Return Migration as a Tool for Economic Development in China and India

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Abstract

Return migration of the highly skilled can benefit all, the sending country, the receiving country and the individual if it is supported by adequate policies and environment. The present paper aims to deal with the issue of return migration from Europe to India and China. The first part provides and overview of the existing policy framework of return and circular migration in China and India. There are various policies that have been implemented in the two countries to attract and facilitate return migration of highly skilled have been discussed. In the second part results of a survey analysing the role that the return migrants have played and can play in economic development of China and India are presented focusing on the personal characteristics of the returnees, their reasons to migrate like professional opportunities and earnings. There are differences in the causes of migration between the Indian and Chinese migrants, their experiences in the host country and the integration aspects. However, there are some major reasons for return migration and the situation after return. In spite of many similarities in their experiences with out-migration China and India differ in their approach on how to attract return migration and hence, there is a difference in the impact of return migration on the domestic economy. China is ahead of India in this respect, while even Indian authorities are also working on the issue. The article indicates that the impact of return migration on economic development in China and India is not as substantial as was assumed initially.

Keywords: Return Migration, Policies, Diaspora, Europe, Reasons to migrate.

I. Introduction

Return migration of the highly skilled is generally considered to create a ‘triple-win’ situation, coming to the benefit of sending country, receiving country as well as individual migrants. The receiving states draw on the temporary supply of labour from abroad to fill shortages in their labour markets. Individual migrants have the possibility to receive a high salary and upgrade their skills abroad, whilst maintaining links and eventually returning (on a temporary or permanent basis) to their country of origin. For the sending countries, return migration can have the advantages of a temporary outflow of workers, investments by former migrants, and transfer of knowledge and skills by returnees.

It is often pointed out that returnees can make a substantial contribution to economic development in the sending countries not only by investing the money they accumulated in their country of migration but also by stimulating the transfer of technological and managerial know-how. High economic growth rates can in turn stimulate return migration, leading to a virtuous cycle to the benefit of the sending country. Thus, next to remittances, the return of high skilled migrants is often cited as one of the primary means of ‘making migration work’ for economic development in the sending countries

In spite of the significant potential of return migration for development, there are only few empirical studies on the determinants and impact of return migration. India and China are particularly interesting case studies, due to the scale and composition of their migration flows. In terms of overall numbers of emigrants, India and China have been amongst the most important emigration countries in the world for many years. With approximately 55 million Chinese and 20 million Indians having settled abroad, China has the second largest and India the third largest diaspora in the world. Moreover, both countries have seen an increasing outflow of high-skilled professionals to the Western world.

Migration from China and India to the EU is a rather recent phenomenon, taking off mainly in the 1990s and 2000s. As a consequence, the topic of return migration between Europe and these two countries is particularly under-researched, with only a limited number of empirical studies on return migration to China and India from the EU available. This paper attempts to close this gap by providing an overview on the policy framework of circular/return migration in China and India as well as presenting the results of an empirical study of high skilled returnees from five EU Member States to these two countries.

The first part of the paper depicts policy initiatives of the sending countries aimed at encouraging circular migration. The second part of the paper consists of the results from a survey, evaluating the role that return migrants have played and can play in the economic development of China and India, depicting their motivations to migrate, their experiences in the host country, their reasons for return, etc. The data used in this study have come from a survey amongst returned migrants, conducted in China and India in 2008. The observations are based on the answers of 600 returned migrants (300 from China and 300 from India). Returnees in both countries were asked to fill in a common questionnaire, giving details on the migrant’s reasons for migration, the experience in the host country and the reasons for return.

II. Policies of the Sending Countries: China, India and Taiwan

Migration policies of the European receiving states have to a certain extent always relied on the concept of return migration. Most migration regimes are essentially temporary and have aimed at the return of migrants after a certain period of time. Activities and policies of the sending countries aimed at attracting high skilled migrants to return are of a more recent

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2 A particularly valuable contribution to the study of return migration has been made by the MIREM project. See for a number of reports on return migration from various countries: http://www.mirem.eu/recherche/rapports. In respect of India, there is a study on return migration to Kerala by Zachariah et al. (2006) as well as an article on (inter alia) high-skill return migration to Bangalore by Khadria (2004: 7-56).


4 The few existing studies that can be found include Jonkers, K., A Comparative Study on Return Migration Policies Targeting The Highly Skilled in Four Major Sending Countries (2008), MIREM-AR 2008/05. Available at: http://www.mirem.eu/recherche/rapports [accessed 28 February 2009] and Shen, W., Made in France? Chinese Student Return Migration from French Business Schools (2008), MIREM Analytical Report, MIREM-AR 2008/06.

nature. India and China have both experienced circular migration movements in recent years and have encouraged the return of skilled migrants. For the purpose of this paper the island of Taiwan is considered separately, as it constitutes one of the most successful examples of how a combination of well-guided return policies and high economic growth rates can lead to a high scale and extremely beneficial pattern of return migration.

1. Policies of Engagement with the Diaspora

The importance of the topic of return migration from the perspective of the sending countries appears from the establishment of central co-ordination centres or even separate ministries dealing with policies towards the diaspora. Already in the 1970s, the Taiwanese government established the National Youth Council (NYC) which has the task of linking skilled emigrants with the Taiwanese business community. The NYC contains several mechanisms to maintain the connection between Taiwan and its skilled emigrants, for instance by means of a database of emigrants, travel subsidies and temporary job placements for emigrants who consider to return. The database allows Taiwanese emigrants to find employment in Taiwan, and Taiwanese employers to head-hunt highly skilled nationals abroad.6

In mainland China, the Bureau of Overseas Chinese Affairs set up a programme aimed at strengthening ties between overseas Chinese communities in various countries as well as fostering the interaction between established Chinese communities and newly arriving migrants in the host countries.7 Moreover, the Bureau of Overseas Chinese Affairs has the objective of fostering connections between members of the highly-skilled migrant communities and mainland China. To this regard, the bureau encourages the establishment of associations of ethnic Chinese overseas.8 In addition to migrant associations in the host countries, the number of networks of returnees in China has grown considerably since the 1900s. The most influential network, the Western Returned Scholars Association (WRSA) dates back to 1903 but was renamed into the Chinese Overseas-Educated Scholars' Association (COESA) in 2003. Besides the COESA there are many other smaller networks of returnees, alumni networks and returned scholars associations that lobby for returnees' interests and organise activities.9

In India, a separate Ministry of Overseas Indian Affairs (MOIA) was created in 2004 upon recommendation of the High-level Committee on Indian Diaspora. The MOIA deals with all aspects concerning PIOs (Persons of Indian Origin) and NRIs (Non-resident Indians), including the facilitation of return migration. The Ministry has the objective of encouraging flows of remittances, investments and other resources but also stimulates a more general interaction between overseas Indians and their country of origin. For instance, the Diaspora Service Division of the MOIA runs a Scholarship Programme for Diaspora Children (SPDC). Under the scheme, the Ministry provides 100 scholarships for

6 O'Neil, K., *Brain Drain and Gain: The Case of Taiwan* (2003), Migration Policy Institute.
8 Cao, C., China’s Efforts at Turning “Brain Drain” into “Brain Gain” (2004), EAI Background Briefs, Background Brief, No. 216, East Asian Institute.
undergraduate courses in several disciplines, including engineering, technology, humanities/liberal arts, commerce, management and agriculture. Students are selected on the basis of an entry test and are granted 60-70 per cent of the tuition fees.10 Further Indian initiatives that encourage emigrants to stay in close contact with their country of origin include the yearly celebration of an Indian Expatriate Day (Bharatiya Pravasi Divas) since January 200311 and the granting of Pravasi Bharatiya Samman Awards to outstanding NRIs and PIOs.12

2. Financial and Other Incentives Offered to Returnees

Taiwan has for many years offered substantial incentives to potential high skilled returnees, selected on the basis of their education, current position and salary levels. Incentives offered to such selected individuals include moving costs (up to the 1990s), subsidized mortgages to buy a house, salary top-ups and the opportunity to establish a business in Taiwan. Such incentives, aimed at the permanent return of migrants, are supplemented by shorter visiting schemes of about one year. Moreover, many migrants have been recruited as lecturers and professors at the national universities by the National Science Council and Ministry of Education.

Mainland China followed the example of Taiwan in 1989, setting up a service centre for returnees which provides them with help in terms of allocating housing, as well as allowing duty-free purchases of computers and cars and offering return airfares for self-financed students. In particular, local and city governments in China have become extremely active since the early 1990s in recruiting overseas Chinese and offering them financial and other material incentives. Offers made to returnees include tax exemptions on imported cars, subsidies for buying a home, schooling for the returnee’s children and assistance in finding employment for the spouse.13

The Indian government enacted a Foreign Exchange Management Act in 2000. The new Act facilitates the flows of foreign currency, in particular in respect of setting up a business in India and the setting up of businesses by Indians abroad. Moreover, the status of students was changed to that of non-residents, allowing them to receive up to US$ 1 million a year from relatives in India. Specific rules apply to the taxation of remittances and overseas Indians can receive a 100% tax reduction on exports from Special Economic Zones. Moreover, in recent years India has signed a number of bilateral agreements to avoid double taxation of individuals opening enterprises or moving between India and other countries involved.14

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11 The Pravasi Bharatiya Divas is celebrated annually on 9th January. In September 2007 the first overseas Pravasi Bharatiya Divas was celebrated in New York.
3. Portability of Social Security Benefits

A crucial aspect to encourage return is the portability of pension benefits. This problem applies in particular to high skilled workers who are being sent by their employer to one of the developed countries on a short-term contract. The social security systems of the EU receiving states generally require even temporary migrants to make a periodic tax-based social security contribution. Migrant workers often do not benefit from the social security contributions made abroad after finalizing their temporary employment in the host country due to the prohibition on exporting social security benefits. Workers who are not able to transfer their pension benefits back to their country of origin will be left without any possibility to claim their contributions, making the option of returning much less attractive, especially if they have lived and worked in another country for a number of years.

In order to deal with this problem, India has started to conclude bilateral social security agreements with a number of countries, which provide exemption from social security contributions for workers with a short-term contract and/or exportability of pensions at the event of relocation. The first bilateral social security agreement was concluded with Belgium in 2006, followed by agreements with the Netherlands and Germany and negotiations with Denmark and Sweden, which are underway. These agreements provide for social security coordination and in the case of Germany, an exemption from social security payments for foreign workers remaining for a period of up to 60 months.15

4. Investment Packages

Local governments in Taiwan have taken various measures to attract migrant investors, including a simplification of investment processes as well as tax and fee concessions. Following the example of Taiwan, investment packages have been offered to overseas Chinese since the late 1980s in order to encourage them to invest in their home country.16

The Indian Ministry of Overseas Indian Affairs has tried to encourage financial flows from emigrants by providing information on investments in a “Compendium on Policies, Incentives and Investment Opportunities for Overseas Indians”. In principle, a person is considered to be resident in India for tax purposes if he/she has been in India for an aggregate period of 182 days or more a year or is in India for an aggregate period of 60 days or more in that year and has within the four years preceding that year been in India for a period of at least 365 days.17 For Indian citizens leaving India in any year for employment abroad and foreign citizens of Indian origin (NRIs) who come to India for a visit, this period of 60 days has been extended to 182 days.18

In recent years, financial investments from the Indian diaspora community have been promoted with the setting up of an ‘Indian Investment Centre’ (ICC), which has the task of assisting investments, technical collaborations and joint ventures. The OIFC was launched in May 2007 as a non-profit trust in partnership with the Confederation of Indian Industry (CII). It provides various services specifically aimed at attracting and assisting NRI investors

5. The Establishment of Science Parks and Research Centres

In order to bundle the technological expertise gained by emigrants abroad and combine it with the local advantage of a well-trained, low-cost labour force, several sending countries have established science parks or research centres. A forerunner in this respect was once again the Taiwanese government, which created the Hinschu Science-based Industrial Park back in 1980. The government provided financial incentives to potential businessmen and assisted potential movers to build an efficient infrastructure. In order to attract emigrants to return and take up jobs in the new Industrial Park, Western-style accommodation and commercial services were subsidized by the Taiwanese government. Moreover, the government tried to connect the park to the international scientific community by financing international conferences on science and technology. The ambitions of the Taiwanese government in creating the Science Park have largely been fulfilled. In 2000, 4,108 of the 102,000 employees in the park were returned migrants and 113 of the 289 companies were started by former emigrants who have been educated in the U.S. Most of these employees and investors have maintained close contact with the country where they studied and worked and some even maintain a second office in the U.S. and rotate their personnel occasionally.

The Chinese government has followed suit in establishing science parks as well as special development zones and high-tech zones in Beijing and other major urban centres. Such high-tech zones or parks offer returning overseas Chinese a number of facilities, including interest free loans, tax exemptions and inexpensive office space. Moreover, returnees are often supported in finding adequate housing, schooling for their children and work for their spouses. The number of high-tech parks for returnees established since the late 1980s amounts to over 110 parks, with over 600 enterprises and over 15,000 returnees.

Moreover, in order to attract skilled professionals, entrepreneurs and graduate students who have followed their tertiary education abroad, the Chinese government has launched a programme with the ambition of turning one hundred selected Chinese universities into world-class research centres. A similar initiative has been taken in India, where certain high-profile universities, such as the Indian Institute of Technology are promoted as centres of excellence. In ‘Electronics City’, the equivalent to Silicon Valley in India’s IT hub Bangalore, a high-tech campus has been constructed with funds of the private sector.

6. Dual Citizenship

Even though financial and investment-related incentives might promote the return of highly-skilled migrants, many of them will be reluctant to move if they have to fear losing the residence rights and not being able to re-enter their country of destination. The option of dual citizenship represents a satisfying solution to migrants who will be able to circulate between

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20 O’Neil, K., Brain Drain and Gain: The Case of Taiwan (2003), Migration Policy Institute.
21 Cao, C., China’s Efforts at Turning “Brain Drain” into “Brain Gain” (2004), EAI Background Briefs, Background Brief, No. 216, East Asian Institute.
return migration as a tool for economic development in China and India. This has been recognized by many developing countries around the world, opening up the possibility of dual nationality and introduced more flexible residence rights.

Chinese citizenship is accorded to anyone born in China, irrespective of their claims to dual citizenship. This means that in respect of persons born within the official borders of the country, China recognizes only Chinese citizenship. Chinese nationality is automatically lost if a Chinese citizen acquires voluntarily another nationality. Yet, even though dual citizenship is in principle prohibited, in certain cases the Chinese government exercises its discretion and accepts the dual citizenship status of Chinese businessmen. Moreover, in order to facilitate the mobility of Chinese businessmen with a foreign citizenship, the Chinese government has introduced a multiple-entry visa scheme. The municipal government has gone a step further in granting green cards to highly skilled foreigners, allowing them to profit from the same privileges as locals when working and living in Shanghai.

In India, dual citizenship is prohibited by the Indian Constitution. Articles 5 and 6 define criteria for the acquisition of Indian citizenship at the commencement of the Constitution and through immigration respectively. Article 8 concerns citizenship rights of persons of Indian origin residing outside India. According to Article 9 of the Constitution, “no person shall be a citizen of India by virtue of Article 5, or be deemed to be a citizen of India by virtue of Article 6 or Article 8 if he has voluntarily acquired the citizenship of any foreign State.”

Yet, in 2005 the Indian government introduced an Overseas Indian Citizenship (OCI) card scheme, which comes close to dual citizenship. In August 2005 the Indian parliament passed a Citizenship (Amendment) Ordinance, amending the 1955 Citizenship Act, which was promulgated on 28 June 2005. The OCI scheme was formally launched by the Prime Minister during the Pravasi Bhartiya Divas at Hyderabad on 7th January 2006. The new rules enshrined in Section 7A of the Citizenship Act 1995, as amended, have opened up the possibility to acquire Overseas Citizenship of India (OCI) for PIOs who are citizens of another country and i) were citizens of India at the time of or at any time after the commencement of the Constitution or ii) were eligible to become citizen of India at the time of commencement of the Constitution or iii) belonged to a territory that became part of India after 15th August 1947. The personal scope of the PIO scheme also encompasses the adult child or grandchild of such a citizen or a minor child of any of such person mentioned. Only PIOs in countries that allow dual citizenship can apply for the card. The fee for application for registration as OCI amounts to US $ 275 in local currency for each applicant, of which an amount of US $ 250 will be refunded if the registration as OCI is not granted.

Successful applicants receive a certificate similar to an Indian passport but in a different colour. OCI holders are eligible to multiple-entry life-long visa. A multi-entry, multi-purpose OCI ‘U’ (Universal) sticker is pasted in their foreign passport. For any length of stay in India, they are no longer obliged to register with the local police authority. Moreover, OCI cardholders enjoy extensive rights that are equal to those of Indian citizens in respect of

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24 This includes Sikkim from 26 April 1975, Pondicherry from 16 August 1962, Dadra and Nagar Haveli from 11 August 1961 and Goa, Daman and Diu from 20 December 1961.
25 Section 7A (iv) and (v) of the Citizenship Act 1995 as amended
economic, financial and educational fields, except in relation to acquisition of agricultural or plantation properties. They are also exempted from voting rights and do not have the right to hold constitutional posts like the president, vice-president or a judge of the Supreme Court or High Courts. The list of rights currently includes domestic airfares within India, entry fees to national parks and wildlife sanctuaries and inter-country adoption of Indian children. More rights are to be added to this list in the future.

As already mentioned, a crucial distinction between the OCI card and dual citizenship is that holders of an OCI card do not possess any voting rights in India. Yet, at the fourth Pravasi Bhartiya Divas in 2006 the government announced that it would consider granting overseas voting rights to the Indian diaspora. This statement was mainly aimed at Indian emigrants to the Gulf region who are not able to naturalise in their country of residence, due to the restrictive citizenship regulations of the Gulf states.27

In any case, apart from merely being a matter of policies adopted by the sending countries, the option of dual nationality depends crucially on the willingness of countries of destination to open up their citizenship legislation to dual citizenship or/and enter into bilateral agreements with certain sending states.

7. General Socio-economic Policies

Arguably, the success of return migration policies depends largely on the political, social and economic framework of the sending countries. Therefore more general policies, such as education and economic policies can constitute an important factor in predicting the scale and outcome of return migration. One important aspect explaining the success of Taiwanese return migration is the scale and the direction of its education policies. Since the 1950s the Taiwanese government has invested heavily in education. A crucial part of these funds for many years has gone to primary and vocational schools. In 1961, 80 per cent of the public education funds went to primary and secondary schools. This heavy subsidization of vocational schools has encouraged many young people to enter the large middle-scale sector of manufacturing. At the same time, the neglect of the higher education sector left many high skilled students no option but to migrate. This distribution of financial means complied with the Taiwanese labour market at the time. The manufacturing sector in Taiwan was booming, which resulted in many secure jobs with stable and rising wages. At the same time, until recently there were not nearly sufficient highly skilled jobs available in Taiwan to employ the educated elites. Thus, by focusing on primary and vocational education the Taiwanese government created the type of labour force demanded by the national economy, rather than investing heavily in the education of highly skilled personnel only to see it emigrate to the West.

In India, the focus has been on encouraging direct investments by way of general economic reforms. Thus, featuring less systematic initiatives directed at potential returnees, such as financial incentives, than China or Taiwan, the Indian government has sought to stimulate private sector initiatives and make investments more attractive to emigrants by improving the general economic framework. Measures include the relaxation of foreign currency exchange controls and the streamlining of business licensing requirements.

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III. Return Migration from Five EU Member States to China and India

The following findings are based on an empirical study carried out between August and December 2008. The study focuses exclusively on the return of high skilled migrants. Therefore, the definition of a returnee for the purpose of the survey includes any person returning to his/her country of origin, who holds at least a Masters degree. Return may be temporary or permanent. It may be the result of an independent decision by the migrant or of external circumstances, such as the expiry of an employment contract or a residence permit. The survey contains three parts, dealing with the migrant's situation before migration, during migration and after migration, respectively. In terms of geographical scope, the survey will eventually cover returnees from China, India and Ghana but for the purpose of this article it will be restricted to China and India. Most of the Chinese returnees live in Beijing and Shanghai, whilst return emigrants in India are concentrated in the IT-centre of Bangalore as well as in the major cities of Calcutta and Delhi. Therefore, this paper includes respondents from Beijing and Shanghai in China and Bangalore, Calcutta and Delhi in India. The migrants have returned from five selected European countries, namely the UK, the Netherlands, Germany, Sweden and Denmark.

TABLE 1: THE SAMPLE

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<thead>
<tr>
<th>China</th>
<th>India</th>
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<tr>
<td>Number %</td>
<td>Number %</td>
</tr>
<tr>
<td>Beijing 193 64.3</td>
<td>Delhi 137 45.6</td>
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<tr>
<td>Shanghai 107 35.6</td>
<td>Bangalore 110 36.7</td>
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<td></td>
<td>Calcutta 53 17.7</td>
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<tr>
<td>Total 300 100.0</td>
<td>Total 300 100.0</td>
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1. Personal Characteristics of the Returnees

As emigration is still a male-dominated phenomenon, it is not surprising that most of the returnees (about 92 per cent) are male. The average age of the returned migrants is 42.8 years, with a high concentration in the 30-39 years group, as well as the over 50 age groups. A majority of the returnees in India are Hindu (79 percent), with a number of Sikhs (17 per cent) that is high in comparison with the percentage of Sikhs of the Indian population. Returned Chinese mainly adhere to Taoism, Buddhism or have no or another unspecified religious affiliation. About 73 per cent of the returned migrants interviewed hold a Masters diploma as the highest level of education, with 26 per cent holding a Ph.D. Most of the Indian migrants are specialized in the IT-sector, related technological and engineering fields or health care. Migrants to China are partially also software specialists and health professionals with another major group of economists, mostly engaged in marketing. 78 per cent of the returned migrants are married and most (65 per cent) have between one and two children. In China, the one-child policy has left its mark, as families with only one child are highly dominant.

2. Personal Situation before Migration and Reasons to Migrate

The decision to emigrate is determined by a combination of push- and pull-factors. India and China both have a very high population density and a surplus of labour, leading to high unemployment rates. Moreover, education levels in both countries are rather high, whereas the wages are low in comparison with those in Western European countries.
At the moment of emigration most interviewees were still relatively young, with an average age of 30.4 and a high concentration in the age group of 26-35. Moreover, a majority (63 per cent) did not have a family of their own before leaving their country. This means that many respondents did not have to take the situation of their spouse and children into account when deciding to move and return. At the same time, these figures indicate that the traditional structures of the Chinese and Indian society are transforming, as marriage is delayed to a point of time after migration.

Before emigration 56 per cent of the migrants had a permanent employment position, whereas 35 had a temporary job and 9 per cent were searching for a job or were unemployed. In terms of economic sectors, most Indians were employed in the IT sector before emigration, whereas Chinese were mainly in engineering and health profession. Before migration, most of the migrants had a relatively low annual salary, in spite of their high qualifications. Most migrants had a yearly salary of either up to €5,000 (21.9 per cent) or between €5,000 and €10,000 (56.3 per cent). IT professionals were generally earning more than employees in other professions, including doctors, and salaries were slightly higher in China than in India. However, these salaries must be considered in the context of the relatively low living costs in China and India. Moreover, most migrants were relatively young when they left their country of origin. This means that the indicated amounts represent salary levels at an early stage of their career, possibly even in their first position as professionals.

The main reasons for emigration were linked in some way to the gap in career opportunities and earnings between the sending and the receiving countries. 87 per cent of all migrants named better employment opportunities in the country of destination as a reason to go abroad and a considerable number indicated that the economic situation in their country of origin (68 per cent) and the desire to improve their living standards (72 per cent) had played a role in their decision. Moreover, the restrictive entry regulations for labour migration in the EU countries are reflected in the fact that a great majority of the interviewees already had a concrete job offer in the country of destination (75.2 per cent) or were being moved in the context of an inter-company transfer (10.8 per cent). Almost all Chinese migrants (96.3 per cent) had a fixed job offer at the moment of migration or were intra-company transferees, whereas the same applies to slightly less than two-thirds of Indians (65.1 per cent). This difference can be explained on the basis of the fact that Indians have predominantly gone to the UK, which is currently the only country where entry is possible under a points based scheme which does not require the possession of an employment contract or concrete job offer. A general curiosity in travelling and living abroad was also often named as a reason to migrate by Indians (86 per cent) but was much less often cited by Chinese migrants (37 per cent). This could be seen as an indication of the hard-working and career-oriented ethos of the Chinese migrant population. The Chinese returnees appear to be more rational than Indian migrants in their decision to migrate and their chosen country of migration.

It is notable that merely 6 (Indian) participants named financial difficulties as a reason to migrate. This result can be explained behind the background that the study was carried out amongst high skilled professionals. Nonetheless, it is a significant finding that apparently virtually all interviewees earned enough in their country of origin to finance them a relatively comfortable life, indicating that financial reasons only played a subordinated role in their decision to move. Moreover, the political situation in the participant’s country of origin does not appear to constitute a substantial push-factor. It appeared only amongst 7.3 per cent of Indians and 31.3 per cent of Chinese amongst the reasons for migration. Even amongst those
22 Indians most were proud of India being 'the world's largest democracy' but referred to bureaucracy and corruption as grounds for making them dissatisfied with the system. Amongst Chinese, difficulties in the legal sphere, especially with regard to property rights and restrictions of the freedom of speech and of the media were commonly cited. Also notable is that only 15.1 per cent of Chinese and Indians taken together emigrated with the intention of making investments in their country of origin, whereas the percentage is higher amongst Chinese than amongst Indians.

Fig. 1: Reasons for Migration

Similarly, the lack of professional opportunities in the home country seems to be the main factor for searching employment abroad. Limited possibilities to improve their skills (94.2 per cent), poor working conditions/infrastructure (86.9 per cent) and no possibilities to apply their special knowledge (78.3 per cent) were amongst the reasons cited most often for the change of employment. In addition, the low level of pay (72.1 per cent) and a general dissatisfaction with the place of employment (59.3 per cent) seem to have played a role.

When asked how they accumulated the resources necessary for emigration, most migrants (64 per cent) indicated that they had used their own savings, whilst 16.8 per cent had received contributions of their family members and for 11.6 per cent the future employer had taken care of the costs for moving.

3. Experiences and Integration in the Host Country

As already mentioned, by far the greatest part of Indian migrants went to the UK (73.1 per cent) with Germany (14.8 per cent) and the Netherlands (6.2 per cent) emerging as alternative countries of destinations in recent years. The Chinese migrant population is much more dispersed over the five EU countries under consideration, with 42 per cent having been in Germany, 21 per cent in the UK, 16 per cent in the Netherlands, 13 per cent in Sweden and 8 per cent in Denmark.

When looking at the reasons for choosing a particular host country, it is interesting that for most Indians the UK seems to be a 'self-evident' choice, which they have chosen due to familiar language (78.4 per cent) and similar culture (58.1 per cent). The Chinese seem to be more careful and informed in their choice, considering factors such as the country's general situation on the employment market (45 per cent), its political and economic stability (43 per cent) and a general interest in the country (47 per cent). Moreover, many Chinese appear to
move to the country where they receive the most attractive job offer (87 per cent). Existing contacts in the host country seem to play a larger role for Indians (23.2 per cent) than for Chinese (14 per cent) but are in general not a determining factor.

Considering the length of the period of stay abroad, returnees can be broadly divided into two groups. The first group, who migrated during the late 1980s or 1990s, generally stayed for a relatively long period of between 6 and 10 years in their host country (34.2 per cent). The second group of more recent emigrants only spent a short period of time of between 1 and 3 years abroad (53.8 per cent). Many of these temporary migrants did not have a family of their own before migration and those who did have families frequently did not take their spouse and children with them, sometimes even with the express intention to return after a relatively short period of time. Moreover, those who had spent a short time abroad are generally inclined to emigrate again within the next five years, either to their host country (37.4 per cent of all migrants) or to another country of destination (36.7 per cent). Interestingly, Indian returnees are slightly more inclined to migrate again to the same country of destination (38.9 per cent as opposed to 34.3 per cent of Chinese returnees) but are even more willing to go to another country of destination (46.7 per cent compared to 25.3 per cent of Chinese returnees). This could indicate that the U.S. still represents the major country of destination for Indian migrants, even if they have spent some years in the UK.
Those migrants who have returned after a long period of residence abroad seem to have re-settled in their home country more permanently. This shift in the pattern of return migration reconfirms the assumption that migration in general has become a more temporary phenomenon, with many migrants moving continuously between different countries, rather than making a decision to settle abroad or return on a permanent basis.

These more temporary patterns of migration are also reflected in the fact that only a limited number of 132 interviewees (22.4 per cent) acquired long-term residence status or some other type of secure residence status in the country of destination. The number of those who obtained nationality of the host country was even lower (71 persons, 12.1 per cent). This low figure indicates at the same time the restrictive citizenship laws of the EU countries as well as the reluctance of migrants to give up their previous nationality if dual citizenship is not accepted. The fact that the number of those who acquired long-term residence status or citizenship is very low reveals that most migrants who eventually returned never intended to settle permanently in the host country. Those who had a family before migration and did not bring the family members with them for the most part clearly stated that they had no intentions of leaving their country permanently. This new pattern of temporary migration raises doubts about the usefulness of mandatory integration schemes as applied in various EU countries. One might wonder whether it is appropriate to require migrants who are intending to return after a couple of years and are encouraged to do so by the sending as well as receiving country to pass mandatory integration tests, that are clearly designed for more permanent settlers.

In any case, in terms of integration, the survey reveals that most migrants did not make substantial efforts to become integrated into the host society. Apart from the UK where proficiency in the English language is generally very high, the languages spoken in the other EU countries (Dutch, German, Swedish and Danish) were often not mastered very well by the interviewees. The numbers are especially stunning in Sweden, where the average level of proficiency of the Swedish language was merely 3.2 on a scale from 1-5 (one signifying very good, five signifying no knowledge of the language at all). It has to be taken into account that these estimations on language proficiency were made by the respondents themselves, which means that the actual level of proficiency can be expected to be even slightly lower. Even though in most IT and engineering professions English has come to be the chosen working language all over the world, the relatively limited knowledge of the national languages is nevertheless surprising, considering the fact that many high skilled workers are also employed in the health sector where language proficiency is a crucial factor in dealing with patients.
According to their own estimations, migrants generally also had a very low degree of interaction with the local population. Assessing their contacts with the people from the host society on a scale from 1-5 (1 indicating very close contacts and 5 no contacts at all), the average level of contacts was low at 3.8. Also after return most migrants did not stay closely in touch with friends or colleagues from their host society, with the number of persons stating that they have kept very close contacts or close contacts with contacts in their host country amounting to merely 8.6 per cent and 23.2 per cent respectively. Interestingly, however, migrants seem to have a rather positive perspective on integration courses. Those who were obliged to participate in integration courses (47.9 per cent) or did so on a voluntary basis (6.4 per cent) generally rated the contribution of such courses to their integration process as extremely useful or very useful (figuring an average denominator of 2.3 on a scale from 1 (extremely useful) to 5 (not useful at all). Moreover, 17.9 per cent did not participate in integration measures but would have liked to do so.

During their period of migration most migrants were employed in the same sector in which they had been occupied at home. While they stayed in the European countries, the returnees had a high average salary, with 31.4 per cent earning between €40,000 and €60,000 per year, 46.9 per cent between €60,000 and €80,000 and 7.6 per cent €80,000 and €100,000. The remaining 14.1 per cent were to be found either at very low or the very high income scale or did not want to give information on their salary level. This means that most of them had been able to increase their income substantially, earning often double or triple of what they had been earning in China/India before migration. The increase in income was especially high amongst those younger migrants who returned in recent years. Given the restrictions on labour migration in most EU countries in terms of minimum wage requirements, these high salary levels of migrants to the EU are hardly surprising. These high income levels were, however, also matched with high living costs, so that most migrants were not able to save significant amounts of money. The majority of returnees indicated to have been able to save between 100 and 200 Euro per months (48 per cent), whereas merely 11 per cent stated to have accumulated savings of more than 500 Euro per month.

Arguably even more significant than high wages, most migrants were extremely satisfied with their position in the host country as a career opportunity. On a scale from 1 to 5, most migrants indicated that the position in the host country matched their specific skills extremely or at least very well, with an average of 2.1. Moreover, a stunning 90.6 per cent thought that the period spent abroad had contributed positively to their career prospects, with merely 3.7 per cent thinking that it had had a negative effect and the remainder seeing no effect at all.

4. Reasons for Return Migration and Personal Situation after Return

There are various reasons for migrants to return. Some migrants had a contract with a limited duration and returned upon its expiry, others were transferred from the company base abroad to a daughter company in India or China. Some were also required to return home because their residence and work permit had expired. Such mandatory reasons account for about half of the returnees, namely 45.8 per cent. The second most important reason to return was the separation from family and friends (23.2 per cent) and difficulties to settle and integrate in the host country / disappointment about life in the host country (17.9 per cent). Moreover, 71 migrants (17.1 per cent) cited as a reason for return the desire to ‘give something back’ to their country of origin. Unfavourable working conditions in the host state were only cited as a
Return Migration as a Tool for Economic Development in China and India

reason to return by 2 persons in the survey, which indicates that these migrants generally had very good positions in their host country.

After return most migrants remain employed in the same sector as before and during migration i.e. the IT industry or health profession. Together these two professions account for 63.7 per cent of the returnees. Education and Trade / Services are the other two sectors in which returnees are engaged. Compared to the situation before migration, the number of those being self-employed increased to 18.3 per cent. The current salary level of returnees is much lower than their annual wages in the former country of destination. Just as before emigration the largest group of migrants (42.8 per cent) earns between €5,000 and €10,000 a year. The percentage of those in the wage category €11,000-20,000 has increased to 36.2 per cent, whilst the number of migrants earning up to €5,000 has diminished. Consequently, even though migrants have earned much more during their period abroad, most of them have experienced a wage increase compared to their situation before migration. Moreover, the difference in income between sending and receiving countries must be seen behind the background of large differences in costs of living, which are particularly high in the UK and the Scandinavian countries.

![Fig. 5: Salary Before, During and After Migration (in Euro)](image)

A large majority of the migrants thought that they had obtained special skills in their host country (86.7 per cent) and some were also able to transfer that knowledge to their host country (41.9 per cent). However, 79.4 per cent thought that they were employed at an inferior skill level in their country of origin than in their former host country. In the same vein, migrants generally perceived that they were not able to use their specialist skills to an optimal extent after return. Merely 11 per cent thought that they are able to apply their specialist skills to a very large extent, whereas almost the same number of respondents (9.9 per cent) reported that they are not using their special skills at all. There is a general concern that due to restraints in technology, infrastructure, etc. they are not able to adequately use their specialist skills upon return.

Most migrants have made savings during their stay abroad and many of them invested in personal or family matters, such as the acquisition of property, children’s education or technological equipments. Only 17.5 per cent invested into a business after returning to India/China. 38.4 per cent of the return emigrants spent their savings on the construction of houses and 43.7 per cent on the acquisition of property. 61.6 per cent invested in the
education of their children and 47.2 per cent spent money on personal matters, such as giving money away to family and friends or providing for their parents. Large sums were also spent on financing a high living standard in the country of origin.

![Fig. 6: Application of Specialist Skills After Return (on a scale from 1-5)](image)

![Fig. 7: Utilisation of Savings](image)

**IV. Conclusions**

When considering the overall impact of return policies, Taiwan is an example of a country where return policies have worked particularly well. In the 1980s and 1990s, the return rates of skilled migrants started to rise, amounting to 50,000 migrants between 1985 and 1990 and reaching 33 per cent of all emigrants in recent years. These returning migrants are mostly highly educated. In spite of the fact that many highly skilled students and workers are still leaving Taiwan, overall the island seems to benefit from a pattern of emigration and return immigration, rather than suffering from a brain drain. Taiwan’s high economic growth rates as well as its political stability have certainly played a role in encouraging migrants to return. Another factor is the rapid extension of the manufacturing industry and the recent focus on technology-intensive products. As a result, the expertise and business contacts gained by Taiwanese emigrants abroad have been on high demand and professionals are being paid high salaries to encourage their return. The knowledge of returnees is extremely valuable in the Taiwanese high-tech manufacturing sector, especially as most products are made for exporting.

Also, India and China have seen return migration movements in recent years and have encouraged the return of skilled migrants. Both countries opened their markets to the global
Return Migration as a Tool for Economic Development in China and India

economy during the last century after a time of relative seclusion from the world markets and have now the kind of economic and political stability necessary for attracting potential returnees. Yet, in spite of many similarities in their experiences with out-migration, China and India differ in their approach on how to attract return migration. In China and Taiwan public bodies have launched systematic initiatives aimed at encouraging emigrants to return to their country of origin. Taiwan started back in the 1960s to offer high skilled migrants major advantages including additional salaries and other benefits like excellent research facilities. Mainland China introduced similar policy measures shortly afterwards and since 1989 even operates a service centre which provides services such as housing assistance, duty-free imports and return affairs for self-financed students to returning migrants. In India, until recently, the focus has been more on general economic reforms stimulating private sector initiatives and making investments by returning migrants more feasible.

Yet, in comparison with China, the share of Indian migrants in foreign direct investments is low. After the economic reforms, foreign direct investment flows to India have grown steadily but for a long time have remained relatively modest in comparison with diaspora FDI flows to China. Whereas the Chinese diaspora has contributed to around 50 per cent of FDI inflows to China, in India the contribution to FDI flows made by NRIs is mainly 5-10 per cent.

There are several factors that have been named in order to explain this large difference on the basis of the different composition of the Chinese and the Indian diasporas. Whereas the Chinese diaspora is mostly entrepreneurial, the Indian diaspora consists largely of professionals. As a consequence, the Indian diaspora features only a very limited number of emigrants with a high net income who could turn into investors, even though the aggregate income of the Indian diaspora is rather high. A second factor is the relatively earlier opening up of the Chinese market for foreign direct investment in the 1980s, compared to India where this process only happened in the 1990s. Moreover, there is less domestic opposition to incentives granted to diasporic investors in China than in India, as at the time of opening up the country did not have a strong capitalist class of the Indian kind. In addition, traditionally the local governments in China have been more proactive in attracting diasporic investments than in India. Lastly, emigrants from India are not as sizeable as the Chinese diaspora and lack their strong family and business ties as well as cordial relations with national and local governments. The High Level Committee on the Indian diaspora made the Indian government responsible for this rather low investment of NRIs and PIOs in India. They pointed to the non-investor friendly regulatory environment in India, with highly bureaucratic procedures and corruption.

Thus, even though both countries are characterized by a complex political environment, they face different problems in their return migration policies. The political situation in China and the control exercised by the Communist party continues to remain problematic, as does the legal structure including property rights and the ongoing level of corruption. In India,

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28 This includes the relaxation of foreign currency exchange controls and the streamlining of business licensing requirements.
economic development is still hampered by a large bureaucracy and a relatively poor domestic infrastructure. Moreover, economic development in India remains largely restricted to a few urban centres, whereas in China the wealth has spread also to rural areas due to the large impact of internal migration.

Arguably, the main ways in which return migration can be beneficial to the host country are investments made by returned migrants and the transfer of expertise and specialist knowledge accumulated by migrants during their stay abroad. The survey results indicate that these two most important factors for mutual benefits do not occur on a massive scale. Thus, it could be perceived that the impact of return migration on economic development in China and India is not as substantial as initially thought. First of all, a new generation of highly mobile migrant professionals seems to be constantly on the move, considering the return to their country of origin more as a transitory phase rather than a permanent decision of settlement. As a consequence, they are less inclined to make large investments in their country of origin, leave alone to donate their money to development projects. Yet, whereas only a very small percentage of returnees set up a business or invest in development projects in their country of origin, returning migrants use their savings on a large scale for household consumption, i.e., they acquire houses, spend money on a higher living standards, give money away to family and friends and finance the education of their children. This could be an equally significant, although more indirect factor for economic development in the sending countries.

Secondly, the transfer of knowledge from receiving to sending countries does not appear to happen as smoothly and effectively as it is often assumed. Arguably, in some respects a developing country such as India lacks the capacity of developed countries to process and take advantage of high-scale technologies or highly specialists knowledge acquired by returnees, e.g. in the field of high-tech surgery. This appears from the fact that a considerable percentage of respondents are of the opinion that they cannot apply their expertise in a satisfactory manner.

The extent to which returning migrants can contribute to economic development in their countries of origin also depends very much on the characteristics of each individual migrant, the diaspora community in general and the patterns of return. Return after a very short period of time abroad is generally considered to have no significant effect on economic development in the sending country. It has been argued that migrants should have stayed ten years or longer abroad in order to make an optimal contribution towards economic development. In that case the observed tendency towards shorter periods of migration would be disadvantageous rather than beneficial to economic development. Temporary return could even lead to what has been called ‘negative circularity’, i.e. a form of temporary migration that has a negative rather than a positive impact on developing economies. This will be the case if there are large number of migrants who return to their home country only shortly in order to migrate again.

Moreover, the survey has revealed that migrants tend to remain rather separated from their host population during their time abroad. Reasons to migrate are mostly of an economic nature, such as high wage differentials between China/India and Europe as well as the general

political and economic situation, high unemployment rates and lack of career opportunities in the countries of origin. Upon arrival in their country of destination most migrants had a well-paid position but did not mingle much with the host country population. Few had taken their family members with them, which indicates an intention to stay temporarily.

To sum up, the impact of policies that foster return migration depends to a large extent on the political, economic and social conditions in the sending and receiving countries as well as the migrants’ individual characteristics. It appears that the positive impacts of return migration on economic development of China and India are not as substantial as often assumed, especially if the migration period is relatively short. It could even be argued that B. Khadria’s concept of a ‘backwash flow of remittances' can equally be applied to processes of temporary return migration. Migrants who return to their country of origin only for a short period may in some cases use the resources and expertise accumulated in the host country to re-migrate and establish themselves in another developed country. Therefore, it appears that even though return migration has the potential of creating a ‘triple-win’-scenario, sending countries are not always at the winning end.

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32 Khadria, B., *Migration in South and South-West Asia* (2005), Global Commission on International Migration. He uses this term to describe that a large part of remittances eventually come to the benefit of receiving countries in the form of overseas student fees.


