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**BRAIN DRAIN VERSUS BRAIN GAIN: THE STUDY OF REMITTANCES
IN SOUTHEAST ASIA AND PROMOTING KNOWLEDGE EXCHANGE
THROUGH DIASPORAS***

Asian Development Bank

* The views expressed in the paper do not imply the expression of any opinion on the part of the United Nations Secretariat.

I. INTRODUCTION

The Asian Development Bank (ADB) is increasingly realizing that better tapping the energies and resources of diasporas can be crucial for developing countries. The report will briefly summarize some of the ongoing research in this area. The first study looks at the systematic study of financial remittance flows in Southeast Asian sender and recipient countries, and offers policy recommendations so that the latter can better take advantage of these flows. The study identifies factors in the policy, regulatory, and institutional framework that have an impact on remittance flows, and proposes action plans that can be implemented at both the country and regional levels to encourage greater remittance fund flow, its effective use, and formal channeling. The second looks at the increased use of associations of highly skilled expatriate nationals in the transfer of knowledge and capacity development, and on the policies and level of awareness among developing countries to capture the benefits of such practices. Comprehensive reviews of such knowledge transfer experiences have been commissioned in the Philippines, People's Republic of China (PRC), and Afghanistan to explore innovative means of improving policies and using networks for knowledge transfer that might otherwise be carried out by non-diaspora, expatriate professionals. Such knowledge transfers can increase the development impact of remittances, and are valuable in their own right.

II. REMITTANCES IN SOUTHEAST ASIA

International migration is increasingly influencing the global economy. Human capital flows from poor countries to rich countries are large and growing. The leading cause is the increasing skill-focus of immigration policy in a number of leading industrialized countries. Cross-border financial capital flows have transformed the global economic and political landscape over the last half-century.¹ Remittances sent by migrant workers amount to some US\$200 billion going to countries and regions in Latin America, Asia, Africa, and Europe. The Southeast Asia region is an important example of the global trend. Historically, this region has been characterized by fluid migration; however, recent economic and other social factors have dramatically increased the flows of people and money.

Contemporary Southeast Asia is a region with high levels of labor migration, both short and long term. Most immigrants live and work legally in the host countries based on short-term labor contracts and work visa, but undocumented migration is a growing phenomenon. A significant trend is the emergence of an increasing number of female migrants who make an independent decision to migrate.

of remittance flows in selected Southeast Asian countries (Hong Kong, Malaysia, Japan, and Singapore) and to develop an informed set of policy recommendations that can leverage a greater development role of remittances in these countries by identifying policy, rege22.0109 0u5o.8(e2 policy)136 Si4(,)TJ2J 22.01oc3(poli62.01

Filipinos and Indonesians working in Japan, however, remit more than twice as much as their counterparts in Hong Kong and Singapore.

TABLE 1: AVERAGE MONTHLY REMITTANCE AMOUNT SENT BY MIGRANTS

| | <i>Japan</i> | <i>Hong Kong, China</i> | <i>Singapore</i> | <i>Malaysia</i> |
|--|--------------|-------------------------|------------------|-----------------|
|--|--------------|-------------------------|------------------|-----------------|

I. Study conclusions and recommendations

In attempting to identify trends and patterns in regional remittance flows, the study found the existence of more than two million migrants from Indonesia, Malaysia and the Philippines living and working in Hong Kong, Japan, Malaysia, and Singapore who are sending over US\$3 billion to their home countries. Migrant workers in Southeast Asia remit, on average, between US\$100 and US\$500 a month and recipients are mostly the parents of migrants, and because of these funds, tend to earn higher incomes

Yet other forces at work where skilled migration leads to "brain gain" help to build capacity in source countries. Case studies suggest that skilled migration can prompt families to invest more in education, both because of the prospect of securing an overseas job and because the skill prices are pushed up in the source country as skilled migrants leave. Source countries also benefit from the return of migrant professionals, bringing back increased skills and knowledge. Some evidence suggests that these return flows are significant, and that many of these return migrants have received further education and training. Education and training in destination countries benefit source countries when skilled migrants return. When skilled migration estimates are adjusted for such return migrants, the net brain drain can be sharply reduced.

Since the late 1990s, an additional element of brain gain has been recognized: in the current era of globalization, global links may be more important than the human capital "stock" in a particular country. A professional may contribute more value to the source country by residing overseas than by returning permanently. In the private sector, for example, firms boost productivity by linking up across borders to integrate production networks that supply raw materials, manufacture components, assemble finished goods, and move them through regional and global distribution chains to consumers. Skilled migrant workers and investors participating in such production networks may benefit firms in their source country, even though they are residing elsewhere. The stunning growth of India's software industry is a notable example. The industry relies on ideas, technologies, markets, and reputational advice of individuals and professional organizations from the diaspora and diaspora-led subsidiaries in key markets such as the United States.^{vi}

A. People's Republic of China (PRC)^{vii}

Overseas Chinese professionals (OCPs) are ethnic Chinese residing outside the PRC on a long-term basis, with tertiary degrees, and working in specialized areas, using their specialist knowledge. They may work for universities, research institutions, business, government and NGOs. Self-employed professionals including high-technology entrepreneurs, lawyers, and freelance consultants, also fall into this category.

An estimated 700,000 PRC students had moved overseas for study by 2003, and about 180,000 of these returned to PRC on a long-term basis, creating a pool of OCPs of 520,000 (including students who may return later). Combining the new OCPs with first generation skilled migrants who left before 1949 (estimated to be 600,000), it is estimated that the total OCPs by the end of 2003 was 1.1 million. The average age is 35, and an estimated 95% are male. An estimated 60% of OCPs reside in the USA, with Japan and Canada the next most important host countries. According to analysis of a random sample of CVs of 103 employed OCPs, 78.2% have PhDs, 16.4% have Master's degrees.

OCPs maintain regular ties with China both on

However, this project-oriented approach is at odds with the basic fact that knowledge exchange is by definition a long-term and multifaceted process. The project-oriented approach also fails to reflect the reality that enrolled students overseas continue to form the main part of the OCP, and that work with OCPs is to a great extent an investment for the future, for which there is unlikely to be immediate achievement. How to establish contacts with self-financing overseas students -- who have little connection with the government, but are set to form the majority of OCPs soon -- remains a challenge. Furthermore, paradoxically, the emphasis on profitable projects does not mean that existing OCP programs truly link themselves into the dynamism of the global economy or domestic industries.

Bearing in mind the key features of state leadership and project-orientation, the policy recommendations flowing from this study are two-pronged. On the one hand, at least some government agencies should make the OCP programs less commercially project-oriented, and instead adopt a longer-term view with less emphasis on immediate deliverables and payoff. On the other hand, the government should try to better facilitate the mobility of the highly skilled among the workforce to the global high-tech industry rather than focusing narrowly on shorter-term return, regardless of whether it is permanent

END NOTES

ⁱ Kapur, Devesh (2005). *Give Us Your Best and Brightest: The Global Hunt for Talent and Its Impact on the Developing World*. Washington, D.C.: Center for Global Development.

ⁱⁱ The MAS is also the sole regulator of finance companies, insurance companies, securities firms, and moneychangers.

ⁱⁱⁱ (Orozco, 2005)

^{iv} Rosenzweig, M. R. (2005). "Consequences of Migration for Developing Countries", paper presented at United Nations Expert Group Meeting on International Migration and Development, New York, 6-8 July.

^v Martin, Philip. (2005). *Migrants in the Global Labor Market*. Global Commission on International Migration.

^{vi} Wescott, Clay. (2005). "Promoting Knowledge Exchange through Diasporas", paper presented at G-20 Workshop on Demographic Challenges and Migration, Sydney, 27-28 August; and Wescott, Clay. "Forward" in Xiang Biao. *Migrant Networks and Knowledge Exchange: How China Reaches Out to Its Scientific Diaspora*. Oxford: Centre on Migration, Policy and Society (COMPAS), in press.

^{vii} (Draws from Xiang Biao, *op. cit.*)

^{viii} (Wescott, 2005)

^{ix} Albuero, F. & Abella, D. (2002). "Skilled labor migration from developing countries: Study on the Philippines." *International Migration papers* 51. Geneva: International Labour Office.

^x Opiniano, Jeremiaiah M. and Castro, Patricia Anne M. (2005). "Technical Assistance to Ayala Foundation U.S.A. for Promoting Knowledge Transfer Activities through Diaspora Networks: A Pilot Study on the Philippines". Manila: Ayala Foundation USA. Draft Report.

^{xi} Macaranas, F. (2005a). "Harnessing Pinoy Creative Solutions to Brain Drain." Presented at the Third Global Filipino Networking Convention. Cebu City. 20-22 January.

^{xii} (Opiniano, 2005)

^{xiii} (Wescott, 2005)

^{xiv} (Macaranes, 2005)

^{xv} (Macaranes, 2005)

^{xvi} (Opiniano, 2005)