

# *The Big Picture:*

## Role of Indian Diaspora in Making India Self-reliant

### Summary

Date: 09<sup>th</sup> Jan 2021

Reading Time: 20 Minutes

Topics covered from the syllabus:

GS-2:

- Effect of policies and politics of developed and developing countries on India's interests, Indian diaspora.

### Note

- Following is the summary of 'The Big Picture' discussion, which was aired on RSTV.
- Host: Teena Jha
- Panellists: Jayant Krishna, UK-India Business Council; Anil Trigunayat, Former Ambassador; Pramit Pal Chaudhuri, Journalist.
- Please note that some inputs have been given by our team in order to make the topic more relevant to UPSC.

### Context

- Inaugurating the 16<sup>th</sup> Pravasi Bhartiya Diwas, PM Modi lauded the contribution of Non-resident Indians to the development of India in the COVID-induced challenging times. He also reiterated the commitment of the Indian government to stand with the Indian diaspora, illustrating the Vande Bharat mission, in which 45 lakh Indians were brought back to India during the COVID crisis.
- The PM also outlined the importance of Self-reliance in the continued growth of the nation, especially during the pandemic. He especially emphasized on the largest vaccination drive in the world, in the form of COVID vaccination in India, while also committing to supply of vaccine to the needy countries. India's role is bound to grow in the future due to its reputation as the pharmacy of the world.

**Pravasi Bhartiya Diwas:** It is observed on the 9<sup>th</sup> of January every year to honour the contribution of non-resident Indians to the development of India. The event has been made biennial since 2015.

- 9<sup>th</sup> of January is chosen to commemorate the day Mahatma Gandhi returned from South Africa to India in 1915.
- The theme of this year is 'Contributing to Atmanirbhar Bharat'.

### Role of Non-Resident Indians in making India Self Reliant:

- **Financial Contribution:** Indian diaspora is a strong community, which is approximately 18 million strong. They are the topmost contributors to the home economy, measured in terms of global remittances. In fact, Indians contribute 13% of global remittances. The remittance sent by Indians back to India amount to approximately 3.2% of the Indian GDP.

- **Indian diaspora's contribution to the world:** Indian diaspora in the world can be divided into two major categories (apart from others who are in myriad occupations and almost in every country in the world):
  - **Technological graduates:** They are the engineering and management graduates, who are in high-value jobs majorly located in, but not limited to, the western countries like US and Europe.
  - **Manual Labour:** These comprise the comparatively lower-skilled population, which has been hired for manual labour, majorly in the Arab or West Asian countries.
  - The contribution of both the categories to development of India is immense and they have both contributed to making India the largest recipient of foreign remittances globally.
  - **Contribution to the place of residence:** Similarly, their contribution to the country of residence is also noteworthy. For e.g., the Indian diaspora in UK is almost 1.8% of the total population of UK, but it contributes almost 6% of the total GDP of UK.
- **Part of Global supply chains:** Far from being isolated from the world, Self-reliant India envisions India as a contributor to the world and a part of global supply chains. COVID crisis has shown the perils of being dependent upon foreign sources for raw materials and intermediate products. Thus, the direction of Self-reliance is towards creating alternate supply chains. For e.g. due to the origin of the COVID crisis in Wuhan, the Chinese companies had to be locked down and the global supply of raw materials was interrupted. This has prompted initiatives like Self-reliant India and the Japan-led **Supply Chain Resilience Initiative** ([link to RCEP: India's stand](#)).
- **Changing perceptions:** After the 1991 LPG reforms, the outflow of the Indian diaspora has contributed a lot to changing the perception of the world towards the Indian employees. The leadership position of many Indians in the tech companies of Silicon Valley has strengthened the image of India as a technology powerhouse and a source of quality human resources. Indian executives have often been credited with being the harbingers of innovation as a part of the top technology companies around the world. For e.g., executives like Sundar Pichai, Satya Nadella etc. have reached the highest echelons in their respective sectors.
- **Focus on 'Make in India':** Indians are counted amongst the most affluent communities around the world. This source of capital can be tapped by encouraging them to invest in India. Also, taking advantage of their corporate leadership positions in the Silicon Valley and other technological sectors, Indian diaspora can be facilitated to contribute to the Indian development story by investing in the Greenfield and brownfield projects, as well as, portfolio investments in India.
- **Knowledge Economy:** Experts indicate that in the upcoming future, it would be the Artificial intelligence-driven industry which will create high-value jobs. In such a scenario, the investment in engineering education in the country is expected to pay off. Similarly, the Indian diaspora is expected to guide the policy-makers in the required direction to extract maximum benefit out of the changing global scenario. For e.g., the Vaibhav conference (see inset) of Indian scientists abroad has yielded many ideas for the benefit of India.
- **India's inherent strengths:** Indians are also well integrated into the healthcare sector around the world in the form of doctors and healthcare workers. This can be combined with the inherent strength of India in the pharmaceutical sector to create an efficient partnership. For e.g. Serum Institute of India is manufacturing the Oxford-Astra Zenca vaccine, which is a symbiotic relationship between the UK's research and development industry and the Indian pharma

sector. Similarly, the engine of Light Combat Aircraft Tejas will be co-developed by Rolls Royce in India, giving it the much-needed strength and global visibility.

**Vaibhav Summit:** Vaishwik Bhartiya Vaigyanik or Vaibhav summit is an event to bring together resident and overseas scientists of India at a common platform to solve the current problems facing India.

- It is an initiative of the Ministry of Science and Technology, and Academic organisations of India.
- The goal of the summit is to create a knowledge database and a culture of innovation through global outreach.

### Recent steps by the Indian Government

- **Pravasi Bhartiya Diwas** – see inset.
- **Ease of Doing Business:** India has consistently ranked in the top improving countries for the last three years, with Indian rank improving from 130 to 66 in 2020. This creates a favourable environment for businesses to invest in India and also gives an opportunity to the diaspora to confidently create an outreach strategy, in their areas of influence.
- **Merger of Person of Indian Origin (PIO) and Overseas Citizen of India (OCI) status:** The merger of PIO and OCI has been a long-standing demand of the Indian community, which has been accepted by the government. Along with that, Indian government has accorded many advantages to the OCIs by including them in the definition of Indian management control, in the context of sensitive industries. This will create investment opportunities for the diaspora.
- **Launch of informative projects:** Indian government is in the process of launching awareness generation portals like the Global Pravasi Rishta portal, to provide an instrument of connecting with the diaspora. It will be a dynamic communication platform to connect the diaspora with the Ministry of foreign affairs, Indian missions and the Indian diaspora abroad.

### Way Forward

- **Being competitive:** Indian diaspora can be expected to open the doors of foreign markets to India. However, in the end, only the products which are of better quality, despite being cost-competitive, are expected to thrive in the market. Therefore, it is important for Indian manufacturing to be technologically advanced and invest in achieving economies of scale.
- **Providing opportunities for investment:** It has to be understood that the investments in the country are majorly a factor of profit-generation for the investors. Therefore, there is a need to create a favourable policy environment for capital creation and flow of profits back to the origin country without any impediments. For e.g. there is a need to improve the battered reputation of the country due to issues like Retrospective taxation (Vodafone case – see inset).
- **Communicating with the diaspora:** It is important to make the diaspora feel respected if we expect them to contribute to the development of the country. Therefore, it is critical to have two-way communication to understand their problems and design the policies accordingly. It is important to note that the Indian diaspora is an extremely affluent community and they are in no need to make efforts to woo the Indian government. Instead, it is the Indian government that needs to create an outreach strategy to leverage them as a source of investment and capital for the domestic industry.

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- **Awareness generation:** Many members have pointed to the lack of knowledge of specific schemes implemented for their welfare. There is a need for better information flow and making the diaspora aware of the schemes benefitting them, by making proper use of technology.
- **Leveraging the huge community:** The strength of the Indian diaspora is visible in the outreach events conducted at various locations, such as the 'Howdy Modi' event conducted in the US. This support has to be leveraged well by providing active assistance to the members of the diaspora in need and otherwise. For e.g. India has been fortunate in having the services of previous External Affairs Minister Sushma Swaraj, who was called as the foreign minister of the people, and current foreign minister S. Jaishankar, who is known for articulating his views in a very frank manner, apart from PM Modi, who has been known to be sympathetic to the cause of the Indian diaspora. However, the current state of affairs have evolved over successive governments and no particular individual can bear the entire credit.

**Retrospective Taxation:** It refers to the application of new laws to the cases which have occurred before the law comes into effect.

- Vodafone case: This case pertains to the acquisition of Hutchinson by Vodafone. The deal also covered Hutchinson's assets in India.
- Vodafone filed a case against the Indian Tax department for demanding tax on the deal. Later, the Supreme Court ruled in Vodafone's favour.
- However, the government amended the laws to let the tax department tax such deals retrospectively, leading to a huge outcry by foreign businesses.
- Recently, the Permanent Court of Arbitration has also ruled in Vodafone's favour.

## Conclusion

- There is a need to leverage the knowledge, wisdom and links of the Indian diaspora, if India wants to achieve the target of becoming a \$5 trillion economy, as outlined by the Prime Minister.
- The dire need for capital in the Indian industry can be fulfilled by the Indian diaspora, provided the issues being faced by the Indian diaspora are resolved on a priority basis. This would encourage them to boost 'brand India' around the world.

## Practice Question

- From being the 'brain-drained' Indians flowing abroad in search of an opportunity, to the corporate and political leaders amounting to the largest remittance flow globally, the Indian diaspora has been one of the many success stories produced by the Indian education sector. Comment.

## Related Link

- RCEP: India's stand (link mentioned in the article)





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