

The Pakistani Diaspora: Strengthening linkages between host and home¹

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The most recent estimates made by the World Bank show that the number of international migrants would surpass 250 million. These migrants send \$600 billion to their families in their home countries with developing countries receiving \$440 billion - almost four times the amount sent in 2001. These remittances are three times the size of official development assistance. Migrant hold more than \$500 billion in annual savings. The remittances and savings have become a major source of financing for development. U.S. (\$w56 billion), Saudi Arabia (\$37 billion) and Russia (\$33 billion) were the top three source countries. India (\$72 billion), China (\$64 billion) and the Philippines (\$30 billion) were the top three receiving countries. Pakistan ranks among the top 10 migrant supplying countries. Table 1 below shows the region-wise distribution of migrants and remittances.

As the economic balance in the world is shifting from the advanced to emerging and developing countries, 38 percent of the international migrants moved from developing countries to other developing countries and only 34 percent migrated from developing countries to advanced countries.

World Bank study has concluded that “migration, both of highly skilled and low skilled workers generates numerous benefits for receiving and sending countries. The diaspora of developing countries and return migration can be a source of capital, trade, investment, knowledge and technology transfers.”

Table 1: Migration and Remittances, region-wise distribution

Region	No. of Migrants (Millions)	Remittances in 2015 (US\$ Billions)
East and Pacific Asia	31.4	129
ECA	31.9	36
LAC	32.5	67
MENA	23.9	52
South Asia	37.1	123
SSA	23.2	35

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South Asia has the highest number of migrants about 37 million, 43 percent of them were in GCC countries and 21 percent in OECD countries. The outward remittances from GCC countries were \$98 billion. Countries in South Asia received \$123 billion as remittances in 2015. India has the largest diaspora in the world with 15.6 million people living across all continents. US hosts about 2 million India migrants.

The importance of workers' remittances for Pakistan's external sector can be realized from the fact that in FY 2000, remittances accounted for 11 percent of the exports of goods. In 2015, this ratio is likely to rise to 80 percent. Workers remittances now form a critical component of the country's foreign exchange earnings. This double digit growth in remittances has enabled the country to service its external debt obligations. In case of Pakistan remittances have offset the large trade imbalance and contained current account deficit to manageable level. This has helped improve the country's credit worthiness and access to international capital markets. The ratio of debt servicing to foreign exchange earnings would have quite high if the remittances did not form a large and growing part of these earnings. In the real sector of the economy, 15 percent of the country's labour force is employed outside its territorial jurisdiction which has therefore lowered the unemployment rate. This work force of 7 million contributes almost 7 percent to the country's GDP.

Remittances tend to be more stable than both the private capital flows and official development assistance. As we see today, private capital outflows from developing countries in 2015 exceeded \$700 billion due to the perception of weak growth, falling commodity and oil prices, and rise in interest rate in the U.S. Official development assistance particularly from bilateral sources remains very much contingent upon the nature of political relationships between the donor and recipient countries as are free from the vagaries of the market and whims of the donor governments. Remittances have proved to be counter cyclical relative to the recipient countries. They continued to grow during and after the global financial crisis of 2008-09 and proved quite handy to Pakistan several times in last ten years when the country faced balance of payments problem. It has been observed that migrants send more funds during the natural disasters or other crises situation to help their families and friends.

As Remittances flow largely to the poor families they do not only augment their income but also provide the financial resources for sending the children to schools and affordable health care. A large number of families acquire assets such as land, shops, small enterprises, repair facilities, workshops etc. and when the migrants return home they are able to earn

incomes from these assets. The skilled returnees with their practical experience and know-how add to the stock of skilled manpower in the country.

Securitization of future remittance flows mitigates currency convertibility risk, a key component of sovereign risk and such structure allows securities to be rated better than the sovereign credit rating. In the case of El Salvador, for example, the remittance-backed securities were rated investment grade, several notches above the sub-investment grade sovereign rating.

A question that is frequently asked during my public interactions is: why are you producing graduates who don't stay in Pakistan and take up jobs abroad thus causing Brain drain? First of all, the statistical evidence supporting this hypothesis is not robust. The majority of graduates from top universities of Pakistan do not opt for migration and stay back in Pakistan. Out of 13,000 alumni of IBA less than one fourth are working abroad and that too after having acquired some work experience for several years in Pakistan. Second, in today's globalized village the real term for such migration is "Brain Circulation". It is a matter of satisfaction if a Pakistani gets a job on his/ her own merit in a company or enterprise abroad. The experience he/ she gains through this exposure in a different culture and different country or countries equips him with skills and technical know-how that are badly needed in a multi-cultural inter-connected world. The experience gained by those working outside Pakistan enriches their professions competence and broadens personal outlook. When such a person chooses to return to Pakistan, the country gains a valuable resource. If we don't utilize this resource properly or makes his life difficult then that individual can opt to move out and serve somewhere else. We will be the loser in that case. Therefore, the recipe I prescribe is what Korea had done in the 1970s and 1980s. They sent delegations to North America, Europe, Japan, Australia and offered lucrative jobs, laboratories, equipment etc. to set up similar facilities in Korea. Today, Korea has one of the highest rates of patent filing according to the World Intellectual Property Organization and it is one of the few countries that has moved up the ladder from a developing country to an OECD country. The tertiary education ratio is among the highest because of this investment. This has, in turn, enabled Korean Scientists and Engineers to work in the leading universities, research institutions and corporations all over the world. But they also return to Korea or maintain their professional links. I would argue that this Brain Circulation should be welcomed rather than shunned or curbed. Brain Circulation nurtures innovation, new ideas,

transfer of technical know-how and thus help accelerate the process of economic development.

There are three areas of concern that may affect the migration of workers and the growth in remittances in the future.

The first is the strong anti-immigration lobby among the political parties in Europe and also the U.S. as reflected by the popular support for Donald Trump. Even in the Nordic countries that have been extremely warm in receiving immigrants the tide is shifting and nationalist inward looking parties are able to attract much attention. Netherlands, one of the most open countries in Europe, is now heading in the direction of Mr. Geert Wilders and his Party for Freedom publically advocating stopping immigration from Islamic Countries. In France, Marine Le Pen and the National Front and in U.K., the Independence Party are staunch opponents of migrant influx to their countries.

The second area of concern is the declining income in the oil producing countries particularly the GCC where the majority of the Pakistanis are employed. Saudi Arabia, the richest and the most populous country has registered a deficit of 15 percent of GDP. They have drawn down almost \$90 billion from the reserves to meet this deficit. Going ahead they may have to curtail their expenditures on new projects in the pipeline. This would have serious repercussions for the absorption of overseas workers in the coming years and perhaps result in the repatriation of workers who would have completed the ongoing projects. Dubai Expo and World cup Football Championship in Qatar may still provide some room but whether they would be able to offset the shrinking demand from Saudi Arabia would remain an open question.

My third worry is about the professional accountants, engineers, doctors, IT Specialists, Scientists – who could always find jobs in the US, Canada, Australia, New Zealand, Singapore, Hong Kong. The recent incidents in which Pakistani professionals were found involved in some terrorist acts has raised a lot of suspicion about the antecedents of otherwise qualified and skilled professionals. Everything being equal, these countries would prefer recruiting nationals from India, Sri Lanka, Nepal rather than Pakistan. Inter-company transfers within the multinational corporations and hiring of those who were educated at the Universities in these countries were two drivers of migration of professional workers. In my view these drivers are also slowing down.

Going ahead, I would like to make a few specific suggestions:

- (a) Ministry of Overseas Pakistani and Overseas Pakistani Foundation (OPF) should collaborate with the NAVTECH, TEVTAs, Skill Development Companies, private vocational and technical institutions for training and prepare workers for the Middle East market particularly Dubai Expo and World Football Cup. In some cases such as Nursing, the world is wide open. This planned training scheme would upgrade the skill mix of the migrants and bring higher level of remittances.
- (b) The blurring of boundaries between human trafficking and recruitment for overseas markets is bringing a lot of bad name for the country. FIA and Law Enforcement Agencies should be more vigilant in their detection, apprehension, prosecution and conviction of the smugglers. Migrants should be registered, facilitated, given some basic training before their departure. Community welfare attaches at the Embassies have to be more responsive in looking after the interests of the poor markets.
- (c) Bilateral Government to Government agreement on the lines of Trade agreements should be encouraged for the deployment of migrant workers. The receiving governments should indicate the areas where they face shortages along with the multi-year demand for the numbers they require each year. Our Government should then develop a response capacity for recruiting, training, mentoring the workers selected for these assignments. This transparent above the board approach would reduce the huge costs incurred by prospective migrants, mitigate the risks they face in moving and settling and allow a decent minimum wage with some security of job.
- (d) We should also set up Industrial Parks or Technology Parks for the Pakistani Diaspora who wish to set up their own enterprises or ventures in Pakistan. These Parks must have all the infrastructure facilities developed and available to the investors cutting down all the running around to seek approval and NOCs from various parts of the government. We must follow the China and India examples where ethnic Chinese from South East Asia and Non-resident Indians have brought in investments and transfer of technology to these countries. Two Third (2/3) of foreign capital between 1979-97 came from ethnic Chinese and most of the enterprises were set up by them. We should be able to attract this investment if the sad experience of Pakistani Diaspora who have been swindled in real estate deals can be reversed.

To sum up, the Pakistani Diaspora's linkages with the home country are quite strong and can be further reinforced if hassle-free opportunities are provided to them to make investment in human and physical capital