Diaspora Philanthropy and Equitable Development in China and India

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OVERVIEW

Diaspora philanthropy is not a new phenomenon. Both the migration of people from their country of origin and the tradition of “giving back” are centuries old. But in an era of accelerated globalization, the relationship between diaspora philanthropy and the economic and social development of many countries is increasingly relevant. With economic and cultural globalization, the constant movement and migration of people, and the ease of travel and communication, notions of “community” are being redefined. Individuals residing outside of their countries of origin often maintain strong familial, cultural, economic, and political ties to their homelands. The transfer of resources from residents of one country back to families and communities in their country of origin has rapidly escalated over the last few decades. Consequently, there is growing debate regarding the impact of diaspora transfers on poverty, development, and equity in home countries, and growing interest in the potential to increase the quantity and impact of diaspora giving addressed at effective social change.

The term *diaspora* originally referred to the dispersion of Jews from Palestine following the Babylonian exile in the sixth century BC. In contemporary usage diaspora refers to any diffusion of people outside of their homeland and generally connotes the communities formed by migrants and the continuation of links between members of the diaspora and their home countries. Modern diasporas are diverse and continually shifting. As in the past, migration today results from many “push” and “pull” factors. They can be based on voluntary or involuntary movement, result in temporary or permanent resettlement, and include high- and low-skilled workers. Large-scale migration often occurs between neighboring countries as, for example, in South Asia, and also, very often, from poorer to wealthier countries. More people are moving more rapidly, more easily, and over greater distances than ever before. This is certainly true of recent migrants from China and India to the United States.

Philanthropic resources and practices have been generated and influenced by diaspora groups. Individuals in earlier waves of Chinese and Indian migration often sent a portion of their earnings back to their home communities. Dozens of towns, estates, and houses in southern and eastern India are evidence of such remittances, especially from Indians in Southeast Asia. Similarly, earlier Chinese migrants to the United States sent money “home” to build towns, railroads, and schools in southern China.

Today’s global economy is generating another wave of diaspora giving. Recent stock market fluctuations notwithstanding, enormous wealth
has been generated, particularly in the past two decades. The information economy has increased demand for engineers, managers, and other high-paid professionals and offered opportunities for investors and entrepreneurs in economically advanced countries like the United States. With more open immigration laws, Chinese and Indians, like others, have migrated to exploit these economic opportunities. In Silicon Valley, Asian Americans are estimated to constitute over 30 percent of the highly paid scientific and engineering workforce and represent one-third of the region’s millionaires. As their wealth has grown, so too has their charitable giving—both to their old as well as new countries of residence.

**ECONOMIC REFORM, DEVELOPMENT, AND EQUITY**

Growth in diaspora giving has occurred during an era of major reforms in both China and India. In China, the reforms that began in the late 1970s have opened the economy to private markets, domestic and international. The resulting very rapid, indeed spectacular, economic growth is recognized as one of the most important global developments in recent years. Rapid economic growth has been accompanied by an equally dramatic reduction in mass poverty. Yet, China continues to face major challenges of economic inequality, human insecurity, and deep and pervasive poverty.

Although the vast majority of Chinese have benefited from recent developments, many others have been either marginalized or seen their conditions worsen. Income inequality has increased markedly between those able to capture gains from the new economy and those unable to do so. Favored have been people living in the rapidly growing coastal regions rather than the inland regions, urban dwellers rather than rural people, and the young rather than old. The dynamism of the economy has led to enormous human dislocations. A “floating population” of more than 100 million rural people are said to be working outside their registered places of residence. State and collective institutions that previously provided basic public goods have been weakened or dismantled. Increasingly, education, health, and other social services are provided by the market and available only to those able to afford them. Key social infrastructure, like China’s public health system, has been undermined, as demonstrated by China’s delayed response to the SARS epidemic in 2003. The threat of HIV/AIDS only adds to concerns about the weakness of China’s public social service infrastructure.

Begun only in the 1980s and accelerated in the 1990s, Indian reforms have also stimulated economic growth—from the average “Hindu rate” of less than 4 percent in the earlier, post-independence period of relative economic isolation to from 6 percent to 7 percent a year during the past
two decades. The incidence of poverty in India also has declined, if less dramatically than in China. And, like China, India is challenged by deeply entrenched economic inequality, human insecurity, and persistent poverty. Regional disparities are marked with the southern and western states having fared much better than the northern and eastern states, and so generally have urban compared with rural populations and higher compared with lower castes, with Dalits or Untouchables at the bottom of the ladder. The Indian government’s provision of public goods since independence, never either universal or comprehensive, has stalled or even decayed in recent decades. At the same time, private schools and high-tech hospitals, which are expanding rapidly, are often accessible to only the elite. Both public provision and private initiatives face unresolved problems of inaccessibility, poor quality, and lack of affordability.

THE CHANGING NATURE OF THE CHINESE AND INDIAN DIASPORAS

America’s exclusionary policies toward Asians that characterized most of the twentieth century changed dramatically with passage of the 1965 Immigration Act. The new waves of immigration that followed have increased the size and changed the composition of the Chinese and Indian diasporas in the United States. According to census figures, the number of Americans of Chinese origin increased from 237,000 in 1960 to 812,000 in 1980 and to 2.88 million in 2000. (Unofficial estimates put the current total of Chinese Americans at 3.6 million.) Similar increases were counted among Americans of Indian origin. Between 1980 and 2000, the number of Indian Americans increased from 360,000 to 1.6 million. (The current number is estimated at 2 million.) Moreover, most of the Chinese Americans and Indian Americans now in the United States are newcomers, that is, they were born overseas, whereas prior to 1965, the majority was born in this country.

Also markedly different from the past is the educational attainment, skill level, and economic profile of today’s Chinese American and Indian American communities. With higher educational levels, a culture of hard work, and occupational preferences for business, engineering, and the sciences, Chinese and Indians in the United States enjoy average incomes 30–35 percent higher than the general population. Their social groupings are based on personal, often kin- or clan-based, relationships. One oversimplified classification divides Chinese Americans into “downtown” and “uptown” communities, shorthand for grouping, respectively, earlier and later waves of immigrants. Not surprisingly, the latter group is more likely to have professional or entrepreneurial backgrounds, higher incomes, and thus include the majority of the new philanthropists. Indian Americans
cluster around regional or linguistic associations of their homeland or trade or professional organizations of their adopted country. These in turn also provide social and organizational bases for philanthropic giving back to India.

In recent years, connections between Chinese Americans and Indian Americans and their homelands have taken new forms. Advances in mass communications, the Internet, and international travel have created unprecedented opportunities for the diasporas to remain professionally and personally connected with their countries of origin, thus changing fundamentally the way the two communities relate both to the United States and to China and India.

As the Chinese American and Indian American communities have grown in size, affluence, and acculturation, they are helping to shape relations within and between their host and home countries. Their numbers may be relatively small compared to the total population of the United States, but they are increasingly making their voices heard through their votes, campaign contributions, and organizing efforts at local, state, and even national levels. These efforts are having an impact on domestic policies that affect the diasporas, on U.S. foreign policy toward China and India, and even on how international public opinion views the two countries. The two diasporas are also beginning to have a noticeable impact on the policies and politics of their countries of origin.

**Diaspora Philanthropy**

Diaspora communities have long evidenced a strong obligation to help others through the giving of time, goods, talents, skills, and money. Unfortunately, information on the amount, purpose, and geographic destination of diaspora philanthropy to China and India is scarce. We know that migration from China and India varies by region, class, religion, and caste. Presumably, the destination of diaspora philanthropic investments follows similar patterns. Because they are primary sources of their respective diasporas, the southern and coastal regions of China and the western and southern regions of India are likely to be disproportionately favored. The geographic location and purpose of philanthropic giving reflect the preferences of philanthropists, which in turn are usually linked to their sense of identity, familial relationships, social affinities, and traditions of charity. Typically, first-generation Indian Americans prefer to give to their regional, linguistic, or religious compatriots, rather than "to India." Likewise, the Chinese Americans are more likely to donate to their hometowns or provinces. However, there is some evidence that second- and third-generation immigrants are less parochial in their giving and more inclined to respond to national needs in their countries of origin.
The growth of diaspora philanthropy in the 1990s invigorated established mechanisms and stimulated the creation of new intermediaries for giving. The most common form of financial transfer remains informal: remittances to family and relatives in the homeland. Donations to socially oriented nongovernmental organizations in China and India have also increased. Civil society in China is young and fragile. The Chinese nonprofit sector is dominated by several quasi-governmental federations or associations—for women, children, disabled, and so on. Although they continue to receive substantial government funding, they are also becoming increasingly active in seeking private contributions at home or abroad. In contrast, India has a plethora of nongovernmental organizations (NGOs), many with their origins in earlier Hindu, missionary, and Gandhian social movements. However, shaped by their experiences in India, Indian American philanthropists react negatively to both the perceived unreliability of NGOs and the politicization and bureaucratization of government efforts in the management of donated funds.

Enterprising Indian NGOs such as Child Relief and You (CRY) and Asha for Education have established independent 501(c)(3) intermediaries to facilitate tax-deductible contributions from the United States. The more prestigious Chinese universities have also established “friends of” intermediaries to receive funds from alumni in the United States. International NGOs, such as CARE, Oxfam, and Save the Children, are another form of intermediary, although none as yet has targeted diaspora communities. Still other intermediaries have been established, either as adjunct programs within U.S. organizations or as separate organizations to manage diaspora philanthropic flows. Notable among these are the Silicon Valley Community Foundation, Give2Asia (established by the Asia Foundation), and the American Indian Foundation.

The volume of philanthropic funds transferred is difficult to estimate because of imprecise definitions, data inadequacies, and analytical limitations. For example, the distinctions between for-profit and nonprofit transfers, and between private remittances and philanthropy for public purposes, are often impossible to classify. Chinese diaspora philanthropists sometimes donate funds to “lubricate” commercial investments. Many Indian American philanthropists have joined associations like The Indus Entrepreneurs (TiE), which promotes both commercial and philanthropic relationships with the South Asian homeland. Moreover, some philanthropists believe their commercial investments generate more sustainable social good than charitable transfers. Thus, while the “intent” may be philanthropic, the “investment” is commercial. Financial transfers to the home country flow through both formal and informal channels. Banking channels, including ATMs, are used as are informal mechanisms. For example, relatives bring cash for their families with
them on visits to their homeland or arrange to have yuan or rupees delivered to their families against dollar payments in the United States.

It is also difficult to define who constitutes “the diaspora” with regard to both countries. China considers as its citizens Han people born in China but now living overseas, regardless of other acquired citizenships. India considers Non-Resident Indians (NRIs) Indian citizens whose remittances do not require reporting under the Indian Foreign Contribution (Regulation) Act. But “Persons of Indian origin” (PIO) are considered foreigners and their contributions have to be reported in the same manner as foreign funds. Despite these data and definitional limitations, ample anecdotal and informal information suggests that diaspora philanthropy is of growing significance.

Diaspora philanthropy is but one component of a broader concept of “social remittances” that includes the transfer of values, attitudes, and practices. And, clearly, diaspora giving is only one dimension of a complex two-way exchange. Some view the migration of skilled people from poorer to richer countries as a costly “brain drain” or at least a shift of human assets from sending to receiving countries. India, for example, has estimated the value of its export of physicians to the United States in the second half of the last century at approximately $5 billion. Others argue that such “brain circulation” or “brain gain” benefits sending countries in terms of remittances and other repatriated assets. On one side of the ledger, public subsidy for the education of the highly skilled personnel in sending countries is transferred to the benefit of receiving societies. On the other side of the ledger are the diaspora’s contributions—material and nonmaterial—to the home country.

GOVERNMENT POLICIES AND CIVIL SOCIETY

Although philanthropic giving reflects personal decisions and preferences, its volume, purpose, and impact are also influenced by government policies and the strength of civil society. An illustration of the power of these forces is the interesting contrast between foreign direct investments (FDI) and personal remittances in recent decades to China and India. Since 1980, China has received $336 billion in FDI, with more than half that amount said to come from overseas Chinese. During the same period, FDI in India totals only $18 billion with 10 percent from the Indian diaspora. By contrast, remittances by the Indian diaspora to India reached $12.3 billion in 2000, perhaps seven or eight times the amount remitted to China.

The differences between flows of investments and remittances to China and India are due in part to the preferences of the respective diasporas and in part to contrasting government policies. The Chinese gov-
ernment, through successive regimes, has long encouraged the continuing engagement of overseas Chinese. With the reform and opening that began in the late 1970s, commercial investment by Chinese communities overseas has been even more strongly encouraged. On the other hand, Indian government policies, until very recently, have not encouraged or facilitated FDI investments from India’s overseas communities. Although the government’s earlier Cold War suspicions about foreign influence in Indian politics have receded, new concerns have arisen over funding from abroad in support of fundamentalist Islam.

The regulatory and tax environments in both sending and receiving countries also influence the nature of diaspora philanthropy flows. Tax deductions are available to Americans if the recipients are registered 501(c)(3) organizations or their equivalent; hence, the decisions of Indian NGOs and Chinese universities to establish such organizations in the United States. The transfer, receipt, and reporting of foreign philanthropic funds in China and India are regulated by banking and reporting requirements. India’s Foreign Contributions (Regulation) Act requires NGOs that receive foreign funds to register with, and report receipts annually to, the Ministry of Home Affairs. In China, NGOs are required to register both with the Ministry of Civil Affairs and with the relevant substantive ministry. These requirements discourage diaspora giving.

In addition to the burdens posed by the legal environment in both countries, the lack of transparency and accountability of recipient NGOs (and government organizations) fuels distrust among diaspora philanthropists. The strength of civil society and the relation between civil society and the state is another factor influencing diaspora giving. China, still emerging from socialism and continuing with one-party rule, has not yet developed a strong and independent civil society sector. Chinese NGOs are still relatively few in number and closely monitored. By contrast, India’s nonprofit sector is huge, vibrant, and diverse. Yet, paradoxically, India’s “benevolent state,” with government seen as the main provider, has had the effect of disempowering citizens. Diaspora philanthropy can play an important role in strengthening and showcasing civil society in both China and India.

**Philanthropic Pitfalls**

Although diaspora philanthropy can be a valuable contributor to the betterment of society, not all diaspora giving benefits the broad public or supports systemic change. By its very nature, philanthropy is conducted by elites and the beneficiary institutions are often elitist. Even when the avowed purpose is to advance equity, funding that directly reaches the poor is rare. More commonly, intermediary actors transform philan-
thropic capital into goods and services accessible to those in need, but the ultimate impact is difficult to measure. The implications of diaspora philanthropy for social equity and justice in China and India are uncertain. In any case, whether such philanthropic investments are pro-poor or equity enhancing is a normative judgment, often based on contentious theories of social change and how policies and programs ultimately impact upon the poor.

One well-recognized hazard of diaspora philanthropy is the possibility of politicization. The most obvious arena of concern is faith-based philanthropy that supports or fuels religious extremism. Controversy has recently erupted over Indian American contributions to organizations with ties to Hindu fundamentalism. Some have even charged that diaspora giving to militant Hindutva groups fueled the recent ethnic riots in Gujarat. Similar concerns have been expressed about overseas donations, often from the Middle East, to extremist Islamic groups. Muslim schools, supported by private donations, have been accused of encouraging militancy and even of training terrorists, especially in neighboring Pakistan and Afghanistan. The Chinese government’s concern over foreign funding of certain religious organizations is evident in its crackdown on the Falun Gong sect. The government is similarly concerned about foreign funding to Tibetans and Muslims in China’s western regions. Again, judgments about the social value of philanthropic activities depend upon normative assessments of what constitutes public or social good and how philanthropically supported activities advance that social good.

In the United States, September 11 has raised fundamental questions and concerns about international philanthropic flows, especially to Muslim countries. The new U.S. Patriot Act is intended to limit philanthropic contributions that would directly or indirectly support militant Islamic groups or provide aid and comfort to such groups. Although only a few cases of abuse have been documented, tighter monitoring and oversight by the U.S. government is said to have put a damper on the Islamic diaspora’s traditional practice of the zakat, setting aside a share of income to help the poor. Islamic diaspora communities in the United States must take special care in channeling their support to Muslim societies through faith-based intermediary organizations. Although the implications of the Patriot Act on giving practices such as zakat are unclear, the new restrictions could significantly reduce diaspora philanthropic flows to Muslim countries.

Perhaps the most formidable philanthropic “pitfall” is its overall weak performance in terms of sustainable social change. A large portion of diaspora giving, like all giving, goes to religious institutions. Another significant portion appears to take the form of traditional “charity” aimed at relieving immediate suffering or hardship, for example, by feeding the hungry or aiding the sick. Although these are legitimate uses of philan-
thropic capital, their wider, deeper, and longer-term social impact is limited. Moreover, means of assessing the outcomes of social investments are not well developed, for either diaspora or other forms of philanthropy. Until more effective performance indicators, measures, and methodologies are developed and used, it will be difficult to gain consensus on the effectiveness of diaspora philanthropy in advancing the public good.

**Philanthropic Promise**

Whatever its ultimate social impact, diaspora philanthropy "expands space" for individual and civil society participation in development. Diaspora philanthropy can also expand the range of strategies deployed for solving key social problems. In state-dominated societies like China and India, government provision of social services has reached limits in scale, sustainability, and coverage. Few today believe that either China or India will return to the supposition that government can provide universal coverage for education, health, and social protection. Rather, both countries are moving, if in uncertain ways, toward a more mixed public-private system. Philanthropy is well suited to expand the number of actors and to develop more effective strategies for achieving a harmonious balance between public and private provision of public goods.

Diaspora philanthropy can also play a key role in identifying and testing creative and innovative approaches. The 1990 Institute's Dragon Fund, by helping to educate disadvantaged girls in China's remote provinces, provides not only direct scholarship aid, but also establishes human connections between diaspora philanthropists and young people, and highlights the importance of girls' education. An Indian diaspora philanthropist has helped the city of Bangalore introduce double-entry bookkeeping, a system that has both augmented public finances and made them more accountable and transparent. Diaspora support for elite universities, business schools, and institutes of science and technology undoubtedly contributes to the social institutional infrastructure of two giant societies with important long-term implications for knowledge generation and the education of future leaders.

Diaspora philanthropy presents a unique combination of financial resources, talent, enterprise, skills, new attitudes, and new mind-sets. The fact that many of the "new wealthy" have accumulated their wealth through information technology and other business ventures suggests diaspora philanthropy can make distinctive contributions in terms of modern management, advanced technologies, market-based strategies, and appreciation of the importance of human capital. In this regard, diaspora philanthropy constitutes an important adjunct to social investments provided by public funds, foreign aid, and established foundations.
Financing by government is invariably bureaucratized and sometimes politicized. It is extremely constrained in terms of freedom to experiment. The potential and limitation of foreign aid transfers through such institutions as the United Nations and the World Bank, via both loans and grants, are also well known. The strategies and practices of the more established private foundations—Ford, Rockefeller, MacArthur, Gates, and the like—that support development in China and India are equally well established. Diaspora philanthropy, by its nature, is more idiosyncratic in terms of investor backgrounds and interests, the nonmonetary resources mobilized, the close bond between giving and receiving communities, and, most important of all, the knowledge, ambitions, and aspirations of numerous diaspora philanthropists. The challenge is to realize the unique promise and potential of diaspora philanthropy as a tool for equity and social good.