

## **Two Diasporas: Overseas Chinese and Non-resident Indians In Their Homelands' Political Economy**

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*This paper, through a comparative study of the roles Chinese and Indian diasporas in the United States play in the political economy of their respective homelands, explores the relationship between the diaspora and homeland development and how this dynamic relationship contributes to economic growth and foreign relations of the homelands. The author argues that the roles of Indian and Chinese diasporas in their respective homelands' development consistently reflect, and are heavily influenced by, their homelands' economic development strategies as well as political history and culture. The author also argues that the impact of the diaspora on the foreign relations of their homelands is conditional upon the state of bilateral relations between their homeland and the country of residence. This study raises issues for future research, such as the relationship between the diaspora and regime type of the homeland. The author concludes by suggesting that since activities of overseas Chinese and non-resident Indians provide a unique perspective in the comparative study of Chinese and Indian political economy, the two diasporas warrant more scholarly and policy attention.*

*Keywords: diaspora, overseas Chinese, non-resident Indians, international political economy, US policies towards China and India*

### **INTRODUCTION**

India and China are two emerging Asian powers that have many commonalities such as a huge population, a long history, rich cultural traditions, Western colonial legacy, and a large diaspora community around the world. Yet the two countries took a different path in terms of political and economic developments after they gained national independence in the late 1940s. People who are interested in India and China often compare the two nations and ask why they are very different in many respects today. Some have sought answers in history, culture, political institutions, economic systems, government policies, leadership, etc. Though much progress has been made in the comparative study of the political

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economy of India and China, one area that has attracted scant attention is the role of the diaspora in each country's economic development and foreign relations.

India and China both have a large diaspora population. The Indian diaspora is currently estimated to number approximately 20 million, and there are estimated 55 million Chinese in over 135 countries.<sup>1</sup> Though traditionally the majority of Chinese diaspora have lived in Southeast Asia and the majority of Indian diaspora in Southeast Asia, the Middle East and Africa, in recent decades tens of thousands of Chinese and Indians have immigrated to North America and other developed regions. And many of these new Asian immigrants to the West tend to be young, highly educated, and often wealthy. According to the 2000 US Census, Chinese Americans, numbered about 2.7 million, is the largest Asian group in the United States. Asian Indians from the subcontinent, though fewer in number, with 1.9 million, are generally better educated and enjoy higher personal incomes than both Chinese Americans and Japanese Americans.<sup>2</sup> The lives and activities of these Asian diasporas and their unique position in bridging the East and the West and in promoting their homelands' development and foreign relations are not well known to many.

This paper, through a comparative study of similarities and differences of the roles played by Chinese and Indian diasporas in the political economy of their respective ancestral homelands, explores the relations between the diaspora and homeland development and how this dynamic relationship contributes to economic growth and foreign relations of the homelands. I contend that the roles of Indian and Chinese diasporas in the development of their homelands consistently reflect, and are heavily influenced by, the economic development strategies as well as political history and culture of their home countries. Comparing activities of the two diasporas in the United States, I argue that their impact on the foreign relations of their homelands is conditional on the state of bilateral relations between their homelands and the United States. The contributions of diasporas are likely to become more prominent in China's and India's political economy in the 21<sup>st</sup> century as the two nations continue to woo their expatriates. This often neglected aspect of contemporary political economy warrants further scholarly and policy attention by the international community. The study of diasporas and their roles in both their countries of residence and countries of origin also provides a unique vantage point from which to study international political economy in general.

## **HYPOTHESES**

Literature on diaspora and international migration in general abounds in such fields as history, sociology, anthropology, and geography. Relatively speaking, the paucity of literature on the role of diaspora in the economic development and foreign relations of their homelands is unmistakably obvious in the field of political science and international relations. A number of political scientists have studied various aspects of diasporic movements. Among others, Cohen (1997), Sheffer

(2003), King and Melvin (1998), Wang (1991, 2000), and Shain (1994) have researched characteristics of selected diaspora groups such as the Jews, the Russians, the Chinese, and ethnic diasporas' role in US foreign policy, but very few study has been done to systematically compare the Chinese and Indian diasporas.

Traditionally the study of diaspora is often placed in the larger context of international migration. In the international migration literature, four major schools of thought have attempted to account for the causal processes of international migration: neoclassical theories that focus on factors causing economic disruption and migration; market theories that emphasize the failure of the markets in the sending nations as the barrier to economic advancement; relative deprivation theory that assumes that migrants have a strong desire to improve their income so as to "keep up with the Joneses" in their communities; and the segmented labor market theory that sees global migration as demand driven in advanced industrial societies where economy divides employment into a primary sector and a secondary sector.<sup>3</sup> However, little research has been conducted to explain whether and how diaspora activities and homeland political economy are interrelated.

An interesting phenomenon in the extant literature on Chinese and Indian diasporas is a handful of articles about how India should learn from China in attracting diasporic investment.<sup>4</sup> A vigorous comparative study of why and how the two countries differ in this respect is lacking. How overseas Chinese and non-resident Indians help promote relations between their homeland and their host country also remains understudied. For example, what government policies and practices in China and India might have contributed to the differences? What are the institutions and their roles in attracting diaspora groups and their resources? Why has China done a better job so far in attracting diasporic investment? How do the activities of Asian diaspora communities in the United States affect US foreign policy towards Asia? This research attempts to address some of these important questions. To compare and contrast the two diasporas, this paper proposes the following hypotheses:

H1: The role of the diaspora in the development of its homeland consistently reflects, and is heavily influenced by, the economic development strategies as well as political history and culture of the homeland.

H2: The impact of the diaspora on the foreign relations of its homeland is conditional on the state of bilateral relations between the homeland and country of residence.

To test the hypotheses, I first collect data and cases on how Indian and Chinese diasporas have contributed to the economic development and foreign relations of their home countries respectively. For their contributions to the homeland's economic development, I focus on their investment; for their roles in homeland's foreign relations, I focus on their activities in the United States and explore how they influence US policies towards China and India.

Then we compare empirical findings to study the differences and similarities in the behaviors of the two diasporas. Explanations will be developed to account

for similar and different activities of Chinese and Indian diasporas from historical, cultural, economic, institutional, and geopolitical perspectives. The article concludes with a brief discussion of the significance of this research in the study of international political economy.

**EMPIRICAL FINDINGS I: DIASPORAS AND HOMELANDS’ ECONOMIC DEVELOPMENT**

China and India are enjoying some of the fastest rising economic growth rates in the world. But their political regimes and basic economic strategies have been different, and both have come a long way after their national independence in the late 1940s. Table 1 summarizes the basic characteristics of Chinese and Indian economies. An obvious major difference is the foreign direct investment each country has received since 1990.

**Table 1 Competing Giants: a Tale of Two Economies<sup>5</sup>**

	China	India
Per capita GDP (PPP, 2006 est.)	\$7,700	\$3,800
Economic reform start year	1979	1991
Average annual GDP growth rate (1990-2000)	9.6 percent	5.5 percent
GDP growth rate (2006)	10.7 percent	9.2 percent
Economic strength	Manufacturing	Services
FDI in 1990	3.5 billion	0.4 billion
FDI in 2004	61 billion	5.5 billion
Diaspora’s contribution to FDI average	60-70%*	< 10%

- SOURCES: 1. *The World Factbook*, CIA, June 2007.  
 2. The US-China Business Council, “Foreign Investment in China, 2004,” accessed online from <http://www.uschina.org> on May 3, 2006.  
 3. Reserve Bank of India Annual Report, 2004-05.  
 4. *World Investment Report 2003* by UN Conference on Trade and Development.  
 5. Huang, Yasheng, and Tarun Khanna, “Can India Overtake China?” *Foreign Policy* (July/August 2003), pp. 74-81.

After failed socialism, self-isolation and a serious financial crisis, India officially started economic reform in 1991, a dozen years later than China. Whereas overseas Chinese have contributed as much as 70% of China’s total

foreign direct investment over the past 15 years, the Indian diaspora has provided less than 10% for India.<sup>6</sup>

As will be explained later, in addition to the fact that India's market economic reform started much later than China's, a series of other factors also contribute to the vast differences in the relationship between Indian and Chinese diasporas and their home country's development respectively.<sup>7</sup>

## **EMPIRICAL FINDINGS II: DIASPORAS AND HOMELANDS' RELATIONS WITH THE UNITED STATES**

Overseas Chinese and non-resident Indians are two relatively successful ethnic groups in many parts of the world. These diasporas have succeeded in such fields as business, sciences, engineering, the arts, medicine, education, restaurant and other service industries, etc. Because of their diligence and success, and the rich cultures of their countries of origin, overseas Chinese and non-resident Indians are generally well respected in Western societies. The fascinating ancient cultures, growing markets, exotic foods and customs may all have helped the two groups in bridging their countries of residence and their countries of origin. Most of these diasporas maintain close emotional, cultural, economic and even political links to their homelands.

Chinese and Indian diaspora communities in the United States are staunch supporters of close Chinese-American and Indian-American relations respectively. In foreign policy, both India's and China's political and intelligence cooperation with the United States after the 9/11 terrorist attacks, India's democratic system, and China's critical geopolitical posture in Asia such as its role in defusing the North Korean nuclear crisis all make it easier for the two diasporas to lobby effectively in order to promote America's relations with the two Asian powers.

The Chinese-American community had long been labeled "a sleeping giant." Now, it's not only awake, but out of bed and standing up and is emerging as a political power not to be ignored.<sup>8</sup> Influential Chinese-American groups include the New York-based Committee of 100, which was founded in 1990 by famed architect I.M. Pei and renowned musician Yo-Yo Ma, and the Chinese American Voters Education Committee (CAVEC), which was formed in San Francisco Bay area to help Chinese Americans in national and local elections. The dual missions of the Committee of 100 are "to promote the full participation of Chinese-Americans in all fields of American life, and to encourage constructive relations between the people of the United States and Greater China."<sup>9</sup> Over the years the Committee of 100 has become an influential group that US policy makers seek to enlist for their own advantage. For example, in 1996 when the Committee of 100 announced its support for unconditional most-favored-nation (MFN) trade status for China, US Senator Bennett Johnston from Louisiana who had been working hard to promote human rights in China rushed to host a joint press conference to support the Committee's decision.<sup>10</sup>

In the 1980s a group of wealthy Indians who lived in America's affluent suburbs began to worry about the community's lack of political involvement. They set up such grass-roots organizations as the Indian American Forum for Political Education (IAFPE) in the late 1980s. Since then there has been a growing political lobby from Indian-American groups. The Virginia-based US India Political Action Committee (ISINPAC), set up at the end of 2001 and modeled on America Israel Political Action Committee (AIPAC), quickly attracted some 27,000 members and has established "excellent relationships with various influential American lobbying groups" and has become "a force to reckon with."<sup>11</sup> Partially due to strong lobbying activities by Indian-Americans, the India Caucus was formed in the House of Representatives in 1993. With over 175 members in the House of Representatives, the India Caucus became the largest of its kind in US Congress in 2003.<sup>12</sup> The US Senate established its own India Caucus in 2004.

Indian-Americans and Chinese-Americans have formed powerful lobbying groups to influence US policies towards their home countries. For example, during the 1999 Kargil conflict, Indian immigrants flooded congressional offices with emails urging speedy resolution. Later in a front-page report entitled "Activism Boosts India's Fortunes: Politically Vocal Immigrants Help Tilt Policy in Washington," *The Washington Post* noted, "Lawmakers complied and a few days later, in a White House meeting, Clinton cited Congressional pressure in urging (Pakistani Prime Minister) Sharif to withdraw his forces."<sup>13</sup> Similarly, ever since the so-called "engagement vs. containment" argument started, most Chinese-American groups have been firmly behind the engagement camp and have argued for improving relations between the two Pacific powers.

## **ANALYSIS OF FINDINGS I: WHAT EXPLAINS THE SIMILARITIES IN THE ACTIVITIES OF CHINESE AND INDIAN DIASPORAS?**

Similarities may be explained by the following:

### *1) The economic law of supply and demand*

From an economics perspective, activities of Chinese and Indian diaspora communities are clearly driven by the principle of supply and demand. On the supply side, non-resident Indians and overseas Chinese are relatively successful and wealthy immigrants in the West. On the demand side, both China and India are emerging powers seeking development and peaceful foreign relations. Any contributions--from direct investment to lobbying for favorable policies towards homeland--to these national goals are warmly welcome, including from diaspora groups.

### *2) Motivations*

Like most other diaspora groups, many Chinese and Indians overseas are strongly identified with their ancestral homelands, even after they become

naturalized citizens of their adopted countries. A striking similarity between Indian and Chinese diaspora communities is their strong nationalism and their influence on their host nations' foreign policy towards their motherland.

During the Cold War, denouncing communist Poland was a sure vote-getter in Chicago which has a large Polish-American population. In Miami, candidates have to practically demonize Fidel Castro and declare war on Cuba in order to win. But confronting China on issues like human rights won't win you votes in California. When the United States derailed Beijing's bid to host the 2000 Olympics, thousands of Bay area Chinese-Americans signed petitions in protest.<sup>14</sup> Similarly, in 1998 when India was condemned internationally for conducting nuclear tests, the Indian diaspora stood by India.<sup>15</sup>

In another example, Chinese-Americans are a major force in supporting the granting of MFN trade status to China during the 1990s. Even the Chinese-Americans most suspicious of Beijing—those from Taiwan—still overwhelmingly favor MFN (89 % in a Bay area poll by the Chinese language daily *Sing Tao*).<sup>16</sup> Many of these Chinese-Americans are well-positioned either to directly invest in China or to be sent to China by US companies in need of representatives with contacts and language skills.

Of course, in terms of motivations, when considering investment in their homeland, diasporas are also driven by material benefits. Like all business people, diasporas who invest in their homeland also want to make money. The huge markets, cheap labor and resources provide the necessary conditions for their activities in their homeland.

In addition, one cannot ignore the potential liberal role of diasporas in shaping the minds of people back home. Because of their familiarity with both cultures, diaspora groups play a special role in bridging their adopted country and ancestral country. Specifically, Indian and Chinese immigrants in the West can help bridge the gap between the East and the West. Through investment in education and infrastructure, for example, diasporas help to introduce or consolidate democratic cultures in their homelands.

## **ANALYSIS OF FINDINGS II: WHAT EXPLAINS THE DIFFERENCES IN THE ACTIVITIES OF CHINESE AND INDIAN DIASPORA COMMUNITIES?**

Differences in Indian and Chinese diaspora activities, summarized in Table 2, can be explained from several perspectives.

### *1) Historical differences*

Arguably Chinese have a much longer history of traveling and living abroad than Indians. In the case of North America, Chinese laborers (coolies) helped build the trans-continental railway in the mid-19<sup>th</sup> century, earlier than any recorded large-scale Indian immigrants.

Chinese around the world are known for their business acumen. The Confucian virtue of thrift, discipline, industriousness, family cohesion, and reverence for education has positively contributed to the success of many overseas Chinese. Throughout history, Chinese living abroad have been attempting to help modernize their homeland. Overseas Chinese support and help of their homeland are duly admired and respected by people back home.

**Table 2 Differences: A Tale of Two Diasporas**

	Chinese-Americans	Indian-Americans
Historical	Long, Admired	Short, Resented
Cultural	“Fallen Leaves”	NRI: “not required Indians”
Institutional	OCAO ACFROC	High Level Committee Pravasi Bharatiya Divas (PBD) Ministry of NRI
Economic model	FDI/export- oriented	Entrepreneurship /R&D
Geopolitical	Activities more constrained by US politics and policies	Activities less constrained by US politics and policies

Traditionally, overseas Chinese in Southeast Asia, due to their proximity to China proper and their successes in their countries of residence, form a major source of foreign direct investment in China. In more recent decades, wealthy Chinese in North America, Europe, Australia, and other developed regions have also invested heavily in China.

By contrast, the Indian diaspora was, at least until recently, resented for its success and much less willing to invest back home. India used to take a “dim view of Indians who had gone abroad”.<sup>17</sup> NRIs (Non-resident Indians) used to be dubbed “not required Indians”. Some were regarded as too poor to be bothered with. Those Indians who left during the British colonial rule were considered to be betraying and deserting their homeland. Those Indians who joined the brain drain of talent to the United States and other developed countries more recently were also viewed negatively.

Another major difference is that by the early 1980s when China began to open its economy to foreign investors, the Chinese in Hong Kong, Taiwan and Macao were already among the most successful exporters of labor-intensive manufacturers in the world. Unfortunately, the Indian diaspora apparently lacks this expertise, and there are no wealthy Indian diaspora-dominated regions or countries to provide such service.

### 2) *Cultural differences*

China has a large and wealthy diaspora that has long been eager to help the motherland, and its money has been warmly received. Cultural and family ties are a draw, along with a desire to give something back to the motherland. The “fallen leaves” are supposed to return to their roots when they get old. If they cannot physically return home, they would help families back home through remittances.

Due to its colonial experience, Indians used to regard foreign investment as an extension of the imperialist exploitation of local residents. Only in recent years has this mentality been slowly changing. After witnessing the sea changes in Shenzhen and the whole coastal region of China in the past two decades, the government of India is considering following China’s footsteps and establishing some 20 special economic zones to attract more foreign direct investment and promote export.<sup>18</sup>

When comparing the social institutions and cultures in India and China and their readiness to absorb the mechanism of a market economy, a leading Chinese international relations scholar commented that India has a modern political structure, a basically modern economic structure, but its socio-cultural structure is pre-modern. Without a drastic social change like Maoist revolution in China, the blood or clan-centered social structure is incompatible with principles of the market economy.<sup>19</sup>

### 3) *Institutional differences*

Strong institutionalized links intimately connect China with overseas Chinese communities. Except during the Cultural Revolution, when people with overseas connections were looked down upon with suspicion, the Chinese government has been wooing overseas Chinese to contribute to the modernization of China. Since China opened its door again in the late 1970s, both official and societal attitudes toward overseas Chinese have changed. Overseas Chinese are admired and enthusiastically pursued by governments at all levels in China. The Chinese government has a special cabinet ministry to deal with overseas Chinese affairs. The Overseas Chinese Affairs Commission (OCAC) (*qiaowu weiyuanhui*), dissolved during the Cultural Revolution, was re-established in 1978 as the Overseas Chinese Affairs Office (*qiaowu bangongshi*). OCAC offices were also set up at provincial, municipal, county, and even some township and village levels all across China.

The All-China Federation of Returned Overseas Chinese (ACFROC) (*quanguo guiqiao lianhehui*) was also re-established in 1978 as a government-sanctioned mass organization to help returned overseas Chinese and their families.

In 1983, the National People's Congress, China's parliament, also formed a committee on overseas Chinese affairs. The main purpose of these institutions has been to encourage overseas Chinese to contribute to China's development.

China is a prime example of how a state has deliberately instituted policies to attract the resources of its diaspora in order to achieve rapid economic growth. These measures include establishing special economic zones, pass preferential laws, and use patriotic appeals. One example of a specific law for overseas Chinese is the "State Council's Regulation on Encouraging Overseas Chinese, Hong Kong, and Macao Compatriots to Invest in the Mainland," issued in 1990. Throughout the past two decades, the Chinese government has become more astute at attracting overseas Chinese. Government officials wine and dine potential investors, and more than 70 business parks have been set up exclusively for their use.<sup>20</sup>

By contrast, NRIs have long complained about their treatment by India. Corruption is a major issue. Whenever NRIs seek customs clearance, they are invariably pressured to pay bribes. There have been cases when NRI passengers were made to miss their flights because of callous officials. Indian-Americans also complain how difficult it is to donate money to worthwhile causes in India. The Foreign Contributions Regulation Act makes donations a nightmare of paper-work and corruption.<sup>21</sup> Up until the early 2000s, official policies regarding investment in India were still "damaging to the business climate," and obtaining an export license would require up to 250 official signatures.<sup>22</sup>

However, after decades of indifference, India has begun wooing its 20 million expatriates. The government of India established a High Level Committee on the India Diaspora in 2000 headed by Dr. L.M. Singhvi, MP, to study "the problems and difficulties, the hopes and expectations of the overseas Indian communities."<sup>23</sup> The committee, in its report to the Prime Minister, recommended that January 9, the day Mahatma Gandhi returned to India from South Africa in 1915, be celebrated as Pravasi Bharatiya Divas (Non-resident Indian Day). On January 9-11, 2003, the Indian government hosted its first ever gathering of global Indians in New Delhi. Prime Minister Atal Behari Vajpayee invited about 2,000 NRIs and others of Indian origin to the inaugural get-together. During the conference, India's Finance Minister announced substantial easing of overseas investment rules for both the private sector and individuals. Pravasi Bharatiya Divas has been institutionalized and become an annual event. India is also taking steps to grant dual citizenships for selected NRIs.

In addition, recognizing the importance and great potential of overseas Indians in India's development, in May 2004 a new government ministry—the Ministry of Overseas Indian Affairs (MOIA) was officially established by the Indian government. The new ministry is set up to help both NRIs and PIOs (person of Indian origins who have acquired citizenships of other countries) and their families on various issues such as investment safety, children's education, and employment of family members. Several years back, in its original proposal to set

up the new ministry, the parliament's standing committee on external affairs claimed that NRIs and PIOs are "extremely valuable" to India's development.<sup>24</sup> Despite some bureaucratic and administrative delays, the new ministry seems to be seeking a bigger role in the political economy of India.<sup>25</sup> Since the power transition in India in the first half of 2004, the National Congress Party has continued to strengthen economic reforms including efforts to attract FDI.

#### 4) *Economic development models*

Both Chinese and Indian economies were strongly influenced by the Soviet model which emphasized planning and industrialization. Mohandas Gandhi and Jawaharlal Nehru were two most influential men in modern Indian political economy. Yet the visions of the two for India were hardly alike: Gandhi believed India's future lay in self-reliant villages; but Nehru, influenced by Soviet socialism, wanted to urbanize and industrialize, filling India with steel mills, hydroelectric dams and engineering colleges.<sup>26</sup> Nehru's vision won.

India did not adopt economic reforms until the early 1990s. Former Prime Minister Rajiv Gandhi brought the first supercomputer to India in 1990, and the Congress Party paved the way for the reforms that created the technology boom that have made cities like Bangalore and Hyderabad rivals of Silicon Valley. But it was also the Gandhi family that brought socialism to India, a system that created enormous regulatory barriers to businesses, both foreign and domestic.<sup>27</sup>

NRI remittances have influenced the Indian economy for many decades and since the economic liberalization in 1991, an even greater potential is seen in India's relations with the diaspora community. Between 1990 and 2000 remittances from abroad grew six-fold, from \$2.1 billion to \$12.3 billion.<sup>28</sup> This growth far exceeded growth in India's exports.

The different approaches to diaspora communities by India and China reflect their different economic development models. Chinese economic growth since the late 1970s has largely depended on foreign direct investment, and Chinese diaspora has contributed as much as 70% of total FDI. This helps explain why the Chinese government has vigorously pursued and attracted overseas Chinese to their ancestral homeland. India's economic reform has focused on restructuring indigenous traditional industries and developing new high-tech industries. The Indian government started to change policies to attract NRIs in the late 1990s. It can be expected that India will continue to appeal to the many high-tech industry-based NRIs in the hope of perhaps turning India into the world's technological lab much like overseas Chinese have helped turn China into the world's workshop.

#### 5) *Geopolitical differences*

The different policies China and India adopt towards their diaspora communities also demonstrate the different political considerations of their governments. A major reason China has endeavored to attract overseas Chinese is that it needs to compete with Taiwan to win the hearts and minds of millions of

ethnic Chinese around the globe. Indeed, Taiwan and the PRC each has a ministerial level office to handle overseas Chinese affairs. Winning sympathy and political support from overseas Chinese has been a major struggle between Taiwan and the PRC. By contrast, there is no such political incentive for India to enthusiastically woo its expatriates.

Lobbying competition between the PRC and Taiwan has become increasingly tense around the world since the early 1990s.<sup>29</sup> In the United States, the Taiwanese have a more sophisticated and longer history of lobbying. The annual debate in the US Congress over human rights and trade issues in China in the early 1990s made the Chinese government and many Chinese-Americans realize the importance of lobbying. Because of historical ties, shared values, and strong economic and strategic interests between Taiwan and the United States, the PRC government and its supporters face a tough job of garnering US support. Luckily for the PRC, the rising mainland market and its growing power and influence in world affairs greatly help stabilize relations between China and the United States. From the US perspective, China's increasing geopolitical influence, especially in the Asia Pacific region and on issues such as North Korea's nuclear crisis, makes it impossible for the US government to ignore China's interests promoted by Chinese-Americans and other groups who wish to maintain a stable relationship with China.

Indians in the United States are also rapidly acquiring political clout commensurate with their affluence. They are now poised to play the same role for their country of origin as other immigrant groups such as the Jewish community has been to Israel. Not long ago, India was almost subjected to economic sanctions by the US Congress for perceived violations of civil rights in Jammu, Kashmir and Punjab, but now the situation is very different. In 1998, the Congress passed legislation diluting sanctions imposed by President Bill Clinton after India's nuclear tests. In its 107<sup>th</sup> session the US Congress passed a resolution supporting a permanent seat for India in the UN Security Council. In another example, Ms Shirin Tahir-Kheli was considered as a front-runner to succeed Mr. Karl Inderfurth as the New Assistant Secretary for South Asian Affairs. The Assistant Secretary for South Asia is a key figure in steering US policies towards the region. Some members of the Indian-American community launched an email-bltitz to voice their concern at Ms. Tahir-Kheli's close Pakistani connections. Finally, Ms. Christina Rocca was appointed the Assistant Secretary for South Asia and Ms. Kheli, the head of the US delegation to the UN Commission on Human Rights.<sup>30</sup>

It must be mentioned that Pakistanis in the United States have also been lobbying "at a frenetic pace" in recent years, especially with focus on the Kashmir issue to win the support of the United States.<sup>31</sup> But Pakistani-American lobbying has not proved a formidable challenge to the more experienced and better-organized Indian-American lobbying.

Due to different political systems in India and China, Indian-American lobbying activities are less constrained by American politics than Chinese-

Americans. Democratic values sell well in America. In the wake of 9/11, a democracy like India or Israel can effectively present an image of a peace-loving democracy being threatened by terrorists, and receive moral, political and military support from the United States.

In recent years Indian-Americans and Jewish-Americans have successfully teamed up to push for US policies favorable to their homelands. For example, in the summer of 2003, pro-Israel and pro-India groups successfully worked together to gain the Bush administration's approval for Israel to sell four Phalcon early warning radar planes to India for about \$1 billion, a deal that has alarmed the Pakistani government. Three years earlier, the United States government blocked a nearly identical proposal that Israel sell radar planes to China.<sup>32</sup> During President Bush's South Asia trip in March 2006, the United States reached a historic agreement to share nuclear reactors, fuel and expertise with India. Meanwhile, the United States still maintains export controls to China as part of the economic sanctions against China that were first imposed following the Tiananmen Square incident in 1989. The logic behind all these is simple: Unlike China, India is a democracy and is unlikely to threaten America's national interests. India is also increasingly perceived by some in the United States as a counterweight against the rising Chinese power.

## CONCLUDING REMARKS

In various ways diaspora communities maintain close contact with their ancestral homelands. An issue that has not been systematically investigated is the role these diaspora groups play in the political economy of their homelands. This research has attempted to fill the theoretical and policy gap in this area. The findings suggest that Indian and Chinese diasporas in the United States have contributed positively to the economic development of their ancestral homelands and promoted relations between their countries of origin and countries of residence. The findings also suggest that the significant roles of Indian and Chinese diasporas in their respective homelands' development and foreign relations consistently reflect, and are strongly influenced by, economic development strategies as well as political history and culture of their homelands. The comparison of Chinese-Americans and Indian-Americans indicates that the extent to which diasporas can promote relations between their homeland and country of residence is constrained by the state of bilateral relations between the two countries. The findings appear to confirm the validity of the two hypotheses proposed earlier. The examination of Chinese and Indian diaspora activities also provides a new perspective in the study of the political economy of China and India.

Chinese and Indians are considered two of the major "global tribes" who have achieved economic success in contemporary international political economy.<sup>33</sup> The state-diaspora interactions will only become more active in the global economy of the 21<sup>st</sup> century. Globalization will deepen and widen the process of

international migration since it promotes the movements of capital, commodities, personnel, and cultures across national borders. The traditional “brain drain” from developing countries to the Western world has already been replaced by “brain circulation,” meaning a variety of two-way flows of highly skilled workers between the technologically advanced countries where they reside and the less-developed countries where they were born, especially in the case of Chinese and Indian professionals in North America.<sup>34</sup> This has become a unique phenomenon in contemporary international political economy. Since these diaspora communities clearly exert social, cultural, political and economic impact on the developments of both India and China, their international roles need to be more closely examined.

The comparative study of Chinese and Indian diasporas also raises questions for further research. Up till now, China has done a better job than India in obtaining the support of overseas Chinese for China’s economic growth, and yet China is not a democracy. Students of political systems may ask: Does regime type matter? Or perhaps government policies, not government types, are more relevant in this situation? What implications does the study of Chinese and Indian diasporas have for other developing countries?

The rise of the twin powers of China and India in the 21<sup>st</sup> century will certainly affect America’s interests in and policies towards Asia. The lobbying power of Chinese-Americans and Indian-Americans and its consequences cannot be overlooked by American policy makers and the public. And finally, since many diasporas have lived in the West for years, and many have become permanent residents or citizens, they may face issues of national identity and loyalty, which also directly concerns immigration, social and other policies of the West. If diasporas do play a significant role in the political economy and foreign relations of their countries of origin, then clearly Western countries need to pay more attention to these residents within their borders when attempting to expand and strengthen relations with other countries, including India and China.

## Notes

<sup>1</sup> Diaspora, as used in this article, includes both those who live out of their homeland temporarily and those who have already acquired citizenship of their country of residence but remain strongly attached to their country of origin. The Chinese diaspora is commonly known as overseas Chinese, and the Indian diaspora is officially called Non-resident Indians. The Indian figure is from India’s Ministry of External Affairs. See “Non Resident Indians & Persons of Indian Origin Division, Ministry of External Affairs, New Delhi, India,” at <<http://indiandiaspora.nic.in>>. The Chinese figure is from various sources.

<sup>2</sup> According to Merrill Lynch figures, there are 200,000 Indian millionaires in the U.S., or about one in 10 of all Indian immigrants to the U.S. See Prasad, Sunil, “Can the Indian Diaspora Help India Overtake China?” Global Organization of People of India Origin (GOPIO) paper, accessed online from <[www.gopio.net/India\\_China\\_0703.doc](http://www.gopio.net/India_China_0703.doc)>. See also, “Never Mind China, Watch India,” *The Toronto Star*, April 28, 2004, accessed online from <[www.thestar.com](http://www.thestar.com)> the same day.

<sup>3</sup>For a detailed discussion of these theories, see for example, Laurence J. C. Mar and Carolyn Cartier (eds.) *The Chinese Diaspora* (Lanham, Maryland: Rowman & Littlefield Publishers, Inc., 2003).

<sup>4</sup>See, for example, Sunil Prasad, "Can the Indian Diaspora Help India Overtake China?" Global Organization of People of India Origin (GOPIO) paper, accessed online from <[www.gopio.net/India\\_China\\_0703.doc](http://www.gopio.net/India_China_0703.doc)>; and Sadananda Sahoo, "Can India Catch Up With China? From a Diaspora Perspective," Center for the Study of Indian Diaspora, University of Hyderabad, September 2002, accessed online at <<http://www.geocities.com/husociology/china.htm>>.

<sup>5</sup>It is generally believed that direct and indirect investment from Chinese in Hong Kong, Macao, and Taiwan is included in the calculation. According to the "round-tripping" hypothesis, mainland Chinese firms transfer funds to Hong Kong, Macao, Taiwan, and other regions and then re-invest in China as FDI inflows in order to benefit from the preferential treatment. Estimates suggest that round-tripping FDI accounts for one-fourth of China's total FDI. See Nirupam Bajpai and Nandita Dasgupta, "FDI to China and India: The Definitional Differences," *Business Line* (internet edition), May 15, 2004 at [www.thehindubusinessline.com/2004/05/15/stories/2004051500081000.htm](http://www.thehindubusinessline.com/2004/05/15/stories/2004051500081000.htm).

<sup>6</sup>"Didn't They Do Well? The diaspora is 'discovered,'" *The Economist*, January 25, 2003: p. 44.

<sup>7</sup>This paper focuses on diaspora's contributions to homeland's development in terms of investment. Without doubt, their contributions are multidimensional including, for example, setting up schools and training centers, building bridges and hospitals, and simply introducing Western management and business culture to their homeland.

<sup>8</sup>"Chinese Americans Emerge as a Political Power in S.F.," *The Los Angeles Times*, February 1, 2004, accessed online from <[www.latimes.com](http://www.latimes.com)> on February 2, 2004.

<sup>9</sup>See the Committee's website at <[www.committee100.org](http://www.committee100.org)>.

<sup>10</sup>Peter Beinart, "Domestic Partners: China's codependents in the U.S.," *The New Republic*, March 10, 1997: p. 15.

<sup>11</sup>"Indian-Americans No Longer on the Political Sidelines," *Daily Times* (Pakistan), December 22, 2003. Accessed online from <[www.dailytimes.com.pk](http://www.dailytimes.com.pk)> on February 2, 2004.

<sup>12</sup>Ibid.

<sup>13</sup>*The Washington Post*, October 9, 1999.

<sup>14</sup>Beinart, "Domestic Partners," p. 14.

<sup>15</sup>Prasad, Sunil, "Can the Indian Diaspora Help India Overtake China?" Global Organization of People of India Origin (GOPIO) paper, accessed online from <[www.gopio.net/India\\_China\\_0703.doc](http://www.gopio.net/India_China_0703.doc)>.

<sup>16</sup>Beinart, "Domestic Partners," p. 14.

<sup>17</sup>Yasheng Huang and Tarun Khanna, "Can India Overtake China?" *Foreign Policy* (July/August 2003), p. 75

<sup>18</sup>The Indian Elephant Catches up Quickly with the Chinese Dragon," *Lianhe Zaobao* (Singapore), accessed online at <[www.zaobao.com](http://www.zaobao.com)> on January 25, 2004.

<sup>19</sup>Ibid.

<sup>20</sup>"On Their Way Back," *The Economist*, November 6, 2003.

<sup>21</sup>"The Indian American Diaspora—How it contributes towards India," *Business Line*, August 7, 2002.

<sup>22</sup>David Masci, "Emerging India: Current Situation," *CQ Researcher*, April 19, 2002, pp. 346-349.

<sup>23</sup>Quoted from India's Ministry of External Affairs website on the Indian Diaspora at <<http://indiandiaspora.nic.in>>.

<sup>24</sup>"Ministry to Set up Department to Deal with Woes of NRIs," *Press Trust of India*, April 22, 2000.

<sup>25</sup>"Allot Work to NRI: Parliamentary Panel," *Indo-Asian News Service*, August 25, 2004.

<sup>26</sup>"The Man Who Made India," *Time* (Asia Edition), December 8, 2003, Vol 162, No 22.

<sup>27</sup>"Can Gandhi Heirs Revive Dynasty?" *The Christian Science Monitor*, January 30, 2004: p. 6.

<sup>28</sup>"The Indian American Diaspora—How it contributes towards India," *Business Line*, August 7, 2002.

<sup>29</sup>For a detailed account of the PRC-Taiwan lobbying competition see Zhiqun Zhu's "Battle Without Gunfire: Taiwan and the PRC's Lobbying Competition in the United States" in *Asian Perspective*, Vol. 24, No. 1 (2000), pp. 47-70.

<sup>30</sup>"The Indian American Diaspora—How it contributes towards India," *Business Line*, August 7, 2002.

<sup>31</sup>See for example, "Expat Paks Intensify Lobbying in Washington," *The Rediff News*, June 18, 1998, accessed online from <<http://www.rediff.com/news/1998/jun/18bomb.htm>>.

<sup>32</sup>Alan Cooperman, "India, Israel Interests Team Up," *The Washington Post*, July 19, 2003.

<sup>33</sup>According to Joel Kotkin, the other "global tribes" include the Jews, the British, and Japanese. See Kotkin, *Tribes: How Race, Religion, and Identity Determine Success in the New Global Economy* (New York: Random House, 1993).

<sup>34</sup>Moises Naim, "The New Diaspora," *Foreign Policy*, July/August 2002.

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