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Flows and Cohesion: balancing capabilities across an expanded union¹

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Abstract:

The recent expansion of the European Union has raised issues of equity in regional development across established and new member countries and concerns about population movement that led to last minute restrictions on labour mobility being imposed in 2004².

The Lisbon agenda³ emphasises the importance of cohesion, yet its ultimate objective, set against competition across a global knowledge-based economy, implies strategies which build on existing nodes of strength and critical mass to expand high level technical and economic activity. Such strategies are likely to exacerbate the flows of skilled labour, followed by less skilled workers responding to elevated local demands for more general service support. The situation reflects the so-called north-south divide through which regions and nations are losing their most capable workers to more developed locations.

Movement within the expanded European Union is influenced by historic patterns and links suppressed during the Cold War period and now re-appearing. The connections created by this movement offer a means of both transfer and linkage between more and less advanced locations. Until recently such transfers of skilled workers were seen as a 'brain drain', implying a one-way, definitive and permanent loss of skilled labour. Current thinking on international migration suggests that migration can play a critical role in aiding poverty alleviation by contributing to development thinking and resource mobilisation. The notion of

¹ Presented at RSA International Conference on *Shaping EU Regional Policy: Economic Social and Political Pressures: Theme 7: Competitiveness and Cohesion* Leuven, June 2006

² <http://www.eumap.org/journal/features/2004/migration>

³ <http://www.euractiv.com/en/agenda2004/lisbon-agenda/article-117510>

'brain circulation' has gained prominence largely due to the growing emergence of the global economy.

While the monetary contribution of overseas workers to economic development in their home countries is significant and well recognised, workers also develop capabilities which can be transferred to their home regions. Successful examples from Taiwan, South Korea and India indicate a critical role of trans-national communities of scientists and engineers in providing crucial access to tacit knowledge, institutions and financial resources.

The electronic monitoring of remittance pathways to developing countries and the advent of cheap international internet based telephony and e-mail has also allowed the transmission and maintenance of cultural identity exemplified by numerous diasporic on-line communities. As a consequence economic migration also leads to cultural transfers and the establishment of patterns of leisure travel, involving both the migrant and the host communities. This offers a further path to cohesion. This article will discuss the application of these insights to the analysis of the dynamics of development and cohesion across the expanded EU.

Introduction

The dynamics of physical relocation of intellectual capital is seen in the flow of skilled workers across international boundaries and the internal movements within the increasingly integrated economy of the European Union. This article describes a research framework developed within the context of a globalised economy and its potential application to issues within the boundaries of the European Union.

Proponents of “strong globalisation” such as Ohmae (1995) argue that governments should play to the relative strength of the most developed components of national economies in order to create regional synergies – that is they should strengthen their existing best capabilities to maintain global presence and status rather than attempt to achieve a more even and cohesive development path.

Many existing policies trace their origins to the Cold War period when an integrated and self-sufficient European economy had both economic and security dimensions. These policies were intended to improve the scale of operation and efficiencies within an economic region representing the Western model at the boundary of the Soviet sphere of influence. Assumptions developed in this context are now being tested by not just a greatly expanded European Union, but by a rapidly changing global context. As one of Ohmae's triad of core economic zones dominating the emerging global system (Ohmae, 1995), the European Union is now concerned with the maintenance of its capability as an increasingly networked node within a global system.

The end of the Cold War global model produced an acceleration of economic integration. Ohmae (1995) refers to the removal of the “bi-polar discipline” of the Cold War which had obscured differences within and between members of the Eastern and Western blocs. The driver of current globalisation has been the reduction of transaction costs achieved

through ICTs (Information communication technologies) which allow the replacement of a production or supply “chain” with much more densely networked patterns (Little, 2004; 2005). Across the EU, the accession states and beyond, disparate national and regional cultures began to interact within globalised economic systems and organisations. However, the interpenetration of the developed centre and the periphery reveals unevenness in development which is reflected in both of the coordination of dispersed activities through the new communication technologies and the physical re-location of high and low value activities. In addition, with the bulk of trade still flowing between the core members of the triad of North America, North West Europe and East Asia, EU policies in science and technology in particular seek implicitly to build on existing strengths and centres of excellence, at the potential cost of overall cohesion across the community as a whole. Ohmae (1995) refers to the regional synergies among the most advanced locations and regions as “zebra” strategies, which are aimed at securing a place in the global system, leaving the excluded areas to catch up as best they can. Such focussed development challenges the concept of cohesion, an issue becoming increasingly debated in the most successful development states such as China (Zheng, Wang and Tok, 2006).

A New Context for cohesion

It has been argued that the synergies flowing from the removal of Cold War boundaries in Europe which led to the eastward enlargement of the European Union are essentially the re-assertion of historical cultural and economic linkages facilitated by new information communication technologies. Delamaide (1994) offers an alternative understanding of cross-border synergies than that offered by Ohmae’s “zebra strategies”, arguing that the emergent super-regions of Europe represent the reactivation of much older pre-existing geopolitical relationships.

Spatial hierarchies have long been evident within and between regions. Long before the emergence of current levels of global out-sourcing, "front office" tasks in prestigious locations were divided from "back office" tasks that had been relegated to the local periphery of outer suburbia (Nelson, 1988). From the 1980s onwards the electronic coordination of distributed resources has been evident, initially across the borders of the United States, to Canada in the case of automotive components, and the Caribbean in the case of back-office functions for financial and other service industries. With the new freedom of location facilitated by electronic coordination, however, high and low value activities occupy a more complex spatial relationship and synergies can be created by collaboration between actors who are neither physically collocated nor adjacent.

This electronic movement of capital, real and intellectual, is matched by significant flows of labour between low cost and high cost environments. As a consequence, globalisation and deregulation of economies is producing nomadic communities. These are emerging in response to a complex process of layering of labour markets, both internal and external to the developed economies driving this process. Attali (1991) predicts the emergence of a nomadic international elite, in line with the examples provided by Webber (1964) but such movement is not restricted to the elite employees of trans-national corporations. A range of skilled, semi-skilled and unskilled workers, legal and illegal are moving into and between both rural and urban areas of the more developed economies in growing numbers. The situation which caused last minute concerns during the 2004 enlargement process was foreshadowed by Castles and Miller (1993). However, at every level of skill and reward, such movement involves both short and long term relocation. Increasingly the flows to the most advanced regions are matched by return flows of both financial capital, in the form of remittances, and intellectual capital in the form of individuals seeking to apply the new capabilities they have acquired.

The north-south development debate and the literature on migration between the least developed and most developed economies offers insight to the comparable process taking place within the enlarged European Union.

A Shifting Debate: International Migration in the Global context

Until the early 1990s, the concern was with combating the 'brain drain'; implying a one-way, permanent migration of skilled labour but in recent years the issue of 'brain circulation' has gained wide acceptance as a positive feature of the emergence of a global knowledge-based economy.

The migration of professionals from Africa is the most striking illustration of this problem. Estimates suggest that Africa lost 60,000 professionals (doctors, scientists, engineers, etc.) between 1985 and 1990⁴. However, India and China have also been two countries which saw their best and brightest technical students move overseas. The Indian case is striking for the duration of this exodus as over the decades the pursuit of better academic and economic opportunities has resulted in mass migrations of scientists and engineers to technologically advanced countries like the UK and USA (Kale et al., 2005).

Current thinking on international migration suggests that apart from remittances, migration can make a critical contribution to development and resource mobilisation (Newland, 2004). For many countries trans-national communities of professionals are a major

⁴ <http://www.uneca.org/>

source of foreign direct investment, market development, technology transfer and more intangible flows of knowledge, new attitudes and cultural influence. Successful examples from Taiwan, South Korea and India have reinforced new thinking on migration by showing the crucial role of trans-national communities of scientists and engineers in providing crucial access to tacit knowledge, institutions and financial resources (World Bank, 1993; Saxenian 2002). Economic growth in these countries has contributed towards employment generation and reduction of poverty which suggests that the eradication of poverty and improvement in living standards in less developed regions can be achieved by utilising resources and knowledge residing in their trans-national communities.

Over the years migration scholars and policy makers have focused on two questions: how is migration influenced by development and how does migration impact on development. International migration is found to be both a dependent and independent variable of development (Fischer et al., 1997). The literature assesses the consequences of migration for the source countries in terms of the effect of migration on labour markets and availability of human capacity necessary to harness development, the impact of remittances on the national economy and the living standards of migrant's family members (Ammassarai and Black, 2004).

Past research on international migration has largely focused on the notion of brain drain, emphasising the detrimental effects of such flows (Bhagwati, 1976). However in the last decade the emergence of globalisation has brought new perspectives to migration research. In recent years governments and donor agencies have begun to think systematically about the actual and potential contributions of human mobility/migration to development and to the reduction of poverty.

Now it is argued that international migration can alleviate some of the problems facing less developed regions by delivering something in return. Financial remittances are now recognised as an important source of income, not only for households but also for national foreign exchange (Kapoor, and McHale, 2003). However Newland (2004) suggests that policy should also focus on the social and political activities of trans-national communities as these can have an even more profound effect on the prospects of the poor through what is termed 'social remittance'. Levitt (1998) defines social remittances as the "ideas, behaviours, identities and social capital that flow from receiving country to sending country communities". This social remittance is reflected by the emergence of various technological, scientific and social networks connecting migrants with each other and with home countries. For example 41 knowledge networks have been identified around the world tied to 30 different countries and two world regions. The research on social networks shows that scientific and intellectual networks have proved very important for the development of

industries in different countries like India, Israel and Ireland (Kapoor and McHale, 2003). Saxenian (2002) suggests that Indians engineers working in 'Silicon Valley' retained and cultivated links with engineers and businesses back home through a range of social networks and aided development of the Indian software industry by providing both knowledge and market access. Kale et al., (2005) showed the important role of overseas Indian scientists working in the development of R&D capabilities in Indian pharmaceutical firms. The Indian pharmaceutical industry is a major supplier of cheap generic drugs all over the world providing affordable medicines to the poor population of India as well as of other less developed regions. Social linkages and return migration are both indirectly helping the poor population of India as well as other less developed regions. Similar examples can be found in both Taiwan and South Korea.

This evidence emphatically proves that the new skills, ideas and attitudes of returned migrants have positive impacts on the development of their home country. The interdependency between industry evolution and labour market dynamics is quite crucial in many real world industries. The experience of leading firms from developed and less developed regions show that human mobility across firms has played a very important role in transferring knowledge. Few organisations internally generate all the knowledge required for continuous technological development. Firms must therefore, often turn to external sources such as suppliers, buyers, universities, consultants, and competitors. However given the tacit and complex nature of the most valuable knowledge, its acquisition can be difficult. A significant portion of knowledge that organisations seek to acquire is embedded in individuals. When these individuals move between organisations, they can apply this knowledge to new contexts, thereby effectively transferring knowledge across firms. Thus human mobility can play an important role in hiring firms knowledge building processes, especially where knowledge tends to be "sticky" and remains localised within firms, regions and countries. Thus industry growth and its evolution are strongly influenced by labour dynamics and human mobility.

Exploiting Intellectual and Cultural Remittances

Koser (2001) points out that, the policies to support the return of migrants have often been seen as disappointing at best, but the success of South Korea and Taiwan do highlight some of the policy initiatives and their influence on return migration and development. For example Yoon (1992) argues that Korea's reverse brain drain has been the result of organised government efforts rather than a spontaneous social phenomenon, in that various policies like the creation of a supportive domestic environment and importantly, the empowerment of

returnees through various autonomies were instrumental in laying the groundwork for its success. In the late 1960s Korea had a serious brain drain problem like other Asian countries and witnessed large scale migration of engineers and scientists to advanced countries. The situation is now reversed with expatriates flocking back to Korea. Similarly O'Neil, (2003) shows that Taiwan used a diverse range of public policies including establishing a National Youth Council to connect and utilise overseas Taiwanese resources in the economic development of the country.

In recent years realising the potential of these communities, the Indian government launched "ROI" initiatives to harness the resources of trans-national communities to the economic development of the country through the "Return of Overseas Indians". However, the success of these initiatives is still unclear. For example, the 20 million Indians abroad generate an annual income equal to 35% of India's GDP, yet have generated less than 10 percent of India's modest £2.2 billion of FDI – in contrast to overseas Chinese, who have contributed half of China's £26 billion⁵.

The monetary contribution of overseas workers to economic development and poverty reduction in their home countries is very clear but these workers may also make contributions to science and technology which can be utilised for the development of the innovative solutions to alleviate poverty. Saxenian, (2002) reports the critical role played by U.S. based Indian scientists and engineers to the stunning growth of India's software industry. The industry has created 400,000 new jobs in India and aided economic growth of regions such as Bangalore, the 'Silicon valley' of the East". Similarly Song, (2003) describes the impact of trans-national communities in both Taiwan and South Korea's economic growth.

Long established physical international connectivity, based on an infrastructure of seaports, railways and underwater cables, has left a cultural and economic residue represented by the diversity of the surviving port cities around the world. These remain valuable resources in the development of future economic activities. However, the node of the new global network is Castells' "city of flows" (Castells, 1987) requiring an infrastructure increasingly dependent on air transport and wireless connectivity.

With the mass migration of the nineteenth century the printing press supplied the community language newspapers which allowed the new location to function as an extension of home. Information and communication technology introduces new social practices and social patterns allowing the collective development of skills and their transmission across the expanding network. Little and Clegg (2005) describe the electronic maintenance of identity

⁵ <http://www.info.worldbank.org/etools/docs/library/152386/abhishek.pdf>

among the migrant Mexican communities in the United States, for example. The individual and community use of ICTs in support of relocation and the maintenance of links to the home community means that the voice of the small social and political unit can now gain volume. (Little, Holmes and Grieco 2000). However, in their examination of the Ghanaian diaspora Henry and Mohan (2003) suggest that the links to home may promote cultural stasis as much as it provides cultural stimulation. However the constant communication provided by ICTs enables a closer alignment and synergy between the home and overseas communities than previously. Such communities can more easily maintain their connections with their home cultures, while offering a valuable external perspective on that context

Conclusion

An increasing number of specialists now point out that significant changes in migration patterns have occurred over the past decades and these require a paradigm shift in the way such movements are observed, analysed and dealt with by policy makers. International migration and human mobility can contribute to a country's economic health in various forms - foreign direct investment (FDI), market development, technology transfer and more intangible flow of knowledge. The large scale movements between major components of the global economy are mirrored at the smaller scale of regional movements towards growth centres. The European Union is both a destination for a significant proportion of global movement and subject to internal migration patterns, both of which bring potential for the improvement of local capacities and capabilities. Policies need to look beyond financial remittances to examine other forms of trans-national community involvement in home country growth. If regions beyond the existing cores are to achieve more than a "back office" role, an understanding of both the potential and the limitations of the social dimension of remittance is needed. By identifying the specific flows between EU regions it may be possible to identify complementary relationships between regions which would allow the emergence of a pattern of hub and spoke relationships rather than a simple core versus marginalised periphery.

The first priority of research at this stage should be the analysis and evaluation of the involvement of trans-national communities' in the development of their home countries and the impact on development (Newland, 2004). There is clearly a need for research which can provide important insights to less developed regions in designing appropriate policies and developing supporting institutions to facilitate the large scale involvement of migrants' resources, skills and vision in transforming the economic health of poor people. Equally, the efforts of, for example, the Indian and South African governments to engage migrated and

mobile professionals in national economic development, even where they choose to remain overseas, will be of relevance to the less developed regions of the enlarged European Union.

Although the emerging global system is far from complete and far from determined, it is already having a profound impact on social and working life, directly and indirectly. The relationship between physical movement and electronic communication and the role of both in the transfer of intellectual capital and capacity is integral to an understanding of the contribution of flows to inter-regional cohesion.

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