Tapping the potential of South Asian diasporas

S’pore can be a base of their operations to advance new high-finance, high-tech initiatives

By SHAHID JAVED BURKI

Not all large countries, no matter how impressive their economic potential is, will succeed unless they embed their economies in that of the region to which they belong. This was done by the United States in North America, by Brazil in the southern cone of Latin America and by China in East Asia.

The most important example of regional integration, of course, is that of the formation and evolution of the European Union. The countries of South Asia, carrying large burdens of history on their shoulders, have been unable to integrate their economies.

Here the South Asian diaspora with about 50 million people, scattered in many continents, can help. Most of these communities work well with one another outside the boundaries of their homelands. They can bring those experiences to regional development in South Asia.

One way of getting the diaspora to play this role is to devise investment instruments in which the well-off-to-do members of the South Asian communities could participate. Such instruments could include venture capital funds and private equity operations.

The Indian diaspora in the US has taken the lead in this area. Such initiatives could be marketed to the members of the South Asian communities in several different financial centres across the globe. There is a large South Asian presence in most of the new financial centres.

For instance, Singapore, Hong Kong and Dubai in addition to New York, London and Frankfurt could become the growth poles of such initiatives. Singapore would be particularly interesting as the base of operations from where the South Asian diasporas could advance new initiatives in high finance and high technology.

The content of the South Asian community is changing rapidly in Singapore as new talent is imported by multinationals with large operations worldwide in finance, information technology (IT) and health-related services.

A significant number of the new hires are from India but there is also a small trickle from Bangladesh, Pakistan and Sri Lanka. Some of the South Asians who have been drawn into these sectors are from the web-established diaspora in Europe and North America.

There are two advantages to this type of two-step migration. The people involved in it have a good base of knowledge of the sectors of the new economy and also of the countries from which they originate. This is the second advantage for the South Asians working in these new sectors: They can remain in contact with developments in the various countries of the South Asian region.

There is one other advantage that Singapore enjoys over such growth centres as Abu Dhabi, Bahrain, Dubai and Qatar in the Middle East. The new economic sectors that need highly developed human skills are well-embedded in the economy of the city-state. They are not “add-ons” as some of the initiatives taken by some of the rulers of the Middle East are.

Singapore also has a political system that is closer in form and content to those that are now operating in South Asia.

The South Asian diasporas stand at an important crossroads. They are no longer made up of low-skill workers needed in rich countries where the locals are not prepared to do the work that demands high physical labour.

Even the older diasporas that were formed by blue-collar workers are now drawing people with well-developed skills from the large human pool available in South Asia.

Some of the newer diasporas from South Asia were formed by professionals in disciplines such as economics, engineering, accounting, IT and health sciences. The per capita incomes of these people are much more than that of the local populations.

The South Asian diaspora in the US probably has four million people and in came per head of over US$60,000. This would give them combined income of US$240 billion of which a relatively large proportion – perhaps as much as 30 per cent – is being saved. As we know from the life cycles of other diasporas, the bulk of this saving initially goes into creating economic assets in the adopted countries.

With about US$70 billion available every year for investment, the South Asian diaspora should have assets of over US$1.3 trillion in the US economy. This resource provides also a permanent source of income for investment. The issue is the channelising of some of this resource for investment in creating a regional economy in South Asia.

The writer, a former Pakistan finance minister and World Bank vice-president, is visiting senior research fellow at the Institute of South Asian Studies. He will be speaking at the South Asian Diaspora Convention to be held on July 17-25 at Bournemouth University. Information on the convention is available at www.sasd-singapore.com