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Transcript

Migration: Creating Networks for Business, Politics and Growth

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Alan Philps:

Welcome to Chatham House. My name is Alan Philps, I am editor of the Chatham house magazine *The World Today*. We are very lucky to have two extremely distinguished guests to talk about migration and the challenges and opportunities it presents in the 21st century. To my right is Professor Ian Goldin who is director of the Oxford Martin School, an interdisciplinary research community at Oxford University. He is also a former vice president of the World Bank and author. Equally passionate about the benefits of migration. Robert Guest, on my left, is the global business editor of *The Economist*. You see revealed before you without this usual Harry Potter-style 'cloak of invisibility' the man who used to watch the Lexington column from Washington in *The Economist*.

Ian, would you like to start?

Professor Ian Goldin:

Thank you very much, Alan, and thanks to you all for coming. It is a great pleasure to be sharing this platform with Robert Guest, through his own writing and through *The Economist*, he is one of the people that I think has a very rare sense of wisdom and a real understanding of the broader macro in the discussions about migration, which unfortunately have been clouded by a huge amount of smoke, but very little light. What my book *Exceptional People* aims to do is to put the current debate in a broader perspective, and try and lift the discussion in order that we can see what the fundamental issues are. So, it has a big ambition; it tries to locate migration in a 100,000-year perspective; it looks back, it looks forward over the next 50 years, and it certainly... the bulk of it is about the current period, and of course it conclude with some policy conclusions.

What is rapidly evident to an economist such as myself when they study migration is just how puzzling the lack of consistency is in economics around this matter. The great economists that we bow to – like Adam Smith and John Stuart Mill and many others, and particularly people of neo-classical bent, or liberal bent – bow to, were adamant in their view that migration and the movement of people could not be separated from other discussions like those surrounding the movement of goods and services and capital. And yet we are in this paradoxical world now where there is silence on this matter, particularly from the great economists who speak so eloquently about the movement of capital and goods and services. Indeed, they are often the fiercest defenders of robust controls.

In the first third of the book, I look at the historical story around migration and come to the conclusion, I think from convincing evidence, that all great steps forward in civilisations and in economic progress have been the result of migrants. In other words, without migration we would not be where we are today. In a sense this is a trite observation because we would have all died awfully long ago if we hadn't migrated out of east Africa and through various transitions in our history where people were made extinct by famines, epidemics, volcanoes and other sorts of threats. So, we had to migrate to survive, and it was the fact that we peopled the world that has led to the strength of humanity against all other species.

Of course, when you look at the specific jumps forward in particular epochs in history, which is the subject of the first third of the book, it is evident that these come from the coming together of people, people that make generations in a particular environment that come to develop ideas that then come together. This accelerated in the 19th century with steam and many other developments, and at times a third of populations migrated, a third of the Irish, a third of the Swedes... many, many mass migrations – the Italians – mass migrations on a scale which make today's migrations seem puny. So, this was a world of migration.

100 years ago, about, passports came into fashion, increasingly after the First World War, and there are some wonderful quotes of people that discover them for the first time, who discover they haven't got them: the inquisition of passports. And now we are in a world where we are losing control to retinas and other scans. What is the implication of this? The implication is a real threat that progress and opportunity will be frustrated. A threat that we have failed to understand not only that this was always the way that people escaped poverty and that we are trapping them in it – so anyone caring about poverty will care very deeply about this, I hope – but also for the receiving countries, that this was the way that we developed what economists would call endogenous growth: innovation, creativity, and dynamism in societies. And because we are more dependent now on knowledge and technical change than ever before, and because that race is being more closely contested, the need for migrants is actually greater than ever before.

The last part of the book looks forward and particularly looks at the demographic story, which is a dramatic one, of massive leaps forward in longevity and collapses in fertility. I am very privileged at the Oxford Martin School to be able to work with collaborators across the board, 30 different disciplines, including many demographers, medical scientists, and others who all point to this rapid increase – so while you are here today your life

expectancy should increase on average by about 10 minutes – that is the pace advance, and of course your mental advance will be even greater. [Laughter] Though Robert's contributions, I should hasten to add.

But fertility is collapsing. The whole world except Africa going very rapidly below replacement levels, and the rich country labour force, assuming the present social contracts remain intact, going down from about 800 million to about 600 million over the next 30 years or so. It is strange in this world where we are bedevilled by unemployment and concerns of too many migrants to imagine a world where we will be crying out for more migrants in the future, but I believe that is the world of tomorrow, and the key question for policymakers now is: 'how do we transition to that?' It is not a question of *whether*, it is a question of *how*.

So, we will be short of skilled people, and we will be in a search for talent – we already are – and the current visa regime in that context is self-defeating for the UK's economy. But we will also be in a search for 'untalented'; in other words, people to push us around in our wheelchairs, to clean us, to wash us our salads and many other things because that is what the future economy is going to need. So, it is a book that looks at both sides, it certainly looks at the migrants themselves, it looks at developing countries – the countries that are sending – and it looks at the balance for all of them.

The economic evidence is pretty overwhelming. I have never met a proper economist – by which I mean one that has been properly trained – who doesn't understand the benefits of migration. The two big issues are; geographical trade-offs – in other words the cost of migration is born in a narrow, local community, where the benefits are widespread across the whole of society, and that has to be recognized. There is a fiscal policy issue, there is an issue around local governance, there is an issue around how do you support Slough, for example, where there is 30% migrants; that is an important issue that needs to be faced up to. Of course it needs support in dealing with migrants, you cannot expect the community of Slough to deal with it alone.

And the second issue is an inter-temporal issue; we know that the benefits are mainly brought to us in the medium term, whereas the costs are in the present. And like trade reforms, which are similar to analyse, one needs to understand the inter-temporal. You cannot allow to be held hostage because although they are a benefit in the longer term, the politics of the short-term are overwhelming. So, we need to think creatively about how we engage that inter-temporal thing, inter-temporally and it is only a question of a few years,

five, ten years, rather than a much longer time period where one needs to think that through. All of the analysis on economics of migration – and I must say it is an area that is under researched, very few, maybe three or four good studies exist on this topic, and all on US evidence, so it is difficult to be categorical about it – but all of it is static, comparative observation and not dynamic; it doesn't take into account the innovations and dynamic gains.

Now, what we know from the anecdotal evidence is that these overwhelm the short-term. So, for example, you look at the data on patents in the US, you see that half the patents are brought out by migrants. Silicon Valley, half the start-ups in Silicon Valley... all the iconic names that you can think of, of the big Silicon Valley firms are migrants. Some, importantly, were skilled when they came here, but some not; Steve Jobs being a good example of someone that was not. It is also a great source of dynamism in the US; half the children born in the US today will be from migrant families, although they are about 12% of the population. That is a huge source of dynamic strength to the US going forward, and therefore they have a beehive sort of shape to their demographic structure – more young people than old people – whereas we have a sort of coffin shape [laughter]... standing up, of course, the coffin. Dependency ratios rapidly rising, and a much more acute problem in Europe.

Now, just to conclude, I am not naïve, I don't believe we should open our borders freely, although that, I think, *is* the long-term game, rather like I believe free trade is the long-term objective of trade policy, but I do understand it has been a 50 year process of negotiation at the global level to get there, and I see a rather similar thing in migration. I think there needs to be more migrants, but they need to be brought into society. In other words, we need a contract which if people are in our society we will respect them and treat them as we would a citizen, with pension portability rights, with other rights, certainly health and safety legislation applying to them, minimum wage legislation applying to them, and other things.

But we also need to recognize that they need to pay taxes; they need the obligations that go with those rights, the responsibilities that go with those rights, and therefore we kick out people that do not abide by our rules in society, and it is their choice when they come in whether they want to abide by the rules or not. So, I believe in a contract which [sic] is firmly imposed; I also believe that we need to ensure that illegal or undocumented workers are brought within the structure because they are the biggest worry, and they are also the biggest burden because they don't pay the taxes *et cetera*, and they are not in the criminal justice system *et cetera*. So, I believe in amnesty and I believe in registration, both in the US and in the UK.

The book is 500...400 pages long with lots of footnotes, a very long bibliography; I can't do it justice here but I hope I have given you some sense and I look forward to the discussion and the complementary interventions by Robert. Thank you.

[Applause]

Alan Philps:

Thank you very much, Ian, for reminding us of an era not so long ago when no one had passports.

Robert Guest:

Thank you very much, Ian, and thank you very much, Alan. At the risk of this being a mutual back-scratching session, I have to say I thought Ian's book was absolutely terrific and I agreed with very nearly all of it, so I would urge you all to download it to your iPads if you haven't already done so. Actually mine is available at the back if you like. [Laughter]

Alan Philps:

As is mine.

Robert Guest:

Now, the idea of... you know, my book [*Borderless Economics: Chinese Sea Turtles, Indian Fridges and the New Fruits of Global Capitalism*] is based on reporting for about 70 countries for *The Economist* and gosh knows how many years thinking about the subject, and I felt it was pretty hard to cram it in to 200 pages. I am now going to try and cram it into 10 minutes for you, which is going to take a little bit of agility, so if I leave out a little bit of the detail, please forgive me.

My central point is that migration makes the world brainier. What do I mean by that? Well, we have entered a new era of migration. It used to be that when a migrant got on the boat and went to America, the journey would take many weeks, and when they got there they would more-or-less completely lose touch with the places that they came from because back in the day a transatlantic telephone call would cost more than a month's wages and cheap aeroplane flights were non-existent. Nowadays, when a migrant arrives, he or

she can text his mother as soon as the aeroplane hits the tarmac, can look at soap operas from the old country on his laptop, can send money home in minutes, can maintain a micro-multinational business that consists of himself and his cousin back in Bangalore. It is basically possible now, in a way that is simply wasn't only a couple of decades ago, for migrants to remain intimately and constantly in touch with the places that they came from. And this has enormous consequences.

It has always been true that migrants brought energy, dynamism, and youth and it is also true for a long time that they brought ideas, but now they also bring connections. They create connections between different countries, and this has immense consequences for business and trade, for ideas and innovation, and even for politics. Now, I am going to talk you through one example of each of those things. But first of all, let's step back a bit. Of all the countries I have visited on *The Economist's* expense the one that really brought home to me why it was that ability to move in and out of a place was a tremendously powerful force for good in North Korea.

Now, as I'm sure you are aware, North Korea is a hermetically sealed society, they don't really let anyone in, they don't really let anyone out. And this means they don't let ideas in, and they don't let ideas... well, they don't really have many ideas to export except for very bad song's about the dear leader and how he dispels raging storms with the force of his will.

But, it means that they have stagnated. I recall one time going to a North Korean technology exhibition and they showed me a North Korean computer, they said, 'It is a fantastic North Korean computer with a North Korean operating system and it is totally wonderful.' So, I said, 'Well, can you show me it doing something?' And they said, 'Well, no, it is in display mode at the moment.' [Laughter] So, I was a little bit sceptical about that, so I reached over and hit the off switch and hit it again and rebooted it, and it flashed up on the screen 'Texas Instruments'. [Laughter] The library...they took me to a library in North Korea, and I asked the librarian what kind of books people like to read there, and he said, 'Oh, well, of course people read the works of the dear leader, and the great leader, Kim Il-Sung and Kim Jong-il.' And I said, 'Yeah, yeah, sure, I expect they are wonderful, but do you read any other books? What other books are popular?' And the man went completely silent; he clammed up. He couldn't name a single other book, in fact he was afraid to name a single other book that anyone might find to be a source of good ideas in North Korea because, you know, it is that closed a country they can't admit that anyone else has any good ideas.

Now, if you contrast that with... I spent a reasonable length of time – about five years – living in America and covering it for *The Economist*, and you have a completely different attitude to newcomers and new ideas among a reasonable majority of the population.

Let me give you an idea of how migration between America and the rest of the world affects business. I'll tell you one story, the story of [mispronounces it as Chung Yang, but is actually Zhang Yin]. She was a Chinese woman who emigrated [sic] to America about two decades ago, and with an outsiders eye she made two observations. One is that Americans throw away a huge amount of waste paper, you know, all those catalogues, and instruction manuals for how to set up your enormous barbeque set, and heaps of copies of *The Economist* that people can't quite get around to reading. And she noticed this, okay, that was one thing, and the other thing she noticed was that ships would come from China to America fully laden because the things that China sells to America take up quite a lot of space, we're talking televisions, and steel girders, and plastic toys that you want at Christmas time. Whereas the ships that America sends back to China are often half empty because the things that America sells to China often don't take up much space, we're talking intellectual property, and movies, and IOUs from the government. [Laughter] And, so, she put these two pieces of information together and she created a multi-billion dollar business out of it. She would gather up all the waste paper in America, load it on to ships, send it back across the Pacific, and then with her connections back home in China she was able to set up a factory to recycle the waste paper into cardboard, which was then made into boxes that you put televisions in that you could then send back to America. She is now the richest self-made woman in China with a fortune of something in the order of \$9 billion.

And that is the kind of opportunity that you create when you move from one place to another, when you see things that the people who lived there their whole life don't see. And when you have the connections back home to put those ideas into practice. It is very important if you want to do business in China that you know something about the local business culture, that you know who to trust. This is true in most emerging markets, which is where most of the growth is in the world today. It is true that you very can't easily do business there, you cannot rely on the rule of law to have your contracts enforced; you have to know who to trust, which business people have a good reputation, which ones have a bad reputation, which officials from the government are going to do you down, and which ones are easy to deal with. And that is the sort of thing you are only likely to have if you are either a

migrant yourself or if you are working with a recent migrant from one of those countries. That is why, for example, broadly defined, of the foreign direct investment that goes into mainland China, about 70% of it passes through the Chinese diaspora, broadly defined. I mean the Chinese diaspora is this huge thing that connects China with the world, and the world with China. There are about 70 million people in it; that is more than there are French people in France, and it is a fantastic mechanism for moving, mostly at the moment, business ideas, but also in the future, I suspect, technological ideas.

Now, I am going to say something about technology and innovation, and I will tell you another story. The Indian government noticed that most people in India couldn't prove who they were, couldn't even prove that they existed; they didn't have national insurance numbers, or passports, or driving licenses. And this meant that hundreds of millions of people were completely unable to participate in the modern economy; they couldn't open a bank account, they couldn't borrow money, they even found it very hard to get from the government the welfare benefits that the government had promised to them.

So, they decided it would be a good idea to set up a biometric identification system, a huge technological project, and the one problem was that the Indian government is absolutely rubbish at large projects like this. So, what did they do? They called up the software billionaire called Nandan Nilekani, and said, 'Can you help?' And he said, 'Okay', and he put the word out on the Indian diaspora grapevine. He called up his Indian friends in Silicon Valley, and in Boston, and in New York, and he said, 'Hey, there is this big project here, it will be technologically very difficult, it will be enormously beneficial to India if we can get it done; can you help?'

And suddenly this buzz goes through the grapevine and lots of these very brainy Indians get very excited about this project and they start skypeing each other, and before you know it they are jumping on a plane and flying to Bangalore, and setting up a white board in a rented house and ordering in a load of junk food, and sitting there and brainstorming for about 14 hours was the first session. We are talking very high-powered people. There was one guy who had helped set up a \$1billion health information technology company, another guy who had designed the number crunching software for the New York Stock exchange, and a whole bunch of people who had worked for Google and Snapfish and other wizzy web outfits. And they worked on it very hard and very carefully, and before long they had come up with a robust system not only for registering people for the national identity system, but also to make sure there weren't duplications because the system would obviously be completely useless if it could be cheated, if people could have multiple

identities and claim, you know, welfare benefits for an hundred people. They have now, I think, enrolled more than 200 million people in this system, they are going gang-busters, it is going much better than anyone expected, and that is one example out of hundreds that I could mention of the power of diaspora networks to move ideas around the world.

Now, I am going to close here because I know that we started a little bit late and people are going to want time for questions, but I will leave you with a little teaser, which is that the chief political idea that I mention in my book for how migration affects the world is that I argue that China's contacts with the outside world and the vast wave of elite Chinese people who are studying overseas and then coming back to China, and the interlinks between Chinese dissident networks at home and their rear-bases abroad, are going to be what turns China democratic in the future. I will leave you with that teaser, and perhaps open up to questions after Alan has said something. Thank you very much.

[Applause]