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The Economic Experiences of the Indian Diaspora

by

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About the Author

Professor K.R.G. Nair was the founder-Director of the Centre for Canadian Studies of the University of Delhi. As a Professor of Business Economics, he was also responsible for holding six annual country Seminars with six different countries of the world. He also successfully established educational linkages and student exchange programmes, for the University of Delhi, with a number of countries. He holds a Ph.D. degree in Economics from the Delhi School of Economics and is currently associated with the CPR as an Honorary Research Professor.

Foreword

Since times immemorial, "*Vasudhaiva Kutumbakam*" (whole world as one family), has been a basic tenet of the Indian psyche. Indians are hence found in almost all parts of the globe. Some of them left the country of their origin and settled in other countries to which they migrated. The factors which lead to such migration and the economic, social and cultural adjustments that these Indian diaspora face in their adopted country have always fascinated scholars engaged in multi-disciplinary policy-oriented research. Such studies have assumed greater importance these days because of the economic globalisation and the targeted efforts being made by the Government of India to induce the Indian Diaspora to help promote further economic and social progress in India.

I am particularly delighted to note that one of our senior colleagues at CPR has taken upon himself the task of examining afresh the role of the Indian diaspora under present conditions. In this paper he has analysed the experiences of the Indian Diaspora in Canada and in some regions of Africa. He has inferred that the economic experiences of the Indian diaspora in this regard are not all hunkey dorey. His study also indicates that unless the economic environment in India becomes very much investor-friendly, efforts to woo the Indian Diaspora to invest in India may not bear much fruit.

I commend this paper for wider study and further research on the pertinent issues raised by the author.

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Indians have, since times immemorial, been guided by the philosophy of "Vasudhaiva Kudumbakam". It is hence not surprising that people from India have been responding to economic opportunities of an international nature knocking at their doors and have migrated to other parts of the world in search of greener economic pastures. The whirlwind of economic liberalisation coupled with the phenomenon of convergence in the field of electronic communication has now reduced the entire universe into a global village, converting this tiny trickle into a much bigger stream. In the light of all this, it is interesting to examine the economic experiences of people of this kind often referred to as the Indian Diaspora. The paper here attempts an exercise of this kind and is split into five parts. Part one goes into the issues of defining the concept particularly with reference to the Indian Diaspora. Part two studies the experiences of the Indian Diaspora in two different regions of Africa. Part three examines issues in this regard about the Indian Diaspora in Canada. Part four looks critically at the attempts to woo NRI capital and enterprise to India with particular focus on foreign direct investment. Part five summarises the main findings of this paper to crystal-gaze a little and also to draw meaningful policy inferences.

1. The concept

The word Diaspora is of Greek origin and initially referred to the dispersal of a country's population through colonisation. Later the term was aptly used for quite some time to refer to the totality of the traumatic Jewish experience of being banished from their homeland with the resultant longing to return to it, particularly between the eighth and the sixth centuries B.C. The term has now come to be much more generalised and, as pointed out by Varma and Seshan (2003), refers to any group of deterritorialised population seeking to reterritorialise itself. Maharaj (2003), after surveying considerable earlier work infers that any migrant group can be looked upon as a Diaspora if it has ethnic consciousness, has an active associative life and has contacts with its land of origin in various forms, real or imaginary.

A high level committee on the Indian Diaspora, appointed by the Government of India in September 2000 (henceforth referred to as the Singhvi Committee), also uses the term Diaspora in a generic sense for " communities of migrants, living or settled permanently in other countries, aware of its origins and identity, and maintaining varying degrees of linkages with the mother country" in its report submitted in December, 2001. According to this report the Indian Diaspora consists of 20 million people scattered in more than 110 countries all over the world. These include Non-Resident Indians (NRI) who are Indian citizens holding Indian passports, but are staying abroad for an indefinite period, whether for employment, or for carrying on any business or vocation, or for any other purpose. These also consist of persons of Indian origin (PIO) who or whose spouse, parents, grandparents or great-grandparents were once citizens of India. There are six countries of

the world, which have at least a million each of the Indian Diaspora and in twenty-three countries there are at least 100,000 such Indians.

One must however recognise the simple fact that the Indian Diaspora is far from being a homogeneous group. This is the result of the multi-religious, multi-linguistic, multi-regional and multicultural structure of the Indian nation. It is true that a strong sense of national consciousness emerged all over the country during India's Independence struggle. It has also to be admitted that this feeling gets rekindled whenever there is external aggression. But what comes out prominently in normal circumstances is the linguistic, regional, cultural and religious diversity that exists within the nation among the people of India. This multi-dimensional diversity is a unique characteristic of the Indian nation in striking contrast with diversity along at the most one or two dimensions in most other nations of the world. This unique diversity has naturally got mapped on to the Indian Diaspora too and as many detailed studies, like the ones by Lele (2003) and by Pandit (2003), have shown, one would draw totally erroneous conclusions if one were to treat the Hindu or the Hindi-speaking Diaspora as synonymous with the entire Indian Diaspora.

2. Economic experience in African countries

The section here is devoted to the experience of the Indian Diaspora in two parts of Africa - South Africa and East Africa. The attempt is to trace the history of these and compare and contrast their economic experiences.

According to the Singhvi Committee, the Indian Diaspora in South Africa is estimated to be a million in size. Further, as pointed out by the Singhvi Committee, from a strictly chronological point of view, it is true that the first Indians who went to live in South Africa were the slaves taken by the Dutch merchants from India in 1653. It has also to be admitted that Indians constituted slightly more than one-third of the slave population brought into the country in the early part of the nineteenth century, but their total number came to only 1195. In view of this, most people agree with the view that there are two distinct origins for the Indian Diaspora in South Africa. Firstly there were the indentured labourers who met the requirements for agricultural labour for the cultivation of sugarcane. As is well known, the system was a simple substitute for forced labour and slavery and the indentured coolies were half slaves. This movement took place in two installments, the first one beginning in 1860 and the second one in 1874. The conditions under which the second movement took place were marginally less exploitative than the ones under which the first movement took place. This was due to the fact that the first batch of repatriates returned to India in 1871 to vividly narrate their bitter experiences constraining even the British rulers in India to discontinue further recruitment of such labour. This was however resumed in 1874 by which time there was, at least on paper, some improvement in the conditions of such recruitment and the economic strains of the absence of such labour in South Africa began to be felt very acutely there. The social exclusiveness of the Indian labourers did lead to some resentment among the native population towards them, but the community of whites did not feel economically or socially threatened by this inflow.

It has however to be noted that though the overwhelming majority of the Indian Diaspora in South Africa originated from indentured labour brought in from India by the British, there was also another stream of migrants from India to South Africa. This began in the late 1870s and provided a striking contrast to the first stream. These were mainly Gujarati Muslim traders who were referred to as passenger Indians because, unlike the indentured labourers, they paid for their passage. As pointed out by many including Maharaj (2003) though at first they were engaged in catering to the consumer needs of the Indian community, they slowly blossomed out further. This led to considerable resentment against them from the whites for whom trade was the main activity and hence a symbol of social status. The whites often showed greater concern with this "Asiatic menace" than with the native problem. References were often made to the parasitic, dangerous and harmful Asiatic trader eating into the very vitals of the community. As a result, despite Mahatma Gandhi's presence and struggle for discrimination against Indians between 1893 and 1914, there is enough evidence of the passing of considerable anti-Indian legislation between 1887 and 1941 with a view to compelling the Indian migrants to leave. There was in fact an agreement in 1927 between the two governments to encourage and facilitate the repatriation of Indians, with the Government of South Africa agreeing to improve the conditions of those who chose to stay back. Very few Indians chose to get repatriated and the Government of South Africa not only failed to honour its commitment to improve the conditions of Indians there, but also actually went ahead with even more discriminatory legislation constraining the Government of India to break off diplomatic relations with South Africa. Despite the fact that many Indian leaders and most Indians in South Africa joined the struggle against apartheid, the former government attempted to create a schism between Indians and the rest of the blacks in South Africa resulting in a deep undercurrent of anti-Indian feeling among the rest of the blacks there.

All this was much more so in East Africa. In this part of Africa too, there was considerable indentured labour from India recruited particularly for the construction of the East African railway line in the 1890s. The Gujarati traders found the expanding railway line an opportunity for trade and migrated to these and surrounding areas for purposes of trade. The proportion of traders among Indian migrants was somewhat larger in East Africa than in South Africa. Their success in business and social exclusivity resulted in considerable animosity from the Europeans in East Africa, particularly since the Indian community also started competing with the Europeans for access to land. As a result, even in the 1930s severe restrictions were imposed on Indians for trading outside major urban centres. Further in the 1940s unrestricted immigration from India to East Africa was stopped. While these efforts were initiated first with a view to preserving white supremacy, it was subsequently justified and made to appear as an attempt to protect the Africans. As pointed out by many, including Desai (1989), Asians were made to appear as people who "exploited the illiterate Africans; who prevented their progress by occupying all the jobs to which the Africans aspired; whose social and religious influences were undesirable and whose culture and religion were backward, obscurantist and unwholesome..... many of these European attitudes were assimilated and

internalised by the Africans".[1] Because of the middleman role that many of them played and also because of their social exclusivity, the Indians in East Africa became convenient scapegoats and objects of revenge for Africans for their long-suffering misery. Add to this bigoted dictators such as Idi Amin, who in 1972 expelled all Ugandans of Asian origin and, we see the reduction of the Indian Diaspora from 360,000 in the early sixties to just 200,000 in the year 2001 in East Africa as a simple and natural corollary.

3. The Canadian Experience

The first phase of Indian migration to Canada began in the final decade of the nineteenth century and was initiated by the visit of a group of soldiers under Sardar Kadir Khan Bahadur to Vancouver, Montreal and Ottawa after attending Queen Victoria's Diamond Jubilee celebrations in 1898. They were mostly Sikhs and their movement to Canada was the second part of their getting out of India. There were also a few political refugees. Most of the immigrants found jobs in the agricultural sector, in the lumber mills and in the construction of the Canadian Pacific railroad. The trickle was very small and their total number came only to about 5000. There was however considerable local resentment to this migration and restrictive measures began to be introduced to curb. One of these was the clause of continuous journey. The most gruesome application of this clause was in the infamous Komagata Maru case in 1914 in which 376 Indian immigrants from Calcutta to Vancouver, travelling by the Japanese ship Komagata Maru, were disallowed to disembark and had to go without food and water for two months at Vancouver. There was such strong anti-Asian chauvinism that by 1914 the entry of Indians was banned. They were also denied the rights of citizenship including the franchise and service on juries. It was also interesting to note that as pointed out by Lele (2003) " the combined experience of the British colonial domination at home and racism in the host country produced a strong sentiment of militant anti-imperialistic nationalism that transcended ethnic and religious differences".[2] The numbers were however miniscule and according to a study by Jayaram (2003), there was just a paltry number of 1465 Indians in Canada in 1941.

It was after the end of the Second World War that the second phase of Indian immigration to Canada began.. This flow was both qualitatively and quantitatively different as compared to the earlier one. For one thing the numbers were very much larger and for another the group consisted of persons with much higher education and considerable technical skills. This is hardly surprising because with Indian Independence, there was considerable liberalisation in Canada's policy towards Indians. Indian immigrants in Canada were given the right to vote and institutions of higher education started admitting students from India. The year 1962 saw the lifting of the embargo on the immigration of people from countries outside Europe and the United States of America. The policy measure that helped most to promote this stream was the introduction of the assessment of potential immigrants in terms of the points system. The points were awarded on the basis of the education, training and

[1] Desai (1989) page 40.
[2] Lele (2003) page 67.

occupational skill of the potential immigrant and were closely related also to employment opportunities and possible arrangements in this regard in Canada. As pointed out by Tinker (1977), the system was closely linked to the needs of the Canadian economy and placed a premium upon professional and technical skills. As a result in 1996, there were 670,590 people of South Asian origin in Canada forming 2.35 per cent of the country's population and they constituted the second largest visible minority population next only to the Chinese. Further this stream underwent a steady increase over time, with just 1.29 per cent of this taking place before 1961, whereas 39.62 per cent of it happened between 1991 and 1996. In terms of country of last residence of these immigrants, Indians seem to constitute around 10 per cent of these immigrants. According to the Singhvi Committee, there were 851,000 members of the Indian Diaspora in Canada and they constitute around 2.8 per cent of Canada's population of 30 million.

It is interesting to examine whether racial prejudice exists and gets reflected in the economic sphere in Canada. There is in fact definite evidence of this in the earlier years. Porter (1965) had in his detailed study of Canadian society shown that ethnic origin played a crucial role in the formation of classes in Canada. According to him, because of ethnic and racial prejudice, ethnic groups have a vertical arrangement in Canada with the members of the northwestern European group at the top and people of non-European origin people at the bottom. It is true that much water has flown down the Rideau since this classic work. Canada has brought about changes in its immigration policy to make it racially non-discriminatory at least on paper and multiculturalism has in fact got institutionalised in the Canadian nation. In fact the Singhvi Committee smugly pointed out that the average income of the Indian immigrant is 20 per cent above the national average in Canada. But more detailed studies including a recent one by Gee and Prus (2000) has produced considerable evidence that such prejudices persist still and have their economic impact. The analysis by Gee and Prus (2000) is based on the data from the 1994 Survey of Labour and Income Dynamics (SLID). The SLID is carried out by Statistics Canada to collect data on an on-going basis to study changes in and determinants of well-being in the same group of families over time. The authors concentrate their attention on data relating to people between ages 20 and 54 and carry out some very simple statistical exercises to examine the prevalence of racist practices in Canada. Their study shows that the average total earnings as well the percentage of men having full time jobs is much lower among the visible minorities than among persons of European origin, despite the educational level of the visible minorities being much higher than that of any other ethnic group considered. The problem seems to be not one of lack of access to good jobs, but one of equal pay for equal work and of "blocked upward mobility" within an employment situation. As regards the former point the study does bring out concrete statistical evidence. On the basis of multiple classification analysis, it is shown that the net deviation from the mean earnings for men from the visible minorities is –$3971, the highest among the ethnic groups indicating that this is the amount of money each one of them is losing every year only because they are not white, since age, education, region etc are all standardised in calculating this net deviation. The inferences of their study are best put in their own words. According to

them, "At least in terms of income, Canada displays a racial divide between whites and non-whites, the latter including the aboriginals and members of visible minority groups.....This racial divide cannot be accounted for by educational (and other socio-demographic) differences in the case of visible minorities...it seems that a colour barrier exists in terms of securing employment. ...racial minorities face obstacles in getting equal pay for equal work".[3]

4 Tapping the Diaspora for India's development

There has always existed a view that the soft corner that the Indian Diaspora has for their mother country can be used to tap their resources for the promotion of India's economic development. This got further strengthened with economic liberalisation of the country in the nineties when all roads from abroad were overcrowded with foreigners flocking to exploit the untapped potential for investment and sales in India. On top of it all was the Chinese experience in the development of market-friendly socialism there with considerable foreign direct investment in the country pouring in from overseas Chinese. In fact the Singhvi Committee was specifically asked to study the role that PIOs and NRIs may play in the economic, social and technological development of India and recommend further country specific policy measures to facilitate this participation. A number of measures including the setting up of websites, organising annual Pravasi Bharatiya Divas, giving awards to NRIs and the passing of the Dual Citizenship Act by the Indian Parliament have all been on the basis of the recommendations of this committee.[4]

The question however is whether the measures taken to make India an attractive investment destination for NRI during the past decade have had any salutary impact. In order to examine this, we analyse here some recent data relating to foreign direct investment (FDI) in India given by the Planning Commission of the Government of India. The table below gives these figures for the years 1997-98 to 2001-02.

Foreign Direct Investment in India 1997-2002*

S.no	Year	Foreign Direct Investment (in $ million)		
		Total	NRI	NRI as % of total
1	1997-98	3557	241	6.78
2	1998-99	2462	62	2.52
3	1999-2000	2155	84	3.90
4	2000-01	2339	67	2.86
5	2001-02	3904	35	0.90

- Source of data: Planning Commission (2002)

[3] Gee and Prus(2000) page 252

[4] Please see FICCI(2004) for the present position in regard to government policies in this connection.

There are indications in the table that the measures taken so far do not seem to have had much impact at least in terms of the relative importance of NRIs in FDI is concerned. The proportion in this regard seems to have more or less continuously declined over the period considered here. What is even more disturbing is the fact that the FDI by NRIs has declined in the last three years, which have witnessed an increase in FDI in India. .

The evidence for the last three years in this regard reminds one of the old adage that while one man may succeed in leading a horse to water, a thousand cannot make it drink unless the horse is thirsty and the water, quite potable. There is a clear signal from the data that the NRI is possibly as entrepreneurial if not more so than the general foreign investor. It is simple economic calculus, which guides the NRI's action in channelising investment. As pointed out by many including Rajan (2004), in the current global environment with a number of alternate investment alternatives available, there is bound to be a general slowdown in FDI flows to developing economies and a diversion of a good deal of these to China. Cold economic logic seems to have got the better of the warmth of feeling that seems to exist in the minds of the NRIs towards India – their mother country. The way out, as pointed out on the basis of detailed analysis by both the Planning Commission (2003) and by Rajan(2004) is to make the environment in the country attractive for investment. Rajan(2004) talks of the need for measures " to enhance human capital and technical capabilities of the domestic economy on a non-discriminatory basis" for this purpose.[5] The Planning Commission (2003) is more categorical and points out that"if investment climate is improved, no exclusive measures may be needed to attract foreign investors. On the other hand, if a special and differentiated investment regime is set up for foreign investors, it may actually do more harm than good".[6] The heartburn due to the absence of a level playing field for the domestic investor will be all the more if the facility is for an NRI, cutting at the very root of building a harmonious relationship between the people of India and the Indian Diaspora.

5 Inferences

A few interesting inferences can be attempted from this preliminary and somewhat limited analysis of the economic experiences of the Indian Diaspora. It appears that the traditional assumption in economic theory about factors of production especially labour not being mobile across national frontiers was not strictly true even in earlier times. Under a colonial set-up, this was in a terribly exploitative manner necessitating some form of government intervention even by the colonial rulers to assuage this at least on paper. Though there are very few nations of the world, which are not at least de jure independent, because of lack of perfect information and the use of this absence by fake immigration consultants, there should not be government failure to rectify this market failure. This is particularly so because even in a country like Canada which swears by multiculturalism and is attempting to be patently non-

[5] Rajan (2004) page 15
[6] Planning Commission (2002), vol1, page 119

discriminatory in its immigration policies, there is evidence of an undercurrent of racism which gets reflected in the economic field too. An interesting issue of course is to examine the extent to which this can be attributed to an overdose of multiculturalism by doing a comparative study in this regard of the experiences of the Indian Diaspora in the USA following a "melting pot" policy with that in Canada, which is attempting a multicultural mosaic. A more fundamental question is whether in this age of electronic convergence where jobs have started going to people as a result of increasing outsourcing, instead of the other way round, Indian labour has to migrate to other countries with labour shortage to look for jobs. As regards attracting FDI by exploiting the soft corner that the NRI may have for India, the evidence here and elsewhere suggests that one should not ignore the fact that the NRI investor is a shrewd entrepreneur rationally assessing the relative advantages of investing in different parts of the world and unless there is a sustained improvement in the investment climate, they may not rush in where angels fear to tread. More in-depth and detailed studies are however required to draw more definite policy inferences of this kind.

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