

Contribution of the Indian Community to the Economic Development of Europe

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- Thank you to the organisers- note importance of the NRI/PIO organisation
- Self –introduction and brief description about the work of the European Institute for Asian Studies – examples of working with European Commission and European Parliament -- short statement about the content of the recent presentation on EU-South Asian relations as well the recent EU-INDIA-US triologue on global security see www.eias.org
- Very interesting meeting and focusing on a area where we do not have a great deal of systematic information – the role of Indian and more generally South Asian diaspora to Europe is not well researched or documented – example of study in this subject is Dr Anuradha Basu – family and finance in UK (eg food industry).

Specific own experience of contribution of Indian Community

- First specific example of a contribution by Indian origin persons, role of Indian economist in building up the Cambridge school of Economics – both the Keynesian stream during the 1960s to 1980s as well as the subsequent dominant stream of neo-classical economics since the late 1980s and up to the present day
- Specific examples Ajit Singh & Ravi Kanbur, econometricians; Partha Dasgupta (proponent of the neo-classical school), Amartya Sen (Nobel laureate for his work on economic development and poverty and famine, entitlements, social indicators and social welfare), Jagdish Bhagwati (early work on the relationship between trade and impoverishment and later on positive relation between trade and development), Meghnad Desai, Keynesian economics, importance of relative prices in distribution
- Also within history – work of Prof Tapan Raychaudhury (Indian perceptions of the Europeans) and within political science – work of Prof Subrata Mitra on governance and legitimacy
- Overall very major contribution to the academic life of leading European universities (Oxford: Sanjay Lal, Vijay Joshi, many across the UK).

Nevertheless

My 'General Hypothesis' is that the Indian community's contribution has not realised its full potential in Europe and that its contribution is certainly much less than in the United States. A prime example in the US is Silicon Valley, but other examples are Indian Americans on Wall Street (finance, banking, stocks), and Indian-origin persons in

Washington DC. Why can we not identify similar communities in Europe (except perhaps in the UK?).

Two sets of reasons:

1. Lack of willingness to accept ‘the other’ on equal terms in European society

- a. problems of integration,
- b. degrees and skills not recognised (glass ceilings),
- c. issues of languages capabilities (English, but lesser French, German, etc);
- d. but irrefutably also racism and xenophobia in the European Union; The European Commission is seeking to address this through the European Centre for the Monitoring of Racism and Xenophobia – but much more needs to be done.

However, one must also look into the ways the community projects itself:

2. Lack or inadequacy of organisation of the Indian community in Europe

- a. Type of organisation (exclusionary, set up along ethnic lines (Bengalis, excluding Punjabis; Sikhs and/or Hindus, excluding Muslims and/or Christians);
- b. Reach/coverage of organisation (focus on the professional middle-classes, excluding lakhs of small business men which are also NRI/PIO; inter-generational differences insufficiently addressed);
- c. Hidden political agenda’s – eg several US-based organisation focus on raising financial support for the RSS and the VSHP, fuelling communalism at home;
- d. Lacking ability to address the host-country’s agenda’s – organisations such as GOPIO need to present impassionate and objective analyses of the interests of both Indian communities as well as host-communities and examine how these respective interests may be served.

It is this fourth weakness which I feel an organisation like GOPIO can do a lot about, in an effort to built bridges, but also to create a better understanding of Indian contributions to European societies and economies. I will seek to demonstrate this viewpoint with one example, the outsourcing debate.

Example of one major issue between EU and India: Trade & Investment in Services delivery from India (outsourcing debate)

Very prominent in the US – plays a major role in present US presidential elections and may well become a major issue in debates in UK and French elections.

Slides I and II outline the growth and distributional implications of the Trade and Investment on both the European and Indian economies.

[see slides I and II]

The main points are:

- We see trade in services between India and Europe delivered through several mechanisms, which WTO economists refer to as four different modes of service delivery – first, as services are delivered cross-border (mode 1 – for example having a website built or serviced or the doctor who travels to another country to execute an operation); second, as services are delivered with the consumer moving cross border to another territory (eg tourism, airlines), mode 3 about commercial presence and mode 4 about the temporary movement of people (i.e. from India to Europe, but also vice versa).
- The slides seeks to provide a comprehensive overview of the growth effects of ‘outsourcing’ – i.e. trade and investment in the services industry in India.

The different modes will have different effects – overall there are gains in growth on both sides, but loss of employment opportunities on the EU side.

In summary, my analysis points out that the ongoing intensification in trade and services has positive growth effects on the Indian economy. I also conclude that the distributional effects in India may be ambiguous. Some sectors will employ quite a lot of low or middle income households and persons (say call centres), whereas other sectors will largely rely on high-skill personnel (say software engineers). In the first case the distribution of the gains may be wide and improve the over all income distribution, whereas the in the second case, the gains may be quite limited. However, the effects on the European employment are negative, with negative distributional consequences.

To Conclude

What is now important for an organisation as GOPIO is to explain to a wider audience (across Europe):

- a. the rules under which these growth gains (and job losses) occur – it has to be emphasized that these are multilateral rules, negotiated within the wider WTO context – also agreed by major players within the system, most notably the EU and the US;
- b. that there are substantial gains on the European side – not only job losses. These gains will show up as consumer benefits (better services as lower costs) and as increased profitability of firms (such as airlines, banks, insurance companies);
- c. that the gains on the European side will also lead to the creation of new jobs and new services – provided that governments seek to facilitate new investment and innovation, for example through training schemes, innovation grants, active support for the development of IPR etc.
- d. emphasize the commitment to ensure an equitable distribution of gains on the Indian side too, for example through proactive initiatives for corporate social responsibility, in those sectors which are gaining jobs as well as in general.

In summary, you will have to engage into demonstrating that the gains are mutual, not just one sided. Thank you.

INTERNATIONAL TRADE AND INVESTMENT IN SERVICES BETWEEN EU AND INDIA

GROWTH AND DISTRIBUTIONAL IMPACT

	<i>IMPACT ON INDIA</i>		IMPACT ON EU	
	<i>Mode 3 Commercial presence in EU</i>	<i>Mode 4 Temporary/Semi-permanent movement of natural persons to EU</i>	<i>Mode 3 Commercial presence of EU firms in INDIA</i>	<i>Mode 4 Temporary movement of EU personnel to INDIA</i>
<i>GROWTH</i>	<ul style="list-style-type: none"> • Extensive and growing network of joint venture/trading partners from EU and other OECD countries • Build-up of ipr/patents & management skills across ICT and pharmaceutical-medical-bio-tech, engineering and business services sectors • Lower profitability as compared to home-markets 	<ul style="list-style-type: none"> • Remittances supports growth through consumption and/or investments • Return migration enhances business skills – but sometimes brain-in-the-drain 	<ul style="list-style-type: none"> • Ready supply of high-skilled english-speaking engineers, scientists, doctors, accountants, etc. → lower unit services costs • Combined with mode 1 (supply cross-border supply or outsourcing): very major costs-savings in back-offices operations & service delivery to consumer based elsewhere → faster growth and higher profitability in EU/OECD • Employment and wage-level reductions in EU/OECD 	<ul style="list-style-type: none"> • Unlikely to be competitive except in specific supervisory or capacity-building roles (and only if financed by TNCs, ODA, governments etc.)

	<i>IMPACT ON INDIA</i>		<i>IMPACT ON EU</i>	
	<i>Mode 3 Commercial Presence in EU</i>	<i>Mode 4 Temporary/Semi-permanent movement of persons of Indian origin to EU</i>	<i>Mode 3 commercial presence of EU firms in INDIA</i>	<i>Mode 4 temporary movement of EU personnel to INDIA</i>
DISTRIBUTION	<ul style="list-style-type: none"> distributional impact uncertain 	<ul style="list-style-type: none"> distribution-improving development 	<ul style="list-style-type: none"> distributional impact nearly certainly negative 	<ul style="list-style-type: none"> distributional impact uncertain
OPPOR-TUNITIES	<ul style="list-style-type: none"> Growth impact positive but likely to be below home-investment in the short-run only (long-run major gains likely) 	<ul style="list-style-type: none"> Win-win solution? 	<ul style="list-style-type: none"> Winners and losers – scope for compensation through employability enhancing programmes → up the value chain (e.g quality control, local services) 	<ul style="list-style-type: none"> Limited to highly specific programmes
THREATS	<ul style="list-style-type: none"> Discriminatory barriers e.g. in public procurement and (public) service delivery in EU/OECD countries 	<ul style="list-style-type: none"> racism & xenophobia in receiving countries, driven by prejudice as well as fear of job losses and wage-competition → poor and problematic integration 	<ul style="list-style-type: none"> protection-seeking through regulatory barriers 	<ul style="list-style-type: none"> xenophobia in receiving countries, driven by prejudice as well as envy and/or inflation → poor and problematic integration