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Indian Diplomacy Must Aim to Expand Greater Global Economic and Education Space for Indians to Sustain India's High Gross Inward Remittances

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This column argues that for India to continue to sustain the position it has occupied for some years as the largest recipient of gross inward remittance flows, it would be necessary to aim Indian diplomacy toward expanding greater global economic and education space for Indians.

Gross Inward Remittance Flows

Table 1 provides the gross inward remittance of selected countries, including India, in 2021. The data suggest the following-

- India received the largest remittances of 89.4 billion, two-thirds more than the second largest recipient, Mexico. Even then, India's share in world remittance 8.03 was only 11.6 percent, and its share in flows to LMIC (Low- and Middle-Income Countries) was 14.8 percent. Both these percentages are much lower than India's share of global population which is around 17.5 percent.
- The growth in India's remittances was only slightly higher than that of the world (8.03 percent as compared to 7.57 percent) but was lower than that of the LMICs at 8.56

percent. Growth in remittances in Mexico was exceptional at 25.34 percent.

Table 1: Gross Inward Remittance Inflows of Selected Countries in 2021

Country	2021 (\$ bn)	Change (in %)	As % of GDP
India	89.4	8.03	2.94
Mexico	54.1	25.34	4.18
China	53.0	-10.93	0.30
Philippines	36.7	4.34	9.32
Egypt	31.5	6.41	7.82
Pakistan	31.2	19.63	8.98
France	26.3	0.60	0.90
Bangladesh	22.2	2.22	6.22
Germany	20.4	11.72	0.48
Nigeria	19.2	11.17	4.35
Ukraine	18.2	11.70	9.15
Viet Nam	18.1	5.00	4.93
Belgium	15.9	29.32	2.65
Guatemala	15.4	34.93	17.96
Dominican Rep.	10.7	25.61	11.34
World	773.2	7.57	N. A
LMIC	605.2	8.56	N.A.

Source: Estimated from The World Bank ,2022. A War in a Pandemic, Migration and Development Brief 36¹.

- Inward remittances into India as a Mexico (share of GDP in 2021 were 2.94 per cent, substantially higher than for China (0.30 percent); but much lower than for Mexico (4.18 percent), Vietnam (4.93 percent), Nigeria (4.35 percent), and Egypt (7.82 percent).

Inward Remittance Estimates for India to Reach a Landmark in 2022

In a November 2022 Report, the World Bank has projected India's inward remittances to reach USD 100 billion in 2022, the first country to ever reach this landmark. This represents an increase of 12 percent over 2021. Remittances to low- and middle-income countries (LMICs) are projected to increase by an estimated 5 percent in 2022, to USD 626 billion. Thus, India's share of LMIC remittances in 2022 would be about one-sixth.

The Report argues that there are several longer- and short-term trends that were obscured by the pandemic that has resulted in reaching this landmark.

First, there has been a gradual structural shift in Indian migrants' key destinations from largely low-skilled, informal employment in the Gulf Cooperation Council (GCC) countries to a dominant share of high-skilled jobs in high-income countries such as the United States, the United Kingdom, and East Asia (Singapore, Japan, Australia, New Zealand).

According to the Fifth round of the Survey on Remittances for 2021 by the Reserve Bank of India, between 2016–17 and 2020–21, the share of remittances from the United States, United Kingdom, and Singapore increased from 26 percent to over 36 percent, while the share from the 5 GCC countries (Saudi Arabia, United Arab Emirates, Kuwait, Oman, and Qatar) dropped from 54 to 28 percent.

With a share of 23 percent of total remittances, the United States surpassed the United Arab Emirates as the top source country in 2020–21. About 20 percent of India's emigrants are in the United States and the United Kingdom. According to the US Census, of the approximately five million Indians in the United States in 2019, about 57 percent had lived in the nation for more than 10 years. During this time, many earned graduate degrees that groomed them to move rapidly into the highest-income-earner category.

The Indian diaspora in the United States is highly skilled. In 2019, 43 percent of Indian-born residents of the United States had a graduate degree, compared to only 13 percent of US-born residents. Only 15 percent of Indian-born residents aged 25 and older had no more than a high school degree, compared to 39 percent of US-born residents in that age group. Meanwhile, 82 percent of all Indians in the United States (compared to 72 percent of all Asians) and 77 percent of foreign-born Indians were proficient in English.

Higher education mapped onto high-income levels with direct implications for remittance flows. In 2019, the median household income for Indians in the United States was nearly USD 120,000 compared to about USD 70,000 for all Americans. The structural shift in qualifications and destinations has accelerated growth in remittances tied to high-salaried jobs, especially in services. During the pandemic, Indian migrants in high-income countries worked from home and benefitted from large fiscal stimulus packages. Post-pandemic, wage hikes and record-high employment conditions supported remittance growth in the face of high inflation.

Second, the economic conditions in the GCC (30 percent share of India's remittances) also played out in India's favour. The majority of the GCC's Indian migrants are blue-collar workers who returned home during the pandemic. Vaccinations and the resumption of travel helped more migrants to resume work in 2022 than in 2021. GCC's price support policies kept inflation

low in 2022, and higher oil prices increased demand for labour, enabling Indian migrants to increase remittances and counter the impact of India's record-high inflation on the real incomes of their families.

Third, Indian migrants may have taken advantage of the depreciation of the Indian rupee vis-à-vis the US dollar (10 percent between January and September 2022) and increased remittance flows².

Remittance Costs

Remittance costs are measured by the World Bank by sending USD 200 to the destination country. Global remittance costs remain high, with an average of 6.0 percent global average in the fourth quarter of 2021, but with variability across regions. South Asia region at 4.3 percent records the lowest cost, while Sub-Saharan Africa records the highest cost at 7.8 percent. The target for SDGs (Sustainable Development Goals) in 2030 is 3.0 percent. Corridor-specific remittance cost data suggest that costs are lower when digital methods of remittance are used, and high when normal banking channels are used.

For India, the costs of remittances are rather high for the India-Japan corridor (over 9 percent), South Africa-India corridor (over 10 percent), and Thailand-India corridor (over 11 percent). India should give priority to use its diplomacy and other measures to bring these costs down. That this is feasible is indicated by remittance costs of only 2.7 percent for Malaysia-India corridor and 3.0 percent for the Singapore-India corridor. India could also consider using its G20 presidency, which it assumed on December 1, 2022, to make progress towards bringing down global remittance costs.

Economic and Strategic Diplomacy Essential to sustain Future Remittance Flows

The Chief Executive Officer (CEO) of McKinsey and Co. has assessed that India will be the world's future talent factory as it will have 20 percent of the global workforce by 2047. But focused and India-centric economic and strategic diplomacy is needed to translate the above in sustainable large inward remittances. Encouragingly, there are indications that Indian policymakers recognize the above as illustrated by select examples provided below.

- Under the India-Australia Economic Cooperation and Trade Agreement (ECTA), to be operationalized in early 2023, Quota (around 1800 annually) for chefs and yoga teachers; Post study work visa of 2-4 years for Indian students in Australia (estimated to be around 100,000) on reciprocal basis; mutual recognition of Professional Services and Other licensed/regulated Occupations; and Work & Holiday visa arrangement for young professionals, have been included. This would help generate new sources of future inward remittances from Australia.
- In India -UAE (United Arab Emirates) agreement, contractual service suppliers are eligible for extendable 90-day visas; and intra-corporate transferees can obtain three-year visas.
- India should consider incorporating similar context-specific provisions designed to expand diaspora and future remittances as it negotiates or renegotiates economic agreements with United Kingdom, European Union, Japan, Gulf Cooperation Council (GCC), and Association of Southeast Asian Nations (ASEAN).

- United Kingdom's Prime Minister Rishi Sunak in his first key address on the country's foreign policy noted that the Indo-Pacific region will contribute to more than half of global growth in the next few decades and new generation economic agreement is vital for managing the domestic economy of the United Kingdom.
- India and Gulf Cooperation Council (GCC) countries are to relaunch free trade agreement negotiations. GCC is currently India's largest trading partner bloc with bilateral trade in FY22 valued at over USD154 billion with India's exports at USD 44 billion. GCC member countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates.
- In mid-December 2022, India and Finland signed a joint declaration of intent to work towards developing a common framework to make it easier for people to study, do research and work in each other's country.

Students as a future source of remittances

India is also pursuing greater ease in obtaining student visas for its citizens. Students have the potential to generate remittances in the future.

1. According to United Kingdom's immigration statistics, in the year ending June 2022, nearly 0.12 million visas, about a quarter of the total, were issued to Indian students, the highest in the world. Indians have also received 0.10 million work and study visas for the United Kingdom in good numbers during the same period³.
2. United States Embassy in New Delhi has indicated that 82,000 Indian students received visas in 2022. Indian nationals reportedly comprise about one-fifth of the total international students in the United States.
3. The World Health Organization (WHO) and the Government of India have established a Global Centre for Traditional Medicine at Jamnagar, Gujarat State. This Centre aims to harness the potential of traditional medicine from across the world through modern science and technology to improve the health of people and the planet. This centre is expected to lead to an enhanced flow of students and researchers in Ayurveda and other traditional medicine areas.
4. India could consider having a separate understanding of the number of traditional medicine researchers and professionals to be provided longer-term visas when negotiating economic agreements.

Using Demographic Complementarities to Expand India's Worker Base

There are many high-income countries which are experiencing ultra-rapid ageing of the population, and therefore are seeking to augment their labour force by relaxing work visa and other immigration requirements. India on its part is also engaged in improving the skills of its workforce and providing formal recognition of the skills obtained, enhancing the value of its workers both domestically and internationally. Select examples of such countries with opportunities for Indian diplomacy to facilitate the expansion of the Indian diaspora and of future remittances are provided below.

3

- India and Japan implemented the Comprehensive Economic Partnership Agreement (CEPA) in August 2011. India is seeking a review of this agreement. Given Japan's ultra-

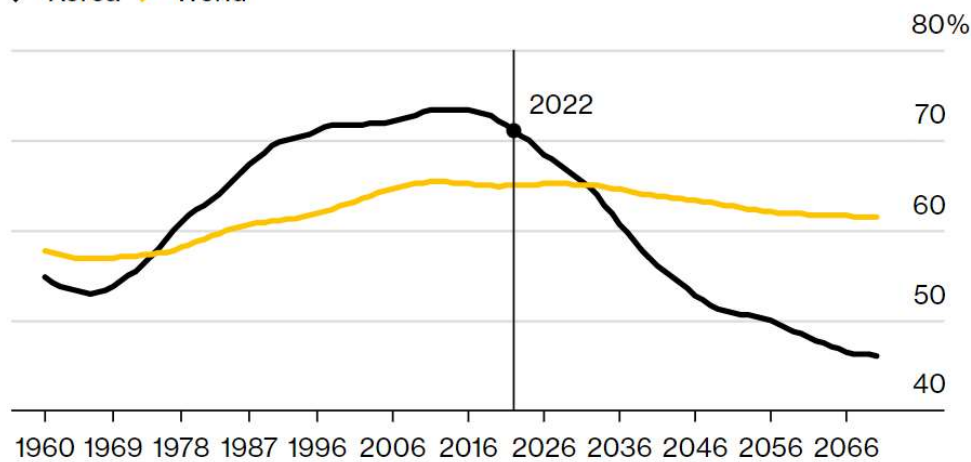
rapid ageing of the population due to a combination of persistent low fertility rate in 2022, a Japanese woman on average gave birth to 1.368 children, far lower than the 2.15 rate required for a stable population); and increasing life expectancy at birth (84.91 years). The revision should focus on special arrangements for enhancing the role of India as a supplier of skills needed by Japan; and for a significant increase in Indian students in Japan.

- Another Asian country exhibiting rapid ageing is Korea. Its working age population as a share of total population is expected to decline sharply, (Figure 1). Demographic complementarities between Korea and India present opportunities for mutual gains, and expand Indian diaspora and students in Korea.
- Figure 1 Korea's Declining Share of Working Age Population

Shrinking Workforce

Korea's share of working-age population is set to slide fast

— Korea — World



Source: Statistics Korea, UN

Accessed on November 15, 2022

- It is reported that from January 2023, Canada is to expand the work eligibility of spouses and working-age children of all workers. This is designed to address worker shortages in Canada⁴. As Indians are an important component of Canada's foreign workers, this is likely to have a positive impact on India's future remittances.
- President Biden of the United States has endorsed the Eagle act to end per-country cap for job-based green cards which enable persons to stay in the United States for a very long time. If passed, this would benefit Indian applicants for green cards.

Concluding Remarks

India's recent record in receiving inward remittances has been impressive. But changing nature of geopolitics, and of globalization toward "friend-shoring" which encourages deeper economic ties among like-minded allies, has made the role of economic and strategic diplomacy critical in sustaining future inward remittances into India. India's rising economic and diplomatic profile globally, and its competent pursual of new generation economic (not just trade) agreements, including with high-income demographically ageing countries, could facilitate this task.

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