

Expatriates' economic role

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THE story of the development of the Pakistani expatriates community in various parts of the world was the product of some remarkable demographic shifts that occurred in the country since it gained independence nearly six decades ago. Exactly how and why these shifts happened warrants further study. This is for the simple reason that the formation of the expatriates community and their interaction with the home country are events of enormous significance not just for the history of the communities of Pakistanis living abroad but also for the social, political and economic development of Pakistan.

Like the Jews, the Chinese and some Indians, some Pakistanis are also naturally diasporic people. They are prepared to move long distances in order to escape economic hardship or religious persecution and also to look for new opportunities. Of these early long-distance migrants it was only the Jews who displayed a strong sense of separate identity and nationhood.

These impulses were strong enough for them to create a homeland for themselves against heavy odds. The Indian and Chinese communities for a long time took little interest in their respective countries of origin. The Chinese, living in various China towns in the western world, were almost totally out of touch with the homeland. This was also the case with the Indian communities in the Caribbean and various parts of Africa.

The Asian foreign communities were founded hundreds of years ago. Their isolation from the homeland may have been the result of poor communications in those periods. The more recent migrants are different. No matter where they come from they tend to remain in close touch with the places and people they have left behind. This is made possible by the low cost of communication; it takes a few pennies to make a telephone call to the homeland whereas a few decades ago the cost was a multiple of the daily wage.

The same is true about the cost of travel. A return air ticket from the United States to Pakistan costs less than one-tenth of the annual minimum wage of a gainfully employed person. It is not surprising that, when the new migrants have the financial wherewithal, they tend to look at their homeland as a destination for their savings. This is certainly what the large communities of Pakistani expatriates are now beginning to do.

This would not be an unusual role for a

ments that are available to the remitters, and the way the communities living and working abroad view their home country's economic prospects. Given these factors no stream of remittance is the same. A country hoping to economically benefit from the wealth of its citizens living abroad would do well to understand their economic interests.

In the article last week, I began to provide some insights into one of these communities — the one in the United States of America. Let me recapitulate some of the guess-estimates I provided last week about the economic situation of the Pakistani expatriates in North America before moving forward with the story about their growing influence in the home country. I settled for a smaller estimate of half a million for the total number of Pakistanis resident in North America. This is a lower count than my earlier estimates, taking into account some of the more recent work done in this area. That notwithstanding, I still believe that there are many more Pakistanis in North America than suggested by some studies.

I suggested last week that the aggregate annual income of the North American expatriates is of the order of \$25 billion, their accumulated wealth is in the neighbourhood of \$100 billion, and their combined yearly savings is probably more than \$6 billion. With about 200,000 households making up the expatriate community in several cities of the

What follows is an effort to disaggregate the large community of Pakistanis in North America into its various parts. This description is not based on deep research but drawn from informed guess and personal knowledge about the broad economic characteristics of these diverse groups of people.

There is a rich mix of social and economic backgrounds among the North American Pakistani expatriates. The community in the Greater Washington area is dominated by the professional classes, a significant number of whom are employed in the public sector including the federal government, the World Bank, and the International Monetary Fund. There are also people from this community — in particular from the second or third generations — who have found jobs in the numerous think-tanks that operate in the area. A growing number of working class immigrants from Pakistan are now resident in the northern part of the state of Virginia, next door to Washington.

Further up the East Coast are the communities of New Jersey and New York which have a larger proportion of working classes than is the case with the other expatriates. As is common with other groups of immigrants, the members of this group have congregated in the businesses in which some of those that had come earlier scored successes. Prominent in this group are taxi drivers, owners of newspaper kiosks, owners and workers in small retail businesses, and owners and waiters in ethnic restaurants.

Moving further north are the communities in Chicago and Detroit. Not unlike the Washington group, this group also has a significant number of professionals — physicians and surgeons, engineers, lawyers, economists and accountants. Almost all of them work in private businesses, either self-owned or as employees in large firms. The Toronto Pakistani community in Canada — the largest Pakistani expatriate community in that country — is basically an extension of the Chicago group.

The community in the San Francisco and Los Angeles area is dominated by the people in the high-tech industry. As a result of the IT and dot.com booms of the 'nineties some of these people have experienced vertiginous upward economic mobility. The size of accumulated wealth and annual incomes of this community is considerably greater than the average for the communities in other parts of the continent.

Finally, the Pakistani community in the Houston-Dulles area is dominated by the people who have set up successful businesses; some of them in the oil sector while some other have taken advantage of the economic boom that has lasted for decades in the area. Since this part of the United States has a very strong presence of immigrants many of whom operate their own businesses, the Pakistani

Neither the academic community nor government agencies have taken much interest in understanding the economic background and medium and long-term economic interests of the Pakistanis residing in the United States. This community is poised to play a significant economic and social role in the future of their homeland. Their contribution will be more pronounced than the Pakistani expatriates living in Britain and the Middle East.



United States, their average net wealth is about half a million dollars per family. The income from this asset base should be around \$40,000 a year.

In other words, the Pakistanis resident in the United States and Canada have enough accumulated wealth to ensure a sizable yearly income in addition to what they earn from their jobs and businesses. How are they using their savings from both accumulated wealth and current income? How much of these savings are going to Pakistan and what is the likelihood of their increase? Would the expatriates be prepared to tap into their wealth to make investments in Pakistan? Is there a role for the Pakistani government in encouraging the expatriates' savings to flow to Pakistan? I will attempt answers to these and other ques-

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Pakistanis expatriates are now beginning to do.

This would not be an unusual role for a diaspora; this type of contribution has been made — and is being made — by the communities that originated in many countries. These include Israel, Ireland, Poland, China, the Philippines, India and Mexico. Pakistan has now joined this league of nations. In fact the total amount of remittances flowing into the developing world from the groups of immigrants living and working in various parts of the developed world is now more than \$100 billion a year. This is twice the amount of total foreign aid provided by rich nations to poor countries and about a quarter of the annual flow of foreign direct investment into the developing world.

The fact that governments in the developing world invest so much time and effort in maintaining good relations with the providers of development assistance but spend practically no time at all studying their expatriates or working with them is a good indication of the ignorance about the important role these communities are playing — or could play — in the development of their homelands.

The precise interest of the expatriate communities in their homeland is the product of several factors. These include the economic and social background of the immigrants, the nature and scope of types of ties the overseas communities maintain with the country of their origin, the types of financial instru-

ments used for remittances and the use of the expatriates' savings to flow to Pakistan? I will attempt answers to these and other questions over the next week or two.

Financial flows from the Pakistani communities in the United States could play a significant role in the economic and social development of the home country. This has already begun to happen given the quantum jump in the level of remittances in the last few years. In 2003-2004, the total amount of remittances received by Pakistan was more than four per cent of the country's gross domestic product, equal to about one-quarter of the total amount of net investment. This flow contributed more than one percentage point to the increase in national income estimated at 6.4 per cent for the year. In other words, the Pakistani expatriates are already contributing significantly to their homeland's economic development.

Neither the academic community nor government agencies have taken much interest in understanding the economic background and medium and long-term economic interests of the Pakistanis residing in the United States. It is my belief that this community is poised to play a significant economic and social role in the future of their homeland. Since the contribution they could make will be more pronounced than that of the two other Pakistani expatriate communities — those in Britain and the Middle East — it is worth the effort to develop a better understanding of these communities.

strong presence of immigrants many of whom operate their own businesses, the Pakistanis have found an easier acceptance here as business owners and operators.

These communities have different economic interests in Pakistan. The working class communities on the East Coast (Washington-Virginia and New Jersey-New York) are not unlike the Pakistani workers in the Middle East. While they earn considerably more but save less than the Pakistani workers in the Gulf states, they do send money to their relatives and friends back in the homeland. A steady flow of about \$150 million from the United States to Pakistan in the period before 9/11 was made up of this type of remittance. It is unlikely that the total amount of money originating with this group would grow in any significant way unless their number increases. The size of this component of the expatriate community is unlikely to increase given the constraints imposed on the entry of people with low levels of skills into the United States following 9/11. These constraints are particularly severe for the Muslim world.

The more well-to-do members of the various communities of Pakistanis identified above have come recently into the picture as active remitters, attracted by the booming real estate markets in various parts of Pakistan. How they are responding to the opportunities they see in the homeland will be the subject of the article next week.