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migration and its multiple challenges PART-II

Brain gain vs brain drain

There is the issue of relationship between migration and development. This has multiple dimensions which, inter alia, include methodological ambiguities in establishing a firm relationship between migration and development. The asymmetric distribution of resources, in which one country experiences 'brain drain' the other 'brain gain', has generated considerable literature. One issue that is clear, however, is that financial flows (on which data is relatively good) between countries are an important part of this relationship. Yet there is substantial room for policy change to increase the benefits from these flows.

Total remittances and other current transfers received by developing countries in 2001 exceed $99 billion, of which remittances constitute $73 billion, which is 250 times the percentage of all Official Development Assistance (ODA) flows and indeed represent 42 per cent of all FDI. According to the IMF Balance of Payments Year Book, as reproduced in the article Workers' Remittances by Dilip Ratha, India in 2001 received over $10 billion by way of workers' remittances followed closely by Mexico. The top 20 countries from where remittances were sourced has USA heading the list with over $28.4 billion, followed by Saudi Arabia at $15.1 billion.

The multiplier benefits of remittance incomes are particularly significant in relation to low-income countries and middle-income countries where, for instance in the case of Tongo, they constitute 37 per cent of the GDP as against 8 per cent in the case of Philippines and much lower percentage in other more advanced developing countries. While in the lower-income countries, they are a direct source in sustenance of consumption and production patterns, in others, they constitute source of capital, technology and investment, which has a higher sustainable impact on medium-term growth trends. Several developing countries are pursuing deliberate incentive policies to encourage the utilisation of remittances for investment expansion than meeting current consumption needs, but in most cases, while the balance may change, they represent a blend of both consumption and investment.

There are, however, several complex issues relating to the inter-relationship between development and remittances which still require a more transparent regime.

Contrary to popular belief, the push for migration emanates not from poorest but from the better off sections of the population segment. Indeed, it is only the somewhat better off, looking for further improvement in the quality of life, that can afford to bear the cost and time of the tedious procedures connected with migration. In this sense migration patterns could further exacerbate growing regional inequalities.

This pattern is also true of migration within countries and regions where the very poor get left behind while it is the somewhat better off who are willing to encounter risks and costs associated with migratory patterns.

Historical time series data also suggest that remittances, while less volatile and sensitive to business-cycle fluctuations than other forms of capital flows, are still highly susceptible to the overall macro-economic policies being pursued by recipient nations.

Data available with international institutions reveals that the cost of remittance transfers is steep and the cost of intermediated fund transfers from overseas workers to families unacceptably high. O'Neil (2003) reports that sending small amounts of money ($200) from the US to other countries can cost as much as 13-16 per cent in some ethnic exchange houses and money-sending services. These costs impose a large additional tax on workers' earnings. Some authors estimated that the remitter collected about $12 billion in fees in 2001.

Given the impact of the new Money Laundering legislation coupled with implications of terrorism on unofficial channels of transfer, many banks are now either opening or diversifying banking channels or creating special-purpose vehicles to facilitate such remittances which may in turn lower these fees. The international community, recognising that such remittances are only likely to increase, should foster public-private partnership in creating institutions/arrangements which facilitate such flows at more acceptable costs.

The on-going controversy of brain-gain versus brain-drain must be seen in the broader context that while fiscal losses may have been caused due to worker migration and the structure of taxation arrangements, what is remitted back by way of remittance far exceeds what would have been realised by the tax authorities for meeting public expenditure. For example, in the article by Desai, Kapoor and MaCallen, it has been estimated that the end fiscal loss associated with Indian immigration to the USA may be in the region of 0.24 per cent to 0.58 per cent of Indian GDP in 2001 but remittances amounted to at least 2.1 per cent of GDP during the same fiscal year.

Looking at the problem from this point of view would in my view be somewhat myopic. Developing countries subsidise the education process through institutional arrangements and public expenditure through investment in HRD, which enable a significant proportion of migrants to seek gainful high-value employment opportunities in the country of their work.

The contribution to value and wealth made by such highly skilled and knowledge-based migrants is quite significant in many economies and the total value of remittance made to the country of their origin represents only a small fragment of the value added in their country of work. It would be reasonable to consider some form of tax sharing to compensate the sending countries more equitably for their contribution to human capital development. Some of these thoughts have also been raised by Jagdish Bhagwati in Borders beyond Control (2003), a persuasive case for taxation arrangements, which in some way enables a more appropriate apportionment of the gains and contributions made by such migrants between their country of origin and their country of work.

These issues are however more complex and may need innovative arrangements to compensate developing countries and permit adequate resources in human development skills for global gains.

Need for a new Normative Approach

There is no doubt that the scale of migration over the next 10-15 years will reach unimaginable proportions. Conservative estimates suggest that over 100 million new people are likely to seek better quality of life. As inter and intra-regional disparities become more accentuated and coupled with a skewed demographic profile, these members will assume unimaginable proportions. Moral issues of whether there should be an international framework that revisits the traditional definition of Sovereign Nations or redefines nationalism in the revised context require much greater international debate and consensus.

Economic compulsion will force nations to increasingly move away from sovereign predilections on migration-based issues to productivity and efficiency-based predilections designed to maximise economic benefit. The on-going debate on outsourcing is one facet of the problem. If large-scale movement of people is less acceptable both due to economic and moral reasons, the fragmentation of economic activity into most efficient divisible entities may be a more acceptable response.

In the short term, this would of course exasperate the pressure to reconcile sustainable higher rates of growth, which are productively linked with the creation of gainful employment opportunities. In the medium term, however, if economic activity is to be undertaken in the primary country of origin, there is no escape from accepting to 'manage migration' on an unprecedented scale.

International conventions, rules and regulations, which are fragmentary and the implementation spread over number of organisations, need to be reconsidered. A new normative approach which fills existing gaps or the creation of a truly cohesive multilateral framework which holistically addresses these emerging issues would be an appropriate response. Whatever be the outcome, one conclusion is clear—that demography and migration will be the most critical challenges which the coming decade must address. The sooner the debate generates and brings out the inter-related issues, the better it would augur for a more stable and prosperous world.

Demographic profiles, complex issues concerning the migrants themselves, and the inter-relationship between migration and development including choice patterns between movement of men or disaggregation of economic activity all require sensitive and innovative approaches.

The economic and moral issues in the allocation of resources between the old and the young go beyond the somewhat simplistic definition of Albert Camus, who had said that ''to grow old is to move from passion to compassion''. In fact, the dilemma was more appropriately reconciled by Mahatma Gandhi when he explained that ''it is nonsense for you to talk of old age so long as you outrun young men in the race for service and in the midst of anxious times fill rooms with your laughter and inspire youth with hope when they are on the brink of despair''.

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