)
Bangladesh	93.8	10.5	11.2
India	1405.7	49.5	3.5
Nepal	13.0	3.7	28.5
Pakistan	170.0	8.7	5.1
Sri Lanka	40.4	3.4	8.4

Source: The World Bank, *World Development Indicators, 2011*, Table 6.18

Studies of diasporas can be undertaken from a number of different angles. They can be descriptive, analysing the circumstances that led to their creation. These descriptions can be micro or macro – they can examine how an entire society reacts to the creation of the environment which may lead to the establishment of the diasporas. Or they can investigate how small communities took advantage of the opportunities that were created outside their countries. While economists and historians have mostly taken the first approach; sociologists and anthropologists have preferred the latter. Some South Asian fiction writers have also looked at the diasporas; how well integrated communities of foreigners worked to retain their cultural and religious identity⁴; or how individuals have dealt with cultural conflicts that arise

³ The World Bank, *World Development Indicators, 2011*, Washington D.C., 2011, Table 6.18, pp. 384-386.

⁴ See for instance, Nadeem Aslam's *Maps for Lost Lovers*, New York, Vintage Books, 2006, a highly acclaimed novel about a community of Pakistani migrants that got established near London.

when children are born and brought up by parents who find it hard to give up their old tradition.⁵

I will begin this brief enquiry by analysing the South Asian situation from a number of different perspectives. First, I will suggest why it is appropriate to treat populations in populous countries as resources for promoting economic development. Like all factors of production, the contribution made by population to growth and development can be maximised by education and skill development. The second part of the essay looks at the circumstances that led to movement of large number of people within and as well as to places outside the region. Most of the internal movements, for obvious reasons did not result in the formation of diasporas, but some did. Thus, not all migration is diaspora-creating but some of these movements prepare the affected population for making further moves. The third part is a description of the way the members of the diasporas change their attitude towards their original homeland as the communities to which they belong overtime. There is a life-cycle that all diasporas almost always follow. The fourth part provides a brief analysis of the benefits that can flow from the diasporas for the homelands. It also suggests how the South Asian diasporas can work together to create conditions for better economic integration of the countries from which they came.

Population as a Factor of Production

Some economists – including myself – have been suggesting for some time that human resource should be treated like any other natural resource for development. If this approach is accepted, then it becomes incumbent upon the governments to maximise the return this particular resource or factor of production can make to economic growth and progress. Human development is now being recognised as an important contributor to social, economic and political development. Like any other endowment, human beings can be surplus to the needs of a particular economy. Or they can be in deficit. Those that have a surplus of this resource should be able to export it; those that have a deficit should be able to bring it in from the outside.

South Asia is one of the regions in the world that has a huge surplus of people. Western Europe and Japan – and to a lesser extent – the United States (US) have moved to a situation where they have begun to experience shortage of workers at many skill levels. This has happened because of the sharp drops in human fertility rates. In many western countries fertility rates have declined to below replacement levels – the level at which population ceases to grow. Demographers have determined the replacement level of fertility at 2.1 children per woman. At that level, the size of the populations becomes steady. They do not

⁵ The extensive writings of Jhumpa Lahiri, the Pulitzer Prize winning novelist of Indian origin belong to this genre. See for instance her novel, *The Namesake: A Novel*, New York, Mariner Books, 2004.

increase. The fertility levels in South Asia have begun to decline but still remain above three children per woman. But fertility declines have been the most rapid in the developed world. Already some countries have reached the stage of zero population growth. Germany is at that stage. Japan, with the rate of increase of population of 0.1 per cent a year, France at 0.3 per cent, and the United Kingdom at 0.5 per cent, are fast approaching stagnancy. Even with the rates of fertility declining in South Asia, for most of the countries in the region it will take half a century before they reach zero population growth.

In a rational world, the countries of South Asia should be exporting manpower to Japan and Europe. However, where the movement of people is concerned rationality does not prevail. Free trade in goods – and now in some modern services – is an accepted principle of good economic management. But even in this area it took the world about five decades before it could establish an institution with the authority to regulate international commerce. While the International Monetary Fund and the World Bank were founded as the Second World War was coming to an end, it was not until 1995 that the World Trade Organization (WTO) was created. Even after its establishment the WTO has struggled to expand its mandate and include goods and commodities of interest to the developing world in its scope of work. The Doha round of multilateral trade talks, which begun in the capital of the tiny kingdom of Qatar in 2001, remains stalled. This is largely for political reasons. Rich countries derive a very small proportion of their GDP (gross domestic product) from agriculture but even then have to contend with a powerful farm lobbies who are not prepared to give up the heavy subsidies provided by the states to keep them in business. Without the removal of the subsidies a level playing field will not be created for all agricultural producers. Levelling the field was promised by the developed world when the Doha round was initiated.

The field also needs levelling in the area of human migration which constitutes the movement of an important factor of production across international borders. Migration remains highly regulated. There is a paradox in this. With the persistence of demographic asymmetry – relatively high levels of fertility in the developing world and dropping to or below the replacement levels in most of the developed world – there will be the need for the import of large number of workers by the latter from the former. That said, the rich countries are becoming more and more restrictive in their immigration policies. Nothing like the WTO is planned for developing an agreed framework to control and regulate the movement of people across international frontiers. The result is that most significant movements of people have occurred in ad hoc ways causing considerable grief most of the time for those who enter and also for those in whose midst the newcomers want to get established and find work.

Gains from migration to the world's richer economies can be very large. For instance, if rich countries were to admit enough migrants from poor countries to expand their work force by three per cent – something that may have to be done if the rich are to sustain dynamism in

their economies by reducing the median age of the workforce – the world would be richer, according to one estimate by US\$356 billion a year.⁶ If international migration was to follow the example of trade in goods and services and become relatively unconstrained, the gains to the developing world would be enormous. The slogan ‘trade and not aid’ has often been raised by policymakers in the developing world. Migration not aid would be even better in terms of the rewards that could become available. According to *The Economist*, ‘completely opening borders would add an astonishing US\$39 trillion over 25 years to the global economy. This is more than 500 times the amount the rich world spends on foreign aid each year. Migration is the most effective tool yet devised for reducing global poverty...The same worker can earn 15 times as much if he (or she) moves from say Yemen to the United States.’⁷

The Initial Impulse: Large Population Movements in South Asia

Looking back at the history of the movement of people out of South Asia and also within, we can identify half a dozen important episodes that have had a profound impact on the countries in the region. The first relatively recent episode occurred in the late 19th and the early 20th centuries after the British had extended their empire to reach all corners of the world. They treated their extensive domain as one economic entity, allowing relatively free movement of not just goods and commodities but also of people. At that early stage they allowed the labour-short agricultural businesses to bring in workers from India – the most populous colony in their empire – to places such as the West Indies, East Africa and East Asia. These were called indentured workers and were recruited to supply labour to the farms in these areas – mostly sugar in West Indies and East Africa, and forestry in East Asia. According to one study, ‘by the time indentured emigration ceased, over 1 million indentured labourers from India had been transported to distant colonies across the globe’.⁸ Although many of these workers were recruited for limited and pre-determined periods of time, most stayed. Because of natural population increase, the original one million indentured workers now have eight million descendants in these areas.

Economics was also the reason for the second movement of people involving the South Asians. This was to Britain after the end of the Second World War when, especially after the losses suffered on the battlefield the country did not have enough able-bodied workers to revive the war-affected economy. Workers were needed to get such labour-intensive industries as textiles and leather working again. Parts of urban England destroyed by the war

⁶ Ian Goldin, Geoffrey Cameron and Meera Balarajan, *Exceptional People: How Migration Shaped our World and Will Define our Future*, Princeton, NJ., Princeton University Press, 2011.

⁷ ‘Migration: The future of mobility’, *The Economist* (28 May 2011), p. 87.

⁸ Brij V. Lal, *The Encyclopedia of the Indian Diaspora*, Singapore, Didier Millet and National University of Singapore, 2006, p. 47.

needed to be rebuilt and that too needed workers. Workers were brought in from Bengal for the jute industry, from western India for the textile industry, and from northern areas of Pakistan for the construction industry. Thus were created the South Asian colonies in Britain that exist to this day.

The third large movement of people in South Asia occurred after the British decided to divide their Indian colony into two states – a predominantly Hindu India and a predominantly Muslim Pakistan. The British decision launched a massive ethnic cleansing operation – the term ‘ethnic cleansing’ had as yet to be coined – which caused eight million Muslims to move into what is now Pakistan while six million Hindus and Sikhs went in the other direction. This transfer of 14 million people within a space of a few months remains the largest episode of involuntary migration in human history⁹. A part of this movement created a different kind of diaspora. The *muhajir* (refugees) community in Karachi and southern Sindh in Pakistan is a diaspora – distinct people with their own social, cultural and economic needs that are different from that of the host population.

Economics was also the reason for the fourth and fifth waves of diaspora-creating migrations from South Asia. In the 20-year period between 1970 and 1990, the newly established technology, engineering and medical institutions in India began to turn out thousands of well qualified individuals. The numbers that emerged from these institutions of higher learning were far in excess of the absorptive capacity of the Indian economy – India at that time was trapped in what the country’s economists themselves called the ‘Hindu rate of growth’. This was between 3 and 3.5 per cent GNI increase a year. Those who could not find jobs inside the country tried their luck outside. Tens of thousands of well qualified individuals first went to Britain and then to North America – Canada and the United States. Immigration policies were considerably less restrictive in those countries then than they are now. Once these Indian pioneers had established a market for their skills, people similarly endowed from Pakistan and Bangladesh joined the flow of skilled workers to Britain and North America.

This movement of people was in response to a push rather than a pull by the labour markets. Whereas the migration of indentured workers to a number of British colonies and the import of workers for reviving the British economy after the Second World War was in response to the pull of the markets in the labour-receiving countries, the migration of professionals was a response to the push of the market in the home countries.

The fifth movement from South Asia occurred in a period of about a decade and a half, from 1974 to 1991. This was also in response to the pull factor. In 1974, the Arab oil exporting

⁹ This estimate was first made by using the population census of 1941 for British India and the 1951 census for Pakistan. See Shahid Javed Burki, *Pakistan under Bhutto, 1971-77*, London, Macmillan, 1980.

countries imposed an embargo on the sale of the commodity to the US¹⁰. This resulted in a quadrupling of the price of oil. There was sizeable transfer of incomes from the oil consuming to oil exporting countries. The latter spent a significant part of this windfall income on building new infrastructure. Construction sites went up all over the Middle East and the demand for workers was initially satisfied by the movement of millions of unskilled and semi-skilled workers from Pakistan. Pakistan was the preferred choice for workers because it was a Muslim country – as were the oil exporting countries of the Middle East – and because a number of western companies that won contracts in the Middle East knew the labour market well in Pakistan. They had implemented large construction projects in connection with the Indus Waters Replacement Works built in the country.¹¹

The sixth movement of people from South is underway at this time. Their destination was the city-states in East Asia that are aggressively building their service sectors in response to the opportunities created by the restructuring of the global economy. Singapore aims to become a financial centre; a centre for high-tech industries in the fields of information, communication and health; and a centre of entertainment that includes gambling to cater to the interests in various table games of the people from the countries in the region. Similar developments are taking place in the several city states in the Middle East. These new economic sectors need very large number of highly skilled people. They are moving from rich countries as well as from South Asia. This flow of people associated is the first time since the period of European colonisation in the eighteenth and nineteenth centuries that migrants from developed countries have come to the developing world in search for jobs.

The current out-migration is the consequence of both pull and push factors. An example of push is the current exodus of skilled and moneyed people from Pakistan – a very large proportion of people leaving the country do not see good economic prospects for themselves if they stay behind. In the five year period between 2005 and 2010, Pakistan was among the four countries across the globe that had more than one million people migrating to other countries. With a net out-migration of 1.4 million in this period, Pakistan was the third largest contributor of outflow in the world. The largest number came from Mexico (2.43 million) with China in the second place (1.73 million). India with a total net outflow of 1 million people was well below Pakistan in this respect. The reason why a smaller number of Indians are now moving abroad is that they have more confidence in their country's future.

¹⁰ One of the more authoritative accounts of this episode is Daniel Yergin, *The Prize: The Epic Quest for Oil, Money and Power*, New York, Free Press, 1993.

¹¹ For a description of the size and scope of the Indus Water Replacement Works See Aloys Michel, *The Indus River: A Study of the Effect of Partition*, New Haven, CT., Yale University Press, 1967.

Diasporic Life-Cycles

Typically, diasporas formed by people from poor countries in rich nations follow a life cycle that has four stages.¹² The first begins the moment new immigrants start to draw incomes from the activities in which they get engaged in their adopted lands. For the poor from poor countries, the first obligation is to use their earnings to help those they have left behind. Assistance to relatives and friends accounts for a significant proportion of earnings. It is known, for instance, that as much as four-fifths of the earnings of construction workers from Pakistan doing jobs in the Middle East went to aid their people at home. The relatively better-off migrants behave differently. They use their initial earnings to buy financial security for themselves by creating an economic asset base. This initially means the purchase of housing space. Later investments are made in establishing small businesses.

The second stage begins when some savings have been accumulated. At this point the poor are likely to visit their home country; the better-off begin to provide support to organised charities. Some detailed work by Adil Najam has estimated the amount of charity given by the Pakistani diaspora in the US.¹³ One of the key findings of the study is that 62 percent of the respondents – 400 individuals were interviewed for this work – reported that religious obligation was high or very high in their reason for charity. A slightly higher percentage gave motivational importance to helping other in need (79 per cent), and helping family and friends (69 per cent).

The third stage in the life-cycle involves mostly well-to-do migrants. Once they have created an asset base in the countries in which they have settled, they begin to look for investment opportunities in the countries to which they once belonged. The members of the diaspora invest in the home countries not necessarily for sentimental reasons. They are attracted to the countries of their origin because of the knowledge they have and familiarity with the processes involved in making investments. Examples of flows of capital from the diasporas to the homeland are to be found in the Chinese communities in the countries around China and in the Indian diaspora that has created a strong base for itself in the information-technology businesses in the US. The non-resident Indians, the NRIs, are making large investments in such modern services as information and communication technologies, and healthcare.

The fourth stage is reached when the members of mature diasporas decide to move back to the countries of their origin. This reverse move is motivated by different considerations. Old-age care is cheaper in the developing world than in rich countries. Also in old age, it is

¹² For as more detailed analysis of this “diasporic life-cycle” hypothesis see Shahid Javed Burki, *Changing Perceptions, Altered Reality: Pakistan’s Economy under Musharraf, 1999-2006*, Karachi, Oxford University Press, 2009.

¹³ Adil Najam, *Portrait of a Giving Community: Philanthropy by the Pakistani-American Diaspora*, Global Equity Initiative, Harvard University, 2007.

attractive to be with friends and relatives. However, only a very small proportion of the people in the South Asian diasporas are returning to their home countries.

Diasporas Lending a Helping Hand with Regional Integration

Not all large countries, no matter how impressive their economic potential, will succeed unless they embed their economies in that of the region to which they belong. This was done by the US in North America, by Brazil in the southern cone of Latin America, by China in East Asia. The most important example of regional integration, of course, is that of the formation and evolution of the European Union. The countries of South Asia, carrying large burdens of history on their shoulders, have been unable to integrate their economies.¹⁴ Here, the South Asian diasporas with about 50 million people, scattered in many continents, can help. Most of these communities work well with one another outside the boundaries of their homelands. They can bring those experiences to promote regional development in South Asia.

One way of getting the diasporas to play this role is to devise investment instruments in which the more well-to-do members of the South Asian communities could participate. Such instruments could include venture capital funds and private equity operations. The Indian diaspora in the US has taken the lead in this area. Such initiatives could be marketed to the members of the South Asian communities in several different financial centers across the globe. There is a large South Asian presence in most of the new financial centres. For instance, Singapore, Hong Kong and Dubai in addition to New York, London and Frankfurt could become the launch pads of such initiatives. Singapore would be particularly interesting as the base of operations from which the South Asia diasporas could advance new initiatives in high finance and high technology.

The content of the South Asian community is changing rapidly in Singapore as new talent is imported by multinationals with large operations worldwide in finance, IT and health-related services. A significant number of the new hires are from India but there is also a small trickle from Bangladesh, Pakistan and Sri Lanka. Some of the South Asians who have been drawn into these sectors are from the well established diasporas in Europe and North America. There are two advantages to this type of two-step migration. The people involved in it have a good base of knowledge of the sectors of the new economy and also of the countries from which they originate. The second advantage for the South Asians working in these new sectors is that they can remain in contact with developments in the various countries of the South Asian region.

¹⁴ For a detailed discussion of how history has held back regional integration in South Asia, see Shahid Javed Burki, *South Asia in the New World Order: The role of regional cooperation*, London, Routledge, 2011.

There is one other advantage that Singapore enjoys over such growth centres as Abu Dhabi, Bahrain, Dubai and Qatar in the Middle East. The new economic sectors that need highly developed human skills are well embedded in the economy of the city. They are not ‘add-ons’ as are some of the initiatives taken by some of the rulers of the Middle East. Singapore also has a political system that is closer in form and content to those that are now operating in South Asia.

Should the diaspora-based South Asian regional initiatives be left to be developed on their own or should the Singaporean state get involved and provide some assistance? The city state could certainly help especially because of the heavy burden of history carried by some of the countries in the South Asian region. State’s help could take three different forms. First, it could provide the South Asian communities in Singapore some ideas about the opportunities that exist in developing regional projects. A beginning was made by the Institute of South Asian Studies by holding the South Asian Diaspora Convention held in Sentosa, Singapore on 21-22 July 2011. The meeting was attended by hundreds of South Asians mostly living and working in Singapore. Several members of other South Asian diasporas also attended and there were opportunities for networking in the areas of interest to the members of these communities. There are, for instance, business do be done in integrating the power grids of the countries in the region. There is the possibility of building gas pipelines that would connect the countries with large surpluses in the Middle East and Central Asia with the South Asian economies where the demand for energy is rapidly increasing. Second, it could reform the immigration system. Private capital as a part of what is now called private-public partnership, or PPP, could be important for the development of these sectors. The government could make it easier for people from all parts of South Asia and from all South Asian diasporas to develop their businesses in the city. As we know from the experiences of other labour-short economies, a reasonably open immigration has high returns for the labour-importing economy. Third, some of the government owned and operated wealth funds could assign high a priority to investments with a significant regional content.

The South Asian diasporas are at an important crossroad. They are no longer made up of low skill workers needed in rich countries where the locals are not prepared to do the work that demands hard physical labour. Even the older diasporas that were formed by blue-collar workers are now drawing people with well developed skills from the large human pool available in South Asia. Some of the newer diasporas from South Asia were formed by professionals in disciplines such as economics, engineering, accounting, IT, and health sciences. The per capita incomes of these people are much more than that of the local populations. To take one example: The South Asian diasporas in the US probably has 4 million people and income per head of US\$60,000. This would give them a combined income of US\$240 billion of which a relatively large proportion – perhaps as much as 30 per cent – is being saved. As we know from the life-cycles of other diasporas, the bulk of this saving

initially goes into creating economic assets in the adopted countries. With about US\$70 billion available every year for investment, the South Asian diasporas should have assets of over US\$1.3 trillion in the US economy. This asset base was created over time and is probably yielding incomes of more than US\$100 billion a year to the South Asian-American community. A part of this could become available for investment in what were once the home countries. However, for that to happen appropriate opportunities need to be found by both the governments of the region, the governments interested in bringing peace and prosperity to the South Asian region and the diaspora communities themselves. The US could help by providing guarantees for investments in cross-country projects.

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