

Speech delivered by Sunil Prasad, Secretary General, Europe India Chamber of Commerce and President, Global Organization of People of Indian Origin, in the African Diaspora Investment Forum organized by Africa Axis in Brussels, 29 June 2006

I am honoured and privileged to be here participating in this important discussion. Being a member of a Diaspora myself, I am happy that the role of the Diaspora in the economic development is being recognized by all countries.

I would like to congratulate the Africa Axis for organizing this Investment Forum. African Diaspora constitutes an important segment of Africa's development but their full potentials have not been tapped.

There is no place on this planet where one would not find a Diaspora. Every Diaspora is an achiever in his or in her way and as they succeed, their countries of origin too succeed with them. And, as the world drifts towards globalization and enters into the world economy, the Diaspora is beginning to occupy a greater place in the transnational economic order. Their identity is emerging inside and outside the territorial and institutional framework of a State.

What is Diaspora? The term "Diaspora" was first used in the context of the experience of the Jews in exile and of late, "Diaspora" has come to be used more or less loosely as an inclusive term for all kinds of minorities who can trace their country or region to one other than that in which they reside.

With the world getting globalised, the language of Diaspora is used frequently in world politics. While the developed countries continuously formulate policies to check immigration and use the Diaspora as complementary to the locals, the developing countries have begun to develop a framework on how best their Diaspora can be utilised for their socio-economic development.

Migration of people across the globe is an inseparable part of human history. Emigration has been taking place for centuries but never before in history particularly of last five decades has witnessed such massive movements of people from one country to other parts of the world.

International human capital flows will become increasingly important over the next few decades. A variety of factors such as demography, technology, changes in economic

structures and domestic policies will mediate the characteristic of these flows. But there is little doubt that the Diaspora will increasingly occupy the dominant place in shaping nation's future.

Let me speak few words about the Indian Diaspora in the context of Africa. The story of the evolution of Indian Diaspora starts way back in the nineteenth century. South Africa, the land of a great Indian Mahatma Gandhi has at present more than a million Indian Diaspora. Indians started arriving in South Africa as slaves of the Dutch.

Indentured labourers were deployed in railways, dockyards, coal mines, municipal services and other trades till a second lot of traders and shop owners came as free passengers. The efforts of Mahatma Gandhi and the hard work and business skills of Indian community transformed the economies and their destinies in South Africa. As in South Africa, the saga of Indian settlers in East Africa is a mixture of success and frustration.

The Indian Diaspora is a generic term to describe the people who migrated from territories that are currently within the

borders of the Republic of India. It also refers to their descendants. The Diaspora is currently estimated to number over twenty five million scattered over 11 countries composed of "NRIs" (Not Resident Indias) and "PIOs" (Persons of Indian Origin who have acquired the citizenship of some other country).

This Diaspora is very special to all countries. Residing in distant lands, its members have succeeded spectacularly in their chosen professions by dint of their single-minded dedication and hard work. The impressive Diaspora can certainly play an important role in promoting country's interest abroad and act as its unnamed ambassadors.

The spirit of enterprise and economic compulsions may have driven them abroad but the images of their country regularly come before their eyes and they dream of their motherland as developed countries. As countries quicken the pace of reforms and speed up the move towards integration, the governments have started changing their attitudes towards the Diaspora. Earlier it was cultural attachments, now it is economic and political.

Policy changes towards Diaspora vary from one country to another and there is no similarity between two countries on the incentives provided to these Diaspora. However, the policies being pursued by various governments are essentially to facilitate emigration of skill and knowledge and wealth.

The impact and role of Diaspora are strongly mediated by policies and conditions in the country of origin. The same Chinese Diaspora which played a critical role in China's economic growth after 1980, was a silent spectator in the decades before that. As long as China itself was closed, and international trade and investment were ideologically suspect, the skills and wealth of overseas Chinese had little effect on the country.

Many countries have large Diasporas but their own economic policies and political instability means that Diasporas have little positive effect and indeed often have a strong negative effect on their country of origin.

The Diaspora has played an important role in foreign investment for any country but its contribution has only lately

been recognized. Let me give you an example, The Government of India was lukewarm to the issues of overseas Indians until she realized the potential of the Diaspora, or NRIs who emigrated after independence to the developed world. They came from the middle class elite families and are highly skilled groups of professionals, scientists, doctors and Engineers.

Economic reforms of 1991 sought involvement of overseas Indians in investing both in terms of capital and technology. The decade saw the new nomenclature of NRIs who were encouraged to invest in India through certain attractive schemes as much as they were welcomed to launch industrial enterprises along with transfer of technology.

When India faced its worst balance of payments crisis in the early nineties it was NRI deposits that helped India to come out of this crisis. In India's 59 years of history after Independence, this was the first imprint of the important role the Indian Diaspora can play in building Indian economy. When India conducted nuclear tests in 1998, the Indian Diaspora stood by India and played an important role in influencing policy makers in the US against any sanction.

The setting up the L M Singhvi Committee in the year 2000 and its recommendations that the government of India is following religiously is a landmark development which changed the perception and image of the Indian Diaspora. The recommendations of this Committee can be of great value in the African context.

Intellectual Diaspora members can enable and promote collaboration with their people, institutions and enterprises. They can play a positive role in enhancing country's bilateral relations with the countries of their residence.

The presence of the Diaspora also creates a linkage between domestic political developments in those country's external relations with countries of their settlement. In the areas of economic development, commerce and trade, this Diaspora can be of great help to increase bilateral trade and commercial relationship with their host countries.

Dual citizenship experience of other countries including India has clearly shown that it helps retain interest in the motherland.

Extending fiscal incentives, such as reducing corporate tax rates to levels at or below competitive international levels would be extremely useful in attracting investment.

Steps like tapping expertise in the management, financial, corporate, trade and banking sectors available in the Diaspora should be tapped for the economic rejuvenation of Africa.

Investments by the Diaspora in their countries of origin exhibit economic and political features. Apart from a shared culture, including language, they are able to assess the competence and ability of cooperating factors, negotiate much more efficiently with local bureaucracy and organise and manage local resources, chiefly labour, effectively.

The determinants of Diaspora investments follow the traditional FDI determinants, but are notable for the unique location and ownership advantages the Diaspora possess.

However, there are significant differences between Diaspora involvement in the development of their countries of origin and the traditional varieties of FDI and labour flows.

First, the motives and pattern of Diaspora investments can be significantly different from that of traditional FDI and labour flows.

Second, for a variety of reasons externalities, a recognised contribution of FDI to host countries, is a much more readily recognisable feature of Diaspora investments.

Third, the nature and extent of Diaspora involvement and their contribution to the development of the countries of their origin are influenced by the structural characteristics and levels of development of their countries of origin.

Fourth, quite often the factors which influenced the Diaspora to migrate from their homelands may influence their involvement and contribution to the development of their countries of origin.

Fifth, Diaspora involvement in the economies of their countries of origin may contribute to growth of human capital and increased flows of FDI to these countries.

Sixth, whilst Diaspora investments may encourage temporary migration of skilled labour from the countries of their origin, they may serve to limit permanent migration.

Diaspora's links with the countries of their origin combine both features of FDI and labour flows. Just as there are several types of FDI including resource seeking FDI, asset seeking or capability seeking FDI, market seeking FDI and efficiency seeking FDI, there can be varieties of Diaspora investments.

Diaspora investments more nearly resembles the traditional type of FDI, except that the management of the operations rest with the Diaspora.

In the context of Africa, I would like to propose that these countries should take a leaf from India's policy on Diaspora. Incentives granted by the government of India for attracting the Diaspora such as undertaking investment in Indian companies, purchase of shares under Portfolio Investment Schemes, investment in companies and proprietorship/partnership concerns on non-repatriation basis and for remittances of current income can be useful.

There are many countries such as India, Italy, Poland, Israel and Lebanon have granted the right of dual nationality to members of their Diaspora. These innovative steps have helped invite investment from its Diaspora.

I would suggest that if Africa wished to increase FDI inflows both from its Diaspora and other investors, it needed to invest heavily in infrastructure, both social and physical, create conducive operating environment for conducting business through administrative reforms, and implement the reforms to increase their dynamism to invite investment from its Diaspora.

The expertise in the management, financial, corporate, trade and banking sectors available to its Diaspora, should be tapped for the economic rejuvenation. This should be done on a mutually beneficial basis and accordingly speed up structural economic reforms, for improving the operating environment for conducting business.

Indeed all countries can attract more FDI if procedural delay and red tape were reduced. Specific measures needed to be taken to eliminate unnecessary formalities, harmonise

policies at the central and state levels and ensure transparency in our rules and procedures governing FDI.

The setting up of a dedicated and empowered one-window channel for processing various FDI related clearances is a solution. Extending fiscal incentives, such as reducing corporate tax rates to levels at or below competitive international levels would be extremely useful in attracting investment.

In essence I would also propose some the following policy changes towards the Diaspora in order to ensure a more equitable balance directed toward tapping this resource, namely:

- policies should treat the Diaspora at par with other foreigners on economic issues while treating them at par with resident of those countries on civil, social and cultural rights, such that nationals would not have to leave the country in order to gain recognition
- country's migration and manpower policies need greater portfolio diversification both with respect to the countries of migration and the portfolio of jobs.

- if those countries want to become a major exporter of skilled manpower it must liberalise its policies for skilled professionals with foreign degrees (at least from recognised institutions).

The prevailing wisdom until recently has paid very little attention to international trade. As a result the importance of overseas trade networks that the Diaspora provides has not been tapped. And this could be one of the most important issue that all African countries should work upon.

Policies towards the Diaspora have to be formulated with regard to policies towards other foreigners and the country's own residents so as to ensure that they do not create opportunities for arbitrage that inadvertently subvert the goals behind the policies.

African countries in particular need to actively court two important, but largely untapped, segments of the existing Diaspora: the young, second generation of overseas Africans. These countries risk losing their links with the second generation Diaspora unless they can find appropriate

mechanism to attract them to keep strong linkage with their countries of origin.

Notwithstanding the current brouhaha about the benefits of the Diaspora, policy makers should remember that ultimately their problems will be resolved from within and not without. It is therefore important for a country to try and change internal conditions sufficiently so that their Diaspora is emotionally and economically attracted to their countries of origin.

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Mr. Sunil Prasad can be contacted on Tel. & fax: 0032 2 469 2677

GSM: 0472-207 338

E-mail: sunil.prasad@coditel.net or info@eicc.be

Website: www.gopio-belgium.be

Website: www.eicc.be

69, Boulevard Louis Mettewie

(bte. 18)

1080 Brussels (Belgium)