

Unit 17

Indian Diaspora-Homeland Linkages

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Learning Objectives

Reading this unit will help you in:

- Have an understanding of the changing nature of Indian diaspora-homeland relations
- Have an appreciation of the varied forms of Indian diaspora-homeland linkages and their growing importance
- Be able to understand and assess the different ways in which diasporas can impact their homelands

17.1 Introduction

In this unit we will discuss the growing linkages between the Indian communities abroad and their homeland. With globalization, the interconnections between home and abroad have accelerated, due to speedier travel, simultaneous consumption of media, use of telecommunications, to name a few. These growing connections have implications for the Indian diaspora as well as the country of their origin, that is India. We discuss various aspects and layers of these inter-linkages in this unit. One of the consequences of the Indian community connection with India is increase in financial flows be it remittances or foreign investment. Along with this, the Indian diaspora has been involved in other activities -political, and philanthropic. We discuss these aspects too in detail with examples and a case study. The unit concludes with detailing greater potentials for harnessing the diaspora and homeland connections.

17.2 Mapping the Indian Diaspora

Indian emigration has been taking place for centuries but never before did the Indian subcontinent witness such a massive movement of people to other parts of the world than in the 19th and 20th centuries. As a result of these movements, Indians now constitute the third largest Diaspora, next only to the British and the Chinese. The people of Indian origin (PIOs) are estimated to number around 20 million and they are settled in around 75 countries (Singhvi Report, 2001). They now constitute sizable minorities in

many countries of settlement and exercise enormous economic and political power in many of them. In our previous units we have read the different phases of the Indian migration abroad.

The current geographical spread of the 'old' as well as the 'new' Indian diaspora is presented in Figure 17.1 below. As we can see an overwhelming majority of the Indian diaspora comprises of "old diaspora" and is located in areas of the world which may be regarded as third world or developing regions. We can also see that the South-east Asian and the Gulf regions are home to over half of the Indian diaspora and within a few hours flying distance from India. This has implications for the type of linkages this diaspora maintains with its motherland and its potential for playing an important role in the future. Typically we would expect to see the "old diaspora", given its longer vintage, as the most disconnected from its homeland and the "new diaspora" as the most connected, given the different context of migration, its more recent vintage and its greater relative wealth. However there is a danger of simplification and with the globalization of the Indian brand, especially via Bollywood, even the "old" diaspora now feels that its cultural connections with mother India have been rekindled.

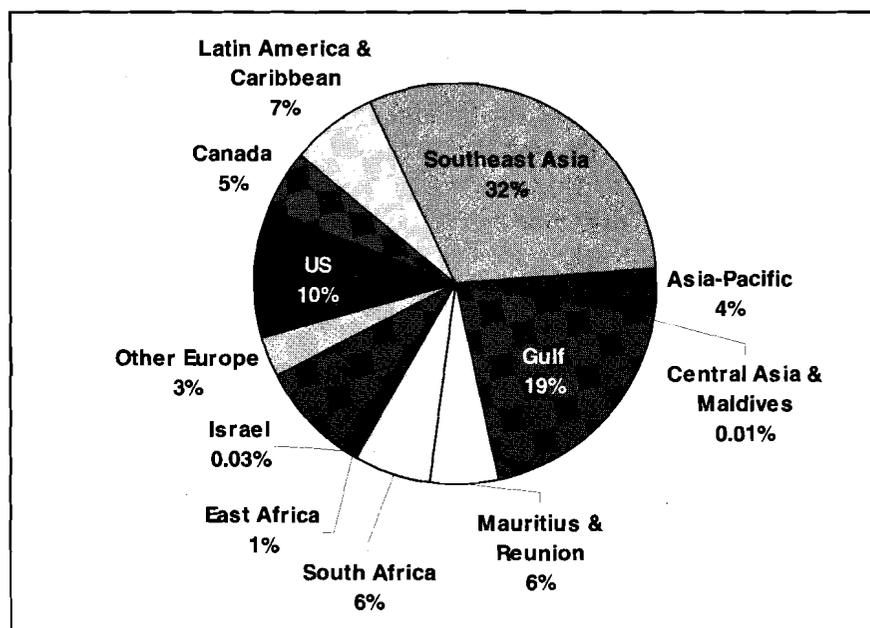


Figure 17.1: Distribution of NRI and PIOs by Regions (in %)

Source: Government of India, Singhvi Report, 2001

17.3 Changing Diaspora-Homeland Relations

The growing awareness and interest in diaspora and diaspora related issues are the outcome of the spread and diffusion of globalisation technologies that have led to the widening, deepening and transformation of diaspora-homeland relations over the past two to three decades. In the early days of migration, especially during the period prior to the current phase of globalisation, the main ways in which overseas Indian communities kept in touch with their homelands and their cultures were through maintaining their language, cooking Indian food at home, regular letters and the occasional letter or visit to their countries of origin. In any case, most overseas Indian families were too busy re-building their homes in a new, at times, a very hostile environment than think too much about their homeward orientation. Now, cheaper travel and more relaxed immigration rules enable more frequent trips to India and for more friends and family to reciprocate

the visits. Trade liberalization and export promotion mean that more goods from the Indian subcontinent are available in the areas of India settlement. Overseas Indians can have their breakfast while reading online newspapers from India or watching a 24 hour Indian news channel such as NDTV or even listening to many Asian-owned local and national radio stations which give constant news updates on happenings in India. In the evening, several Indian satellite channels allow them to catch up on their favourite programmes, be it drama, films or current affairs. The cost of making phone calls back home are a fraction of the cost they used to be only a couple of years ago, leading to a massive increase in telephone traffic at peak times and a boom for companies supplying air-time and prepaid phone cards. More importantly, many of these services, unlike earlier times, are no longer just limited to the well-to-do Indians abroad as falling costs have enabled all sections of the diaspora to engage in such activities.

Moreover, the deregulation of international financial capital movements coupled with new technologies has made the task of sending money back home much cheaper and easier than ever before and has enabled India to become the largest recipient of remittances in the world today, exceeding the funds received through official development assistance or foreign portfolio investment. In 2003 alone, overseas Indians officially sent home more than US\$20 billion. For many families, remittances sent by family members based abroad makes the crucial difference between relative poverty and total destitution. Indian states with large migrants overseas, such as Kerala, Gujarat, Tamil Nadu and Punjab, have seen large inflows of remittance income, vastly improving the welfare of the migrant households. But the impact of remittances goes well beyond supporting family or relatives' livelihoods or helping to rebuild local schools or hospitals. One important impact is on trade of overseas Indians with their home country and this engagement in international trade can have a significant economic impact as well.

Another important area of impact is on entrepreneurship. Many successful entrepreneurs of Indian origin who live in the United States, Canada, Europe, or the Gulf states also have the potential to become important investors in their home countries. They bring back not just money but an infusion of entrepreneurial spirit and skills that may be sorely lacking in their own country. A recent survey by AnnLee Saxenian (2002) published by the Public Policy Institute of California found that foreign-born (particularly Chinese and Indian) highly skilled immigrants in Silicon Valley have "successfully adopted both the technological capability and the venture-financed, high-growth business model that distinguishes many U.S. firms in the high-technology sector." Half of the respondents to this survey had set up subsidiaries, joint ventures, subcontracting arrangements, or other business operations in their homeland countries. Most of those who hadn't yet done so were considering establishing businesses in their home countries. This recent trend challenges the traditional idea of the "brain drain." Whereas the talented engineers, scientists, or managers who migrated abroad used to maintain only a few ties to their home countries, more recently a new pattern has been established: a "brain gain" that provides new opportunities for trade and foreign investment as well as a powerful infusion of entrepreneurial energy. AnnLee Saxenian's study also noted that the brain drain (in the case of the Chinese and Indian professionals it surveyed) was replaced by "brain circulation," meaning a variety of two-way flows of highly skilled workers between the technologically advanced countries where they reside and the less-developed countries such as India where they were born.

But we need to be cautious about making generalizations about diasporas and their homeland relations given the tremendous variation in historical experience, relations with governments in the home country, levels of prosperity and education, religious background and ethnicity both within and among diaspora communities. The experience of living outside the homeland may forge new common Indian identity among disparate members or it may exacerbate the differences within a group, fracturing it along regional, class, language, religion or caste lines. The latter appears to be the more dominant pattern, especially among new Indian diaspora communities in Europe and North America. Nevertheless, no matter how heterogeneous or homogeneous, diaspora communities do form a living link between their countries of origin and their countries of settlement.

17.4 Multi-Layered Home Connections

An important characteristic of modern diasporas is that as a group they retain a meaningful link with their homeland. These linkages develop over time and become multi-layered. They emerge as important means for the identification of a historical memory with the homeland and for maintaining some form of connectedness with it. Linkages can range from being exclusive maintenance of family ties, membership of village/community welfare associations, and different forms of economic, political, social, religious and cultural exchanges. All of these different forms of linkages are presently thriving in India. Because of the technological and communications revolution, overseas Indians increasingly find themselves incorporated as transnational agents with various forms of familial, cultural, social, community and at times, political relationships. See Figure 17.2 below.

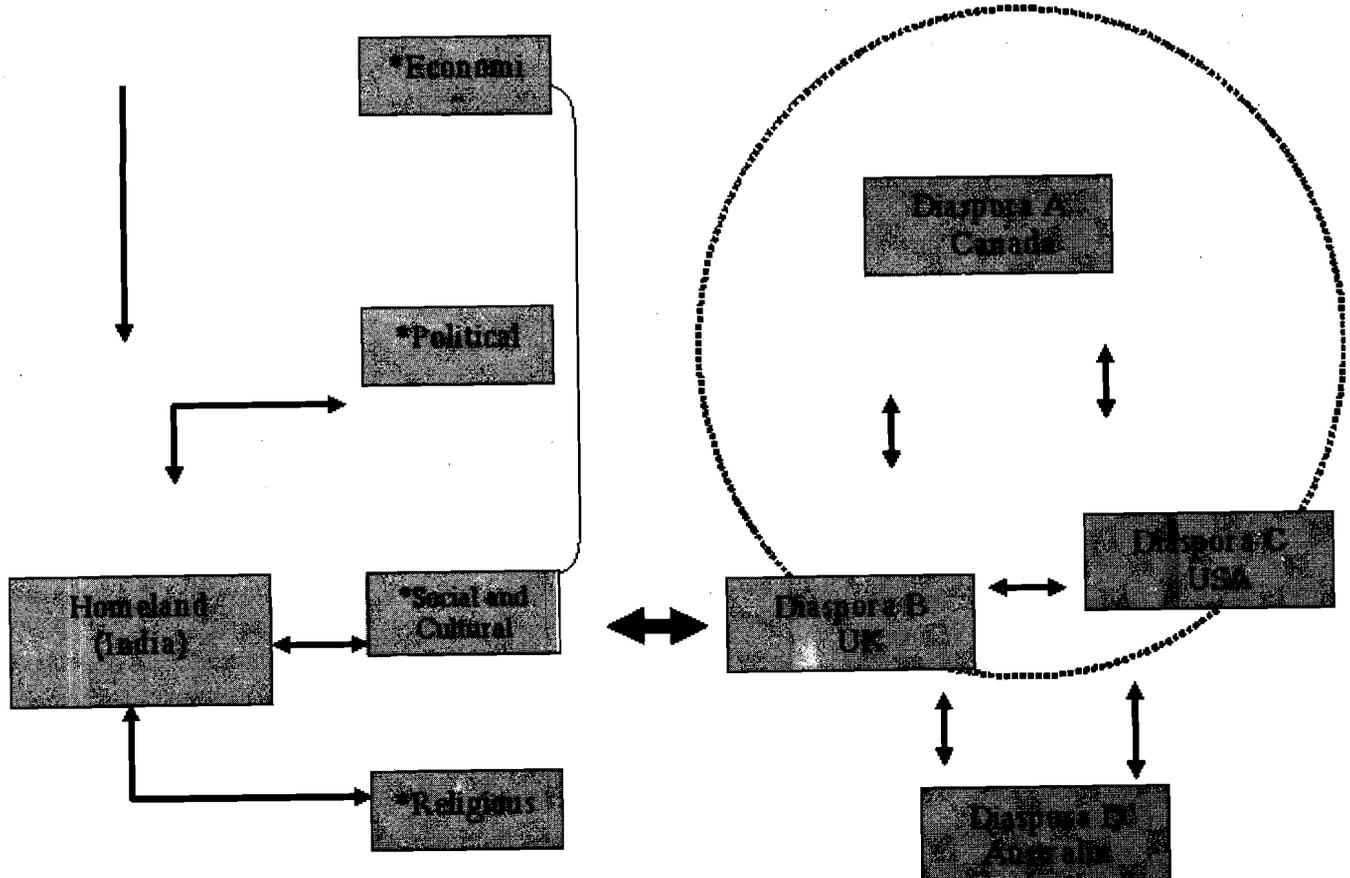


Figure 17.2: Circulation within the Indian Diaspora Transnational Space

In some situations, such as familial, cultural and community connections, the forces of integration are becoming stronger, further binding family, kinship and community ties. An important point to recognize is that with globalisation these linkages have been reformed and reshaped in two fundamental ways: they have transformed from being *unidirectional* to become *multi-directional* and they are increasingly influenced by *intra-diaspora* exchanges within a transnational space. For example, Punjabis, Gujaratis and Tamils in Australia connect with those in UK, USA and Canada and so on and their link with Punjab, Gujarat or Tamil Nadu is just one aspect of their transnational exchanges. This has important implications for the way homeland governments and community and philanthropic organisations approach their diasporas. Certainly, since the Indian diaspora has become truly transnational, so must Indian government mobilization strategies. Figure 2 below provides a schematic representation of circulation within the Indian diaspora transnational space and Table 17.1 provides a summary of the major types of linkages which currently exists between India and its diasporas.

Table 17.1: Examples of linkages within the Indian transnational community

Economic	Social/Cultural.	Religious	Political
<p>1) Family and Personal Networks</p> <p>Tangible Remittances</p> <ul style="list-style-type: none"> - Income - Gifts - Services <p>Social Remittances (Intangibles)</p> <ul style="list-style-type: none"> - ideas and values - attitudes and behaviour patterns - identities - social capital <p>2) Government/Institutional/Regulatory</p> <p>Facilities for NRIs</p> <ul style="list-style-type: none"> - trading opportunities e.g ethnic foods - promotion of tourism - trade fairs - financial services - property transactions/ services - educational services <p>3) Indian e - business</p>	<ul style="list-style-type: none"> - cultural tourism - sports exchanges - musical exchanges - educational exchanges - wedding and bridal services - video/audio/CD exchanges - print media - film/Bollywood - arts/theatre/exhibitions <p>Community /Village level networks</p> <ul style="list-style-type: none"> - philanthropic projects and charitable donations - emergency/humanitarian aid e.g. Bhuj or Orissa - hospitals - educational establishments - village infrastructure - village sports tournaments - Charitable Organisations such as Pingalwara, Amritsar or Amar Dass Mission - Municipal/Village Websites 	<ul style="list-style-type: none"> - visiting religious leaders - visiting Sants/Sadhus/Swamis/Maulvis - visiting Kirtan/Dhadi <i>jathas</i> - video/audio cassettes /CDs - joint celebration of religious festivals - live media broadcasts from holy places such Amritsar/ Anandpur Sahib on important religious festivals - Websites on Indian Religions - separate for each major tradition 	<ul style="list-style-type: none"> - overseas branches of main Indian political parties and other political organisations - links with factional groups eg Hindutva or pro-Khalistan groups - Human Rights Organisations - Development of 'Advocacy Networks' with other NGO's

17.5 Growing importance of Diasporas

Given that diaspora-homeland relations have strengthened during the current accelerated phase of globalization it is becoming increasingly recognized that a country's *active* diaspora can have a significant political and economic impact on the region of origin. This impact can be positive and/or negative, for example positive in the economic domain (e.g. through remittances,

foreign direct investment and philanthropy) but negative in the political domain (e.g. through support for separatism, communalism or religious extremism). India experiences both types of these effects and that even the “old” almost passive diaspora, has begun to show activity. Since both effects are simultaneous, at certain times the negative effects may appear to dominate the positive ones causing tension and anxiety in government’s role in influencing diaspora-homeland relations.

The diaspora’s potential to influence its homeland is a function of both its own characteristics and those of the country or region of origin. The potential for a diaspora to act as an agent or at least a catalyst for change, depends on a number of factors: its size, its education, its skills, length of migration etc and the political and economic profile of this diaspora e.g. its socio-economic make-up and the range and extent of its economic and political activities in the adopted countries. Given the close relationship between the level of education, level of income and size, we would expect to see a higher potential for a very positive contribution by diasporas. It is in part due to the growing recognition of the positive roles that diasporas can play we see the academic discourse on impacts of international migration and diasporas shifting from one being about the negative “brain drain” effects towards one of positive “brain gain” or “brain circulation” effects. The Indian government has belatedly woken up to this fact too and now recognizes that healthy relations with its diaspora, especially in the financial domain, are an important resource which they can potentially leverage in their quest for economic development (Kapur, 2004).

A growing literature identifies a range of mechanisms and channels through which diasporas impact upon the macroeconomic environment and economic development. The broadest model, developed by Orozco with Caribbean and Central American experience in mind, emphasizes the Five Ts usually associated with diasporas: tourism, transportation, telecommunications, trade and transmission of monetary remittances. Figure 17.3 below captures the essence of this role and each one of the Ts has substantial direct benefits and these effects are clearly visible in India today. Regular diaspora tourism, for instance, has emerged a major foreign exchange earner and generates extra domestic demand and boosts profits in a number of sub-sectors in the economy. Transportation, especially airlines and domestic travel companies such as airport taxis, buses and trains etc. all benefit greatly from regular visits by diaspora communities. There has been an explosion in international phone call traffic, leading to massive investment in communications infrastructure and profits for phone companies. Diaspora communities’ insatiable appetite for authentic foodstuff, artifacts, clothes, jewelry, musical instruments, dvds, cds etc. have led to dramatic development of trade in cultural goods. We must also remember that all of these channels are multi-directional as can be seen in many examples of successful cross-overs of goods (eg. Kingfisher or Cobra beer) between diaspora and homeland locations.

Some writers also differentiate between a diaspora’s direct (as in the 5 T’s model) and indirect effects where the latter result in diasporas playing an intermediary role between the sending and host countries in a range of mutually advantageous activities. Many of these effects are also visible in India where diasporas can facilitate a dialogue between the home state or country and the host government and their agencies. The involvement of UK’s Department for International Development (DfID) and the Canadian International Development Agency in parts of India are a good case in point where diaspora-based lobby groups have demonstrated tangible influence.

Increasingly more and more writers have tended to emphasise transnational social networks as the most potent diaspora mechanism. The social networks can operate under different headings, be it remittances, business investment, financial investments with banks, in the stock market or purchase of government bonds, and in knowledge transfer. Some of these financial connections are explored in more detail in the next section.

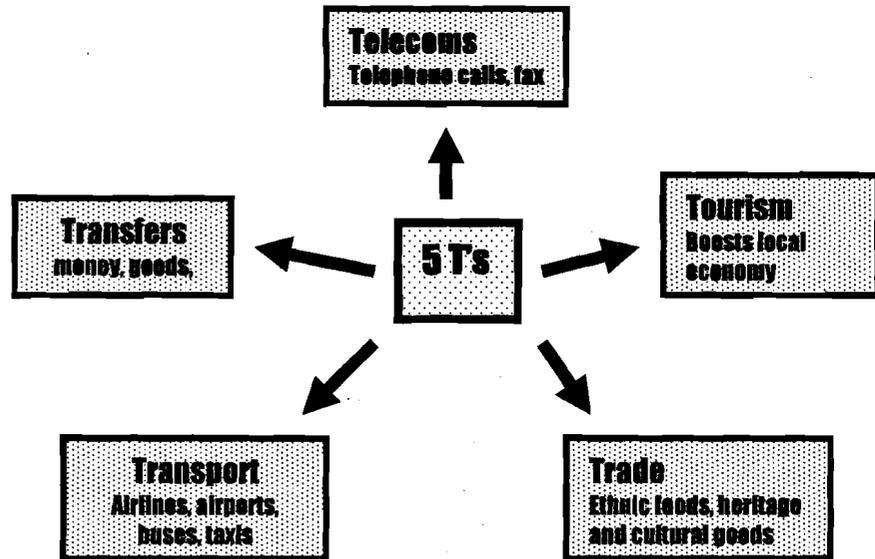


Figure 17.3: Diaspora-Homeland Connections: The 5 T's Model

Source: Orozco (2003)

Reflection and Action 17.1

Trace the growing importance of Indian diaspora to homeland.

Discuss the different aspects of connections between Indian diaspora and home

17.6 Diaspora Finance

The interactions between diaspora, diaspora finance and development are quite complex and have only recently begun to receive serious attention by scholars working in the field of diaspora and development. In the case of India, even now, hardly any serious research has been undertaken on measuring the current significance and potential role different types of diaspora finance plays in the country.

Box 17.1 World Bank (2000) on Diaspora Finance

“Diasporas serve as information channels for the flow of information, market intelligence, capital and skills. They may supplement formal channels that rely on market institutions, providing a way for migrants to conduct transactions in an atmosphere of trust. In this way they act to offset information asymmetries and other market failures. Modern diasporas... expedite business transactions by resolving monitoring problems, reducing opportunism, and building reputation and ethnic trust based on networking. As migration continues, diasporas will expand, tying together regions and continents. Even if governments attempt to slow down the process, communications, technology and human relationships will maintain this trend. The South Asian diaspora, with a network reaching from southeast Asia to the Middle East, the United Kingdom, and North America, has a net worth of between \$150 billion and \$300 billion. Its potential remains to be tapped in the early 21st century.”

Along with its general policy towards the Indian diaspora, in the area of diaspora finance too, the Indian government has moved from a position of somewhat disapproving indifference to one of actively seeking their involvement in India's development. It has so far focused primarily on attracting direct investment (the first priority, but ironically the most disappointing), portfolio investment, and humanitarian or other philanthropic assistance. Relatively little is said about remittances.

Remittances

Diaspora finance, particularly its most popularly known form, remittance money sent home by migrants, represents one of the largest and most visible economic impacts of migration on migrant sending economies in many third world regions. According to the latest available statistics, the flow of official remittances to the developing world reached \$167 billion in 2005, of which \$32 billion (19%) went to South Asia with India's share being \$22 billion - rising rapidly from the \$13 billion recorded in 2001. Yet we know that these documented amounts vastly underestimate the actual inflow of remittances because large amounts come through informal channels such as through family, friends and kinship networks.

Official remittances are by far the largest and most stable component of diaspora finance. Often their role has been judged in terms of whether they help in maintaining sustainable livelihoods or perhaps just assist in generating further rural inequalities or dependencies. At other times the debate centres on the 'productive' and 'unproductive' use of remittances at the household level. But these still remain very simplistic approaches in understanding the total impact of remittances and diaspora finance as a whole on migrant sending economies. To get a more comprehensive picture of the impact we need to go beyond the focus on financial inflows alone. Social remittances for example - transfer of ideas, values, attitudes, social capital, organizational and managerial skills and practices - have the potential to play an equally significant role but since these are difficult to quantify, they don't receive the same attention they deserve. Overwhelming evidence suggests that family and community remittances play a complex but vital role at the household, community and regional levels (Levitt, 2001). They are important in understanding how migration impacts upon family and gender roles, especially of those left behind, on class, ethnicity and on political and religious participation. The overall evidence on total impact of remittances clearly shows that they have an enormous potential to transform and raise rural livelihoods by improving standards of living, by providing access to health care and education and by empowering communities whose economic welfare is threatened by the indifference and bureaucratic politics of the local state. This is particularly the case in most Indian states with their continuing fiscal crisis and consequent squeeze on budgets for rural development programmes. Thus for many of these Indian states, given their strong, wealthy and vibrant diasporas, we would expect diaspora finance to provide an important potential source of alternative income.

Portfolio Investment

Portfolio investment flows come into India in a number of ways: as NRI bank deposits to take advantage of special terms and interest rates (these reached a record US\$3.6 billion in 2003-2004), as investment in the stock markets, either directly or via mutual funds and through the issue of special bonds by the Indian government. Net outflows and inflows vary depending on interest rates, expectations on returns and risk assessment. However, since the 1992 reforms, sizable amounts have come in, contributing significantly

to the development of healthy foreign exchange reserves. Take the example of issue of two government bonds aimed specifically at attracting NRI inflows.

In 1998, soon after India was subjected to international sanctions for carrying out nuclear tests, the government, fearing a foreign exchange crunch, launched a huge sale of 5-year bonds, called Resurgent India Bonds, guaranteed by the State Bank of India and available only to NRIs. Although “patriotic fervour” may have been a key theme underlying the sale, the government was aware that it could not count on patriotism alone, and therefore added significant benefits to make the bonds attractive: a 2 per cent higher interest rate in dollar terms than the US bond market, the option of redemption in US dollars and exemption from Indian income and wealth taxes. A massive marketing campaign was launched for the bonds in countries of the new and rich Indian diaspora. The sale turned out to be a runaway success as it was over-subscribed: NRIs worldwide purchased bonds worth £2.3 billion in just over two weeks, more than 50 per cent of which came from the Middle East and South East Asia and 20 per cent from Europe and North America. This successful experience was repeated again in 2000 with the issue of another bond, the India Millennium Deposits, which raised over £3 billion.

Foreign Direct Investment

Foreign Direct Investment flows to India have continued to increase steadily during the post-reform period, although actual inflows have not matched the expectations or the rhetoric of the politicians, both in terms of overall FDI inflows and particularly NRI FDI inflows. It has become common practice to compare the successful mobilization by China to woo its diaspora to undertake FDI in China compared with India’s dismal failure. Less than 5 per cent of the cumulative FDI inflows to India in the post-reform era have come from NRIs, compared with around 50 per cent in the case of China. How can we explain this? There are significant differences between the compositions of the two diasporas and in any case Indian diaspora’s financial contribution is in a different form than FDI as we have described above. However, recent years have seen some change in the equation, especially given the Indian diaspora involvement in the software development sector.

Box 17.2 Difference Between China and India With regards to FDI

Kapur (2001) explains the differential experience as follows:

“The Indian diaspora was largely professional while the Chinese diaspora was more entrepreneurial. Hence although the former was well off in the aggregate (for instance it is one of the wealthiest ethnic groups in the U.S.), it did not have substantial numbers of high net worth individuals who would serve as potential investors. Second, India was hostile to foreign investment until the early 1990s while China opened up a decade earlier. Third, China, unlike India, did not have a strong capitalist class when it opened up - and hence faced little domestic opposition to incentives granted to diasporic (sic) investors. Finally, local governments have played a much more proactive role in China relative to India, although this is changing in the latter.”

We must also add the following to the above factors highlighted by Kapur. Overseas Chinese are larger in number (eg around 55m compared with India’s 20m), tend to be more entrepreneurial given their socio-economic backgrounds, enjoy strong family connections (*guanxi*) and business networks in south-east Asia and China and enjoy very cordial relations with the Chinese political leadership. In contrast overseas Indians (NRIs/PIOs) are

smaller in number, more differentiated, do not have strong family business or social networks and have, until recently, been largely ignored by Indian governments (Smart and Jinh-Yuh Hsu, 2004). Although the overseas Chinese contribution to diaspora finance may have been exaggerated (due to measurement differences) when compared with India's diaspora, nevertheless a significant difference still remains.

Another interesting dimension to highlight is the regional distribution of FDI by NRIs and the relationship between the size of the diaspora and homeward orientation measured in terms of FDI inflows. As we can see in Table 17.2 below, the best performing state is Karnataka, with its successful IT sector and well established business networks and then comes Gujarat with its strong tradition of trading and merchant classes. It is interesting to observe that states such as Punjab, although having a large diaspora, do not figure at all in FDI terms, reinforcing the point about the importance of having an entrepreneurial culture and a large entrepreneurial class with close business networks.

Table 17.2: Top States Receiving NRI-FDI in India

States	Number of NRI Projects	Value of NRI Investment (Rs. Crore)	Total FDI (Rs.)	Non-Resident FDI/Total FDI (%)
Andhra Pradesh	190	1,905.8		
Maharashtra	273	1,890.7	50,333	3.7
Karnataka	163	1,333.0	23,970	5.6
Delhi	140	959.5	34,636	2.8
Gujarat	88	765.5	18,795	4.0
Tamil Nadu	192	683.5	24,763	2.8

Source: *Times of India*, 4th February, 2004

Business Networks

Indian diaspora communities have a long track record in establishing successful businesses in their countries of settlement, whether in the old or new diaspora locations. In the vast majority of these locations there is a thriving Indian businessmen sector and many communities play an important brokerage and other influential role in their adopted homes. It is quite common to see the formation of strong business networks amongst the diaspora communities. Since they usually represent a minority community in their host country, such networks provide a range of networking opportunities among their co-ethnics, enabling them to utilize their social and cultural capital. In the case of the Indian diaspora many business networks are well established, especially in the UK and US where influential Indian business and professional groups have strong networking arrangements. However over the past decade, newer and truly transnational networks have begun to emerge helped by organizations such as Global Organization of People of Indian Origin (GOPIO). Many of these use ICT to create and maintain ongoing ties with a view to identifying business opportunities and potential areas of partnership. One good example of this is TIE (The IndUS Entrepreneur), which has grown from its core in North America and India to 25 chapters, including Singapore, Switzerland and the UK. It matches experienced entrepreneurs and start-up managers in a mentoring relationship, and backs up promising enterprises (in the United States and India) with venture capital from a core membership of investors. As Devesh Kapur (2001) points out that the benefits of the network go beyond profitable investment and start-up finance:

"It has boosted India's confidence as well as the confidence of overseas investors about India's potential despite India's numerous problems. Companies like Yahoo, Hewlett Packard and General Electric have opened R&D centers in India largely because of the confidence engendered by the presence of many Indians working in their US operations. This points to the cognitive effects arising from the projection of a coherent, appealing, and progressive identity on the part of the diaspora which signals an image of prosperity and progress to potential investors and consumers."

Another example is the Silicon Valley Indian Professional Association (SIPA), of Santa Clara, CA, which has over 1800 members. Its mission is to "provide a forum for individuals interested in meeting with visiting Indian businessmen and women, professionals, and bureaucrats, and to facilitate information dissemination and networking within the professional community"(sipa.org) through a speaker series and seminars on issues such as outsourcing, property rights, and service providers in India. There are several business associations currently functioning in the UK, including the Indian Development Group (UK) Ltd, the Indian forum for Business, and the India Group based at the London Business School and at the local level there are many Asian business directories which facilitate local networking.

Diasporan Philanthropy: Case Study of Punjab

The role of diasporan philanthropy - private giving for public good - has a relatively long history in India as there are examples of this activity taking place since the early decades of the last century. However its magnitude, quality and creativity have become more significant in the last couple of decades or so (Geithner et al., 2004). As is the case with other diaspora communities, it is always difficult to identify the driving force behind these forms of financial flows. Arguments such as civic duty, loyalty to village kith and kin, gratitude, sense of identity etc. are often used by migrants themselves to justify donations. Some professional groups, such as doctors and scientists, donating individually or through their professional organizations, may be seen as "paying back" something to their homelands, a sort of acknowledgement or gratitude for the public subsidy received towards their education and training in India. However, here may also be deeper cultural factors, which play a role for some communities, such as, for example the Sikhs. Sikh philosophy and *Rahit Maryada* places an important emphasis on philanthropy and altruism- cultural values emphasize the importance of *daswandh and daan* (sharing of fruits of labour), *seva* (selfless service) and *sarbat da bhalla* (welfare of all mankind). These norms are especially emphasized when raising funding for faith-based philanthropy i.e. construction of *gurdwaras and mandirs* and other religious institutions, in extending help towards their *parivar* or *quom*, in village infrastructure improvement and community facilities and in extending help towards other deprived and underprivileged communities.

Taking the case of Punjab, although there have always been relatively wealthy individuals and social entrepreneurs who initiate philanthropic projects on their own and in their own way, most of the community remittances currently being mobilised in Punjab are through the development of village welfare associations. In fact over the past ten years or so there has been a rapid growth in the development of village associations, which are now performing a number of functions - from encouraging sports and cultural exchanges, to buying political influence and to pursuit of low-scale development goals in their village communities. A counterpart association will often be set up in the village in the homeland to facilitate exchange. These associations, both in the diaspora and in the homeland are increasingly

motivated to take advantage of the upsurge in family remittances and by the desire to offer economic aid to their homelands. Many donors have been persuaded to become involved as a result of the demonstration effects of the flows of family remittances - if remittances have the capacity to greatly improve living standards of migrant households, then surely they can do the same for the village as a whole? Emphasis towards the latter aim is gaining momentum. There are now numerous villages in Punjab where varying levels of diaspora funded rural development projects are being undertaken. The three excellent examples that are worth noting are: (i) Guru Nanak Mission Medical and Educational Trust (nr. Banga, dist Nawanshahr; (ii) National Rural Development Society, Palahi, (near Phagwara, dist. Kupurthala and (iii) Village Life Improvement Board (VLIB), Kharaudi (nr. Mahilpur, dist. Hoshiarpur). The table below identifies the main types of activities currently being undertaken by village associations in Punjab.

Table 17.3: Range of Philanthropic Activities by Migrants in Punjabi Villages

Category	Kind of Activity
Charity	Gurdwara donations, clothes, computers
Infrastructure	Hospitals, Nursing College, Parks, sports complexes, street paving and lighting, mortuaries, sewerage and water treatment, vehicles
Human development and Recreational	Scholarships, sports facilities and sports tournaments, libraries, IT equipment, health equipment
Investment	Income generating programmes for the community
Other	General fund-raising

Source: Thandi (2002)

In summarizing this section, it is difficult to say with any certainty how much of the increased FDI and other financial flows into India is the result of the government's new approach - which is still very new and evolving - and how much springs from other factors. For example, the employment of Indian information-technology professionals in the US computer industry and the resulting build-up of links between US and Indian high-tech firms, especially around San Jose and Bangalore, had little to do with Indian government's diaspora policy, and more with its support of outstanding institutions of higher education (i.e. IITs) and general macro-economic reforms. But the government has recognized the potential of the diaspora to contribute more to India's development efforts, and has moved to clear away some of the obstacles towards greater engagement.

17.7 Political Connections

Diaspora based political organizations maintain many types of connections with political organizations in their homelands, whether they are political parties or advocacy groups or other forms of community organizations with political agendas. These connections developed quite early on (for example the establishment of Overseas Congress Party, the Ghadar Party) and thus have a long history but it is only in the current phase of globalization their activities have strengthened and they have become more influential in decision-making. Most of these links are quite legitimate and result in a strong, positive and democratic dialogue between India and its diaspora communities but there have also been occasions when such connections have been very tense, leading to general mistrust.

One of the most talked about negative aspects of diaspora-homeland connections is the financial (for purchase of weapons), political, ideological and strategic support which disaffected diaspora groups provide to sub-

nationalist movements in their homeland. Support for self-determination in Kashmir, Punjab and for Tamils in Sri Lanka comes immediately to mind. Diaspora groups, cushioned from the day to day consequences of violence which their support can potentially unleash, are often more uncompromising than their counterparts who remain in countries of origin. Good examples of this today are the activities of the so-called Khalistanis in the UK and USA. This “long distance nationalism”, with its romanticized notions can obscure reality about the nature of homeland conflict and the long-term negative impact on a region they are purporting to protect.

Another negative form of diaspora support can be its funding of communalism. An example of this is India’s Gujarati diaspora which is alleged to have been involved in funding and supporting the rise of Hindu nationalist violence against Christians and Muslims in Gujarat, an activity which an article in *The Hindu* newspaper referred to as “foreign direct investment in hatred” (Wilson, 2003). Based on a report by Awaaz, a London based organization, this article investigated the ideological and material links between the Gujarati Diaspora in the UK and some of the Hindu nationalist (“Hindutva”) groups (collectively called the Sangh Parivar), implicated in the anti-Muslim pogroms in Gujarat in early 2002, and found that the “major long-term source of funding” for Sewa International and other Sangh Parivar groups was Britain’s Gujarati community. This article asserted that such groups had (i) co-opted the human and resource channels that had existed for years between Gujarati communities in the UK and their families and communities in India for use in funding pro-Hindu nationalist parties in India; (ii) channeled Gujaratis’ experiences of racism and alienation in the UK into “virulent Hindu chauvinism” and (iii) succeeded in raising money from the British government by portraying themselves as “faith communities,” and therefore becoming legitimate beneficiaries of the government’s new social inclusion policy approach for supporting ethnic minorities (Wilson, 2003). Another study by Sabrang, an organization based in the USA, found similar links between the US-based India Development and Relief Fund (IDRF) and violent Hindu nationalism. It is fair to say, however, that this report was denounced by IDRF supporters in a rebuttal, which claimed that Hindutva organizations were merely providing a framework for maintaining and celebrating Hindu identity in countries where Hindus represented small minorities.

Reflection and Action 17.2

What are the reasons for increase in Foreign Direct Investment (FDI) in India?

In what way do political connections forged by the diaspora have negative impact on the country of their origin, substantiate your answer with suitable examples.

17.8 New Policies for Mobilising Diaspora-Homeland Relations

Although we know that diaspora-homeland linkages are both transnational and multi-layered and have become stronger, how can we mobilize and harness these for the economic development in India? At the cultural and social levels the Indian consular activities abroad have always tried, with some relative degree of success, to instill Indian-ness and a sense of belonging amongst diverse Indian communities abroad. However, the Indian government’s success in mobilizing diaspora finance has a disappointing history. This largely reflects the historically indifferent attitude the Indian government adopted towards its diaspora. For a long time after independence

Indians living abroad or leaving for abroad were treated with suspicion or seen as liabilities who made all sorts of demands on the Indian government without contributing anything in return. In fact, following Nehru's official attitude towards the diaspora - that Indian emigrants should assimilate and adopt the life style of their chosen country of residence - India never imagined that its diaspora could be a strategic asset which it should try to harness (Marie-Lall, 2001). Official policies aimed at attracting diaspora finance were non-existent as India pursued its inward looking policy of self-sufficiency within a highly centralised and bureaucratic development model. All forms of obstacles were introduced to discourage foreign trade and foreign investment. Within this setup states had limited autonomy in encouraging diaspora-homeland links.

However a radical departure in economic policy was initiated after India's foreign exchange crisis forced it to adopt the IMF-World Bank structural adjustment rescue package in 1991. It is ironic that a major cause of the foreign exchange crisis should be the dramatic fall in remittances from Indian workers in the Gulf States who were forced to flee the region during the first Gulf war! With the implementation of globalisation and liberalization policies, India not only began to welcome multinational investment but also belatedly acknowledged the fact that its diaspora communities were relatively wealthy and had potential finance to help with foreign exchange problems. However despite the rhetoric, it is only in the post 2000 period that we see a significant shift in policy, with a plethora of new initiatives, even conceding the demands for a dual nationality. What was the major catalyst for change in pro-NRI policies? Perhaps the single most significant event was the setting up in September 2000, under the Chair of L.M. Singhvi, of a High Level Committee on the Indian Diaspora to analyze the location, situation and potential development role of the estimated 20 million non-resident Indians (NRIs) and Persons of Indian Origin (PIOs). The final report of this High Level Committee on the Indian Diaspora (referred to hereafter as the Singhvi Report) was released by the government in January 2002 and it recommended a totally "new policy framework for creating a more conducive environment in India to leverage these invaluable human resources." (Singhvi Report, 2001).

Besides providing long but interesting narratives on the settlement and evolution of overseas Indian communities, much of the analysis in the Report focused on economic relations, especially on the question of why FDI and other types of diaspora financial flows have been low relative to, in particular, the Chinese diaspora. It suggested that although the 20 million overseas Indians generated an annual income equal to 35% of India's GDP, they only generated less than 10 per cent of India's rather modest £2.2 billion of FDI. Compare this to the overseas Chinese, who have contributed half of China's £26 billion worth of FDI. The report acknowledged that the Indian government ignored or even failed the diaspora, and that the government itself was to blame for the relatively low involvement of overseas Indians in India by not offering an investor-friendly regulatory environment. There is a consensus amongst government spokesmen, Indian media commentators and NRI businessmen that a major obstacle is the mountains of bureaucratic red tape and corruption that NRIs and PIOs must deal with should they want to invest directly in India. Subha Singh (2002) expressed this sentiment as follows:

"Several overseas investors have burnt their fingers in investing in projects in India as they wound their way through the plethora of laws and regulations that govern industrial enterprises...Many Indians living abroad want to fund

small projects in their home villages...but the procedural delays and corruption in India have made it difficult to implement their programmes. In other cases, the community felt that the procedures for transferring funds for philanthropic activities was too cumbersome, without much assurance that funds would be used appropriately. Others complain of little protection in case of fraud or cheating in financial or land matters.”

The Singhvi Report acknowledges such problems and it stated in the executive summary that: “[The Diaspora’s] receptiveness to Indian concerns will depend greatly on the quality of their interaction with the country of their origin and the sensitivity to their concerns displayed in India. It is essential for India to create the necessary structures to facilitate this interaction.” (Singhvi Report, 2001, p. xxi). The report urged the Indian government to strengthen the diaspora’s “pride and faith in its heritage” as this would “revitalize [the Diaspora’s] interest in development. (Singhi Report, 2001, p. xxvii). Towards this endeavour the Singhvi Report had recommended that 9 January - the day Gandhi returned to India from South Africa - be celebrated each year as a day (Pravasi Bhartiya Divas (PBD)) to recognize the contributions of eminent PIOs and NRIs. The BJP party which led the government at that time took up this challenge and the first celebration was held in 2003 in conjunction with the first major Indian Diaspora conference, which attracted more than 2000 NRIs and PIOs from 63 countries. The Conference was inaugurated by the Indian government led by Prime Minister Vajpayee and was co-sponsored by the Federation of Indian Chambers of Commerce. The Congress party which came into power after the BJP has continued with the PBD and has held two more since then, PBD 3 in Mumbai in 2005 and PBD 4 in Hyderabad in 2006.

In addition to the annual PBD, a series of reforms and new legislation have also been announced, largely in response to many of the issues raised in the Singhvi Report, including, for instance, streamlining measures to ease overseas investment to India, with the India Investment Centre acting as the nodal agency, the creation of a government Ministry (for Overseas Indians) with the sole focus of acting as a liaison between India and its diaspora, and introduction of legislation to grant dual citizenship to NRI in certain countries and perhaps even offering voting rights in the future.

All of the above are moves in the right direction and have been welcomed by all NRIs and PIOs as long-awaited developments. There are, however, some lessons that India could still learn from the mobilization policies of other countries. Evidence from other countries such as China and Taiwan and even from other states of India suggest that promotion of investment in specific sectors or by identifying economic clusters may be a more effective strategy to harness the talent of overseas-based business and professional migrants. Furthermore, as Chinese experience strongly suggests, commercial investment and philanthropic giving tend to reinforce each other. In India the Karnataka story of nurturing business start-ups among Silicon Valley NRI returnees and in developing the technology cluster in Bangalore is an interesting case in point.

The second element for successful mobilisation is that of developing an infrastructure that would facilitate communications between the diaspora communities and their homeland. The Web offers an enormous potential for leaders in the homeland and diaspora communities to exchange and share information relatively instantly and cheaply. Such information can pertain to business and investment opportunities, skill shortages, databases on diaspora-based and homeland experts, progress reports on on-going or new philanthropic projects, organizations offering opportunities for social and cultural exchanges. Although many Indian states have taken some token initiatives to provide this facilitation they remain largely undeveloped.

under-resourced and politicised. As regards the latter, for instance, whenever BJP or Congress politicians have visited abroad, their appeal remains limited exclusively within their own political party networks.

The third and final element in leveraging the diaspora is to introduce financial incentives and innovative mechanisms for luring migrant money. These would include not only liberalisation of key sectors not currently open to NRIs but also liberalisation of financial flows. Current incentives such as offering matching state grants are also part of these strategies but these need to be fully embraced through larger budgetary allocations to develop credibility and trust. Further, too often the incentives are geared towards ensuring inflows but neglect the fact that incentives are also required for reversal of flows if the migrants deem it necessary. Appealing to the Indian migrant's sense of cultural identity or patriotic loyalty will not be sufficient if the migrant's perception is that the incentives on offer are not transparent or are discretionary and unfair. In certain cases there may also be a role for offering non-financial incentives, for instance high-profile awards which acknowledge the migrant's contribution to the economic well-being of the region. The recent honouring of high profile individuals at *Pravasi Bhartyia Divas* functions has acknowledged this need but this needs to be promoted in a non-politicised way to ensure credibility. The state level NRI Sabhas were a potential vehicle for this activity but their politicisation has rendered them relatively toothless.

17.9 Conclusions

In this unit we have argued that the Indian diaspora maintains multi-layered connections with its homeland of India. These connections vary from being cultural, social, religious, political and economic and many of them have both transformed and strengthened over the last two decades. Some of these connections can generate negative outcomes but Even the so called "old" diaspora with its long history of overseas settlement has began to re-connect with its area of origin. Meanwhile, the "new" diaspora communities, especially of Europe, North America and the Gulf States, have developed very strong economic and financial linkages with India and perhaps been the major beneficiaries of Indian government initiatives to build a more constructive dialogue with its diasporas.

Some of the connections mentioned above can generate negative outcomes but this unit has emphasized the financial connections to demonstrate both their positive nature and their potential in terms of helping Indian economic development - a potential which is being successfully exploited by countries such as China - and their weakness, especially in the area of foreign direct investment. The unit also raises important issues about the nature and socio-economic composition of the Indian diaspora and policies for its successful mobilization as a strategic asset.

17.10 Further Reading

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