MIGRATION, CITIZENSHIP, AND DEVELOPMENT

Diasporic Membership Policies and Overseas Indians in the United States

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The Conceptual Framework of Migration and Development

Migration affects the society, demographics, culture, and the economy of both the source and destination countries. This book focuses on diaspora–homeland relations with the ultimate goal of understanding the effects of migration on the source country and the role a special status like Overseas Citizenship of India (OCI) can play. A holistic framework for migration and development encompasses three elements: (a) notional clarity of goals and aspects of development, (b) an understanding of concrete needs and strategies in the source country, and (c) a thorough analysis of migration patterns and the diaspora profile, in order to assess how this particular diaspora may affect the source country's development. In this chapter, I first elaborate on meanings, concepts, and metrics of development. Then, I will provide a brief look at India's development status and needs before I conceptualize the ways in which diasporic actions may influence development.

DEVELOPMENT AND PROSPERITY—NOTIONS, CONCEPTS, AND METRICS

De Haas (2009: 5) notes that '[d]evelopment is not only a complex multi-dimensional concept, but can also be assessed at different levels of analysis and has different *meanings* within different normative, cultural and historical contexts'. While development studies have long discussed concepts, meanings, and levels of analysis of development, literature on migration and development largely neglects the discussion of what development is. As a matter of fact, the term is rarely explicated. Instead, studies on migration and development are based on the modus operandi

of select categories that are (acknowledged) drivers of development, such as investment and remittances.

In conventional understanding, development equals economic growth, traditionally measured in the growth of a country's Gross Domestic Product (GDP). However, in the broader field of development, especially in studies that are concerned with measuring, comparing, and evaluating 'good development', there has been a shift away from purely economic measurements and concepts, to broader issues. In this regard, I recall briefly that our *unit of analysis* are persons residing in the source state, India. Although the welfare of Indian migrants and their descendants,[1] as well as the development of the country of residence,[2] is of great import, for reasons outlined in the Introduction, this study focuses on the development of India and the people living in India.

Let us turn now to the key question: What is development? In line with conventional understanding, India's growth is commonly evaluated in terms of the growth of its GDP. Often, not only the per capita, but the total GDP is looked at. The Indian Planning Commission and the government commonly describe the country's growth story and prospects in total GDP only. In fact, due to India's population growth, per capita GDP growth displays a less successful 'growth story'.[3]

In 2008, the French government established the Commission on the Measurement of Economic Performance and Social Progress, which delivered its final report in September 2009. The commission was chaired by the economists Joseph Stiglitz, Amartya Sen, and Jean-Paul Fitoussi

[1] The Human Development Report 2009 (UNDP 2009: 14) emphasizes the human and migrant dimension of development. Looking at both the country of origin and the migrants abroad, one could consider looking at the development of a 'Gross Ethnic Product' that included also the income generated by a country's migrants—either according to their citizenship status or irrespective of formal state membership. For most purposes, the latter appears to be more appropriate. The Gross National Income does not reflect this fully because it includes only the income of short-term migrants.

[2] For example, the development of both the country of origin and of residence is captured by the French concept of *co-development* (Naïr 1997).

[3] In the period 2000–11, the growth of India's per capita GDP was on an average 1.6 percentage points lower than the growth of total GDP.

who in their 'Reflections and Overview' (Stiglitz *et al.* 2009) provide convincing evidence of why GDP and the average (that is, per capita) GDP is not an appropriate measurement of economic, let alone social, progress. Their basic units of analysis are individuals and households whose perceptions too must be seen within a social context (2009: 27). Stiglitz, *et al.* argue that metrics should be used that are more congruent with the widespread perceptions of well-being. In contrast to the GDP, 'for purposes of the welfare of the citizens of a country, what matters is not what is produced within the country, but the incomes of the citizens of the country' (2009: 21). As an economic measure, they make a case for the median disposable income as the income of the representative individual (2009: 9).[4] Considering happiness, well-being, and quality of life as possible goals of development, involving subjective elements, Stiglitz, *et al.* (2009: 40) consider the quality of life as a more suitable indicator for measurement and comparative assessment. Established measures for the distribution of assets in a country, the Gini-coefficient for income or assets, and the ratio of rich-to-poor population can serve as analytical tools.[5] It bears emphasis that instead of focusing solely on income inequality, the assessment of inequality should encompass other developmental categories, such as unemployment, ill health, lack of education, and social exclusion (Sen 2001: 107–8). In fact, Fukuda-Parr (2010) finds that national and international development strategies pay too little attention to empowerment and inclusion of the most vulnerable, arguing for to add a new Millennium Development Goal (MDG) on reducing inequality.

In order to corroborate the inappropriateness of pure economic indicators, the so-called Easterlin paradox is regularly invoked. Easterlin (1974) finds that while within a country, wealthier people are, on aver-

[4] However, they admit that such a construction is complex as it has to rely on data other than those used in the national accounts, and it may be difficult to make this data consistent with the underlying national accounts (Stiglitz, Sen, and Fitoussi 2009: 9).

[5] Named after Italian statistician Corrado Gini, who developed the coefficient in the early twentieth century, the Gini-coefficient measures inequality as half of the relative mean difference of the distribution. It ranges from 0, indicating absolute equality, to 1, for extreme inequality, as would be the case if one individual alone earned the entire income or held all assets.

age, happier than poor ones, when comparing people across countries, there is no apparent relationship between increases in per capita income and average happiness levels.[6] Thus, Easterlin concludes that economic growth is not necessarily associated with higher levels of happiness.[7]

Stiglitz, *et al.* (2009: 10) further stress that measurements of socio-economic progress should take account of sustainability, in the sense that current consumption should not put future living standards in jeopardy. The most obvious cases involve depletion of resources and degradation of the environment. The Brundtland Commission (World Commission on Environment and Development, 1987) defined sustainable development as 'development that meets the needs of the present generations without compromising the ability of the future generations to meet their own needs' (quoted in Stiglitz, *et al.* 2009: 52). At the time of writing, the consultations on the post-2015 development agenda had just begun, and the Rio+20 United Nations Conference on Sustainable Development conducted in June 2012. Both processes focus on the need to consider the interrelation between several development goals and the importance of including an assessment of consumption, production, and economic growth on the environment and future development perspectives. Thus, for sustainable development, economic, social, population, and environmental aspects have to be assessed together and balanced.[8]

[6] Happiness was measured as self-reported in polls (Easterlin 1974: 89–90).

[7] Re-assessing the Easterlin paradox on the basis of recent time-series data, Stevenson and Wolfers (2008) find that contrary to Easterlin's claim, economic growth and increase in absolute income are indeed associated with rising levels of self-reported happiness.

[8] During the preparatory process for Rio+20 and in the submissions to the zero draft of Rio+20, eight priority areas have been highlighted for sustainable development goals: sustainable consumption and production patterns; food security and sustainable agriculture; sustainable energy for all; water access and efficiency; oceans; sustainable cities; green jobs, decent work and social inclusion; and disaster risk reduction and resilience (United Nations 2012). The outcome document of the Rio+20 conference adds to these priority areas the need to focus on poverty eradication; sustainable tourism; sustainable transport; health and population; climate change; forests; chemicals and waste; mining; education; gender equality, and women's empowerment.

Another example of a broader understanding of development comes from the Millennium Declaration. Adopted by 189 countries and signed by 147 heads of state and governments during the UN Millennium Summit in 2000, this declaration is the basis for eight goals, the MDGs.[9] Although the goals do not describe the entire concept of development, since they focus solely on poverty reduction, they are acknowledged examples for good development. The eight MDGs are: (a) eradicate extreme poverty and hunger; (b) achieve universal primary education; (c) promote gender equality and empower women; (d) reduce child mortality; (e) improve maternal health; (f) combat HIV/AIDS, malaria, and other diseases; (g) ensure environmental sustainability; (h) develop a global partnership for development. For achieving these goals and monitoring the process, the eight MDGs break down into 21 quantifiable targets that are measured by 60 indicators. An important sub-goal that has gained much attention is employment. Following the 2005 World Summit, in 2007, the objective of 'achieving full and productive employment and decent work for all, including women and young people' was added to MDG 1. In recent years, the importance of decent employment generation in urban and rural areas and in different economic sectors, including higher value-added sectors, has been stressed as a major development goal (United Nations 2011; van der Hoeven 2012; World Bank 2011).

In addition, two dashboards of indicators or composite measures may give guidance for evolving a more realistic approach toward development. The most well-known composite indicator is the Human Development Index, introduced by the United Nations Development Programme (UNDP) in 1990. The index encompasses three dimensions: (a) *economic prosperity*, measured as per capita GDP in purchasing power parities, (b) *health*, measured in life expectancy, and (c) *education*, measured in average of adult literacy rate and student enrolment. All three elements carry the same weight for the overall index. Another, more recent composite indicator, the Legatum Prosperity Index, replaces the term 'development' with its key measurement, 'prosperity', which is understood as both wealth and well-being. The most important contribution of the index is to establish a set of nine drivers of wealth and

[9] It has to be highlighted though that the scope of the Millennium Declaration is much wider than the eight MDGs that have been operationalized.

well-being. These nine drivers or sub-indices are: (a) economic fundamentals, (b) entrepreneurship and innovation, (c) democratic institutions,[10] (d) education, (e) health, (f) safety and security, (g) governance, (h) personal freedom, and (i) social capital (Legatum Institute 2009a: 42–3). In total there are 79 indicators (variables) that assess and monitor the development of these drivers.[11]

The disadvantage of composite indicators, as Stiglitz *et al.* (2009: 28, 51) point out, is their complexity and that they are not always easy to understand. Further, choices on indicators and weights are invariably based on value judgments, and prone to be controversial.[12] On the other hand, one cannot expect to summarize all the relevant information concerning the performance of something as complex as our society within a single indicator (Stiglitz *et al.* 2009: 28). Also, UNDP admits on its website that '[w]hile the concept of human development is much broader than any composite index can measure, these composite human development indices offer powerful alternatives to income as a summary measure of human well-being'.

There are many more approaches to measuring socio-economic progress.[13] As mentioned above, at the time of writing, the consultations on the post-2015 development agenda had begun, reassessing the MDGs and exploring the international development agenda for the coming decades. However, my objective here is not to comment on the best way to measure and compare development. My objective is narrower.

[10] Sen (2001: 16) establishes a connection between political freedom and famines, arguing that democracy and accountability appear to be negatively correlated with the occurrence of famines. He stresses though that it is not correct to ask whether democracy is conducive to development. Instead, considering the constitutive role of freedom and capabilities in Sen's approach, better democratic procedures are development per se (2001: 36–7).

[11] All variables are tested empirically and only variables that proved statistically significant in correlating with income per capita or average subjective well-being are included in the Prosperity Index (Legatum Institute 2009b: 45).

[12] From an analytical point of view, it might be considered irrelevant whether a measurement is controversial. However, it might matter if countries are to be encouraged to develop databases in order to measure certain indicators and be susceptible to policy recommendations.

[13] For an overview, see the INSEE-OECD (2008) survey on this subject.

As the various aspects and notions of development have shown, there is more to it than mere GDP growth. Although a deeper understanding involves greater complexities and carries with it the danger of losing firm measurements and reliable indicators, conceptualizing a broader view is essential to describe and explore realities. The above discussion of indicators and concepts had the sole purpose of making a case for widening our understanding of development and migration.

As said above, the concern here is narrower than measuring India's development. I am concerned with assessing the effect of actions by diasporic actors on a wider definition of India's development. From the above conceptualizations of development, the following conclusions can be drawn:

- General economic growth and wealth is important because:
    - Economic growth provides the basis for livelihoods of individuals and households, and enables them to improve their quality of life. As the report on the Legatum Prosperity Index 2009 puts it: 'It's true that money can't buy happiness ... unless you are poor' (Legatum Institute 2009a: 17).
    - It enables the community and the state to provide services affecting important factors such as safety, infrastructure, healthcare, education, and so on.
    - For certain economic developments, a country's middle-class is of particular importance. Also, Sen (2001: 19–20) highlights that income-increase has close links with increases in freedoms, which are the basic building blocks for the analysis of development for Sen. Provided that there is general economic growth, one can leave it to the national development agenda to link economic growth to welfare benefits for the masses, and thus make the growth inclusive.

      In fact, comparative assessments of progress with regard to MDGs reveal that countries with sustained economic growth showed the most significant progress (United Nations 2011; World Bank 2011: 4–5).
- However, per capita income and GDP are only proxies for economic development and often not very reliable ones. The disposable income is a better indicator and distribution effects have to be considered, which is why average measurements (such as, per capita GDP) or aggregate metrics (such as, total GDP) are not ideal foci of development assessments.

- Conceptualizations of development that are more congruent with the widespread perceptions of well-being include indicators regarding people's health, education, nutrition, political, and civil freedoms, participation, environment, and personal safety. This corresponds also with a rights-based approach to development.
- The sustainability of economic development is paramount, as are the distributional consequences of growth.
- Instead of assuming a trickle-down effect from general economic development to needy segments of the population and less-developed sectors, we should keep direct diasporic contributions to healthcare, education, hunger and poverty reduction, and so on in mind.
- In addition to contributing to economic development or to alleviating poverty or insufficient human development, actions matter that increase good governance, the performance of public institutions that are concerned with developmental processes. This includes strengthening accountability and transparency of public institutions, as well as increasing general participation in the set-up of public services.

INDIA'S DEVELOPMENT STATUS AND NEEDS

Some factors are generally regarded as important for a country's development, especially for its economic growth. These general factors include the level of technological advancement, skills of the workforce, international trust in the country's manufacturing and service-providing abilities, access to research and trade networks and to international markets, and the inflow of capital and investment. As said in the Introduction, in addition to *general* factors, the source country's *concrete* development needs are important elements of a realistic framework for migration and development. I will give a brief account of India's development needs with regard to the MDGs, human development, and economic growth factors. It shall be noted that Sen (2001: 101–4) reminds us that with regard to India's development, the assessment of the national average may be misleading. He states that when examining developmental categories from a regional point of view, some states are worse off in developmental terms than sub-Saharan countries.

The Millennium Project (2005), established by the UN General Secretary to monitor the progress and achievability of the MDGs and chaired by economist Jeffrey Sachs, assessed India's status in its 2005 report. It found that although the poverty rate[14] in India had dropped from 42 per cent to 35 per cent between 1990 and 2001, this has been offset by population growth. Thus, the number of absolute poor remains unchanged at approximately 360 million people (2005: 14). Early economic growth was induced in Punjab and Haryana by the Green Revolution, and rapid growth in India since the early 1980s has been driven largely by the big coastal urban centres and information technology-based cities, such as Bengaluru and Hyderabad in the south (2005: 163). In other words, the rest of the country still needs a viable growth strategy. Also the Planning Commission of India (2006) sees that there is much to be done to reach inclusive growth in India. It finds that the reduction in poverty is only about 0.8 percentage points per year, which could be explained by the low growth rate in agriculture, the sector employing the largest number of poor people, and the high population growth rate during the last decade (2006: 72). An MDG- and prosperity-based development strategy for India needs to includes the following elements and address the following issues.

Health. The Legatum Institute (2009a: 162–3) observes severe under-investment in medical facilities, meaning there is a lack of adequate doctors and hospital beds per capita, and basic health infrastructure and services, particularly in rural areas. Investments in health need to rise to strengthen human resource capacity, provide necessary supplies, and build the infrastructure required to deliver essential health services (Millennium Project 2005: 165–6). While 69 per cent of the population claims that water quality in India is high, only 28 per cent has access to improved sanitation facilities. Approximately 20 per cent of the population is undernourished and infant mortality rates are high (Legatum Institute 2009a: 162–3). Drèze and Sen (2003) stress that India's performance in nutrition-related issues, as assessed by indicators such as the share of undernourished children, low birth weight babies, and pregnant women with anaemia, lags behind the performance of sub-Saharan Africa.

[14] The poverty rate is calculated as the percentage of people with incomes below $ 1.08 a day in 1993 PPP (purchasing power parity) dollars (Millennium Project 2005: 301).

Education. Primary and secondary education enrolment rates are quite low in India, placing this nation amongst the bottom thirty countries in this measure. Tertiary enrolment rates are similar, at a mere 12 per cent of the entire population (Legatum Institute 2009a: 162–3). Given the challenges in scaling up the quantity and quality of education services, a full complement of investments will be necessary (Millennium Project 2005: 165–6). The Reserve Bank of India (RBI 2006) finds that although India has the single largest pool of engineering talent among the emerging countries capable of international information technology (IT) and business process outsourcing (BPO) work—more than Russia and China combined—many graduates are not equipped with the required skill sets. The RBI estimates that India's future demand will not be met unless human resource development and skill formation are improved significantly for persons with tertiary education. Such claims are confirmed by the Planning Commission (2006) and a report by India's major software association NASSCOM and the consulting firm McKinsey (NASSCOM–McKinsey 2005).

Rural Investment Strategies. The agriculture sector employs nearly 60 per cent of the labour force, and India's economy remains largely agrarian (Planning Commission of India 2006: 6). The Planning Commission notes that deceleration in the growth of the rural agrarian sector is the root cause of rural distress that has surfaced in many parts of the country and reached crisis levels in some. It sees major challenges in the inadequate growth of productivity, the low prices of output, and the inability of farmers to get credit at reasonable rates (2006: 5). The Millennium Project (2005: 165–6) thus suggests that India's most pressing challenge is a massive scaling up of public investments in the rural areas of the worst performing states. Many areas require significant improvements in roads, transport, electricity, other energy, water and sanitation facilities, environmental management, and agricultural research and development. The Planning Commission of India (2006) sees India's main challenges in bringing growth to the agricultural sector, providing essential public services such as education and healthcare to the poor, increasing manufacturing competitiveness, developing human resources, and improving governance.

Urban Management. The Planning Commission of India (2006: 46) states that poor urban infrastructure inflicts severe hardship on people.

Congested roads, poor public transport, inadequate availability of water, improper treatment of sewage, uncollected solid waste, and above all, grossly inadequate housing forces more than 50 per cent of the population in some metropolis to live in slums. This severely decreases the quality of life and lowers the well-being of the urban population. The Millennium Project (2005: 165–6) confirms that Indian cities need to upgrade slums and strengthen urban infrastructure to promote the development of labour-intensive industries and services.

Underprivileged Populations and Inequality. Resources need to reach the least privileged groups, including women and girls in low-income families, the so-called low caste and outcaste communities, and tribal populations (Millennium Project 2005: 165–6). The Planning Commission of India (2006: Chapter 5) pinpoints several divides in the country that manifest themselves in various forms: 'between the haves and the have-nots; between rural and urban areas; between the employed and the under/unemployed; between different states, districts and communities; and finally between genders' (2006: 71).

With regard to income equality in India, the country's Gini-coefficient in 1992–2007 was 0.37, just slightly more than that of New Zealand and Italy (UNDP 2009).[15] Virmani (2007) finds that the cross-state Gini-coefficient of per capita GDP distribution weighted by population has increased from 0.60 in 1993–4 to 0.63 in 2004–5, a compound annual change of about 0.35 per cent per annum, indicating increasing levels of income inequalities. Pal and Ghosh (2007) review several estimates of the development of income and consumption inequality in the aftermath of India's economic liberalization and find that studies come to mixed results. They conclude, however, that comparable estimates of the 50th (1993–4) and 55th (1999–2000) rounds of the National Sample Survey data reveal that inequality increased both in rural and urban India.

Public Management, Democracy, and Governance. Improvements in service delivery and accountability are needed to ensure that the investments reach the intended recipients. This requires increasing investments in information systems and modern management systems to track disbursements and to remove bureaucratic bottlenecks. It also requires the promotion of transparency in government procedures, and encouragement for local communities to participate in implementing public investments (Millennium Project 2005: 165–6). Virmani (2006) finds that the failure to fight poverty and hunger in India are linked directly to the failure of governance, namely the misallocation of government resources, the failure to follow norms of social cost-benefit analysis, the neglect of public and quasi-public goods, and a gradual but progressive deterioration in the quality of governance.

[15] For the Gini-coefficient, see footnote 5.

The Legatum Institute (2009a: 162–3) observes that India scores well on democracy variables compared to other countries at similar income per capita levels. Ranking in the top 40 with respect to political rights and slightly lower regarding civil liberties, Indian citizens enjoy moderately high levels of freedom to participate in political processes and express their political beliefs. While three-quarters of respondents claim to have confidence in courts and the judiciary system and 94 per cent declare confidence in their military, 87 per cent of Indian citizens believe that government and businesses in India are corrupt. Although political participation is considered to be fair and free, only 49 per cent of individuals believe that elections are honest. The Planning Commission (2006: 8) finds that corruption is now seen to be pervasive in all spheres of life. In Transparency International's 2009 edition of its annual *Corruption Perceptions Index*, India ranks 84, in a list of 180 countries, with a score of 3.4 (10 being not corrupt and 0 absolutely corrupt).[16]

Economy and Infrastructure. The Legatum Institute (2009a: 162–3) sees the extremely low availability of productive physical capital per worker as a bottleneck to the country's development and explains the problem through a combination of a large labour force and low Foreign Direct Investment (FDI) as a percentage of GDP. Thus, FDI

[16] According to Transparency International's *India Corruption Study—2005*, common citizens of the country pay bribes while availing of one or more of eleven public services annually. As many as 62 per cent of all citizens think that corruption is real, having had first-hand experience of paying a bribe or 'using a contact' to get a job done in a public office.

channels may be considered. While remittances from middle-class households in northern America are likely to be transmitted predominantly via official channels, especially through the banking system, some of the funds, especially from the Gulf region, are supposed to be remitted through unofficial channels. In Rahman's (2001: 111–2) study on labour migration from Bihar, only 60 per cent of the respondents transmitted via banks, while alone 31 per cent used middlemen because banking facilities were not available. P.C. Jain (2008: 174) confirms that while most remittances are sent via official channels, a significant amount is not.

At analytical level 3, the location of the senders in the world (source regions), as well as the specific location of recipients in India (destination regions), can be analysed. While no systematic data on the regions of destination in India exists, surveys by the RBI reveal that between 1997 and 2004, two-thirds of all received funds were sent from the US, Canada, and Europe, and more than half of all transferred funds received in 2003 and 2004 originated from northern America alone (RBI 2006).[24] RBI's recent remittances study confirmed that North America continues to be the most important source region of remittances to India, even though its share in total remittances fell to 38 per cent in 2010 (RBI 2010).[25]

ships'. Because migration is not a concept in the balance of payments framework and the term 'migrant' is not defined in the *Balance of Payment Manual*. Also Straubhaar and Vădean (2006: 141) stress that remittances data have serious limitations and the estimates should be interpreted with caution. Kapur (2010: 114) observes that data from the RBI does not have a robust way to cross-check the reported data.

[24] Estimates on the source countries and regions are limited because under the current reporting system, banks report only the *currency* of the receipt, such as USD, British Pound, Euro, to the RBI, not the country or region of origin. Many countries in Africa or Asia choose to transfer money in dollar or pound denominations, making it difficult to obtain data by remittance-sending country. Information on source regions given by the RBI relies on special surveys conducted by RBI (2006; 2010). Also, the World Bank (2006: 89–90) estimates that 44 per cent of the 2004 remittance inflow into India originated from North America. For further details on remittances to India, see Chishti (2007) and Singh (2006).

[25] In Ahmedabad, Bangaluru, Chandigarh, Delhi, Hyderabad, and Kolkata, more than 60 per cent of the remittance inflow originated from North America and Europe (RBI 2010).

For this framework it suffices to say that the Indian diaspora in the US appears to be important for the scale of inbound remittances.

At level 4 of analysis, the determinants of remittances deserve attention. Both, factors that affect sending patterns at the individual level and influences at the macro-level are held responsible for changes in the scale and use of remittances. I will discuss micro-level determinants of remittances in the first section of Chapter 8. Among the many macro factors that have caused the overall increase in remittances to India, the main one is the Indian migration pattern. In particular, the increased number of migrants to North America and Europe and their professional occupations are seen as important components of growth in remittance inflows. Secondly, policy decisions for structural reforms in India are seen as another major cause for the increase.[26] As to policy decisions, the relaxation of regulations and controls, as well as allowing a market-determined exchange rate and the gradual opening of the capital account are regarded as important building blocks of the enabling framework. Thirdly, incentives for diasporic Indians to send and invest money in India under special deposit and bond schemes, which will be discussed later in this chapter, have also contributed to the phenomenon. Upon maturity of the bonds, a sizeable proportion has remained in India and local withdrawals from several capital accounts account for a large proportion of the recorded remittances (Chishti 2007; Singh 2006: 1).

Chishti (2007) adds two further noteworthy points. The first concerns the data. The deregulation of the Indian rupee exchange rate from 1993 onwards, led to decreased incentives to use the unofficial channels for remitting money. Thus, partly the increase might reflect simply an increase in the *registration* of flows, rather than their existence. The second concerns the incentive to remit money. Chishti assumes that the diaspora's perception of the Indian economy as a booming market with great growth potential was one of the most significant factors in the surge in remittances.[27]

[26] For both causes see World Bank (2006: 89); Singh (2006: 1–3); Patra and Kapur (2003: 9–10, 16). Gupta (2005) confirms empirically the migration argument.

[27] Further, analysing the determinants of remittances to India, Gupta (2005) finds that remittances to India appear to be counter-cyclical, that is, higher during periods of low economic growth in India. However, other economic or political variables such as political uncertainty, interest rates, or exchange-rate depreciation, are not found to affect remittances significantly.

that increases productive physical capital in India could be seen as an appropriate growth strategy. Even though the source of India's export revenues are manufactured goods rather than raw materials and natural resources, its terms of trade are generally weak. With only 11 formal business start-up procedures, and approximately 20,000 new businesses registered in 2007, India ranks thirty-fourth on this variable, having a favourable environment for entrepreneurship. However, India suffers from a weak communication infrastructure (Legatum Institute 2009a: 162–3). Actions and inputs that address these shortcomings can be seen as appropriate development strategies. Virmani (2007: 15) notes that most observers have been too mesmerized by IT and high-tech services to acknowledge the importance of the rest of the service sector.

The Planning Commission (2006: 100) states too that encouraging entrepreneurship and expansion among small and medium enterprises is important for India's development. The Commission sees the biggest constraint on India's growth in the poorer quality and lack of physical infrastructure and compared with its competitors in other developing countries. Nearly half of India's population lives without electricity and without a consistent supply of any other form of commercial energy (Planning Commission 2006: 49). In the assessment of the Planning Commission, the shortage of power and lack of access continue to be major constraints on economic growth and on empowering individuals, especially those below the poverty line.[17] The RBI (2006) observes that the country's weak engineering and physical infrastructures are likely to hamper growth.

Taxes and Development. Unlike many developing countries, India has functioning state institutions that are concerned with inclusive growth, both at the centre and the state level.[18] One major constraint of the state and the government to foster development lies in under-proportionate tax revenues. India's tax base, both for personal income tax as well as

[17] A government programme is on its way to provide electricity to all 125,000 unelectrified villages and connect 23 million households below the poverty line (Planning Commission 2006: 48).

[18] This is true despite the fact that none of the institutions and poverty reduction strategies are flawless, and corruption and misuse of funds for private purposes are reportedly widespread.

for corporate tax, is narrow (Ministry of Finance 2002; Poirson 2006). Increasing tax revenues for the central government or the state governments[19] can be regarded beneficial for development.

THE ROLE OF MIGRATION AND MIGRANTS IN DEVELOPMENT

In the last two decades, the development effect and potential of migrants has become an increasingly important and coherent field in economic and social science research (see Lucas 2005; P. Martin, S. Martin, and Weil 2006; Straubhaar 2000; Thränhardt 2008b). Its significance has not only been highlighted in a growing body of international research literature, but also in publications by international organizations and institutions such as the Global Commission on International Migration, the European Commission, the Organisation for Economic Co-operation and Development (OECD), the International Labour Organization (ILO), the World Bank, the International Monetary Fund (IMF), the UNDP, the International Organization for Migration (IOM), and other international agencies. In 2003, an inter-agency coordination partnership, called the 'Geneva Migration Group' was established. In 2006, this group became the 'Global Migration Group,' which currently consists of 16 member agencies. Further, in 2006, the United Nations held a high-level dialogue on international migration and development, which led to the establishment of the annual Global Forum on Migration and Development. In 2013, a second high-level dialogue is scheduled to advance the international agenda in this area. The wider view of migration as a development tool is supported by the increasing inclusion of migration aspects in countries' Poverty Reduction Strategy Papers, or PRSPs. PRSPs are national development plans, which, on its website, the World Bank describes as 'a country's macroeconomic, structural and social policies and programs to promote growth and reduce poverty, as well as associated external financing needs'. They add that 'PRSPs are prepared by governments

[19] While the central government levies direct taxes, such as personal income tax and corporate tax, and indirect taxes, such as customs duties and service tax, states levy a VAT on goods, state sales taxes, and various local taxes (Poirson 2006:5).

through a participatory process involving civil society and development partners, including the World Bank and the International Monetary Fund (IMF)'. Reviewing all national development plans and PRSPs between 2000 and 2010, in an unpublished assessment, UNDP found 93 countries that had referred to migration in their strategies, mostly, however, in a very superficial way. Most recent strategies emphasize the role of remittances (UNDP 2009: 83) and 'engaging the diaspora' as Black and Sward (2009) show. Based on a review of PRSPs completed since 1999, Black and Sward (2009) argue that migration and its impacts on poverty reduction often remain poorly recognized or analysed. They find that only a few countries' PRSPs deal in any detail with the skills and resources of diaspora populations, beyond their obvious role as a source of remittances to families and investment income. In turn, relatively few PRSPs go into any detail on how remittances might impact the receiving country (2009: 14). Table 2.1 shows that 'engaging the diaspora', 'facilitating remittances', and 'promoting diaspora investment' are quite frequent goals with national poverty reduction strategies. However, assessment of the real impact and broader possibilities seems to be mostly neglected. In order to deepen the understanding of migration and its manifold possibilities for national development and to facilitate mainstreaming migration into national development planning, the Global Migration Group (2010) issued a handbook and, at the time of writing, was involved in a pilot project to mainstream migration into national development strategies in Bangladesh, Jamaica, Tunisia, and Moldova.

Table 2.1 Occurrence of Migration-related Policies in Poverty Reduction Strategy Papers

Policy objective	Number of countries
Engage diaspora	17
Export labour	10
Facilitate remittances	9
Sign bilateral agreements	9
Promote investment by diaspora	8
Improve labour conditions	6

Source: Black and Sward (2009: 21, Table 2).

I agree with de Haas (2009: 53) that 'in order to enable a more focused and rigorous debate, there is a need to better distinguish and specify different levels and dimensions at which the reciprocal relationship between human mobility and development can be analyzed'. UNDP's Human Development Report 2009 focused on the link between mobility (that is, migration) and human development. In this context and apart from it, there is an increasing number of research publications that try to adopt a broader vision of the migration and development nexus, such as D. Yang (2009), de Haas (2009), Skeldon (2008), Usher (2005). However, the perspective does not encompass many aspects and a comprehensive conceptual framework has not yet fully evolved.

As said above, a holistic framework for migration and development is based not only on a specific perception of development and an understanding of concrete needs and strategies in the respective country, but also on a thorough analysis of the migration patterns and the diaspora in order to see how this particular diaspora and migration phenomenon may affect the development. In this section, I develop a framework for India drawing on particulars from Indian migration, the development needs presented above and research on migration and development. Thus, aspects that might be of less importance for other countries might be described in detail here, while other aspects, such as references to armed conflicts and unstable states, are not discussed. Paying attention to details is important. In *Poor Economics*, Banerjee and Duflo (2011: 3) make a strong case for understanding the fight against poverty as 'a set of concrete problems that, once properly identified and understood, can be solved one at a time'. They show how minor details in development-related actions decide whether programmes are successful or not. While it is not possible to go to that level of detail in the following overview, it is crucial to stay clear of too broad generalizations and to focus on the concrete actions, side conditions, and outcomes.

Depending on the conceptualization, there are four stages of migration that may have developmental effects. The first is emigration. The second consists of the interactions between the migrants and the homeland during the migrants' stay abroad—so-called diaspora options. The third stage comprises eventual return migration, and the fourth and last is re-migration, thus starting the conceptual circle *da capo*. Actions by descendants of migrants are included into diaspora options. Although their eventual migration to their ancestral homeland cannot be considered 'return,' and despite the conceptual differences, this kind of movement is included into the discussion on 'return migration'.[20]

Issues related to out-migration, or emigration, are highly disputed. Best known in this context is the example of 'brain drain', understood as the emigration of a sizeable number of the best and brightest, which depletes the country of origin of its talent (Hunger 2004; Lowell 2002a; P. Martin 2003; Regets 2001). However, this is only one possible effect emigration may have. We do not have to go deeply into this part of the migration process since membership statuses, such as the OCI, do not matter significantly for any emigration-related aspect. Instead, I concentrate on OCI as India's endeavour to benefit from past migratory movements.

While migrants from a given country are abroad the country of origin may benefit in many ways. While first-generation migrants are of particular importance, the role of their descendants, so-called second-generation migrants, shall not be underestimated either. There are at least two ways of structuring the migration–development nexus: either by focusing on the activities migrants can indulge in and asking for their developmental impact or by looking at the sectors we would like to see an impact in and ask what role migrants can play in that sector. In this chapter, I will start with the first approach and conclude with the second.

Assessing development-related activities, we first have to recognize that activities by diaspora actors may have direct, intermediary or indirect effects on the development of the source country. Direct effects stem from activities, interaction, and involvement that directly affect the source country's development. The most famous examples are remitting and investing. In my view, it is worthwhile formulating these activities in a verbal form instead of the more used terms 'remittances' and 'investment' because, especially for the latter, there are also intermediary and indirect effects that do not involve own investment activities by diaspora actors. Intermediary effects are effects by which diaspora members act as agents for cooperation between third parties and actors in their home country. With regard to India, it is often said that the Indian diaspora in the US to a large extent does not consist of entrepreneurs but rather of professionals and executives (High-level Committee on the Indian Diaspora 2002: 169–71; Hunger 2004; Naujoks 2009a; Roy and Banerjee 2007). It is often assumed that ethnic Indians in the senior management of large corporations play a role in facilitating investments by their companies. Thus, they are not investing their own capital but they act as intermediaries for investment. Indirect effects are even further removed from direct actions and activities of diaspora actors. The entire diaspora community (or significant parts of it) can bring a change in the source country's perception and appreciation. This is often referred to as the 'branding value' of migrants. This kind of 'diaspora externalities' (Faini 2006) might have positive effects for economic cooperation and investment. The following sections provide a detailed overview on different effects in the diaspora options category. I will start by outlining several direct effects and proceed to intermediary and indirect effects subsequently.

[20] Kapur (2010: 23–5) also conceptualizes the prospect of migration as a channel by which emigration affects the country of origin. This focuses on the question how the expectation to emigrate in the future may influence current behaviour—such as education outcomes. However, from the viewpoint of diaspora options, this is only of indirect importance and will, hence, be omitted from this analysis.

DIASPORA OPTIONS—DIRECT EFFECTS

Diaspora actors can directly affect their home country's development by remitting money, by investing, by getting involved in trade or philanthropic projects, by transferring knowledge, by raising the country's tax income, by spending as tourists, or by bringing social change in the country or its bureaucracy. I will discuss all activities in turn.

Remitting

Possibly the most quoted and publicly discussed way for a source country to profit from its migrants is through the inflow of private transfers, so called remittances. There are many ways one can look at remittances and through a variety of lenses. Guarnizo (2003: 673) observes that the bulk of research on remittances has centred on determining their volume, assessing their contribution to local development, identifying the channels employed to transfer them, and defining the determinants of remitting. Owing to limitations of space and scope, I cannot discuss in detail all the aspects of remittances, around which an impressive body of literature is already available.[21] I will briefly outline five levels for the analysis of remittances and discuss their potential effects in general as well as their concrete effects in India in particular.

Analytical levels of remittances analysis

The scale, composition, and effects of remittances can be analysed in five levels, starting from the big picture and moving in for a closer look (Figure 2.1). Level 1 reveals the total amount of inflows, both in absolute numbers and in relation to appropriate measures, such as GDP, expenditures for health and education, debt services or the value of imported, and exported goods. At the level of absolute inflows, since 2003, India has been the world largest recipient of private money

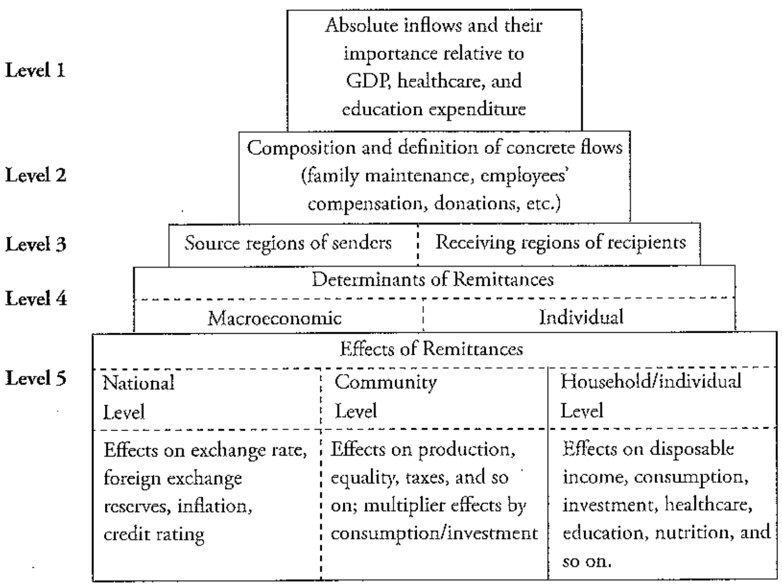

Figure 2.1 Analytical Levels of Remittances Analysis

[21] For an overview see Straubhaar and Vădean (2006), Rapoport and Docquier (2005), Özden and Schiff (2005) and World Bank (2006).

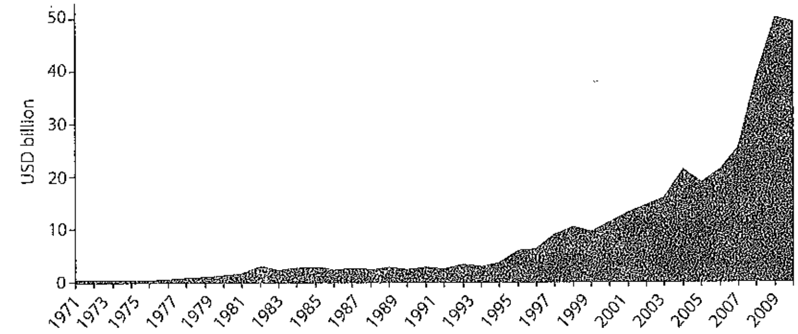

Figure 2.2 Inflow of Remittances into India (1970–2009)

Source: World Bank staff estimates based on the International Monetary Fund's *Balance of Payments Statistics Yearbook 2008*.

transfers from abroad. As Figure 2.2 shows, India reached this position after a remarkable increase over the last one-and-a-half decades. From a modest USD2.1 billion in 1990–1, the inward remittances were pegged at almost USD50 billion in 2008 and 2009 each.

The importance of remittance inflows for India is confirmed when looking at remittances in a relative perspective, such as in relation to India's GDP, the country's expenditure on education, and on healthcare. Although India's economy is not dependent on remittances, these inflows have gained considerable importance, increasing from only 0.7 per cent of India's GDP in 1990–1 to 4.1 per cent in 2008. Further, over 2000–8, remittances to India were 3.6 times higher than the country's total debt servicing payments.[22]

At analytical level 2, one has to ask, what are the components of remittance flows? Donations and charity contributions, funds for family maintenance, employees' compensations, and withdrawals from NRI accounts which might be used for merely personal use of the migrant, are likely to react differently to shocks and changes, and to have quite different development details.[23] Further, funds remitted via unofficial

[22] Author's own calculations, based on data from the RBI, IMF, and World Bank.

[23] Interestingly, the IMF (2008: 5) clarifies formal definitions of remittances 'are not based on the concept of migration, employment or family relation

channels may be considered. While remittances from middle-class households in northern America are likely to be transmitted predominantly via official channels, especially through the banking system, some of the funds, especially from the Gulf region, are supposed to be remitted through unofficial channels. In Rahman's (2001: 111–2) study on labour migration from Bihar, only 60 per cent of the respondents transmitted via banks, while alone 31 per cent used middlemen because banking facilities were not available. P.C. Jain (2008: 174) confirms that while most remittances are sent via official channels, a significant amount is not.

At analytical level 3, the location of the senders in the world (source regions), as well as the specific location of recipients in India (destination regions), can be analysed. While no systematic data on the regions of destination in India exists, surveys by the RBI reveal that between 1997 and 2004, two-thirds of all received funds were sent from the US, Canada, and Europe, and more than half of all transferred funds received in 2003 and 2004 originated from northern America alone (RBI 2006).[24] RBI's recent remittances study confirmed that North America continues to be the most important source region of remittances to India, even though its share in total remittances fell to 38 per cent in 2010 (RBI 2010).[25]

ships'. Because migration is not a concept in the balance of payments framework and the term 'migrant' is not defined in the *Balance of Payment Manual*. Also Straubhaar and Vădean (2006: 141) stress that remittances data have serious limitations and the estimates should be interpreted with caution. Kapur (2010: 114) observes that data from the RBI does not have a robust way to cross-check the reported data.

[24] Estimates on the source countries and regions are limited because under the current reporting system, banks report only the *currency* of the receipt, such as USD, British Pound, Euro, to the RBI, not the country or region of origin. Many countries in Africa or Asia choose to transfer money in dollar or pound denominations, making it difficult to obtain data by remittance-sending country. Information on source regions given by the RBI relies on special surveys conducted by RBI (2006; 2010). Also, the World Bank (2006: 89–90) estimates that 44 per cent of the 2004 remittance inflow into India originated from North America. For further details on remittances to India, see Chishti (2007) and Singh (2006).

[25] In Ahmedabad, Bangaluru, Chandigarh, Delhi, Hyderabad, and Kolkata, more than 60 per cent of the remittance inflow originated from North America and Europe (RBI 2010).

For this framework it suffices to say that the Indian diaspora in the US appears to be important for the scale of inbound remittances.

At level 4 of analysis, the determinants of remittances deserve attention. Both, factors that affect sending patterns at the individual level and influences at the macro-level are held responsible for changes in the scale and use of remittances. I will discuss micro-level determinants of remittances in the first section of Chapter 8. Among the many macro factors that have caused the overall increase in remittances to India, the main one is the Indian migration pattern. In particular, the increased number of migrants to North America and Europe and their professional occupations are seen as important components of growth in remittance inflows. Secondly, policy decisions for structural reforms in India are seen as another major cause for the increase.[26] As to policy decisions, the relaxation of regulations and controls, as well as allowing a market-determined exchange rate and the gradual opening of the capital account are regarded as important building blocks of the enabling framework. Thirdly, incentives for diasporic Indians to send and invest money in India under special deposit and bond schemes, which will be discussed later in this chapter, have also contributed to the phenomenon. Upon maturity of the bonds, a sizeable proportion has remained in India and local withdrawals from several capital accounts account for a large proportion of the recorded remittances (Chishti 2007; Singh 2006: 1).

Chishti (2007) adds two further noteworthy points. The first concerns the data. The deregulation of the Indian rupee exchange rate from 1993 onwards, led to decreased incentives to use the unofficial channels for remitting money. Thus, partly the increase might reflect simply an increase in the *registration* of flows, rather than their existence. The second concerns the incentive to remit money. Chishti assumes that the diaspora's perception of the Indian economy as a booming market with great growth potential was one of the most significant factors in the surge in remittances.[27]

[26] For both causes see World Bank (2006: 89); Singh (2006: 1–3); Patra and Kapur (2003: 9–10, 16). Gupta (2005) confirms empirically the migration argument.

[27] Further, analysing the determinants of remittances to India, Gupta (2005) finds that remittances to India appear to be counter-cyclical, that is, higher during periods of low economic growth in India. However, other economic or political variables such as political uncertainty, interest rates, or exchange-rate depreciation, are not found to affect remittances significantly.

At the last analytical level 5, one has to ask what *concrete effects* derive from the inflow of remittances. In this regard, much can be learned from development studies that show that it is not sufficient to look at the input alone. This does not mean that the input is of no relevance. In development cooperation, input-based benchmarks exist like the target of providing 0.7 per cent of a country's GDP as Official Development Assistance (ODA); a target adopted by the UN General Assembly in 1970 (Resolution 2626), which has so far been met by only a few small economies (like Denmark, Luxembourg, the Netherlands, Norway, and Sweden). However, ideas of *effectiveness* and asking for the outcomes and the impact on the main objective are clearly centrestage, which is also reflected in the adoption of the *Paris Declaration on Aid Effectiveness* in 2005, as a measure to increase efforts in harmonization, alignment, and managing aid for results with a set of monitorable actions and indicators.[28] Thus, while the magnitude is relevant, of greater concern are the effects of remittances.

Potential effects of remittances

A closer look at possible effects of remittances reveals that already on the theoretical level, there are many open questions, many uncertainties and theories that are not backed by sufficient empirical evidence. Due to constraints of space and scope, I will limit the presentation of the major factors and findings.[29]

While assessing the effects of remittances, it is possible to differentiate between the effects on economic growth, macroeconomic indicators and other development aspects. It is especially important to differentiate between effects at the household, community, and national level. At the national level, a substantial inflow of remittances affects the balance of payment. By providing foreign exchange, it may cure or lessen an eventual balance of payments deficit, which in turn may have significant

[28] In 2011, the international community expanded on the Paris Declaration and the focus on sustainable results by adopting the Busan Partnership for Effective Development Co-operation.

[29] For a comprehensive analysis of different factors and economic approaches, see Rapoport and Docquier (2005: 47–75), and Straubhaar and Vădean (2006), and World Bank (2006: Chapters 4–5).

positive effects on economic growth (Straubhaar and Vădean 2006: 156–7). One of the important questions in this regard is whether remittance flows have a stabilizing effect by being counter-cyclical.[30]

Further, the economic impact of remittances depends on the way remitted money is spent and on how production in the remittance-receiving country reacts. If (or in so far) remittances are spent for consumptive use, it is decisive whether the increased demand is supplied by additional imports or whether it is met by an increase in the national production with positive income and employment effects (Straubhaar 1988: 160). The negative example is the so-called 'boomerang hypothesis' or 'Dutch disease', that is, remittances increase only the demand for import goods, and by an increase of the price level and of imports, this leads to an overvalued exchange rate and to dependency of remittances (Macmillen 1982: 265).

Guarnizo (2003: 674) summarizes that given the oligopolistic economic structure of many developing countries, the consumptive use of remittances often results in price inflation and import demand, rather than in supply expansion for nationally produced goods. Instead, from the viewpoint of economic growth, the best use of remittances is to allocate the capital partly to savings and partly to industrial or productive plants.[31] Successful initiatives to strengthen the development impact of remittances often combine financial literacy education for migrants and their families with concrete financial products in which they can invest.[32] Corresponding to migrants' own objective to accumulate funds, such programmes create an enabling environment that makes channelling remittances into productive projects a sensible and risk-free choice.

[30] Frankel (2009) finds in his analysis of bilateral remittance flows that remittances flows respond positively to the cyclical position in migrants' host country and negatively to the cyclical position in their country of origin. He concludes, thus, that this counter-cyclical pattern can play a stabilizing role for the latter, confirming other studies such as Nayyar (1994) and Straubhaar (1988).

[31] Straubhaar (1988); Straubhaar and Vădean (2006); Chami *et al.* (2008: 38–9).

[32] Financial literacy education for migrants and their non-migrant households can improve their financial possibilities, reduce debt, empower migrants and their families, as well as increase remittance flows to localities of origin and their development impact.

In addition, remittances may lead to postponing or neglecting structural change. Thus, production processes are not efficient, leading to decreased international competitiveness. This can cause severe problems if the inflow of remittances stops or decreases (Macmillen 1982: 267; Straubhaar 1992: 104). On the other hand, as another benefit at the national level, remittances can strengthen the macro-financial standing of countries of origin, giving them a better credit rating from global lending agencies which eases obtaining funds and may decrease interest rates (Guarnizo 2003: 687).

Opposed to claims made by many economists that remittances should be allocated for industrial and productive purposes, there is a recent tendency to criticize, like de Haas (2005: 7) puts it, 'the inclination to denote expenditure on housing, sanitation, healthcare, food and schooling as unproductive and non-developmental. After all, such improvements in the well-being and human capital of people also have the tendency to increase their productivity, freedom of choice and the capacity to participate in public debate'. Thus, direct benefits at the recipient household level have to be duly acknowledged and be assessed from the wide notion of development as discussed above. There is growing evidence that remittances facilitate human capital formation and reduce the incidence and severity of poverty in several low-income countries (Rapoport and Docquier 2005).

Apart from the economic effects of remittances, their social effects matter too. Thus, we have to ask whether remittances increase school attendance, college entry, labour, and professional qualifications. The socio-economic parameters of the recipient households are paramount when it comes to the concrete levels; de Haas (2009: 26) argues that even small remitted amounts can make a positive difference to poor households. On the other hand, there may be several multiplier effects deriving from remittance-receiving middle-class households.

At the community level, remittances may affect production processes, the equality of residents, the tax base and revenues, as well as, through multiplier effects, the overall income growth. Apart from the migrant households that benefit directly through an income increase, non-migrant households and communities can benefit through multiplier effects and through transfers from migrant to non-migrant households (Khatri 2007: 21). This is believed to be the case if remittance-recipient households increase consumption and their expenditure on housing,

employment possibilities and generate income for those outside the household (de Haas 2009: 29; Lowell and de la Garza 2000; Straubhaar and Vădean 2006: 155).

It has been noted that remittances can have different and important distributional effects on equality issues in the source country.[33] Rapoport and Docquier (2005: 55) observe that the long-term impact of remittances has, only recently, been reformulated in an endogenous growth framework, and argue that the growth effects of remittances cannot be dissociated from their distributive effects. Although remittances are often found to have the potential of fostering equality,[34] it is observed that they may create inequality too.[35] Ha *et al.* (2009) show for China that while internal remittances initially increased inequality, they later had a positive, equalizing effect. Based on data from Honduras *et al.* (2005) find that remittances tend to be more inequality reducing (or less inequality increasing) in urban areas than in rural ones.

Several regression analysis simulations with large numbers of countries indicate that remittances have a significant effect on poverty reduction. According to an analysis of 71 (Adams and Page 2005) and 72 (Adams and Page 2003) countries, a 10 per cent increase in per capita remittances leads to a 1.2 or 3.5 per cent decline respectively in the share of people living in poverty. This is confirmed by a recent IMF (2005) simulation based on a sample of 101 countries for the period 1970–2003. In a cross-country regressions simulation, the World Bank provides an indication for the fact that the impact of remittances is path dependent.[36] Higher initial levels mean steeper income declines.[37] Also, the initial extent of poverty and the degree of inequality affect the concrete impact of remittances.

[33] See de Haas (2009: 26); Skeldon (2008: 5); UNDP (2009: 74).

[34] Stark, Taylor, and Yitzhaki (1986); Taylor and Wyatt (1996); Docquier, Rapoport and Shen (2003).

[35] Rodriguez (1998); Adams (1998); Skeldon (2008: 5); Zachariah and Rajan (2008: 7). For an overview, see González-König and Wodon (2005).

[36] As the World Bank (2006: 120) points out itself, because of the simplicity of the model and other limitations, the simulation 'results' are not conclusive. See also Ratha (2007: 5).

[37] The model analyses the effect of the *absence* of remittances, not the impact of their actual inflow. Thus, the higher the 'decline' caused by their absence, the stronger are they positively correlated with poverty reduction effects.

Evidence on effects of remittances in India

The *actual* effects of remittances are of far greater interest than a general theoretical framework on *possible* effects. As Chami *et al.* (2008: 32) put it, '[e]conomic theory gives us no reason to suppose that the macroeconomic effects of workers' remittances should necessarily be uniform from country to country or from time to time. In theory, the nature of these effects depends on a variety of characteristics of the receiving economy, as well as of the remittance flows themselves.' This is not only true for international comparisons but also with regard to the different remittance flows into India and besides the macroeconomic effects this holds true for other developmental consequences.

De Ferranti and Ody (2009: 63) observe that who receives remittances is determined by who migrates. In this regard, it is important to differentiate between remittances from labour migrants in the Gulf region and from skilled diaspora members in economically developed countries.[38] There is a very limited number on empirical studies on India. Further, most of the studies focus on households in Kerala. Due to the major emigration pattern in Kerala, these studies reflect the sending and spending patterns for (temporary) Gulf migrants and their households (Zachariah and Rajan 2007). Related analyses are, for these reasons, not highly representative for the entire country.

From a macroeconomic perspective, remittances have had a significant positive effect on India's balance of payments. Remittance flows during the past three decades have financed a large proportion of the balance of trade deficit and thus reduced the current account deficit and their positive macro impact seems clearly to prevail (RBI 2006: 8).[39] It is also reported that during India's balance of payment crisis in the aftermath of the Gulf War of 1990, considerable remittance inflow prevented a collapse in current receipts (Patra and Kapur 2003: 2). In view of India's tax structure, middle-class recipients are more likely to pay taxes, thus remittances to such households may contribute to the country's tax

[38] This is a generalization. Some 10 per cent of the Indian workforce in the Gulf region is reportedly white collar workers, and there are menial and unskilled Indian migrants in industrialized countries, but owing to the general community profiles, it appears appropriate to make this categorization.

[39] For details see RBI (2001: I-18; 2003: II-38; 2008: 66–8) and Srivastava and Sasikumar (2003: 18).

revenues and enable India to focus on 'developmental activities'. Desai *et al.* (2009: 43) estimate the indirect tax yields as a result of remittances to have reached about 0.07 per cent of GNI in 2005.

According to a survey conducted by the RBI in 2009 (RBI 2010),[40] a large portion of the remittances received (61 per cent) are utilized for family maintenance, that is, to meet the requirements of migrant families' food, education, health, and so on, whereas, about 20 per cent are deposited in bank accounts and about 4 per cent are invested in real property or equity share. In Kerala, remittances are mainly used for consumption, repayment of loans, and meeting other social obligations. Migrant households also invest in housing, land and consumer durables, but evidence of other productive investment is scarce.[41] Some studies, however, report such investment by a small percentage of migrant and return-migrant households (Srivastava and Sasikumar 2003: 8). Zachariah and Rajan (2007: 13) observe a significant shift in the use and impact of remittances in Kerala. In the early period of a construction worker's emigration, the bulk of the remitted money was used up for household consumption—subsistence, education of children, house renovation, and house construction—as well as dowry and debt repayments. However, Zachariah and Rajan (2007: 13) observe that 'remittance-based investments are taking over from remittances-based consumption as the state's new growth driver'.

Apart from remittances sent from the Gulf countries which to a large extent come from labourers and are found to benefit rural development and economically challenged households in south India (Rahman 2001; Zachariah and Rajan 2008), remittances from the US and other high-wage economies are likely to go predominantly to middle-class households. Reliable surveys on this topic do not exist, but a host of anecdotal evidence on the migration movements and the socio-economic characteristics of Indian migrants in those countries justify this assumption.

[40] The survey was conducted in bank branches across twelve urban centres in India, namely Ahmedabad, Bangaluru, Bhubaneswar, Chandigarh, Delhi, Hyderabad, Jaipur, Kolkata, Mumbai, Patna, Kochi, and Ranchi.

[41] For the state of Bihar, Rahman's (2001: 117–9) survey finds that remittances are mainly used for consumer durables and less for investment goods, such as trucks, tractors, and other vehicles. However, 7 per cent of the surveyed households allocate received funds for business investment, 37 per cent for the purchase of land, and 51 per cent for construction and renovation of houses.

Sending remittances to the middle class is likely to increase inequalities. However, equality is only one indicator we look at. The growing middle class and their economic rise also leads to the targeting of international companies for fashion, sportswear, cars, electronics, and so on. Many of those goods are produced in India for the domestic market. This perceived market led to the set up of manufacturing units, and hence, to investment, to employment, and so on.

The aforementioned cross-country regressions simulation by the World Bank indicates that the overall effect of remittances on poverty reduction in India will be quite small.[42] This is not unexpected, considering the enormous size of the country's population and the high proportion of people living under the poverty line. Indian labour migrants often come from rural areas and from poorer families.[43] Remittances to their households can more easily have spillover and multiplier effects at the community level. Professional migrants to northern America, Europe, Australia, and New Zealand have mostly a middle-class and more urban background. As discussed, the surge in remittances over the last ten years is mostly attributed to the latter migration pattern. It is, thus, not unlikely that the bulk of these funds are not effective at the community level to generate poverty reduction effects. It is believed that their remittances have instead expanded the earnings and employment opportunity of the middle class, and helped India's entry into the global economy (Newland and Patrick 2004: 7).

Asking how remittances are spent is not insignificant, but it must only be the starting point. There are more important questions, from an analytical point of view, including what effects are generated at each level (household, community, regional, and national levels), why this is the case and under what conditions. Thus, instead of enumerating studies that find that remittances are spent on education (country A), mainly consumption (country B), small-scale production and micro-investment

[42] Removing the 3 per cent share remittances have in India's GDP and assuming that this does not affect inequality (Gini = 0), the World Bank (2006: 128–9) estimates a rise of 3 per cent in the poverty headcount rate using per capita GDP and 23 per cent when using mean survey income. The basic survey data on India is from 2000.

[43] However, Lucas (2004) refers to studies showing that although some of the poorest households in Kerala send migrants to the Gulf region, generally Gulf migrants tend not to be from the lowest income levels.

(country C), and so on, to make a point about the various possible effects of remittances, we should be concerned with understanding the actual role that several factors play on concrete effects such as (a) the region and the socio-economic and cultural conditions at the beginning of the migration process; (b) the migration process itself and the composition of the migration stream; (c) the actual socio-economic, cultural, ethnic, and legal conditions in the place of destination; (d) the effect of membership in groups, institutions, states, religions; (d) the cultural, social, and other determinants of financial and other flows and how they are linked to the concrete effects in the source regions.[44] It is important to ask the right specific questions, but in a second step, it is even more important to contextualize and conceptualize how those questions and their answers are embedded in a larger system.

Guarnizo (2003: 691) stresses that although it is important to know about the scale and use of remittances, it is also of great interest 'to learn more systematically about the geography of remittances (that is, variation across places of origin and destination) and the sociology of remittances (that is, socio-demographics and power relations along class, gender, and generational lines of senders and receivers across different contexts)'.

Investing and Business Operations

Another main issue in the development debate focuses on foreign investment and capital flows to source countries.[45] 'Foreign investment' is usually understood as financial contribution to the equity capital of an enterprise or purchase of shares in the enterprise by a non-resident

[44] In this regard, Taylor (2006: 6) invokes an old joke about a man who comes upon an economist on his hands and knees, looking for a quarter underneath a lamppost. The man asks where he was when he realized he lost the quarter. The economist answers, 'Well, I lost it up the street, but the light is better here.' Taylor sees this tendency of looking at the wrong places when examining remittances. While it seems 'natural to ask households how they spent their remittances', this is, 'the easiest strategy, but one is looking in the wrong place. The question one really wants to ask is, "How did having remittances change what you did—the things you produced, the way you produced them, and the things you spent income on?"'

[45] See United Nations (2006: 67); Global Commission on International Migration (2005: 25).

investor. Foreign investment is of two kinds—Foreign Direct Investment (FDI) and Foreign Portfolio Investment. The OECD (2008: 17) defines FDI as a category of cross-border investment made by a resident in one economy (the *direct investor*) with the objective of establishing a lasting interest[46] in an enterprise (the *direct investment enterprise*) that is resident in an economy other than that of the direct investor. The motivation of the direct investor is a strategic long-term relationship with the direct investment enterprise to ensure a significant degree of influence by the direct investor in the management of the direct investment enterprise.[47]

Migration and investment

There are surprisingly few studies on the nexus between migration and FDI. Kugler and Rapoport (2005) conclude that while skilled migration and FDI inflows are positively correlated, total migration flows are associated with a decrease in future FDI. Also, Javorcik *et al.* (2006) find that FDI from the US is positively correlated with the presence of migrants from the host country in the US. This is especially the case for migrant communities with a large share of college graduates, thus suggesting particularly positive investment effects from an educated diaspora. The Chinese diaspora is widely held up as the model for diasporic FDI contributions. Overseas Chinese, especially from Southeast Asia, are reported to have been largely involved in the Chinese investment surge (Bajpai and Dasgupta 2004; Guha and Ray 2000; Wei 2005). Though still lagging behind FDI inflows into China, those flows to India are increasing steadily. According to UNCTAD's World Investment Prospects Survey 2009/2011, India ranked number three as the most preferred FDI location (UNCTAD 2009: 50).[48]

Although, since 1991, the Indian economy has gradually opened up to foreign investment, there are still procedural and sectoral limitations for

[46] However, it is acknowledged that sometimes, investments are made to strip companies of their assets and thus not for a lasting relationship, OECD (2008: 22).

[47] Similar to this is IMF's definition in the *Balance of Payment Manual* (BPM5).

[48] UNCTAD (2009: 38) cites reports by Ernst & Young and the Japan Bank for International Cooperation, both of 2009, which find that India ranks number two behind China for transnational corporations.

FDI.[49] Thus, it is important to note that there are some special regulations for Non-resident Indians (NRIs) and Persons of Indian origin (PIOs).[50] However, Overseas Corporate Bodies (OCBs), defined as enterprises of which at least 60 percent is held by NRIs or PIOs, have been de-recognized as a class of investors in India with effect from September 2003 (Indian Ministry of Commerce and Industry 2010: para 3.1.3).

For portfolio investment in shares and debentures through the stock exchanges, NRIs require prior approval of the RBI, which eventually is granted for a four-year period and can be continuously renewed. Portfolio investment by NRIs and PIOs is limited to 5 per cent per individual and to 10 per cent of the paid-up value of the company for all NRI and PIO investments.[51] Further, NRIs, like other foreign investors, may set up business operations in India by incorporating a company, through joint ventures, as wholly owned subsidiaries, or by setting up an office of a foreign entity, a liaison, representative, project, or branch office.[52]

[49] FDI is prohibited under government as well as automatic routes for the following sectors: (a) retail trading (except single-brand product retailing), (b) atomic energy, (c) lottery, (d) gambling and betting, (e) business of chit fund, (f) nidhi company (also known as mutual benefit societies, these are non-banking financial companies that do the business of lending to a small group of member-investors), (g) trading in transferable development rights, and (h) real estate business or construction of farm houses (except development of townships, construction of residential/ commercial premises, roads or bridges to the extent specified in notification No. FEMA 136/ 2005-RB dated 19 July 2005). See Ministry of Commerce and Industry (2010).

[50] In this regard, a 'person of Indian Origin' means a citizen of any country other than Bangladesh or Pakistan, if (i) he at any time held Indian Passport; (ii) he or either of his parents or any of his grandparents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 (57 of 1955); or (iii) the person is a spouse of an Indian citizen or a person referred to in sub-clause (i) or (ii), see (Ministry of Commerce and Industry 2010, para 2.1.30).

[51] Investing NRIs need a Permanent Account Number card (PAN card) from the Income Tax Department and an NRI bank account, such as the NRE or NRO account, see below. Sectors in which FDI is prohibited are specified above in footnote 49.

[52] Such offices can undertake activities permitted under the foreign exchange management (Establishment in India of Branch Office or other Place of Business Regulation, 2000).

Only 4.2 per cent of the total FDI between 1991 and 2003 was registered as diasporic FDI (Roy and Banerjee 2007: 4).[53] It has been noted that the Indian diaspora differs strongly from the business diaspora of ethnic Chinese (Kapur 2001; Hunger 2004; Kuznetsov and Sabel 2005; Wei 2005; Roy and Banerjee 2007). Guha and Ray (2002) argue that diaspora involvement in FDI in China and India is substantially different because overseas Indians lack the skills in managing export production with low-wage labour. Roy and Banerjee (2007) further claim that the comparatively low level of diasporic investment is rooted in the Indian investment policy under which several products are reserved for small and medium enterprises (SMEs) and foreign investment into SMEs is limited to 24 per cent, making it difficult for many diasporic entrepreneurs, who are often retailers, to engage in those economic activities.[54]

The former director general of India's Confederation of Indian Industry (CII), does not regard overseas Indians as special targets for large scale FDI. He says: 'The biggest challenges for India are education and health. Of course, we have the infrastructure challenge. But the diaspora don't invest in infrastructure. It's too big. They are not keen in putting in a billion dollars or 200 million dollars. [...] If they can upgrade 100 schools or they can help to modernize 100 hospitals that will be very worthwhile.'[55] Also the deputy chairman of India's Planning Commission expresses that, in his point of view, the typical diaspora investor is rather 'an angel investor or is a venture capital guy comes along and says, "Look, I'm going to put 20 million dollars into India." It's not a big amount of money.'[56]

[53] With the introduction of FEMA 1999, NRI investment schemes have been subsumed under automatic route, and reporting of data through form 115 (R) was discontinued with effect from December 2002. As a result, there are no statistics on NRI investments for later periods.

[54] Roy and Banerjee (2007) state that economic transaction costs in India are among the highest in the world, quoting a survey by *Fortune Small Business* magazine on countries' friendliness to small businesses, according to which India ranked only 46 among 53 countries.

[55] Author's interview with Tarun Das, then chief-mentor (2004–9) and former director general (1974–2004) of CII, on 23 May 2008.

[56] Author's interview with Montek Singh Ahluwalia, deputy chairman of the Planning Commission of India, on 6 June 2008.

Generally, the investment and involvement of diasporic Indians in the Indian IT and high-tech industry is well acknowledged (Hunger 2004; Kapur 2001; Kuznetsov and Sabel 2005:14–6; Saxenian 2002; 2005). Dossani (2002) conducted a survey on engineers in Silicon Valley and their economic involvement in their home country. According to this survey, more than 22 per cent of Indian engineers in Silicon Valley had invested in at least one start-up, almost 10 per cent of them even more than once (Dossani 2002: Table 14; 2005: Table 8). That leaves 78 per cent who, according to the survey, had not invested in start-ups in India yet. Saxenian's (2002) survey of Silicon Valley's Asian professional population provides further information on the community's links to India. About three-quarter of the surveyed Indian professionals (77 per cent) had at least one friend who had returned to India to start a company, half of the respondents (52 per cent) travel to India for business purposes at least once (but only 13 per cent at least twice) a year. About a quarter of the respondents (23 per cent) self-report investment of their own money into Indian start-ups.

Investment and development

It is believed that FDI of migrants may increase capital in the source countries (Global Commission on International Migration 2005: 25; United Nations 2006: 67). In fact, the development impact of FDI is rarely questioned. But looking at the scale of investment might be misleading when assessing the developmental effect in a wider sense. In the end, we want to know how investment affects the disposable income of the individuals and households and other factors I identified as 'good development' above. It would be more appropriate to look at the outcome of the investment, its effect on employment and multiplier effects, on the supply chain and tax generation for the source country.

A large-scale investment in a tax-free special economic zone with a high degree of imported technology and small-scale employment for the local population might not have ideal effects on several development indicators.[57] In fact, Desai *et al.* (2009: 43) estimate that India's fiscal

[57] Following special legislation in 2005, India established Special Economic Zones (SEZs) with special tax and other benefits, mostly for the export sector. However, it is often questioned if, or to what extent, business operations in

gains from NRI direct investment are negligible. Pal and Ghosh (2007: 23) find that total FDI since 1991 had limited effects in terms of fixed investments, exports, and technological upgrading. They explain this with the fact that mergers and acquisitions (M&As) accounted for a significant part of FDI in that time. Whereas so-called green-field FDI creates productive capacity, this is not the case with most M&As. On the other hand, it has been argued that the domestic owners of companies, who gain capital from the M&A deal, are likely to reinvest it in the economy with positive growth effects. Furthermore, M&As are often expected to lead to a transfer of technology with positive spillover effects for the receiving economy (Balasubramanyam 2002: 191–2). However, Pal and Ghosh (2007: 23) stress that M&As tend to lead to the formation of monopoly powers in an industry, and employment stagnation, or even decrease, with negative consequences for the country. They conclude that FDI inflow into India, which was concentrated in relatively small areas, has created an illusion of prosperity, but has done hardly anything to reduce overall levels of poverty or inequality. They criticize that many state governments have concentrated their development expenditures in the urban areas in order to attract foreign investment, neglecting the rural sector with negative consequences.

On the other hand, if diaspora actors are involved in quantitatively smaller investment projects but focus on sustainable investment, for example, by promoting social responsible investment, their activities might have a significant impact on development indicators. This could be one element in establishing a culture of this kind of investment, which until now is almost non-existent in India (Kumar and Siddy 2009). The latter is a rather indirect multiplier effect of the diaspora actor's investment behaviour.[58] The development effect on value chains may also be

SEZs have wider development impacts. Examining the effect of India's SEZs on employment and poverty, Aggarwal (2007) finds positive effects from employment generation and less so from skill formation, or technology and knowledge upgradation. Also Gopinath (2009) assesses their overall impact positive.

[58] The reason for such a behaviour can be manifold. Apart from a natural interest in the country, not merely for profit reasons, the reasons include: exposure to social responsible investing in the countries of residence, the experience abroad that sustainability might be economically of importance, and that this aspect is much underdeveloped in India and thus offers great opportunities.

in the focus.[59] In brief, it seems appropriate to look further than just at the overall volume of investments.

With regard to the oft-quoted Indian IT and BPO industry, it has to be noted that the Indian technology sector revenue has grown from 1.2 per cent of India's GDP in 1998 to an estimated 5.5 per cent in 2008. Net value added by this sector to the economy was estimated at 3.3–3.9 per cent for 2008 (NASSCOM 2008). In 2008, export of IT services, including engineering services, research and development, and software products, provided direct employment to 860,000 professionals, while BPO export and the domestic IT industry accounted for an additional 700,000 and 450,000 employed professionals respectively (NASSCOM 2008). Further, in June 2010, India's National Association of Software and Service Companies (NASSCOM) reports that outsourcing companies are to set up back-office operations in small Indian towns and villages in order to render a low-cost labour pool. Thus, investment and returnees' activities in the technology sector may indeed have positive development effects.

Further, it is not only large-scale investment, but also setting up medium-sized enterprises that can have several positive effects for the source country's economic development. It bears mention, however, that FDI flows in different sectors and under different circumstances can, of course, have different effects on the country's development. In an economic model to estimate the effect of FDI on economic growth a 1 per cent increase in FDI brings about an increase in GDP by 0.12 per cent (Keshava 2008). Owing to constraints in space and scope, I will leave a more detailed analysis of FDI's impact to further research.

Investing in Capital Accounts and Diaspora Bonds

In the 1970s, the government of India felt the need to stock up the country's foreign-exchange reserves. For this purpose, it authorized

[59] Value chains and value-chain networks are a hybrid form of organization in which legally independent firms cooperate on consecutive levels of the value chain. Benefits of value chains are often seen in an increase of the competitiveness of the final product, enhanced possibilities for entering new markets, the knowledge of the whole productive process and the better fulfilment of international quality standards (Langner and Demenus 2009).

special deposit schemes for NRIs (Chishti 2007; RBI 2003: VII-25).[60] From the 1990s onward, the policies kept in focus that a high volatility of such deposits could be detrimental to the country's economic stability which is why it was sought to attract stable deposits. In order to increase the attractiveness of such schemes, accounts could be denominated in foreign or domestic currency. They also had a higher than normal interest rate and accounted for certain tax exemptions. Further, full repatriability and liquidity was guaranteed for some deposit schemes (Patra and Kapur 2003: 16; Singh 2006: 7).

Eligible for such accounts are 'Non-Resident Indians', defined for this purpose as persons resident outside India who are either a citizen of India or a PIO.[61] Also, OCBs were allowed to invest. An OCB here is a company or any corporate body wherein 60 per cent or more ownership lies with NRIs or a trust wherein 60 per cent or more financial interest is irrevocably held by NRIs.[62] An analysis of the movement in NRI deposits reveals that outstanding NRI deposits grew steadily from USD 14 billion in 1991 to USD 68 billion in 2012. Thus, the amount quintupled over a span of 17 years.

Another way of financial interactions between India and her diaspora consists of three foreign-currency *diaspora bond schemes*, which India issued when her economy was in urgent need of foreign exchange. In total, India received USD 11.3 billion in foreign exchange from the three schemes, which were launched in order to help the country over the balance of payment crisis in 1991, strengthen the country when

[60] With the attempts to tackle the 1991 external payments crisis and the beginning of economic liberalization, the 1990s saw the introduction of as many as five NRI deposit schemes. For the last decade, only three different schemes have been in place.

[61] Viz. Para 2 (vi) of Foreign Exchange Management (FEM) (Deposit) Regulations, 2000 to Foreign Exchange Management Act (FEMA) 1999. 'Persons of Indian Origin' are (i) persons, being a citizen of any country other than Pakistan and Bangladesh, who at any time held an Indian Passport or (ii) a person who himself or either of his parents or any of his grandparents were citizens of India, or (iii) a spouse of an Indian citizen, or (iv) a spouse of a person covered under (i) or (ii) above. Viz. Para 2 (xii) of Foreign Exchange Management (FEM) (Deposit) Regulations, 2000 to Foreign Exchange Management Act (FEMA) 1999.

[62] Viz. regulation 2 (xi) of Foreign Exchange Management (FEM) (Deposit) Regulations, 2000 to the Foreign Exchange Management Act (FEMA) 1999.

it suffered from sanctions imposed by the US and the World Bank in response to India's nuclear tests in 1998, and smoothen the effects of an adverse global economy in 2003 (Ketkar and Ratha 2007: 8–9; 2010: 252; Patra and Kapur 2003: 17).

On the first two schemes, there was no 'patriotic discount', which is a lower than market interest rate due to the 'moral benefit of helping one's country'; and the last bond scheme had only a very small discount. Instead, investors benefited from a higher than market interest rate and India benefited because diaspora investors would not seek as high a country-risk premium as the market would have demanded (Ketkar and Ratha 2007: 8–9). An interesting side effect of those schemes is that upon redemption, a large part of the bonds have re-entered the country as current transfer to meet various local currency needs of the non-resident depositors and their families or as inflows into the above mentioned deposit schemes (Patra and Kapur 2003: 17; World Bank 2006: 89; Chishti 2007).

Apart from the direct effects, the mere *possibility* of tapping the diaspora as a source for emergency finance can be beneficial. The resources that the country has to service debt have a determining impact on a country's credit worthiness. Thus, the actual and potential inflows of capital from the diaspora lower India's country-risk premium in international capital markets. The higher confidence of the international market in India's credit worthiness is reflected in better ratings by international rating agencies, which in its turn leads to a better and less expensive access to international finance markets (Ketkar and Ratha 2007: 14–5).[63] For this reason, Ketkar and Ratha (2010) assess diaspora bonds as a stable and cheap source of external finance for many countries with large diasporas abroad.

Acquiring Real Estate

A typical economic involvement of migrants in their source country is the acquisition of real estate. Non-resident Indians (and persons of Indian origin) are banned from investing in companies that are engaged in the real estate business, that is, dealing in land and immovable property

[63] Chami *et al.* (2008: 35, 42–3) postulate the same positive effect of remittances on the credit worthiness of developing countries.

with a view to earning a profit or earning income from it (Ministry of Commerce and Industry 2010: 18). However, they can buy real estate as natural persons.[64] Further, in 2005, the Indian real estate market was opened for large-scale foreign investment with a minimum capitalization of USD 10 million for wholly owned subsidiaries and USD 5 million for joint ventures with Indian partners.[65] Both scale and effects of such involvements have so far not been the object of much research. Apart from multiplier effects generating income for persons employed in the construction sector, the effects on real property prices and distributional effects may be considered.

Trading

Foreign trade has significant potential for development—not only as direct income for the trade partners, but also as revenue for the countries involved. In India, taxes on trade made up more than 15 per cent of the total revenue in 2007 (World Bank 2009: 30). When assessing the question of whether the diaspora can promote trade, I do not have to answer the controversial issue of whether migration itself enhances trade, or whether migration and trade are substitutes (as assumed by the standard model of trade theory, the Hecksher-Ohlin-Samuelson framework and Mundell's [1957] subsequent deduction).[66] First, for now, we take migration as granted. Second, I am not primarily concerned whether migration generally increases or decreases bilateral trade. Instead, I ask

[64] According to section 6 (3) lit. (i) of the Foreign Exchange Management Act (FEMA), 1999 and by the FEMA Regulations 21/2000-RB non-Indians residing outside of India may not acquire immovable property in India. However, PIOs—regardless of whether they have a PIO card or OCI status—enjoy privileges with regard to the acquisition of real estate (Section 6 (3) (i) of the Foreign Exchange Management Act (FEMA), 1999 and by Regulation 4 of the FEM (Acquisition and transfer of immoveable property in India) Regulations, 2000 (as amended in 2006 and 2009).

[65] Vide the Ministry of Commerce and Industry's Department of Industrial Policy and Promotion (DIPP)'s Press Note 2 of 2005; see also Ministry of Commerce and Industry 2010, paragraph 5.23.

[66] Bettin and Lo Turco (2009) provide an overview over the theoretical and empirical findings for both opposed arguments.

whether a diaspora can have positive effects for trade, and under what conditions does this take place.

It is often observed that the Indian diaspora in the US is by-and-large not a merchant diaspora. If it contains entrepreneurs, they are more often in the technology sector or hotel industry than in trade. Thus, the direct impact of Indian-Americans trading goods with India and affecting Indian exports positively is believed to be low (High-level Committee on the Indian Diaspora 2002: Chapter 13; Kapur 2001).

Transferring Knowledge, Technology, and Skills

Migrants who are in research and development activities in their country of residence may transfer some of their knowledge to their home countries. Activities by which migrants can transfer their knowledge include sharing their experiences with former college friends in the home country, acting as mentors to younger researchers, attending (or organizing) research conferences in their home country, inviting researchers from their countries for training in the country of residence, returning temporarily for seminars, lectures, semesters, and teaching cutting-edge skills and knowledge.

Through these types of activities, knowledge, technology, and skills may flow into the home country and positively affect innovation and technological knowledge, which are believed to be drivers of economic growth.[67] Questions to ask in this context include: To what extent do diaspora actors facilitate this kind of cooperation? In which sectors may this be the case and can the source country benefit from those sectors? In other words, is it likely that increased knowledge in this sector will lead to productive activities in this field? For example, if a nuclear researcher from Cape Verde gained access to nuclear research abroad, it might be of little importance for the development of Cape Verde if that country has neither the resources nor interest in developing facilities in this field.

[67] Endogenous growth theories following Lucas (1988) see human capital as a factor of production, which is embodied in the worker and influences the growth of GDP positively. According to theories following Romer (1990), long-term growth is mainly driven by technological change. Human capital either produces new technologies directly or serves as an input in research and development and thus affects technological change and hence economic growth.

Consuming Goods Produced in the Home Country

When a sizeable diaspora community consumes products from its home country, it might fuel exports (from the source country's perspective) with positive economic effects. The Indian High-level Committee on the Indian Diaspora (2002: 422) reports that it found evidence that the Indian diaspora creates demand for certain goods, leading to specialized consumption. In this regard, Guarnizo (2003: 679) notes that substantial economic effects can follow migrants' demand for and consumption of goods from their country of origin in order to reproduce abroad, their cultural identity and original social milieu.[68] Here again, the scale of the consumption and the demand for certain types of goods are important.

Paying Taxes

In the 1970s, Indian-American economist Jagdish Bhagwati proposed taxing migrants abroad in order to let the source country take part in the increased earnings of its migrating citizens (Bhagwati and Partington 1976; Bhagwati and Wilson 1989). Hence, the tax is often referred to as 'Bhagwati tax'. As of now, the Indian taxation regime does not include a tax for its citizens abroad, which is why such a possibility is merely theoretical. Theoretically, taxing earning emigrants is a way of contributing to the country of origin which then might use it for developmental activities. In India, the tax base is very low and the government operates in a small fiscal space for its attempts to fight poverty and ignite well-being and growth.

Some countries do levy taxes on their citizens abroad, most notably the US, but also countries like Switzerland, Libya (Gamlen 2006: 13), and Eritrea.[69] Despite recent discussions on the subject (Desai *et al.* 2009; Kapur and McHale 2005: 190–2), this policy option has been questioned with regard to its feasibility and utility (Global Commission on International Migration 2005: 25; UNDP 2009: 109;

[68] This is a common observation, see also Kapur and McHale (2005).

[69] Eritrea levies a 2 per cent tax on the net income of its nationals abroad irrespective of other taxes applicable in the host country, see Koser (2003: 114).

and World Bank 2006: xv).[70] Apart from high administrative costs and the difficulties of enforcing such taxes, this could discourage remittances and investment flows and persuade emigrants to cut off their ties with the home country or at least to relinquish their (overseas) citizenship (P. Martin 2003: 19; UNDP 2009: 109). Further, introducing a tax obligation could reduce the likelihood for temporary stays in the country of origin, due to the fear of becoming 'trapped'.[71] For these reasons, countries that have tried to implement a Bhagwati tax, like the Philippines, abandoned the policy option.[72] In addition, India has comprehensive double taxation avoidance agreements with 79 countries, including the US, which—at least currently—may limit the possibilities of taxing Indian citizens abroad.

Engaging in Tourism

For many countries, tourism is a major source of income and a large-scale industry. Thus, by visiting their country of origin, migrants contribute to its economic growth (Orozco 2003). In India, in 2008, the foreign exchange earnings from tourism were estimated at USD 11.75 billion (Ministry of Tourism 2009). Targeting the diaspora for tourist activities in the home country—often described as 'ethnic tourism'—has only recently attracted the Indian government's interest. The High-level Committee on the Indian Diaspora (2002: 433–4) expects significant economic benefits from increasing ethnic tourism to India and by using the potential of ethnic Indians abroad—like ethnic Gujarati hotel owners in the US—in facilitating tourism to the

[70] Desai *et al.* (2009) estimate that extending income tax to Indian citizens abroad would generate about USD 0.5 billion annually, the equivalent of roughly 10 per cent of India's individual income tax base.

[71] In fact, in June 2003, Eritrean diaspora nationals who came to the country for holidays were denied exit visas at the airport because they had not paid the 'rehabilitation tax', BBC 26 June 2003. Online fora contain many complaints of migrants who have to pay taxes when they deal with the Eritrean embassy or other authorities.

[72] However, only in December 2009 Zimbabwe's Finance Minister announced Zimbabweans living abroad may have to pay tax in exchange for voting rights and retaining their citizenship rights.

country. Here again, attention needs to be given not only to the scale and contribution to GDP, but also to the concrete effects on the communities affected by tourism, and the concerned people. The effect on the value chain and the sustainability of such tourism deserve focus as well.

Philanthropic Giving

Instead of believing that the trickle-down effect from general economic growth might, at some point, positively affect the living conditions of many people, and instead of trusting the capability of the Indian state to care sufficiently for all its subjects (and residents), diaspora actors may directly indulge in philanthropic activities. This may involve donating money, time, skills, contacts for charitable objectives or, on a larger scale, the setting up of hospitals, schools, universities, slum organizations, and so on. In his survey of Indian-American philanthropic activities, Kumar (2003) finds that while almost 40 per cent of his respondents had donated between USD 500–1,000 in the two years prior to the survey, more than a quarter (27 per cent) had contributed more than USD 2,000. With regard to the frequency, three quarters (75 per cent) had given on at least three occasions, and 17 per cent had given more than five times in the last two years.

As with all projects that are development-oriented, it is not only the scale of money invested that is important, rather it is the effectiveness of the project and its long- and mid-term multiplier effects. Apart from individual contributions, collective transfer of resources by diaspora organizations, hometown associations or networks might find a separate mention (Guarnizo 2003: 676; Orozco 2009: 140–6), although this has been limited in the context of the Indian diaspora. However, Najam (2009: 123) finds that professional, regional, and religious organizations are the primary institutional formats for Indian philanthropic activities.[73]

[73] Najam (2009: 123) observes that, with regard to the recipients of charity contributions, Asians, including Indians, feel a lack of trust in institutions and are thus more prone to give to individuals and not to NGOs or governmental organizations. Also, Kumar (2003: 61) finds that Indian-Americans distrust new organizations and give only to people they know personally.

Interacting with Bureaucracy—Sensitizing and Consulting the Government

When diaspora actors interact with the home government, they might have positive impacts on aspects of governance. They might feel less inclined to deal with corruption, since they are used to different standards in their countries of residence. They might sensitize the government towards certain development areas.

Telling the home government 'what to do' is always highly problematic and full of dangers for the diaspora–homeland relationship. As Itzigsohn (2000) finds, transnational politics can change the sending countries' political order. This is, however, not very likely in the Indian case where the diaspora is small compared to the population in India and strong political institutions exist at home.

Apart from unrequested interaction with the home government and state institutions, returnees can also consult the government upon its request. In India, a well-known example is the return of a Chicago-based technology entrepreneur, Sām Pitroda, who in 1987 became the advisor to the then Prime Minister, Rajiv Gandhi, to reform the Indian telecommunications sector, and who, from 2005 to 2008, headed the Indian National Knowledge Commission. As briefly discussed in Chapter 1, in 2009, the Prime Minister established a Global Advisory Council of Overseas Indians as a platform for the overseas Indian community to share their experience and knowledge for the socio-economic development of India.[74] Although this kind of initiative carries the danger of not leading to any concrete results, the possibility of shaping positive political developments has to be acknowledged.

At a smaller level, one of my interviewees founded an IT company that designs electronic government modules that provide local and district authorities with administrative tools to monitor funds better and administer their districts. Another interviewee provides free websites for all the 300,000-odd *gram panchayats* (local, village-level

[74] In its first meeting in January 2010, council members shared their views on various subjects, including contributing to social and philanthropic works, developments of education and skill-sets, collaborating with the academic and scientific community, developing institutions of excellence, facilitating investments into India and initiatives to help young overseas Indians rediscover their roots. See Prime Minister's press release of 7 January 2010.

governments) in India. Further, diasporic experts on administration and processes can help local, state, and the central governments to streamline processes. Experts in environment, law, and other fields can help Indian authorities to better deliver government services. As one example, at the 2008 and 2010 Pravasi Bharatiya Divas, Delhi Chief Minister Sheila Dixit asked the overseas Indian community to provide technical expertise for Delhi's plans to clean the highly polluted Yamuna river. Better government creates a better economic environment and also leads directly to the well-being of the individual. Among governance-related factors, according to the Legatum Prosperity Index Report (Legatum Institute 2009b: 50), the strongest statistical significance for well-being is government effectiveness, rule of law, and a good quality of business regulation.

In several countries, migration and development councils or working groups have been created that include migrants, migrants' family members, who remain in countries of origin, as well as other stakeholders. Such platforms have been established in several regions in the Philippines, El Salvador, Peru, and Colombia, and they appear to have positive effects on local governance and the partnership between diaspora actors, public authorities, as well as local businesses and NGOs. However, there are no such institutions created in India.

Promoting Social Change

Another set of aspects is often discussed under the term 'social remittances'. The term is misleading and, in my view, not fully appropriate for the phenomenon it intends to describe. Levitt (1998) coined the term for forms of cultural diffusion and de Haas (2009: 39) describes it as 'the ideas, behaviors, identities and social capital that flow from receiving to sending-country communities'.

Leaving aside the normative question of what 'good' ideas, behaviours, and identities are, the category social remittances alludes to is social change through ideas and influences from diasporic actors and returnees. It is observed that through transnational political activism, migrants often seek to establish beneficial institutional practices, respect for civil rights and other values learned in the country of residence in home country national and local politics (Guarnizo *et al.* 2003: 1239; Østergaard-Nielsen 2003). As a matter of fact, in many countries of

origin, this foreign-induced social change is viewed upon critically.[75] The term 'social remittances' also inoculates the way this change happens. Compared to a relatively simple money transfer, sending 'social change' is a complex issue. It necessarily involves interaction and is not just 'received'.

Banerjee and Duflo (2011) provide several examples of how the structure and social norms in households and families have a critical impact on whether children are sent to school, at what rate family sizes grow, how efficiently resources are allocated, whether families can get out of the poverty trap, or not. Thus, changes in certain norms and structures can have very important developmental consequences. Further, population dynamics and social norms that drive these dynamics, such as preferences for family sizes, are closely linked to long-term development. However, changes in basic values, family formation, and political transformations—included by both Levitt and de Haas in the term social remittances—can be expected to be more controversial issues in terms of the normative 'right' way. On the other hand, strengthening entrepreneurship and inducing out-of-the-box thinking may be expected to be looked upon with less suspicion. From a conventional, normative standpoint, one could also value the respect for human rights and gender-related developments (Sen 2001).[76] However, while Indian-American charity organizations, such as the India America Foundation or the Association for India's Development are involved in programmes on family planning and public health, little is known about the real mechanisms and channels that bring positive change to the country of origin.

It has been observed that in India, the culture of donating and being charitable is not very strong. The Gallup Worldview survey established the *Citizen Engagement Index* assessing respondents' satisfaction with

[75] The term 'social remittances' appears to be semantically hiding a more complex (and controversial) phenomenon. In public opinion, financial remittances are merely beneficial. The semantic similarity of social remittances then, might lead to a spillover effect of this positive evaluation.

[76] On the other hand, it is often claimed that overseas Indians support Hindu fundamentalism in India (Levitt and Jaworsky 2007; Nussbaum 2003), although Kapur (2004; 2009: 108–9) finds that there is little empirical evidence to support this.

their communities, and their inclination to volunteer their time, money, and assistance to others. While the US obtained the second-highest score in the world, with 67 points, India showed significantly lower levels of engagement, with a score of 39. In the month before the survey, in India 14 per cent had donated money to an organization and 12 per cent had volunteered time; in the US, the numbers were 66 and 42 per cent, respectively.[77]

From my research in the Indian-American community, it results that Indian-Americans were exposed to the culture of giving in the US as 'the ultimate status symbol', as one interviewee from Silicon Valley puts it. Indian-Americans donate in India and their colleges name halls in their honour; in their hometowns, hospitals and schools bear their family name; and so on. Many wealthy Indians in India then realize that instead of showing their 'ostentatious wealth just by being ostentatious, I can match these guys [from abroad]', observes the interviewee. Thus, there is anecdotal evidence for improving a culture of giving to the community, to care for education, health, and the poor (the latter to a far lesser extent, however), and thus for positive distributional effects.

One interviewee, a venture capitalist, who is very active in community networking in the US and in showcasing India and Indian values observes:

> Articles or newspapers write about somebody. There is a rich guy who is an alumni of, they are both IITians,[78] one lives in India, one lives here [in the US]. The guy who goes back home gives a million dollars and gets a building named after him. The other guy is sitting on 50 crores[79] of black money saying, 'What am I doing? I should also have a building named after me or perhaps an institution.'

Bhagwati (2010: 7) sees great potential in the ability of young diasporic Indian-Americans to spread the social orientation of working for the public good among the young in India. Varma (2004: 137) argues

[77] The US survey was conducted in August 2008, the India survey one month earlier.

[78] An IITian is an alumni of one of the Indian Institutes of Technology (IITs).

[79] A 'crore' is a unit in the Indian numbering system equal to ten million (10,000,000). Thus, 50 crore Indian rupees (INR) correspond to INR 500 million or roughly USD 11 million.

that Indians in Silicon Valley become 'great innovators and inventors' because of 'the exposure to a new value structure that unshackles undiscovered forces of creativity and talent. There is an escape from the stifling Indian preoccupation with hierarchy'. Upon their return, migrants can change this value structure in India and thus bring back a different kind of work ethic. Kapur (2010: 124–61) examines the exposure of India's elites—understood as the country's decision-makers—to migration, mostly to the US and the UK and establishes evidence that this had positive effects on building institutions in India and for liberalizing the country's economy in the view of the 1991 severe balance of payment crisis.

Migrants' involvement in transnational as well as so-called translocal politics—which does not involve host or home-country governments but consists of activities to support specific localities in the home country (Levitt and Jaworsky 2007)—may also lead to social change. With regard to migrants' role in democratization processes in their home country, Pérez-Armendáriz (2010) shows that Mexican migrants are agents of democratic diffusion, and spread attitudes and behaviours absorbed in the US by way of three processes: (a) when the migrant returns, (b) by cross-border communication between migrants who are still abroad and their friends and family back home, and (c) through migrant information networks in high-volume migration-producing communities.

DIASPORA OPTIONS—INTERMEDIARY EFFECTS

The second group of effects was baptized 'intermediary effects'. As said above, these effects regard scenarios in which migrants act as agents and are facilitating developmental activities by others.

Agents of Trade, Technology, and Investment

As the Human Development Report 2009 (UNDP 2009: 76) states, there is some empirical evidence that the share of FDI in a developing country is positively correlated with the number of that country's graduates present in the investing country. Further, the report invokes other studies that have found that the more highly skilled emigrants from one country living in another, the more the trade that takes place between those countries.[80] In both cases, it is not always necessary that the diaspora actors invest directly or trade with their own companies. Instead, migrants can play a role as agents for trade and economic cooperation. Due to their cultural and linguistic knowledge of both countries, they decrease the transaction cost of bilateral trade and thus link businesses (Drinkwater *et al.* 2003: 16).

Highly skilled migrants in particular, are expected to create export opportunities and provide access to international science and technology networks for their home country. This means that in addition to the individual research and technology contributions referred to above, diaspora actors can facilitate collaborations between their research institutions and institutions in their home country, especially if there exist personal bonds from college or through returnees. Kapur and McHale (2005: Chapter 7) report the matchmaking function of Indian employees who establish contacts between the companies they work for and their Indian business network. Roy and Banerjee (2007: 10) highlight the role Indian manager-professionals engaged with multinational corporations play as arbitrators of their companies' investment into India. They report that a large part of the FDI in the IT sector was facilitated by Indians holding key decision-making positions in large companies based in Silicon Valley (2007: 24). Also the High-level Committee on the Indian Diaspora (2002: 423) and Hunger (2004) stress the role that overseas Indian managers and business consultants may play in facilitating investment and trade with India, both while being in the US and upon their return.[81] The questions for the assessment of this cooperation I asked above (real effects, sustainability, value chain, and so on) apply to the investment, trade and technology transfer mediated by migrants to the same extent as it does for their direct contributions.

[80] As mentioned earlier in this chapter, the overall relationship between migration and trade is not clear, see footnote 66.

[81] Hunger (2004) finds that in the 20 most successful Indian software companies that generated 40 per cent of the total IT revenues for India, 10 were founded by returnees from the US and in other nine, returned NRIs were in the senior management of the companies. Dossani (2002) quotes an estimate according to which in 2000, 71 of the 75 multinational companies in Bengaluru's software park were headed by Indians who had lived and worked abroad, especially in the US.

Agents of Charity Involvement

Migrant actors do not only make donations and charity contributions, but often also disseminate information on social causes and calamities in their home countries. As a result, their non-migrant co-workers and friends often contribute to collections of donations or join philanthropic organizations for the development of their home country. In some cases, companies match donations given by employees. Thus, the direct contributions and the involvement of diaspora actors can lead to greater contributions by their social and professional network.

DIASPORA OPTIONS—INDIRECT EFFECTS

As a third category, diaspora communities can generate indirect development effects in their countries of origin. Indirect effects do not originate in a concrete, single activity of migrants, be it a direct or a brokering action. Instead, as a group or an important part of the group, migrants bring changes in the host country that benefit their home country. Not all of those changes are deliberate changes; some however are.

National Branding and Economic Consequences

In recent years, the capability of the diaspora to create a positive national image of the home country in the host country has been widely acclaimed. This is particularly true for highly skilled migrants who might earn respect for their country. Faini (2006: 10) assumes positive 'diaspora externalities' on trade, because the presence of migrants may reduce existing informational disadvantages and prejudices vis-à-vis the home country. India again is a prominent example and many observers, including senior politicians in India, believe that the positive impression overseas Indians have made through diligent, hard work has been a major driver in turning the general perception of India from a poverty-stricken, snake-charming nation to one whose technology, education, talent, and in the end, democracy too, can be appreciated. In the 2003 parliamentary discussions on the Citizenship (Amendment) Bill, 2003 and OCI, India's then Home Minister stated, 'Today the world over, India and Indians are viewed with respect, and one major factor contributing to this situation is the Indian diaspora settled abroad.'[82] Kapur (2001; 2010: 85–9) and Kapur and McHale (2005: 116–18) refer to the role of Indians in the US, especially in Silicon Valley, as 'reputational intermediaries'.[83] Many argue that this shift in the perception was an important precondition to the massive outsourcing boom that has taken place since the 1990s. Thus, by increasing the reputation of the source country, migrants can trigger trade and investment.

Political Advocacy and Lobbying

Another indirect effect derives from political advocacy efforts by diaspora groups in the host country. Apparently, political efforts are not discussed in a development-oriented discourse which appears to be a structural misconception.

It is often noted that the abolition of trade barriers and agricultural subventions in the economically developed countries would provide far greater benefits than all of the granted development assistance together.[84] These are, however, not economic but political decisions (which in turn are based on economic considerations). Especially in the US, ethnic interest groups can have a significant impact on policy decisions, mainly by attempting to place issues on the policy agenda (so-called framing), providing information and policy analysis and

[82] Statement by then Home Minister L.K. Advani (BJP) in the Indian Parliament (Rajya Sabha) on 18 December 2003.

[83] However, Kapur (2001) and Kapur and McHale (2005) include also concrete broker activities, such as matchmaking for concrete business contacts.

[84] Quoting estimates by the Tinbergen Institute as well as IMF and World Bank, the then WTO director general Mike Moore (2002) states:

> Reaching all seven of the Millennium Development Goals would require an additional USD 54 billion annually—just one-third of the Tinbergen estimate of developing country gains from trade liberalisation. [...] Yet massive agricultural support in the OECD countries undercuts the developing countries and forces even the most efficient producers out of markets where they would otherwise be earning foreign exchange. The number one element of a true development agenda will therefore be to reduce substantially such support. [...] The return to developing countries in this one area would be eight times all the debt relief granted developing countries thus far. Complete liberalisation in all sectors, agriculture, services and manufactures, would amount to about eight times [Official Development Aid].

exercising policy oversight (Ambrosio 2002; Haney and Vanderbush 1999; Shain 1994–5). If diaspora advocacy groups can change some of those regimes, the impact on their home country's economic development might be much greater than remittances sent and investment facilitated. Thus, it appears appropriate to consider political lobbying in the development context.

The growing Indian-American community, its social and professional standing and its increasing awareness of its political influence led to the establishment of the Congressional Caucus on India and Indian-Americans in 1993 and the US Senate's Friends of India in 2004.

Table 2.2 sketches the development in the membership of both informal groups. While in the period 1999–2001 around a quarter of all Congressmen belonged to the India Caucus, this number rose to 40 per cent in 2006 before it fell to currently 35 per cent of the policymakers. Of the 152 members in 2008–09, 107 belonged to the Democratic

Table 2.2 Development of Membership in India-related Groups in the US Parliament

US Congressional Caucus on India and Indian-Americans		
Year	Number of Members	Share of all House Members
1993	8[i]	2%
1997	88[ii]	20%
1999–2000	115[iii]–120[iv]	26–28%
2001	118[v]	27%
2003	130–163[iv]	30–37%
2003–04	186[vi]	43%
2006	176[iv]	40%
2008–09	152[iv]	35%
2011	150[vii]	34%
	US Senate's Friends of India	
2004	20[viii]–37[iv]	20–37%
2008–09	37[iv]	37%
2011	40[vii]	40%

Sources: [i] Wilson (2012); [ii] Embassy of India, Washington, DC (1997); [iii] Hathaway (2001: 27); [iv] www.usindiafriendship.net; [v] High-level Committee on the Indian Diaspora (2002: 174); [vi] Indian American Friendship Council (2004); [vii] Embassy of India, Washington, DC (2011); [viii] Kirk (2008: 290).

Party and 45 to the Republican Party. Also, the US Senate's informal group, Friends of India, accounts for more than a third of all Senators (40 per cent).[85] The caucus focuses not only on India-related subjects, but also on matters concerning the Indian-American community in the US. However, 'it is as a foreign policy force that the caucus has become best known' (Hathaway 2001: 28).

Besides the direct lobby groups, specialized professional associations like the Asian American Hotel Owners Association and The Indus-Entrepreneur as well as Indian community organizations such as the Global Organization of People of Indian Origin are also active in community advocacy.[86] One of the community's largest umbrella organizations, the National Federation of Indian-American Associations (NFIA), established in 1980, highlights in its presentation that 'NFIA has been in the forefront of activitiesin US-India relations for over two decades, organizing Congressional lunches, White House briefings, lobbying on better US-India relationship and has prepared position papers on this relationship for US Congress and Senate'.[87]

Besides a general shift in the policymakers' idea and perception of India, the political lobbyists of Indian origin soon established their credentials through several successful involvements into Indo-American relations that serve as examples for development effects of political lobbying efforts.[88]

Lindsay (2002) predicts that Indian-Americans will emerge as a political powerhouse in US politics because they are affluent, interested in India and because their increasingly open market economy is likely to meet a receptive audience with US lawmakers. Lobbying efforts by the Indian community in the US helped indeed the signing of the

[85] Information gathered at www.usindiafriendship.net last accessed in April 2012 and archived at www.webcitation.org/66sj2FFHW and www.webcitation.org/66sjD0a09.

[86] Hathaway (2001: 25) reports that in 2000, the American Association of Physicians of Indian Origin conference sponsored a session on how to lobby Congress. N. Parekh (2000) provides examples and numbers for Indian-American political fundraising.

[87] Archived at www.webcitation.org/66skOZWLq and accessed in April 2012.

[88] For the Indian lobbying in the US, see Therwath (2008).

US–India Nuclear Agreement in 2007 (Kirk 2008). Two aspects may be discerned in this context. First, one's opinion might be divided on whether the construction of nuclear reactors is the right way to solve India's notorious shortcomings in electric energy, and on whether this shall be considered a positive development. Setting aside the discussion on whether nuclear energy is the best way for India's development and what are the long-term costs and risks of this arrangement, one has to consider that a large increase in power generation is likely to have positive development effects. In the Indian Parliament's debate on the nuclear agreement, the president of the Indian Youth Congress, Rahul Gandhi (INC), said: 'Poverty is directly connected to energy security. Energy affects India's growth. If we do not secure our energy supply into the future, growth will stop and we will not be able to fight poverty.'[89]

It is hoped that increasing the power supply will improve living conditions, especially in rural areas. Moreover, industries, particularly small- and middle-sized enterprises, are in need of power and production capacities, which are likely to increase with a more stable power supply. India as a destination for large-scale investment for production depends largely on the country's infrastructure, including the power situation. As discussed in India's development needs, the Planning Commission (2006: 49) regards the shortage of power as a major constraint on economic growth and on empowering individuals, especially those below the poverty line.

On another level, signing the nuclear agreement displayed the US's trust in India's democracy and the intention to follow a long-term, friendly relationship with India. Companies that are always concerned with assessing the risk of political instability in countries where they plan to invest may regard this as a positive factor in favour of India. It may be interpreted as a sign that India has reached a more mature, more advanced, and developed position. All these are positive factors in terms of risk management and national branding. In addition, it might be seen as a signal to international investors that India is coping with its notorious infrastructure problems. Lobbying by the Indian-American community might thus have had strong development and growth effects.

[89] Speech of Rahul Gandhi (INC) in the Lok Sabha on 22 July 2009.

The second example of successful advocacy efforts by the Indian diaspora and their economic impact regards the removal of US sanctions in the aftermath of India's nuclear tests in 1998. When the tests triggered international sanctions, most importantly from the US,[90] ethnic Indians in the US and the India Caucus were vocal in explaining India's point of view and lobbying for the relaxation and removal of the sanctions (Mohammad-Arif 2000; Therwath 2008). Soon, some of the sanctions were removed and over the next year and a half, the US Congress adopted a series of measures removing or easing the sanctions.[91] Apart from the *direct* economic impact of freer trade possibilities, the removal of sanctions had an *indirect* effect on India's economy, reducing the risk for investors and trade partners doing business with India.

A third important illustration of the economic impact of political lobbying power regards several 'anti-outsourcing bills' introduced in Missouri, Kansas, New Jersey, and Colorado to 'protect American jobs'.[92] In 2004, five such bills became law and in 2005, more than 112 such bills were introduced across 40 states in the US (NFAP 2007). Although this kind of legislation has direct impacts on the Indian outsourcing industry, the bills are generally not far-reaching. They ban state contract work from being shifted outside the US, and limit the use of offshore call centres; these affect less than 2 per cent of the total IT work that is outsourced to Indian companies from the US (NFAP 2007). Both, a strong Indian-American lobby and Indian-Americans high up in the

[90] The sanctions had to be taken under the 1994 Glenn Amendment, also known as the Nuclear Proliferation Prevention Act. Other than the US, Japan, Canada, Germany, the Netherlands, Sweden, Norway, Denmark, Switzerland, and Australia imposed certain restrictive economic measures against India (Minister of State for External Affairs' answer to unstarred question No. 2086 in the Indian Parliament (Rajya Sabha) on 10 August 2000). For an overview of the imposed sanctions and the rollback, see Loeb and Silber (1998) and Spector (2001).

[91] The last large Congressional action was taken in fall 1999 under the Brownback Amendment II, providing the president with the authority to remove the entire package of punitive measures and restrictions. For an overview of the imposed sanctions and the rollback, see Loeb and Silber (1998) and Spector (2001).

[92] Actually, these bills were rather anti-offshoring or anti-offshore-outsourcing, understood as the transfer of work abroad, than anti-outsourcing, understood as the transfer of work to another company.

corporate ranks of US companies are strong powers against this kind of legislation.[93] Larger US companies often have an interest in safeguarding ways to cut costs by delegating work to offshore centres.

In order to assess the developmental value of the diasporic community advocacy efforts, one has to examine closely what kind of policies diaspora actors lobby for and what development effects can be expected from these policies. It appears, however, that the inclusion of these efforts into a migration and development framework is important in order to fully assess the diaspora's development potential.

Changing Consumption Patterns

As said above, consumption of ethnic goods by migrant communities may increase the export of those goods to the country of the migrants' residence. However, not only do the migrants themselves consume, through the propagation of their culture (and in many cases cuisine), the consumption pattern in the host society may by affected and thus generate positive multiplier effects on the demand for certain ethnic products or goods produced in their country of origin (Kapur and McHale 2005: 111; Katseli, Lucas, and Xenogiani 2006: 43). Indian basmati rice in the UK and elsewhere is often considered one example (High-level Committee on the Indian Diaspora 2002: 412; Roy and Banerjee 2007).

RETURN MIGRATION

Economic literature has indicated that human capital, particularly *skilled* human capital, is a significant factor for long-term economic growth and development (Barro and Sala-I-Martin 1995; Romer 1986; Straubhaar and Wolburg 1998).[94] For this reason, the return of skilled migrants is

[93] This was also reported by *The Hindu Businessline* on 13 May 2005.

[94] In footnote 67 in this chapter, the assumptions of endogenous growth theories and the role of skills for long-term growth have been briefly laid out. However, large-scale flows of return migrants, especially less skilled workers, can cause economic problems if they cannot be absorbed in the labour market and a sudden decrease in remittances can be harmful. Straubhaar (1992: 123) observes this for Turkish returnees in the 1970s. In the Indian context, NRIs returning due to the effects of the financial crisis 2008–9 from the Gulf region to Goa and Kerala have been viewed with much fear for economic deterioration.

often considered as *the* main factor to turn the vicious circle of brain drain into a virtuous circulation of the factor labour (Khadria 2002: 27; Lowell 2002b: 18).

Even though the glorification of return appears to be rooted in the same theoretical concept as the 'brain drain' and thus, not considering (or neglecting) the many benefits individuals may bring to the country of origin while living abroad, there appears to be a positive scenario for return migration. In this ideal scenario, migrants increase their human capital abroad and return within their working years to their home country, where they contribute enhanced skills, which can be used in the country of origin (human capital), access to business networks abroad (social capital), and financial capital and investment.

Indian returnees who found work in the booming Indian IT industry are widely regarded as a showcase for this triple-benefit formula (Hunger 2004; Kuznetsov and Sabel 2005: 14–6; P. Martin, S. Martin, and Weil 2006: 29; Thränhardt 2005: 4). While the success of the industry is not only a result of diaspora and returnee contributions, the impact of their contributions is believed to be important for three reasons. First, several studies show that US-returned Indians founded and manage successful IT companies in India (Commander, Chanda, and Winters 2004; Hunger 2004). Second, not a few Indians have founded companies in Silicon Valley and have subcontracted to companies in India. They often serve as intermediaries between the markets. Third, the success of Indian IT professionals in the US has created trust in the country's intellectual abilities abroad (Kapur 2001). Their notable presence has played a crucial role in reducing reputation barriers to trade, and this was surely one important factor in the willingness of US companies to collaborate with and outsource to Indian companies. Figures from India's national software association NASSCOM (2008) show that America (predominately the US) accounts for two-thirds of India's steadily rising IT exports.

However, statistical data on return migration is generally scarce. Thus, it is hard to determine the actual return migration flows and to estimate future return rates. Some studies have estimated that there is a 50 per cent return rate of highly skilled temporary migrants but this may vary for the different countries of origin (Johnson and Regets 1998; Lowell 2002a: 18). Besides, the question of the quantitative extent of migration, the qualitative composition of these flows may be crucial. The returning migrants could be positively selected, that is, the highest

qualified tend to return, or they could be negatively selected, that is, the least qualified leave the developed countries while the 'best and brightest' remain abroad. As to the magnitude of return flows, there is almost no data on the selection of returnees.[95]

The likelihood of return, especially for highly skilled migrants, depends particularly on the performance and prospects of the home country. Returns occur often when countries offer sufficiently attractive opportunities, as has been the case with India and China (UNDP 2009: 109). However, for some groups, such as Indian PhD graduates who see more funding and cutting-edge research opportunities in the US, the inclination to return to India rate is reportedly low, as we have seen in Chapter 1. In the case of returning retirees, consumption and private investment increase; further, the home country can tax pensions.

Also, one might have a more nuanced perception of return migration, discerning permanent from temporary and temporary one-time from repeated back-and-forth migration. Like 'diaspora options', 'return migration' is an umbrella term for various modes and effects of interaction and their development consequences. The effects of return migration depend chiefly on who, where, how, and for what reason comes back and what they are doing upon their return.

Important questions to ask in this context include: What is the magnitude of returnees? Particularly, do they reach a critical mass to have positive multiplier effects? However, the mere return of migrants, even highly skilled migrants might not necessarily have positive development effects. In order to establish those, one has to address further questions, such as: Are there adequate employment possibilities for returnees, so that their potential is not wasted in underemployment?[96] How much can they make use of their contacts and networks for the benefit of the source country?

With a broader notion of development in mind, one has to ask how valuable the knowledge of returnees is for the reduction of poverty,

[95] Lowell (2002a: 18); Kwok and Leland (1982: 92) assert that returning graduates tend to be those of less productivity than those who remain abroad. Borjas and Bratsberg (1996) show differences in skill levels between immigrants who return home and those who stay in the US.

[96] A precondition for fruitful return migration is both, that migrants carry out activities in the receiving countries that increase their skills and knowledge, and that they can make use of their new skills in the country of origin (Straubhaar 1988: 13).

strengthening of governance, and other aspects of enhancing the quality of life. What sets of new ideas and work ethics bring migrants back and are they able to make changes? If doctors, lawyers, engineers, or other professionals return, which segment of the society are they catering to and how does it affect economic growth, well-being, and the distribution of wealth?

Returning to their country of origin can be regarded as a major channel for transferring knowledge and skills. Direct interactions with co-workers and team members can be considered the most direct way of transferring non-rival capital (Grubel 1994), such as skills. The sector migrants work in and the framework conditions might be crucial for their ability to transfer skills and knowledge. Other aspects that matter include the returnees' involvement in philanthropy, in activities geared towards social change, their activities in the area of trade and commerce and their tax contributions.

India's high numbers of professionals and the growth of technology and other sectors in the country have opened many opportunities for return migrants to constructively getting involved into cooperations and projects. However, several interviewees state that India's technology sector has not yet reached a high degree of maturity, which is why cutting-edge work is still difficult. As one interviewee who had returned to India in 2005 and re-migrated to the US three years later explains:

> I am definitely more productively engaged here [in Silicon Valley] than I was there [in Bengaluru], even though I was trying to be… I left a big company and I was helping little companies start up. […] I am a technologist who is used to doing technological entrepreneurial stuff. There is tremendous entrepreneurial opportunity in India, but it is not for pure technology. I am not like a business kind of guy who can say, let's start a mom-and-pop store and take it national. That's not what I can bring to the tale.

This is also reflected in the traditionally small expenditures for research and development (R&D) by Indian IT companies (Agarwal 2006). However, observers note a recent trend of top-tier IT firms to increase spending on R&D as they gear up to offer newer services such as cloud computing and platform-based offering.[97] With the increasing maturity of Indian industry sectors, such as technology, pharmaceuticals, and others, in which overseas Indians have considerable expertise,

[97] As reported in the *Hindu* on 20 July 2009.

the knowledge, and skill gains from return migrants increase as does their likelihood of return and stay in the country.

RE-MIGRATION

For most frameworks and studies, return migration is seen as the final stage of the migration process. Only recently has migration literature extended its views to adopt a broader vision including a possible re-migration of migrants. Black and Gent (2004) state that the absence of re-migration is one aspect to consider when looking at the return as sustainable. Indeed, the former migrants might move again, mostly, but not necessarily, to the country of their former residence. This could simply be seen as a new cycle of the three-step process of emigration-living in diaspora-return. From an economic point it is true, that the emigration and re-emigration of a person are theoretically the same, assuming a similar skill and productivity level. However, re-migration may deserve special attention for several reasons, especially for highly skilled migrants.

First, in the economic sense, re-migrants might be of particular importance. Although they are not necessarily the most productive and best, given the fact that they are often in their prime working years, often in senior positions, and in the view of their experience in both countries, their contacts and not rarely financial capital, one could argue that their emigration is particularly harmful to the country of origin. On the other hand, one has to consider that, as is the case in India, many of the migrants left the first time right after completing their college education—at that time with no working experience, working contacts, and often with no plan of coming back. When those individuals return, work a significant period of time in India and then decide to go back to countries such as the US, they have enhanced working experience, (renewed) working contacts and knowledge of the capacity of the country. Thus, one could expect them to play a much more important role bridging the two economies.

Second, psychologically, re-migration is a special case. While migrants often have the idea of returning one day to their country of origin (often described as the 'myth of return'), during their time back home, they realize that there evolves a similar 'myth of re-migration'. Often, they get used to a certain lifestyle, opportunities, ease of living, and so on, which they miss when they are in their country of birth.

Third, for questions of re-migration, status issues deserve special attention. Often re-migrants have preserved a long-term immigration status in their country of former residence. Since most long-term residency statuses, like the green card in the US, expire after a certain period abroad, individuals tend to either keep their status by regular trips to that country, holding property, driver's licences, and so on. Or they obtain citizenship in that country, in which case, they will never forfeit the right to abide. Fourth, there might be a difference between emigration and re-migration in terms of policy responses and options which might deserve a closer look.

Questions with regard to re-migration include: How many returnees re-migrate? Are they selected positively (the best) or negatively (those who fail)? Can their jobs be filled with adequate non-migrants or other returnees? In what position are they working after their re-migration? How strong is the ongoing business or other ties to the home country after re-migration? Do the migrants leave with a good experience and can they promote a positive image of their return experience (and thus the country as a destination) or will they assess (and project) their time as full of hassles and annoyances?

MIGRATION AND DEVELOPMENT— A SECTOR-WISE VIEW

Until now, we have examined development effects from the viewpoint of migrants' actions and interactions. Another viewpoint for looking at the migration-development sector is not to start from the single activities but rather to look sector-wise at how migration-related factors can have an impact. Since I have given the more detailed framework by activities above, I will re-group the main aspects in a summarizing manner. Figure 2.3 contains a visualization of the below mentioned relationships.

I first distinguish between economic and human development as two separate but interrelated analytical sectors. Four major fields may drive economic development: (a) investment, (b) consumption, (c) trade, and (d) innovation and entrepreneurship.[98] Obviously, these four drivers of economic development are interdependent and linked.

[98] Although these factors take inspiration from economic theories of growth, they do not aim at providing a full-fledged explanation of growth. Instead, the four aspects are chosen because they matter from the migration point of view.

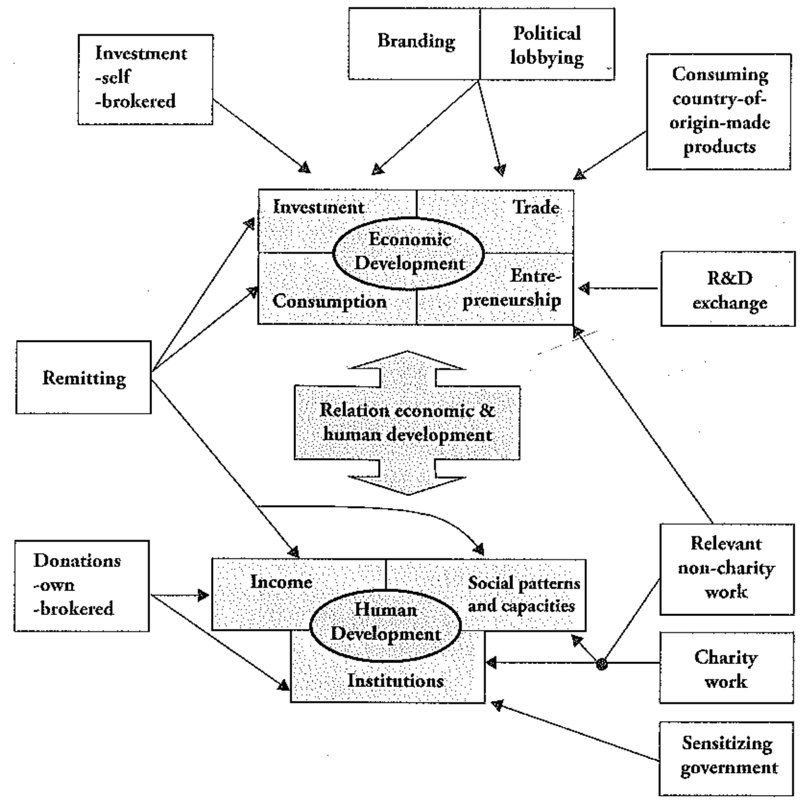

FIGURE 2.3 Sectors and Factors for Economic Growth and Human Development

Investment: While abroad, migrants can increase investment through remittances, own direct investment and brokered or facilitated investment by their companies. Recipients of remittances can allocate funds for investments. Further, successful branding in the country of origin may result in generally elevated investments by non-ethnic investors. Political lobbying may path the way for greater economic cooperation and remove political obstacles for investment.

Trade: Exports to the country of residence can be enhanced through direct trading activities of diaspora actors, through brokered trade cooperation with companies in which migrants are employed, through the increased demand for ethnic products by the diaspora and indirectly through a change of consumption patterns in the host country. Further, branding can lead to increased trust in the source country's manufacturing qualities, leading in turn to increased trade of goods. Finally, political advocacy can have similar positive effects as mentioned for the investment sector.

Consumption: Remittances can boost the levels of consumption of recipients and through multiplier effects of the receiving communities.

Innovation and entrepreneurship: Investment, production, and trade can be fostered through the transfer of skills and technology, through charity and non-charity activities of diaspora actors (such as mentoring in the TiE network,[99] setting up universities, or giving lectures) and through the change of social patterns. The latter can work through a role model function and interactions with persons in the source country. Especially in the case of return migration returnees might have a beneficial influence on increasing innovation and ideas of successful entrepreneurship.

Other developmental indicators or objectives, such as health, education, clean water and environment, and other aspects affecting individuals' quality of life and thus key aspects of human development, may chiefly rely on a higher disposable income, available institutions and facilities, and social patterns (for example, sending children to school). These three factors can be affected by the diaspora in the following ways:

Disposable income: Income increases due to remittances. However, the economically challenged segments of the population are often not directly affected, especially by Indian international migration, other than to the Gulf region. Further, donations and charity contributions may increase the income of the target groups. This is true for both own contributions and those with intermediary facilitation by the diaspora.

Any trade and investment-related activity has the potential of generating income for individuals and households in India. And every income increase may have positive multiplier effects at a more aggregate level. As said above, the income effects of a USD10 million

[99] TiE, or The Indus Entrepreneur, is an organization founded in Silicon Valley by Indian immigrants to promote entrepreneurship.

IT centre are likely to differ from the income-generating effects of a USD10 million clothes manufacturing unit.

Institutions and facilities: The availability as well as the equipment and the capacity of health centres, hospitals, schools and colleges, rural computer kiosks, water-purification units, and many more institutions that can affect the quality of life, both in the short and in the long run, may be enhanced by diaspora contributions. Donations, own and brokered, can play a vital role in this regard. Own philanthropic activities in the source country or non-charity work in relevant positions, such as opening a medical practice, providing forest management consultancy, or building a rainwater harvesting facility may lead to seminal improvements.

When dealing with the government, be it at district, regional, or national level, the diaspora may influence the government to prioritize on the establishment and strengthening of development-relevant facilities. For example, at the annual Indian diaspora conference, PBD, many overseas Indians make a case for certain development issues with the present ministers and government representatives. The former chairman of India's Knowledge Commission, Sam Pitroda, is an overseas Indian, and the Indian diaspora tries to influence governance in many ways. Returnees with IT and technology experience build governance tools and increase the effectiveness of administrative processes and decisions.

Social patterns and capacities: Sending remittances and social interactions with the diaspora may affect development that is relevant to social patterns. This may range from the awareness of inequalities, which is a precondition for their removal, to the attitude of sending children to school, to preferences for family sizes or to an increased interest in charity. In addition, charity and relevant non-charity work can enhance the rights, freedoms, and capacities of people in the country of origin, which is directly relevant for human development.

Lastly, one has to consider that economic growth is expected to affect the disposable income of individuals and it is hoped that—at least in the long run—economic development will lead to diminishing inequalities and contributing to the overall, broader human development and prosperity. Economic growth and an increasing tax income of the state and its role in promoting general prosperity through capacity building is of particular importance.

MAKING THE COUNTS—MEASURES OR MERE ANECDOTES?

With the framework presented here, I aim at showing the many facets of the nexus between migration and development. The objective here is not to give answers to how migration works and what benefits and costs can be expected, but rather to ask guiding questions for the analysis. This brief overview shows that many dimensions of migrants' contributions to and involvement in the home country's development are not adequately examined yet. Many of the involved aspects are difficult to measure. The more indirect an effect and the more other major factors (may) play a role, the less stringent and convincing it appears, and the less measurable. Further, many effects can be observed only in the long run. But often, these effects are more important for a country's development.

The Human Development Report 2009, with its focus on mobility and development, admits too that at the national level in countries of origin, the economic effects of migration are complex, and, for the most part, difficult to measure (UNDP 2009: 77).[100] This observation points to a dilemma in migration research which has to be solved. On the one hand, we have to move from a host of anecdotal evidence to better, hard evidence of the phenomena under scrutiny. For this purpose, the concentration on a few aspects which have clear, direct effect might be more suitable then amorphous, more complex questions. I admit that many of the concepts and effects mentioned in this chapter are difficult to measure with existing data—that which is available now as well as that which we may obtain in the foreseeable future.

On the other hand, there is good reason not to capitulate before the incapability of measuring our concepts by adopting analytical blinders. Research on migration and development has to try to understand the complexities. Not all questions might be answered easily, but having the right conceptual framework helps us ask better questions and look at effects and interactions in a broader way. In other words, there might be problems in getting relevant data and proving the correctness of assumptions for a

[100] Also de Haas (2009: 48–9) concludes that '[a]n important caveat is that most of the long-term and indirect impacts of migration on national economic growth—such as the impact of migration on the entrepreneurial climate, skill transfers and political reform—are almost impossible to measure. Almost all macro studies have therefore focused on remittances'.

broad conceptual framework. However, if we have an insufficient framework, even good data will not help. Despite the virtually unquestioned importance of remittances for at least two decades, there is little known on their real effects in the receiving region. Already the collection of data on their magnitude poses enough problems and difficulties, let alone significant information on their use and effects. The *HDR 2009* (UNDP 2009: 78) confirms that almost all the quantitative macro studies on effects at the national level have focused more narrowly on the scale and contribution of remittances, particularly examining the contribution to foreign exchange earnings. Obviously, there are many more questions to be asked that, so far, have not received enough attention.

Some commentators state that no country in Asia has developed merely on the strength of remittances and migrants' contributions (de Haas 2009: 44; Asis 2008). This leads to two questions that will not be dealt with in this book. These are: What is the *absolute* impact of migration related factors? For instance, how many trade contracts have migrants brokered, how many houses built and how many hospitals set up? What is the impact *relative* to the country's entire development? For instance, to what extent is the rise of the Indian IT industry based on overseas Indian involvement and to what degree is that industry contributing to the overall (economic) growth of India? Getting into further layers of development we might want to ask to which extent the growth of the IT industry does contribute to the well-being and quality of life in the country.

Both questions are important—the first, as a more accessible research question, the second in order to see things in perspective. Although we might not find a concrete, quantified answer to the question, we might want to have a general idea on the overall importance of the subject. It shall, however, not be forgotten that there are rarely single factors which account for the transition of a country, its economy, and society. Although development aid is considered an important element for the way to development by many institutions, such as the World Bank and others, there appears to be not a single country that has made significant economic and social progress merely because it received aid funds. Instead of asking whether the national development will rest on the migration pillar only, it is rather a question what element migration-related factors can play. However, these questions will not be addressed here in depth.

In conclusion, it might be added that contrary to the bulk of development research, the starting point for most studies on migration and development is the assumption that migration is a fact. It is safe to assume that migration would take place also if it had no (perceived) positive effects on the country of origin. In fact, during the height of the 'brain drain' paradigm, there was substantial skilled migration.[101] Accepting migration as a fact, our role is simply to understand and explore its benefits and to adopt the right policy framework to maximize them. This led Kuznetsov and Sabel (2005: 16) to the conclusion that benefits from migration come like 'manna solutions, win-win outcomes that fell from the sky'.

Interestingly, overseas Indians are not mentioned in the Planning Commission's (2006) 100-page report on inclusive growth. The then Indian Minister for Rural Development told the author that no one had ever addressed him about including the diaspora into rural development strategies and that his ministry had not tried to seek support from overseas Indians.[102]

Within this research on the development effect of OCI it is not possible to address all questions raised in the framework. In many ways, the analysis in the following chapters has to be limited to rather standard ways of interactions between overseas Indians and their home country. It is, however, important to bear the larger idea of development in mind and to look not only for direct and quantitative effects but also for the indirect and the qualitative change the discussed interactions can bring.

[101] Although the possibilities of retaining professionals were tried and discussed more frequently than it is the case today, see Lowell (2002b).

[102] Author's interview with Raghuvansh Prasad Singh, Rashtriya Janata Dal (RJD), Minister for Rural Development (2004–9) on 15 October 2008.

3

Determinants of Status Passages

Becoming a US Citizen and an Overseas Citizen of India

Having elaborated a conceptual framework of migration and development in the previous chapter, I can now turn to the analysis of how Overseas Citizenship of India (OCI) affects developmental activities and categories. In this regard, two status passages are of particular importance. First, the passage from Indian to US citizenship, and second, the passage from US citizenship to OCI. The first passage matters for at least two reasons. On one hand, OCI may increase naturalization, as will be argued and discussed in detail in Chapter 6. The status passage is of importance for the assessment of this effect and the consequences of naturalization. On the other hand, questions of ethnic, national, and civic identification, which are analysed in later chapters, and the assessment of the need for OCI, provide reasons for shedding light on the status passage and the underlying decision-making processes. Also Bloemraad *et al.* (2008: 168) remind us that we need to know more about the people who choose or reject dual citizenship to better understand the reasons for their choices.

Assessing the decision to apply for OCI in the second part of this chapter provides insight into the need for OCI and the use of the status, which will enable us to draw conclusions on its effects.

THE DECISION TO NATURALIZE IN THE US

In analysing the determinants of naturalization, a large body of research has examined the impact of several factors, including *economic* (for example, occupation and earnings), *social* (for example, marital status