



## Pacific Economic Cooperation Council Seventeenth General Meeting 30 April - 2 May 2007

### V - Demographic Change, Growth and Integration

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Thanks very much to PECC for inviting me to address this very important meeting.

In my paper, I have tried to summarize what I think are some of the major demographic changes and issues faced by the region over the next two decades. It is a very complex and diverse region and very difficult to generalize. I apologize that I will be generalizing across the whole region. In the paper that I have prepared, there's a lot of detail about individual PECC countries.

I'm going to try and outline what I think are the major patterns of change with respect to population growth – and I'm going to focus especially on the issue of ageing.

Recently, the Chief Economist for the OECD indicated that he felt that demographic change was the most important element in the economies of OECD countries. I would argue that something in the Asian region as well, that demographic change is going to be of enormous significance over the next two decades.

Demographic change relates to shifts in the size and composition and distribution of populations, not only nationally but within nations. It's really important to appreciate that populations are constantly changing. They're never a static backdrop to economic and social changes. But the change in population is incremental and very often, that means it creeps up on us. We don't realize that the changes are occurring and the relationship with the economy is a very, very crucial one; both as a cause of economic change as well as an effect.

#### **The region is ageing**

The main trends that I've covered in the paper are: the rapid fertility decline in the region; the changing life expectancy – the enormous increase in life expectancy; and the resultant ageing of the populations. I think one of the things, too, is this youth generation, which is currently in the Asian region. They are a totally new generation having grown up with a very different view of the world; different levels of education from previous generations - I don't think we understand enough about that generation – and of course, the greatly

increased mobility within and between countries.

East and Southeast Asia have about a third of the world's population and as I said earlier, enormous diversity in the size and composition of populations in the region. The key feature, though, is the declining levels of population growth. Although that varies among the individual countries, there's been a halving of population growth over the last three decades or so.

What is anticipated is that the population of the area will stabilize over the next five to ten years. We're only going to see relatively minor growth in the region as a whole over the next two decades; although that varies considerably among the individual countries.

The factors in that growth are, first of all, an increase in life expectancy. Probably the greatest achievement of the region over the last thirty to forty years has been the fact that we've added that twenty years, in fact in many countries – more than twenty years, of extra life to the average person in the region. Of course, that's had a significant impact on the life expectancy and on ageing.

Age is a factor, although a small one as yet, but one which nevertheless is of concern of many of the countries in the region. I'm not going through the individual nations, but there have been some massive increases in life expectancy – particularly in some of the bigger countries in the region.

Fertility, too, has been perhaps the most unexpected change. You can see here [slide] that across the whole Asian region, in the period of over forty years or so, there has been a halving of the numbers of children. But in some countries, particularly China, we can see that there's an absolutely massive decline with a total fertility rate currently estimated to be about 1.6. I think it's interesting in this table to see that only Indonesia has a

higher level fertility than Australia in the Asian region. Many of the countries of East Asia have significantly lower fertility than Australia. In fact, the most recent figures for Shanghai, for example, put the total fertility rate, or the average number of children that women are having, at about 0.7, which is one the lowest it's ever been recorded. In effect, there has been a fertility revolution with this massive decline, particularly in the Eastern Asian region. It varies somewhat among countries – still relatively high in the Philippines, and in some South Asian countries, but most countries in the region have had this massive decline in fertility. The result of this has been ageing.

What I've done here [slide] is to overlay the age structures in 1970 and in 2005 in the Asian and Southeast Asian regions. The dark 1970 [slide] age structure is quite a young age structure with a concentration in the younger age groups - with significant bulge in the 20s and 30s age group. I'm going to say a little bit more about that youth bulge in a moment. But the projected population, which we can see on the other side of the diagram, is a much older one and what we're seeing is a rapid movement towards an older population right across the region.

What I've done is to look at what growth is going to occur over the next ten years in Asia by age. On the X axis we have individual age groups – this is the Eastern Asian region. It shows that over the next ten years, the net growth of the population is going to be in the older age groups. There will be small declines in the workforce age groups and in the younger age groups. We add another ten years – even more the case.

The same thing in Southeast Asia and if we look at China, a very interesting pattern, where the pattern is even more enhanced, where there is a very substantial growth in the older ages and declines anticipated in the younger age groups. So this pattern of

ageing is one which is going to be very, very significant for the economies of the region. It's going to also influence, of course, migration both within and between countries.

### **The Asian youth bulge**

There's been a lot of discussion about the Asian youth bulge - that large increase in the younger age group. Economists suggest that a youth bulge is where you get at least 20% of the national population in that 15 to 24 age group. Asia had a youth bulge in the 1980s and 1990s, although it varies considerably among the countries of the region. However, you can see that the percentage of the population in those younger age groups has begun to decline quite rapidly. This youth bulge has delivered what we could call a 'demographic dividend,' where, because the workforce has been growing faster than the total population, there have been significant economic gains throughout the region through increased labor supply, increased savings, and increased investment.

But what we're facing now is a movement towards youth deficits, that is, where this age group makes up less than 15% of the population. Most of the major countries in the region will move towards youth deficit situations over the next couple of decades. That's going to be a real challenge for the economies of those areas.

I've done some projection work of the key age group - the 20-34 age group - the age group most prone to mobility within the Asian countries and the main regions. What this shows is that in Eastern Asia, we are looking at declines in the 20-34 age group over the next couple of decades. The figures that I want to concentrate on, are the differences between males and females.

If you look at the East Asian region in 2000, there were about 8 million more young males than there were females. By 2020, the

difference will be up to 15 million - 15 million more young men than there will be young women. In China, there's a term for this - they call these young men the bare branches. They're people with little hope in the future to form a family and to have a full life. This increasing differential between males and females, as a result of a differential pattern of abortion, of differential use of ultrasound machines across Asia, is becoming a very, very significant factor and one which is often neglected.

In the paper, I've looked at individual countries and the rates of which the youth bulge and youth deficit will occur at different times. However, the whole issue of ageing in the region is one that has been neglected. The 65 plus population is the fastest growing group in the region and there's going to be a number of factors associated with it. The youth population is still growing and that has a lot of implications. They have higher levels of education; they're concentrated in urban areas to a much greater extent than the rest of the population; have higher levels of unemployment and underemployment as well. But I think we need to also look at some of the issues about the older population and particularly their relationship with the workforce and issues of support for those older age groups.

### **Rapid urbanization**

One of the key trends in the region is that some time in the next decade, we'll move into a stage where more than half the population of Asia will live in urban areas. This is a massive change because if we go back fifty years, only one in ten lived in urban areas. This shift from the dominant Asian being someone living in a rural area to someone living in an urban area is really of fundamental importance. It varies among different countries, but all countries in the region are experiencing quite rapid urbanization and rural to urban mobility - whether it be permanent or non-permanent.

There are many factors associated with this. The growth of these mega cities with more than ten million people in them present an enormous challenge to the region both in terms of governance and also in terms of environmental and social impacts of those cities.

The final subject I want to mention is international migration. In the ESCAP documents of the 1970s, the Ten Year Population Conference held in Japan, there is no single mention about international migration as being of any significance in the Asian region. Nothing could be further from the truth now. Every single country in the region is influenced in a significant way by both in and out migration. Migration has increased enormously in scale and in significance and it will increase further as the differentials among countries – both demographic and economic differentials – increase.

There's a new migration era, however. It is not just permanent displacement from one country to another; it is much better seen as a vigorous flow of people in and out of countries within the region. There is an enormous amount of mobility and much of it of a non-permanent nature; much of it that we don't fully understand. The labor markets of the region are increasingly becoming international labor markets.

In the paper, I've tried to look at the main, different types of migration affecting the region.

First, south-north migration: in the last round of OECD censuses, it indicated that there are probably about 10 million Asians living in OECD countries. But that really is the tip of the iceberg of a much larger number of people both coming and going between Asian countries and the OECD nations.

I've recently done some work on Chinese migration to Australia. One of the things

which I don't think many people realize is that probably about 20% of all Chinese people coming to Australia leave and go back to China; and probably another 5% move onto another country within five years of coming here. There's a great deal of coming and going and I think it's wrong to perceive of migration as being a permanent shift of people from one country to another. That's just one element in a much more significant pattern of migration between nations.

I think one of the key trends is the increasing selectivity of migration based on skills. In Australia, over the last ten years, we've gone from about 25% of our migrant intake being based on skills to currently it being very close to three quarters of the intake.

### **Student migration**

The nexus between migration and student migration is another one. Asia is the predominant source of student migrants to the rest of the world. Yet, what is happening is that many of those students are remaining in the OECD countries where they are studying. A classic case, Australia has more foreign students per head of native students than any other country in the world; indicative of it becoming a major destination for students, most of them from Asia. Last year, about 16,000 students transferred from temporary to permanent residence in Australia and it's likely to be more this year. So there's increasing nexus between student migration and permanently settling in the destination country.

I'll quickly summarize the remaining slides. I wanted to talk also about unskilled migration between nations in the region. There is an increasing pattern of international labor migration. It's variegated; diverse pattern involving both skilled and unskilled people. There are an increasing number of women in that migration – not just unskilled women but

skilled women as well and there are a number of issues that arise through that as well. Refugee movement is at an all-time low in the region. I also wanted to mention the increasing pattern of marriage migration, which is partly associated with the sex imbalances that I was talking about earlier.

So, just in conclusion – there are a massive number of demographic changes occurring within the region. I've tried to summarize them in a general way, but in each country they take a specific form.

One of the things which is emerging, is the increasing demographic interdependence between countries within the region. As the demographic and economic differentials among countries widen, migration becomes much more significant. Migration in the region, has, in the past, really not been factored in as a long-standing and important structural element of the economies of countries. It tends to be seen as something done on a temporary basis to overcome labor surpluses or labor shortages, occurring at a particular time.

I would argue that migration is a structural feature of the economies of the area. It needs to be integrated into economic policy. We need to have economic policies which take full cognizance of ageing; full cognizance of the fact that migration is crucial to the prosperity of countries – both those that are losing populations through migration as well as those that are gaining through migration. Thank you very much.



**Marla Asis**  
**Scalabrini Migration Center, Philippines**



### **Health workers from the Philippines**

I will focus on health worker migration and the experience that we've had in the Philippines.

Following the World Health Organization's definition of health workers, I refer specifically to those who directly provide healthcare services. Although health worker migration is not necessarily new, the context of globalization introduces new elements to the issue. Current trends and prospects of increased demand for health workers in the more developed countries in the future underscore that the health of nations is increasingly becoming a transnational issue. Demographic and economic differentials will define, to a large extent, the drivers of this particular migration.

When we speak about health worker migration, there are several competing views. First of all, we recognize that health workers do have the right to migrate. One view sees health worker migration as a natural consequence or aspect of globalization, something that is inevitable given the various types of flows that are

underway. Health worker migration, thus, is seen simply as part of the movement of goods and services, capital and people.

However, there's also another view of health worker migration and that is, a view that sees health worker migration as leaving in its wake deleterious impacts on the countries of origin. As it is, the distribution of health workers around the world is already very uneven and the movement of health workers from the less developed to the more developed economies exacerbates problems of health care delivery in the less developed regions. Since health is a basic service, the benefits expected of labor migration, such as remittances, brain gain and transfer of resources, do not readily apply to health worker migration.

According to the World Health Organization, there are now about 59 million health workers around the world. But countries, which have the least need - the more developed economies - have the most number of workers. Worldwide, there is a shortage of 4.3 million workers and this deficiency is most stark for Sub-Saharan Africa.

The role of health worker migration in exacerbating this problem has been recognized by the WHO, so much so that at its 2004 General Assembly, it passed a resolution in joining states to develop strategies to mitigate the adverse impacts of migration on health personnel; and minimize its impact on health systems. We have to recognize that at this transnational moment, the recruitment of health workers has become very global, and thus it's not simply a question of supply and demand. We also have to recognize the role of recruitment agencies in fueling this type of migration.

The conventional wisdom suggests that when health worker migration occurs, there's automatically a brain drain, but according to Pitman and her colleagues,

we have to consider the context under which this kind of migration is taking place. They have provided a very useful outline in looking at the different contexts throughout the world. Once context is represented by Sub-Saharan Africa, which represents the direst scenario, because it is a region where the need is greatest and yet the supply of workers is the most insufficient. In this context, nurse migration, in particular, is truly a brain drain and care drain and governments in this part of the world have thus called on receiving country governments to curb nurse migration.

Another context is represented by the Caribbean Islands where they have a relatively well maintained health system which is patterned after the UK – so there is also a great deal of nurse migration from the Caribbean to the UK. At present, however, the governments are taking up issue with how to improve nurse retention programs.

There is another scenario which includes the Philippines. This is a scenario of low to middle income countries where there are limitations to the health delivery system and which coexists with a labor export program.

### **The destination economies**

The UK and Canada are of the fourth type. They are countries of destination for health workers, but at the same time, they also lose some of their health workers to other countries. The only exception in this scenario is the United States. It is a standalone case because it is the hub and magnet of health workers from various countries and its healthcare sector is among the largest, demanding a great deal of resources. Let me turn now to the situation in the Philippines.

The Philippines is considered to be a source country of health workers. In fact, our experience with health worker

migration predates our experience in labor migration, which started in earnest in the 1970s. In the Philippines, the health professions in fact have become closely associated with better prospects abroad. Incidentally, when the Philippines became a major supplier of workers and professionals for the global labor markets, this experience has also defined health worker migration. Here we see the state as a key player in facilitating labor migration, including health worker migration, and with the country becoming more and more immersed in labor migration, the destinations of health workers have also become diversified. In the past, it was largely to the United States in the 1960s and this led to considerations of brain drain issues in the Philippines. But now the destinations have diversified. In the 1980s, our nurses went to the Middle East and by the 1990s they went to the newly industrialized countries in the East and Southeast Asia. Also in the 1990s, we also see the emergence of new destinations such as the UK.

In the Philippines, the role of recruitment agencies is also very active. It has been argued, that in the case of the Philippines, because we have a large supply of health workers, our situation does not necessarily lead to brain drain. To some extent it is true. However, this great surge in health worker migration, particularly nurse migration, it has led to marked distortions in health care delivery and human resource development. There is a shortage of nurses with specialized skills, training and experience and you can see this in the hospitals. Hospitals are mostly full of young nurses who are just starting out and who are waiting for their turn after probably two or three years; then they will also make a queue destined for other countries.

Anticipating demand in the global labor market, there has been a proliferation of nursing programs in the country, which has had impacts on the quality of

education and training of nurses. The great interest in nursing may distort the country's human resource work volume, which is too demand-driven.

Here are some statistics on the stock of nurses that we have at home and the demand for them, and where they are located. As you can see, 85% of Filipino nurses are employed abroad. As I have mentioned earlier about some of the distortions that have taken place, we see a commercialization of nursing education. In the 1970s, we only had about 40 nursing schools but this has mushroomed to more than 400 at the moment.

The decline in quality is also indicated by lower passing rates, which are down to about 50% since the 1990s, and we also have a peculiar phenomenon of doctors becoming nurses. Some 3,500 nurse-medics have left the country since 2000, and an estimated 4,000 are studying to become nurses.

The Philippine Medical Association has noted that there has actually been a decline in the number of students taking medicine because young people now see nursing as having better returns on investments. In a survey conducted in 2003 among young people about what they wanted to become when they grew up, the girls wanted to be nurses and the boys wanted to be seafarers. These are the occupations that are very much in demand in the global labor market.

In the Philippines, we are increasingly facing tension between the right of individuals to migrate and the future prospects of the community at large. On the one hand, better pay elsewhere, immigration chances for their families, better future and so forth which makes a lot of sense. On the other hand, it affects the healthcare delivery for the country.

The Philippines must address the supply factors, and the health worker migration is simply a symptom of other problems, but

we also have to recognize the fact that it is also very much demand-driven. Some of the policies and measures that are being discussed in the Philippines include not only the new measures of having to retain and try to stop people from leaving, but also of other measures such as working better at nurse retention programs and the actual implementation of a health human resource development program; and importantly, more engagement with the countries of destination.

### **Regional initiatives**

I'll skip to the regional initiatives. As was mentioned earlier, there had been some regional initiatives, but a lot of them focus on the facilitation of the movement of workers. In ASEAN, in particular, there has been some discussion about mutual recognition agreements. One profession that has been discussed is nurse. What is wrong with this bilateral and regional cooperation is that so far it has been approached largely as a trade in services issue or in terms of deployment or recruitment factor. We have to recognize that it is more than just those issues and there's a lot of scope that is left for regional discussions on highly skilled migration in general of which health workers is a part, and health worker migration, also in particular.

I think we also have to push further for more government to government arrangements, so that this can broaden possibilities for regional cooperation and hopefully address some of the problems that are caused by recruitment and placement agencies.

Lastly, economists and sociologists are also battling for more data. We need a lot more data and a lot more studies. The health worker migration that we have done so far is limited to nurse migration, so we have to do more studies on other health worker migration and at the same time, also focus more on intra-regional migration.



## Comments/ Q&A

**Peter Thompson:** Can I ask you one question of clarification? I presume that doctors are retraining to become nurses because of the potential to be recruited as foreign nurses. How many doctors does this involve?

**Marla Asis:** The last count that we had was about 3,500 to 4,000 and it is said that another 4,000 are actually enrolled in nursing programs at the moment.

**Leslyanne Hawthorne:** Marla, I'm interested to know more in detail about what measures you think might be feasible and to look at liberalization of credential recognition if we take, for example, nurses or international medical graduates across the region. I've completed major Australian studies to date in both of those professions over the last 15 years. If I take the Philippines or China as examples, there are very minimal outcomes at least in the first five years when I look at Canada, Australia or a range of receiving countries and yet there are very positive outcomes within five years for others in the region. If you look at Hong Kong, Singapore and Malaysia – much better outcomes overall. So these are major problems within a context where typically, professional bodies, not governments, can constrain regulation choices, and yet demography, as Graham and other colleagues have said, is really going to favor these future flows. Thank you.

**Marla Asis:** I'm afraid, at this point, I can't say a lot about the particular issue. But I agree with your point about the role professional organizations because for a time, the migration of nurses from the Philippines has been effected by the politics and advocacy of the U.S. nursing associations. So, I think that's one of the sectors and what I can say at this point, is that it's one of the sectors that we have to consider as having an influential role in

effecting the demand and the feasibility of taking in foreigners.

**Hugh Patrick:** Two questions – one is for Professor Fahey. Last night you spoke eloquently about the internationalization and in that sense, the international competition for the university level. What you didn't say was that competition seems to be predominantly in terms of education in R&D in the English language. Do you think that will change? Are there going to be any other countries of the next ten, twenty, forty years that will affect tertiary, PhD programs, R&D activities which will mean there will be a shift away from the English language? Or will those of us lucky enough to have lived in an English language country still have a competitive advantage?

For Professor Asis, fascinating healthcare worker out migration – I would like to hear about the percentage that stays abroad permanently; what percentage return; when they return, what do they do – are they now more experienced healthcare workers or do they retire from work altogether; do we know much about the returnees?

**Marla Asis:** Very quick answer to that question – we don't know much about return migration in general of Filipino workers and professionals that have left for abroad. But those that have gone to the United States and Canada – who have settled there – there is evidence that they are trying to support the Philippine nursing association back home; they work through their alumni associations to promote better education for their nursing programs; but so far, that's what we have. In very general terms, it's a great gap in the data. The whole issue of return migration in the Philippines is something that is not known and something we should be paying more attention to. Thank you.

**Peter Thompson:** How severe is the shortage of nurses in existing facilities in the Philippines?

**Marla Asis:** The situation is a bit complex because even if we do produce a lot of nurses every year, even if the passing rate has declined, you still have a ready supply of nurses, but it's also a question of the distribution within the country. Most of them gravitate to urban centers and so the rural areas are the ones that are really without adequate health workers.

**Peter Thompson:** The same applies in a very rich country like Australia, where it is desperately difficult to get doctors to live in rural areas.

**Marla Asis:** We also have data about many vacancies – foreign nursing posts in the Philippines, but these are not in the urban centers.

**Graeme Hugo:** One of the things I want to mention is that Australia is one of the few countries in the world which actually collects data on people leaving the country as well as people coming in. We've got very good data on returning rates. The rates of return to the Philippines are very, very low. We haven't done any analysis by occupation, but it is certainly low compared to many of the other Asian countries. In China, for example, one in five currently is going back and this may increase over time. Some other countries too are experiencing very, very high rates of return; low rates for South Asia. But it seems to me that we concentrate all of our work on the immigration to Australia, when in fact it's the other linkages which are really quite significant. I think, as Marla says, we really do make a closer study of the migration in both directions rather than in a single direction.

**Stephanie Fahey:** I think the issue of language is a very important issue and as you'll find in the region, most of the students who are moving from university

to university on a transnational basis are going and studying English in general. But, there's an increasing trend for students to go to China, for example, to learn Mandarin, and to study in Mandarin. So I think what you also find is that there's a connection between economic growth and economic dominance and the language of the day. I think that there are more and more students going to China to learn Mandarin as they have to Japan to learn Japanese. There is a lot of flow around the region; it's not just English speakers who are going to these countries. If you look at language enrollments in Australia, the students who are studying Mandarin, for example, there's a large proportion that might come from Korea or might come from Cantonese speaking countries because they realize how important the languages are. But I should also say that the language of science is English. The best Chinese scientists are publishing in *Nature and Science* and they are publishing in English. I think even the French will publish in English. The language of science, the language of R&D, in that sense, will be English and will maintain that position.

But my third point is about the language of the Internet. Many of us assume that the language of the Internet is English and currently, I think English probably still dominates the Internet. However, as the number of Internet users in China continues to grow at a very rapid rate, they say that Mandarin is going to become a very common language on the Internet but it's going to be mainly within China because of the number of people who are actually living in China. So, it's a very complex question but I think, in summary, the language of science will continue to be English.

**Sherry Stephenson:** Thank you very much. I really found this panel fascinating and I'm very pleased that PECC is taking up this subject for discussion. I want to go back just a little bit and focus on the labor mobility question. When we all learned our

economics and trade theories, we were taught that flows of factors of production could be viewed as substitutes for trading goods, but after the Second World War, we focused only on reducing barriers to trading goods and we kind of ignored the lesson we learned on the side, which was the factors of production could be substitutes for that. But then we got to the point where trade in services became very important and conceptually was defined to incorporate, by necessity, the mobility of the factors of production – capital for mode three investment and labor for mode four which we called in the GATS, in the WTO Agreement on Trade in Services, ‘temporary movement of persons’. So labor mobility is now a codified part of our understanding of international trade through trade in services.

But ironically, even though our understanding of how important this is has been now conceptually solidified, in reality, trade agreements to the present, haven’t really been that effective in liberalizing this component of international trade. We’ve done a pretty good job for capital flows, but for labor flows, the WTO and GATS have made very small impact on really facilitating liberalization of the movement of persons. Regional agreements are not even going there. To the limited extent that trade negotiators have been willing to consider this, it’s only been skilled labor; it’s not been unskilled labor at all. The recent agreement that Japan has signed, as Dr Chia mentioned, with the Philippines, Thailand and so forth, cover only very narrow categories of skilled labor.

We have seen recent studies from the World Bank and other economists that say the majority of gains to be derived from labor mobility are from huge movements of unskilled labor because that’s where the large comparative advantage of labor surplus countries is – in unskilled labor. So what do we do? We’re faced with this economic situation where trade agreements haven’t facilitated this at all,

yet we have this huge potential benefit to be gained from movements of unskilled labor. How do we tackle that issue? What is the best way to tackle that? I think this is a really critical question to unleash given all of the other social constraints and demographic issues that we have heard on the panel. That’s my first question.

The second one is – what about China? I didn’t see any incorporation of China in any of the different statistics and tables of either a labor sending or a labor receiving country. Do we just not have data on China? Or is China going to become, again, the next, new competitive power in terms of displacing the current surplus labor sending countries?

**Graeme Hugo:** I think the whole issue of the failure to recognize that liberalization of the flow of labor should be treated in a similar way to capital is a function of the fact that there is so much social, political, cultural controversy, which surrounds migration. I think that a lot of the hysteria surrounding migration has meant that it’s never going to be treated in the same way as capital. I often feel that the barriers which exist to migration are very much built on a lie. There is very little truth in the public discourse about migration - about what the real impacts of migration are and the fact that migration is crucial to the prosperity of many sectors of the economy. I think we do need a greater understanding among communities because the politicians are only going to be able to push so far in liberalizing migration to the extent that they can take their communities with them. I think there have been some very significant changes, particularly, as you said, with respect to skill. The mobility of skilled labor in the world now is incredible and it is very easy for highly skilled people to move readily between countries. The barriers have really come down for them. But as you suggest, it hasn’t been the same for unskilled labor, yet many of the demands are for unskilled labor. We’re seeing this in Australia at the

moment that a lot of the pressures are coming from the unskilled area. So it will have to be embraced and I think organizations like APEC are really going to be very important as this comes onto the agenda.

In respect to China – China has become an absolutely major player with respect to migration. We've seen that here in Australia, not just with permanent relocation, but in terms of temporary migration as well. It is a major player in many countries of the world now. It has happened very quickly.

**Chia Siow Yue:** Sherry has raised two very important questions. Most of the politics center on focusing on movement of unskilled labor. How do we resolve the issue? Well, the WTO has not been able to resolve that. What I think more necessary are bilateral rather than multilateral agreements. If you look at Asia, it has three of the most populated countries in the world: China, India and Indonesia. China migration issue is not so serious even though it has a huge population because China has a very, very high economic growth rate. Hence, it is absorbing a lot of its own domestic labor and China's population growth has also slowed down very dramatically.

In the case of India - if the growth rates of the 1990s and recent years are sustained, again, it's not a very serious problem. As I said in my presentation, it is not the population growth; population growth has to be related to the economic growth. In the case of Indonesia, economic growth has not been very dynamic and therefore, it becomes a serious problem. Please recall the table I presented to you – the countries that are absorbing foreign labor, these are not big economies – the biggest is Japan. The NIEs are very small economies so the capacities to absorb unlimited numbers of unskilled labor are not there. The resolution therefore, is how to control the numbers of unskilled labor that move from

these large populous economies to smaller, more prosperous economies. I think this is where government-to-government cooperation can act, because the labor shortage economies are prepared and need temporary migrants of limited number. The issue is, would these temporary migrants want to become permanent migrants and therefore these host countries be unable to sustain that kind of immigration inflow. If there is a guarantee or some kind of agreement that these would remain temporary migrants until their contracts are over, that they are repatriated at the end, then the host countries and the population of host countries will be more prepared to accept more temporary migrants.

**Hadi Soesastro:** I was very fascinated by the presentations and I thought of what Soogil Young said when introducing the speakers, when he explained that PECC wants to have new projects on migration. But after listening to what was said in this panel, I thought that perhaps that you have to look at this issue of migration in its wider context, bringing in the other elements that have been discussed in this panel. I thought that each of the panelists had a message and they connected with each other, and together, I think this message can be more powerful. So I wonder if PECC could try to write a PECC script on these issues as well as carry out attractive project to get the messages across. These are difficult complex issues, but when we bring them together, we can come up with a powerful script which we can perform. I thought about having a PECC road show. We should go around and bring the messages across the region. This is just one idea for Soogil.

**Michel Paoletti:** It's a very interesting and fascinating discussion that you've had today, but my question is very simple: as Japan – if I may say so - is a pioneer in ageing, could you comment on the consequences in terms of the demand of goods and services and can we draw some

conclusions from your experience in Japan to the other countries, which are ageing a little bit later.

**Akira Kohsaka:** In Japan, because of the scarcity of labor; in the case of the manufacturing industry, outsourcing and labor-saving technology adoption have been tried. But in the case of the service industries, there is a scope to use more unskilled labor in the services industries. However, there is a tradeoff between the fiscal burdens of accepting the migrant workers and other issues with the source economies of the migrant workers.

**Soogil Young:** I am basically making the same point as Hadi. The demographic changes, especially the rapid ageing which has begun to occur in the many East Asian economies, are expected to cause a broad range of repercussions on economic exchanges in the region and migration is going to be only of those impacts to be felt throughout the region. So how should we manage our PECC project from this point—whether to focus on migration or to deal with a broad range of issues as mentioned by Hadi? I hope that at the end of the session that we would have a clearer idea about where we should go from here.

Let me illustrate my point with the Korean case – Korea has become the most rapidly ageing society in the OECD circle. We feel this concretely everyday and everywhere in Korea. We are now forcing and feeling tremendous pressures on various national systems – the national pension system, the national healthcare system, social services, labor market, education system, and so on. We face a range of urgent reforms in many of those areas, and we are not quite sure how we would be capable to deal with them, and that in fact explains much of the pessimism among the informed Koreans themselves about the future prospect of the Korean economy. One major means to relieve those tremendous pressures would be to rely on international trade in various kinds of services. Right now we are

generating a lot of financial assets and we'd like to be able to manage them in a way which would maximize the returns; and that would mean that we would have to turn to the international financial market and hopefully in the East Asian region. So there is a need to look into the financial market aspect from this perspective.

The healthcare system – I think Marla has already brought up one international ramification of this pressure on the healthcare system. The labor market – how do we upgrade the productivity of the workers that we will need in the future? This in turn takes us to the issue of internationalization of the education system and this very need for education has been one of the reasons of mass exodus of Korean families with their children to all around the world, especially to English-speaking countries and to China. These Korean kids nowadays emigrate with their parents in their very early ages. So I would like to invite comments to provide us some guideline as to how PECC should proceed from here.

**Christopher Findlay:** Something quickly to report and a question for Graeme. The issues that Professor Kohsaka talked about – productivity growth and fiscal implications of ageing - have attracted a lot of attention in Australia. The Productivity Commission did a very interesting report on these issues, given the premise that the services that elderly people consume tend to be concentrated in the health sector. They found that there were significant returns to dealing with the fiscal issue by focusing on productivity growth in the health sector and interestingly, that's a sector, as you know, which tends to be highly regulated and rather closed. So that focus brings us back to some of the domestic reform topics we talked about yesterday. The core business that we are involved in is extremely relevant to the dealings with these new issues. That's the thing to report.



The question to Graeme is about the nature of the migration flows. Do I understand that what's happening is some evidence of what might be called a 'churn'? That people go to one place and then go to another. You did have some examples of that particularly in the case of Australia. I'm not sure how significant it is – whether it is small now or whether it will become more significant. I'd be interested to hear about that. Not wishing to rush ahead, but if that is what's happening – if people are going from one place to another and maybe even returning; then that leads to a completely different perspective on a whole lot of policies from the home country point of view – because eventually they'll return home richer – richer broadly defined from the host country point of view – because countries like ours which have a view on migration which is linked to citizenship will miss out on those sorts of flows if we don't change our policy; and it becomes a multilateral issue, not just a bilateral one.

**Graeme Hugo:** The point the Chris has raised is really an important one and it's very hard to respond briefly. I just want to make a point that it's wrong to think of migration as being some sort of a silver bullet, magic solution for ageing. Migration is only one element within a whole range of policy interventions which are going to be required and it's actually identifying what elements of migration can assist our economic and social policies in coping with ageing in countries; which I think is a real challenge to researchers at the moment.

Chris' point as migration being seen more as a connection between countries rather than a simple displacement of people from one country to another, I believe, is important. It relates a lot to the data issues which we have been talking about. Just about all of our data which we have are from censuses in destination countries and that gives the false impression that people move definitely from one place to another and stay in that place. I point again to the

good Australian data, which allows us to establish that there is a great deal more coming and going within the system. What the World Bank and the United Nations are saying is: is it possible to come up with migration policy at destination and origin ends, which encourage the circularity; which allow people to be bi-national; which allow people to actually go back to their home countries and have a contribution in those home countries? I think that's something which we haven't really seen enough of because what it takes is an enormous amount of cooperation between destination and origin countries. They've talked past each other in the past with very different national interests. I think what we need to do is to see if we can come up with these win-win situations for origin and destination countries. I think a better understanding of the reality of what's happening with migration and what people want from migration would really help getting those policies established.

**Akira Kohsaka:** I had misunderstood the question you raised. The majority of my presentation is on the supply side because we are concerned with the economic growth. But as you correctly pointed out, ageing reflected much change in structural demand and especially the social services and medicine. Medicine has an impact on the supply side. Of course the ageing population will affect the structure of demand and it will affect the supply too. So the industrial structure will be affected because of the ageing population. One possible and very interesting impact on the ageing population is that the financial sector would be lighter. For example, in the case of Japan, we have 140 trillion yen savings in stock outstanding. But as we know, the Japanese financial sector has been long in distress and has had little time to polish the financial instruments; and how to make a good use of this huge amount of savings has much to do with the financial sector development. This is not limited to Japan. How to efficiently use the

stock savings is very important because the Anglo economies like the United States and Australia have almost zero or negative household savings. But that is only the flow terms. If we think of the stock terms, including the capital gains – it's positive. Also, private savings has a little bit of different behavior from the household savings itself – corporate savings is more important and it's becoming more important.

**Chia Siow Yue:** I want to respond to Chris Findlay's question. The type of migration sequential you're talking about applies mainly to skilled professionals – they are globally mobile. The semi-skilled and unskilled are not, so they go to a host country. If they can stay, they will stay but it is the skilled professionals that move from place to place. To give you an example, eventually they may go back to their home country. We have seen some of the long-term effects. Korea and Chinese Taipei have enjoyed tremendously from the return of migrants from the U.S. They have come back, not only with improved skills, but with a lot of network experience and with capital. India is now trying to catch on to the role of the non-resident Indians. So these are the longer term effects of migration.

**Alan Burnett:** Could I direct my question to you Mr. Dick? You described the shift from rural to urban life. It's probably the most important thing that has happened in human civilization. Do you think we will be able to sustain energy systems of these great cities and towns as that trend continues throughout Asia and the Indian subcontinent?

**Howard Dick:** That is not a question that can be readily answered off the top of my head and it's partly a technical question. The one advantage that one has in dealing with energy issues in cities is that they are spatially concentrated. It's not a single problem, but we have a reasonable understanding of how one can manage the

traffic and ensure that the traffic is more energy-efficient. That's a rather easy one to get hold of. We do understand ways one can generate electricity with lower greenhouse impacts. But the key to resolving any one of these questions is to allow prices to reflect the underlying scarcity so that markets can work for us, rather than against us. If we then say, why don't the markets work; why don't prices adjust as they should, it's primarily because governments, out of political fear, refuse to let them do so. Thus many of the prices that lead to the urban inefficiencies are prices, which are set by governments – administered prices – which are thereby distorting markets. I actually do believe that if the market signals were given that innovation – which is always much faster in cities than in rural areas – it would help us to resolve some of these issues. We would also need a great deal of technology transfer across the Pacific, from the developed to the less developed nations. But I certainly think: to start within cities makes a lot of sense, one very simple thing we could do is to turn down the air conditioners.

**Charles Morrison:** My comment actually also relates to Professor Dick, but I was interested in your ring of fires and thinking how many of our cities – if you mapped the cities and you mapped the fault lines and volcanoes and areas subject to tsunamis and so forth – we really are building. Our populations are becoming more vulnerable to disasters, both natural and man-made; we have no real international regimes in that area; we have very ad hoc kinds of responses.

Secondly, on statistics – you mentioned the lack of urban statistics. There is an Asia Pacific annual meeting of census directors and statistical directors. There was also a Japanese APEC project that was looking at statistical information. I think this is a very important area because sensible policy has to start with good statistics.

**Howard Dick:** If I might comment very briefly – I wasn't aware of that annual meeting, but indeed if PECC could make some connection with that, it would be the ideal forum because the statistical collection has to work through statistical bureaus without question. Perhaps PECC could play a leadership role and form a very useful partnership. But the problem that I would suggest is not that the raw data do not exist – the raw data are there; you can't collate it to the national data if you don't have the raw data – but the problem is that it is so split among different administered areas that we have simply not identified the extent of metropolitan areas which are the appropriate economic units that we actually want to study. I think we need economists to sit down with statisticians, country by country, and exchange ideas and work out, what are the appropriate areas, not just today but likely to be reasonable planning areas for the next five, ten, twenty years and take it from there. I think that Charles has made a very useful suggestion.

**Susana Corbacho:** It's not a question that I have but more of a comment. First of all, I appreciate that the issue of labor migration has been put on the table today. All of the presentations of the panel – which are very important to us all – address interesting issues. As in other countries, Peru also has significant labor emigration. We have, for instance, the case of nurses, who are in particular going to Europe. In regards to that, we have already signed agreements – in this case especially for the nurses, with Italy and Spain. So we have been working on this issue in particular out of our concern. We reached out to both countries – Italy and Spain – and we had some improvements on this mobility.

On the Pacific side, we also have workers moving to Korea and Japan mainly. So we are thinking about that in respect to the Asia Pacific – that's why I'm raising the issue and I consider this to be of

importance to PECC: to study and search for some solutions to get a win-win pattern.

**Djisman Simandjuntak:** Human migration to globalization is like the proton to the atom. Without human migration there would never have been flows of capital, flows of goods, or flows of information across borders. However, we have politicized this issue very deeply and I think it's about time we de-politicize it. The best way is to first study human migration across borders. My feeling is this, perhaps we have worried too much about excessive flows of unskilled labor under a fear regime. But, even in a fully free regime, like a country, we still see people scattered around rather than squeezed into one place. Jakarta accounts for only a small portion of Indonesia; the same for Sydney; the same with Tokyo – even Tokyo, perhaps the largest agglomeration in our part of the world. But this begs me to ask a preliminary question, in the case that unskilled labor is liberalized, Chia Siow Yue or Professor Hugo, what would be the impact on the real flow of people? Would it be very big or more or less the current level?

**Graeme Hugo:** The flow of unskilled labor is a very vexed issue. It seems to me that, in the current discourse about this, we're far too locked in the past in considering the experience of Europe in the 1950s and 1960s. Everybody who talks about unskilled labor suggests that there's nothing so permanent as a temporary migrant. I believe it is possible to have managed unskilled migration systems in a modern environment. I talk a lot with migrants and all migrants don't want to migrate to Australia or to the United States or to the United Kingdom for good. They do see some real benefits in staying in their home country while earning in another country. What we've got to create are systems which make this possible. It seems to me that it is multilateral organizations as well as bilateral discussions that are going to bring this about. It is going to have to

happen because the demand for unskilled labor, in places like Australia, is going to continue to increase and why not do it through carefully managed migration systems, which can be the benefit of the migrants themselves, plus the origins, plus the destinations; and to do it now by developing these types of programs.

As for the impact, I think it shouldn't be exaggerated. Migration is not a solution to low levels of economic development in less developed countries. It can assist in many ways; it can assist particular groups, but it should be part of a wider strategy, which leads to higher levels of economic development – better equity and so on. Those are the real key issues. Migration can assist in that process but it's certainly not any sort of solution.

**Yuen Pau Woo:** I'd like to thank the presenters for really interesting presentations and to make a suggestion for the ongoing PECC project, which is to think very hard of the public finance dimensions of migration. Nobody has really mentioned that dimension, but this is the sort of issue that preoccupies all of our finance departments in capital cities and to some extent, is a major determinant of migration policy. This is important obviously because migration is different at different parts of the life cycle. Many migrants – particularly skilled migrants – use migration as a kind of tax planning or life cycle planning for their incomes, and for their families; and for their retirement.

It's quite conceivable that individuals acting in their economic self interest can maximize their tax and income strategies by locating in certain countries at certain parts of their life that benefit their children, for example; maximize their income earning potential in Hong Kong, for example and lower their taxes; and then returning to Australia, perhaps, where there be a generous healthcare system or pension plan as in Canada. That is to say I think that we have to be very careful not to

look at labor movements and migration from a purely trade, factors of production approach. Capital of course is capital. Capital moving in T+1 or T+10 is the same capital. But human capital moving at T+1 or T+50 is very, very significantly different. The capital has degraded, if you will – apologies to T+50s. There's no question that the human capital moving at a different part of the lifecycle has to be understood in a different way and that there are public finance implications of that.

**Jusuf Wanandi:** I just want to add another factor that is not really pronounced, and that's of course – besides the economic migrants you are mentioning - the political migrants that we also have faced in this part of the world; sudden shifts of people, like the boat people at one time, and of course the problem with East Timor; and maybe we're going to have another problem with Papua in the future. So these are political issues, and are they not complicating all these issues that you are mentioning?

Second is the problem with culture. There are homogenous societies who are very reluctant to receive migrants – in Northeast Asia particularly. So, what are you going to do about this? This is another hindrance. Is this also going to be taken up in the study in the future?

**Chia Siow Yue:** We tried to restrict it to economic migrants because political migrations open up another can of worms. Culture is an important determining factor in the location. This is why I said in the case of Southeast Asia we have become very plural societies. Northeast Asia, particularly, Korea and Japan have maintained their cultural homogeneity by restricting inflows. Now, whether they can continue to do that is something Soogil and Akira will have to decide. My argument is that in a globalised world with an ageing and declining population, they cannot do that anymore. Therefore, how do we adjust for a more culturally mixed society and a

politically more complex society? Perhaps Singapore is a very good example. We are so culturally mixed, so linguistically mixed, and so religiously mixed; sometimes we don't know what a Singapore identity is anymore. But it makes us very up-to-date in the globalized world; whereas if you are very homogenous, you will have greater difficulties in adapting to globalization.

**Howard Dick:** I wanted to make a brief comment – if we just look back historically, every major urban center in the world has been a crossroads for peoples from all over the world. Actually, if we look with our own eyes, it is still true today – Chia Siow Yue has just given the example of Singapore, but I can go just well to Jakarta or Bangkok and observe the same thing. In fact, the cities – the large, capital cities - are least like their own countries, and much more like each other in many, many ways. That's also telling us that actually the economies of these large, urban areas do demand both skilled and unskilled migration and if we put substantial barriers in the way, we will impede the growth and the competitiveness of those cities. There's a certain reality there, but I think Graeme and Siow Yue are both right to say – how you work around that is of course where we need to apply our thoughts very carefully.

**Akira Kohsaka:** Culturally speaking, I think that Japanese is not so homogeneous. Actually, we have divisions between generations and maybe between genders. Japanese society is not an exception to accept the more globalized economy – not only in terms of economy, but also in terms of human resources, and cultural values. So if it seems homogeneous, I think you misunderstood. It's becoming more internationalized.

**Graeme Hugo:** I just want to comment on the non-economic migration. First, although economic factors and drivers are very, very significant, there are other important mobility and one is related to

refugee and humanitarian types of mobility. The one which I've become interested in at recent times is marriage migration. The fact is that with high levels of global mobility, young people travel; and when they travel they meet other young people and very often they are of different background. So we are seeing in countries all over the world now that international marriage is becoming quite significant. In many areas, you have the marriage industries which are leading to high levels of international marriage in places like Korea and Chinese Taipei, which used to be regarded as homogeneous. It seems to me that there are very important global forces - which are not necessarily purely economic – that are facilitating greater exchange as well and I think we need to look at migration as a social/cultural/political process as well as an economic process.

**Tan Teck Meng:** I have a question for Professor Fahey. Most of the time when we talk about collaboration among universities, we are talking about collaboration with top universities, established universities; those universities that are of some standing; we are more interested in working with them because of the established standards of measurement and so on. But I think there is a problem with the so-called lower ranking universities and what advice would you give them if they are planning to marry up? Because the top universities - take Fudan, Qinghua, Beida - probably have the whole world at their doors. But the lower ranking universities are also looking for opportunities to work upwards. What advice would you give them?

Second, to what extent would an established university, top university, be willing to work with the so-called lower ranking university with means of pulling them up and working together collaboratively for the good of that university and the future collaboration between countries and universities?



In all the studies I've heard so far, I think we have not addressed one very important issue and that's the movement of very young students from one country to another. For example, they move from China or India to Singapore to study at the age of seven, eight, nine years. They stay in Singapore as a foreign student, and they are given PR later on and eventually, hopefully, they stay in Singapore. What is the impact of these young migrants as future citizens on the host country; the impact on the sending countries?

**Observer 1:** One comment is that this question of cross border migration connected with the problem of demographic change can be a good domain where PECC can make great contributions to the APEC process. But to deepen the study, we have to absolutely touch on national government policy on migration. As you know, this is the right to move; right to establish our domicile anywhere. That's one of the last human rights and at this moment, each government has a sovereign right to say, ok, this category can come here but others, no. It's a really sensitive matter but without touching on national government policy we cannot deepen this study.

**Observer 2:** I want to ask Dr Chia – you mentioned that finally, skilled workers will return home in the long term. Does it mean that brain drain in developing countries is a temporary phenomenon?

**Soogil Young:** Just two sentences about Korea being a homogenous society. One out of every three Korean young men getting married in the countryside, married bride grooms invited from all over the world. A large contingent group of non-economic migrants could be the refugees from North Korea.

**Stephanie Fahey:** The question was about international collaboration between universities, and as you rightly say, the most courted as those that are high ranking.

But let me give you an example from my own university and our own strategy for engaging with different universities across the world because Monash University is research intensive and also wants to engage with the best in the world in order to strengthen our research. But we also have a very strong ethic or equity and as a consequence, we have developed an international strategy that has different categories of collaboration. So we have category one with is with the elite universities and with those universities we look for collaborative research outputs; we look for dual badge PhD's. We also have category two, which are the best universities in their home country, but they may not necessarily be part of the elite group of top ranking universities; but we also want to work with those universities because we want a presence in a number of different countries.

Then, we have category three, and with those universities, it's more about student exchange and study abroad. That's a very wide group of universities – we've tried to increase student mobility around the world. But then we also have category four – category four is about capacity building. We want to engage with universities, for example, the Royal University of Phnom Penh or University of East Timor. The University has a social obligation in the region to try and build the capacity of these universities. It won't be a relationship where we engage in collaborative research and where we expect our partners to bring their research moneys and where we bring our research moneys; and where we have dual PhD programs. What it will be about will be training in research techniques; it'll be about offering PhD scholarships to staff to try and strengthen their own capacity. So, the University takes a differentiated view to engagement. I think it's also important for the University to have these types of different relationships because a single university has limited capacity for international engagement in research. So,

we can't just partner with say forty or fifty of the top research universities around the world because we don't have the capacity to sustain those research engagements. But, we do have capacity to work in these different categories. It's of benefit for the University and I think it's also a benefit for the region.

**Chia Siow Yue:** Let me reply very quickly – the issue of brain drain. Well, it depends on the time frame. Eventually the brains will return home, provided their home environment is conducive enough to attract them.

Now, the issue of homogeneity – Soogil mentioned that Korean farmers are marrying non-Korean brides, but North Koreans are still Koreans. The same phenomenon is happening in Japan. Japanese farmers are marrying non-Japanese brides. We call them, male order brides - they can come from Vietnam, they come from the Philippines – but these are things which are not well discussed in either Korean or Japanese society.

**Stephanie Fahey:** Can I ask a question of the youth delegation? Last night I presented on the role of the Internet and cyberspace in the lives of young people and the way in which it's impacting on your social interaction and also education. I'm just wondering if some of the representatives of the youth delegation can give a description of how they engage with the Internet and how they see the future. Where do you see this phenomenon moving?

**Park Lo, Youth Delegation, Hong Kong:** I guess the Internet has become more and more important this is for sure. We have done a project and our discussion was actually based on MSN instead of in an actual meeting. Some of our information – we have gone on the Harvard Internet library and found some information. We think that it's very important for universities to provide more open resource

for not only the students who study at the university but also to the public so they can access information – instead of having to go to the library and read the materials. Courses that we can attend on the Internet is much better because we don't have to walk a long way to school; have to wake up at 6am in the morning; I guess it would be much better.

**Seol Lee Park, Student, Ewha Women's University** – I believe the things that Professor Fahey said yesterday night – are happening in Korean right now; the cyber campus, the online consulting and chatting is already happening in the cyber campus' of our universities. One good example of this would be international interaction in cyber campuses. This summer, Ewha Women's University is having a co-research project as a summer course, online, with Harvard University on North Korean research. This kind of research project, I believe, is very convenient and actually this can also take place more often because we do not need the inconvenience of traveling around and booking accommodation and so forth.