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कट्स CUTS Twenty Years of Social Change 1984 to 2003

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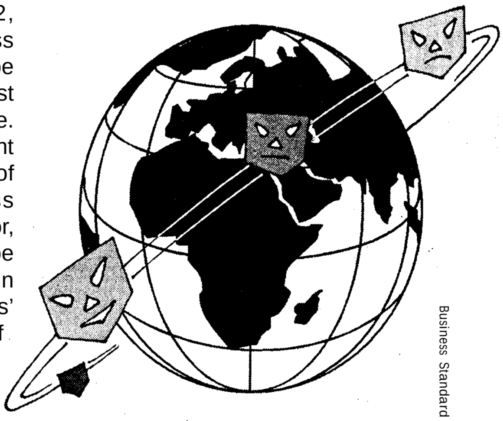
Movement of Natural Persons

Gains, Constraints and Fears

The General Agreement on Trade in Services (GATS) addresses trade in services through four modes of supply. The presence of natural persons, referred to as Mode 4, is one of the four possible ways of trading a service under GATS. Recent estimates, based on limited empirical information, suggest that Mode 3, commercial presence, accounts for more than half of the world trade in services and Mode1, cross-border trade, for about a fourth, while Mode 2, consumption abroad, contributes less than one-fifth. Mode 4 was found to be nearly insignificant, accounting for just over one percent of world services trade.

A cursory look at Members' current GATS schedules shows that levels of commitments vary strongly across modes of supply. Within a given sector, trade conditions for Mode 4 tend to be significantly more restrictive than conditions for other modes. Members' schedules are mostly biased in favour of "intra-corporate transferees", hence making the economic value of such commitments dependent on access conditions for Mode 3. Such commitments are of limited interest to Members, which, given their level of economic development, are not significant foreign investors. Furthermore, schedules are also more open for highly skilled labour, where developing countries tend to be net importers, as their comparative advantage lies in relatively unskilled labour-intensive services.

The very rationale for international trade, be it in goods or in factors lies in exploiting differences. The larger the differences, the greater would be the potential gains from trade. In case of temporary movement of natural persons (TMNP), potentially large returns would be feasible, if medium and less skilled workers, which are relatively abundant in developing countries, were allowed to move and provide their services in developed countries. According to a recent study of *Winters et al* an increase in developed countries' quotas on the inward movements of both skilled and unskilled temporary workers equivalent to three percent of their workforces would generate an estimated increase in world welfare of over $US150bn p.a.



Business Standard

These gains are widely shared within the world economy. Moreover, as their populations' age and their average levels of training and education rise, developed countries will face an increasing scarcity of less skilled labour, especially in those occupations where there are a few substitutes for human labour. Thus, while recognising the formidable political challenges it poses, TMNP actually offers a strong commonality of interests between developing and developed countries.

But there are several constraints, which come in the way of realisation of this huge gain. These include – immigration and labour market-related regulations; regulations concerning recognition of qualifications, work experience and training; discrimination between domestic and foreign service personnel; and regulations covering other modes of supply, particularly Mode 3, which indirectly limit the scope for trade based on TMNP.

India is a known protagonist and now, more and more developing countries are joining India in raising this issue proactively. In a joint statement presented in July 2003 to a special negotiating session on services, 14 developing countries argued that most of the offers presented to date do not include any substantial improvements to existing specific commitments in Mode 4.

The services negotiations in the WTO have been going slowly. As of 10 July 2003, only 30 members had submitted their initial offers. The deadline for initial offers passed on 31 March 2003. Several developing countries indicated that their offers would be linked to whether they would obtain benefits or progress in other areas of negotiations.

As regards developed countries, naturally, they have put more emphasis on Mode 3 related movements. However, in the current negotiations they have shown relatively more interest in TMNP, but it seems that they are likely to play-off their wants for the first 3 modes in exchange for developing world desires for greater Mode 4 access.

Apart from gains and constraints, there are certain obvious fears in the mind of both developing and developed countries. If developing countries fear brain-drain, the apprehensions for developed countries are illegal immigration, temporary mobility converting into permanent immigration and trade unions' fear of downward pressure on the wage rate. It is against these fears that a GATS framework could serve as a safeguard because it encourages explicitly *temporary* movement of persons rather than pseudo-permanent moves.

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Mobility of Labour

Organised by: North-South Institute, Canada and CUTS, India

September 13, 2003, 3 PM–5 PM
NH Krystal Hotel, Cancun, Mexico

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Borders Beyond Control

"International migration lies close to the centre of global problems that now seize the attention of politicians and intellectuals across the world." – abridged version of an article by Jagdish Bhagwati in Foreign Affairs, January/February 2003.

Following the September 11 attacks in New York City and Washington DC, US Attorney General, John Ashcroft, announced several new policies that rolled back protections enjoyed by immigrants. The American Civil Liberties Union (ACLU) and Human Rights Watch fought back. So did Islamic and Arab ethnic organisations. These groups employed lawsuits, public dissent, and congressional lobbies to secure a reversal of the worst excesses.

The Economist ran in just six weeks two major stories describing the growing outflow of skilled citizens from less developed countries to developed countries seeking to attract such immigrants. The "brain drain" of the 1960s is striking again with enhanced vigour.

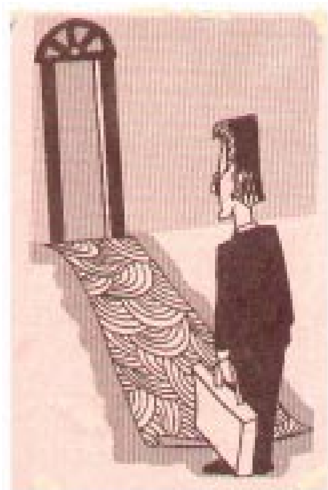
These examples and numerous others do not just underline the importance of migration issues today. More important, they show governments attempting to stem migration only to be forced into retreat and accommodation by factors such as civil society activism and the politics of ethnicity.

The reality is that borders are beyond control and little can be done to really cut down on immigration. The societies of developed countries will simply not allow it. The less developed countries also seem overwhelmed by forces propelling emigration. Thus, there must be a seismic shift in the way migration is addressed: governments must reorient their policies from attempting to curtail migration to coping and working with it to seek benefits for all.

To demonstrate effectively why and how this must be done, however, requires isolating key migration questions from the many other issues that attend the flows of humanity across national borders. Although some migrants move strictly between rich countries or between poor ones, the most compelling problems result from emigration from less developed to more developed countries.

They arise in three areas. First, skilled workers are legally emigrating, temporarily or permanently, to rich countries. This phenomenon predominantly concerns the less developed countries that are losing skilled labour. Second, largely unskilled migrants are entering developed countries illegally and looking for work. Finally, there is the 'involuntary' movement of people, whether skilled or unskilled, across borders to seek asylum.

All the three problems raise issues that derive from the fact that the flows cannot be effectively constrained and must instead be creatively accommodated. In designing such accommodation, it must be kept in mind that the illegal entry of asylum seekers and economic migrants often cannot be entirely separated.



The Economic Times

Looking at the first problem, it appears that developed countries' appetite for skilled migrants has grown. The enhanced appetite for such professionals reflects the shift to a globalised economy in which countries compete for markets by creating and attracting technically skilled talent. Governments also perceive these workers to be more likely to assimilate quickly into their new societies.

This heightened demand is matched by a supply that is augmented for old reasons that have intensified over time. Less developed countries cannot offer modern professionals the economic rewards or the social conditions that they seek. Moreover, less developed countries can do little to restrict the numbers of those who stay on as immigrants.

A realistic response requires abandoning the "brain drain" approach of trying to keep the highly skilled at home. More likely to succeed is a 'diaspora' model, which integrates present and past citizens into a web of rights and obligations in the extended community defined with the home country as the centre. The diaspora approach is superior from a human rights viewpoint because it builds on the right to emigrate, rather than trying to restrict it.

However, the diaspora approach is incomplete unless the benefits are balanced by some obligations, such as the taxation of citizens living abroad. The United States already employs this practice. Estimates made by scholars demonstrate that even a slight tax on Indian nationals abroad would substantially raise Indian government revenues.

The revenue potential is vast because the aggregate income of Indian-born residents in the United States is ten percent of India's national income, even though such residents account for just 0.1 percent of the American population.

Some nations will grasp this reality and creatively work with migrants and migration. Others will lag behind, still seeking restrictive measures to control and cut the level of migration. The future certainly belongs to the former.

But to accelerate the progress of the laggards, new institutional architecture is needed at the international level. Because immigration restrictions are the flip side of sovereignty, there is no international organisation today to oversee and monitor each nation's policies towards migrants, whether inward or outward bound.

The world badly needs enlightened immigration policies and best practices to be spread and codified. A World Migration Organisation would begin to do that by juxtaposing each nation's entry, exit, and residence policies towards migrants, whether legal or illegal, economic or political, skilled or unskilled. Such a project is well worth putting at the centre of policymakers' concerns.

Temporary Workers' Rights Run into Wall

It would be a pity if all the momentum towards a more equitable arrangement for labour across Europe were lost with the delay of a vital draft directive, argues Richard Donkin in FT, 04.07.03.

British employers' organisations were celebrating when the European Union failed to reach an agreement over the drafting of the Agency Workers' Directive. The Directive was attempting to improve the rights of temporary workers.

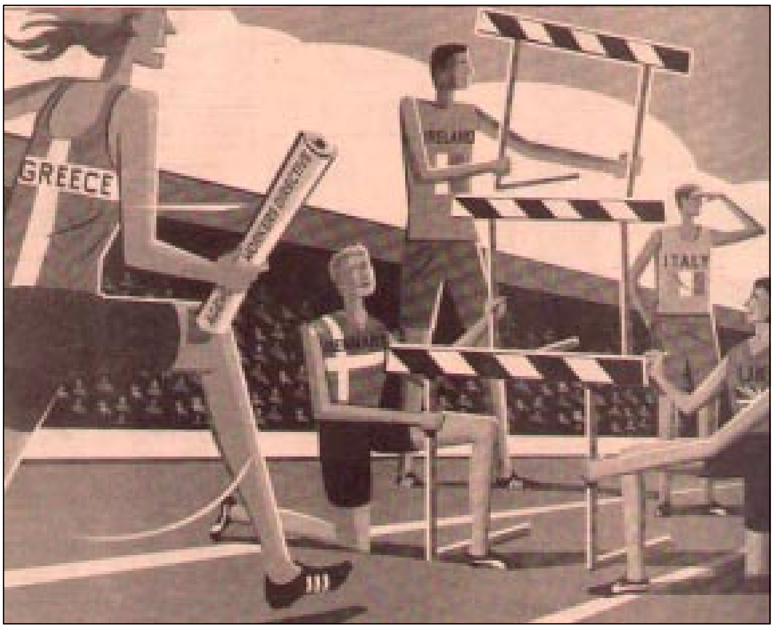
Industry bodies in the UK, however, had objected to the proposals, fearing that they would harm the business of existing temporary agencies and would restrict the opportunities for companies to build labour flexibility into their operations.

Anna Diamantopoulou, the EU's Employment Commissioner, had been anxious to push the measures through before the EU presidency was transferred from Greece to Italy. But the UK, backed by Germany, Ireland and Denmark, succeeded in delaying the drafting. With Italy showing no desire to revive the measures, it is difficult to see how the directive could be resuscitated in the short term.

Some breathing space was probably necessary but it would be a pity if all the momentum towards a more equitable arrangement for labour across Europe were lost. The focus on labour flexibility has been drawing European states more closely together in the search for common employment policies. Italy, Spain, Portugal and Germany have been abandoning many of their restrictive labour laws.

The degree to which some European countries have moved towards a more liberal employment regime is apparent in Italy. There are political and economic contrasts that characterise the Italian economy. The same contrasts are evident in the labour market. Italy has some of the strongest unions in Europe but it is also a country with more than four million micro-businesses, where a large proportion of people in the employed population are either running a small company or working for one.

Another Italian issue that in time will be shared by its European partners is that of demographics. Italy has the lowest birth rate in Europe and in the north of the country there is full employment, so the use of migrant workers is widespread. The Italian government has been pursuing bilateral agreements with countries such as Tunisia and Albania to allow industry sectors and private operators to provide skills and language training in the source countries. The idea is to ensure regulated flows of labour.



Financial Times

In the next few years there will be a need for a similar movement of regulated labour across the rest of Europe, including the UK. The challenge for the EU will be to ensure that it engineers the skills it needs to sustain a strong and competitive mixed economy. This is not just about providing 20 million more jobs across Europe, but of matching skills, people and work in a way that will ensure stability and continued competitiveness.

The UK has shown what can be achieved with employment liberalisation. Protectionism among many of its European partners had gone too far. But the protectionist approach was set against a history of worker exploitation and the constant search among employers for cheap labour.

These days one would have thought that the argument for promoting a strong, skilled, fairly rewarded and sustainable labour force had been won. But the resistance to the Agency Workers' Directive led by the Confederation of British Industry (CBI) and supported too readily by the UK government did little to confirm this.

As Brendan Barber, General Secretary of the Trade Unions Congress, observed, CBI's own research revealed that three-quarters of the employers it surveyed already gave temporary agency workers as least as good conditions as permanent staff. So why the opposition to measures that would ensure greater fairness for all employees?

There is an argument that "if it ain't broke, don't fix it." There is also an argument that more regulations would mean more red tape. But employers' organisations mounted the same resistance to a minimum wage in the UK and their arguments proved unfounded.

Raising the bar gets rid of the cowboys and promotes the kind of work, temporary or otherwise, that people and business need.

BPO: India Readies Taskforce

The Indian government is readying itself to meet the situation arising from the proposed move by four American states – New Jersey, Connecticut, Maryland and Washington – to enact legislation to ban business process outsourcing (BPO) of governmental contracts to developing countries.

A taskforce to be chaired by the information technology department and consisting of representatives from the ministries of finance, external affairs, and commerce and industry is being set up to draw up an appropriate strategy.

According to Indian officials, although the moves were limited to government contracts, it would be a wrong signal in the context of multilateral trade talks, which were primarily aimed at improving market access. *(FE, 08.08.03)*

Dealing Demographic Timebomb

By mid-century, say demographers, Japan will have more than one million people aged more than 100. But many of them may be safely tucked away in the Philippines. Masajuro Shiokawa, Japanese Finance Minister, proposed that Japan eased its demographic timebomb by dispatching some of its aging people to Philippine nursing homes. Japan could even foot the bill.

According to one industry calculation, Japan will need six million immigrants in the next quarter of a century. This figure dwarfs the numbers that have gained residence in the past few hundred years.

Shiokawa's idea was strongly supported by progressive elements of Japan's administration, but bitterly opposed by those who equate immigration with crime, rioting and a strange preference for cooked food.

In a related development, Gloria M. Arroyo, the Filipino President, made a modest proposal that visas restrictions be eased so that more Filipino care-givers could work in Japan. *(FT, 24.07.03)*

Move to Eliminate H1-B Visas

A quiet move is afoot in the US Congress to do away with the H1-B visa category that has benefited many developing countries in software exports and mobility of IT (information technology) professionals.

A Republican Congressman from Colorado, Tom Tancredo, has introduced a bill to eliminate all visas under the H1-B category, created in 1952 to provide the US economy with technically skilled foreign workers.

Reacting to this move, Gopal Raju, Chairman of the Indian American Centre for Political Awareness, said: "This move is patently unfair and will not help unemployment. Rather it will cripple the high-tech and other technical industries and undercut the American hi-tech industry's ability to be a competitive global leader."

For fiscal years 2000-01, the limit on H1-B was at 195,000. Indians have been granted nearly 50 percent of the total H1-B petitions approved. It is expected that the number of H1-Bs will go down to 65,000 from October 1, 2003. *(ET, 13.07.03)*

Outsourcing Scenario in 2015

Under increasing pressure to cut costs and build global networks, US corporate giants are planning to move 3.3 million jobs to low-wage countries by 2015. The climb will be from 400,000 this year to 3.3 million by 2015, according to a calculation by Forrester Research, a high-technology consulting group. This shift will represent two percent of all American jobs.


The Economic Times

The group also estimated that 450,000 computer industry jobs could be transferred abroad in the next 12 years, representing eight percent of the nation's computer jobs.

Executives of many companies argued that creating more jobs in lower cost locations overseas keeps their industries competitive, holds costs down for American consumers, helps to develop poorer nations while supporting overall employment in the US by improving productivity and the nation's global reach.

"It's not about one shore or another shore," an IBM spokeswoman, Kendra R. Collins, said. "It's about investing around the world, including the US, to build capability and deliver value as defined by our customers." *(FT, 24.07.03)*

Drive to Boost Social Security

The International Labour Organisation (ILO) launched a global campaign to promote the extension of basic healthcare and income security to the great majority of people around the world who are not covered by existing schemes.

Only a fifth of the world's population has adequate social security coverage and more than half has none, the ILO estimates. The ILO argues that social security is not just a basic human right, but a powerful tool for political and economic development and should not be regarded as a luxury only rich countries can afford.

Social security provides a foundation for political inclusion, employment and the development of democracy. "Well-designed social security systems improve economic performance and thus contribute to the comparative advantage of countries on global markets," said Juan Somavia, ILO's Director-General.

However, ILO acknowledges that extension of traditional social insurance schemes, based on full-time work in the formal sector, is not feasible for most developing countries, where most work in the informal economy. *(FT, 19.06.03)*

A Cut above the Rest

Barber shops and hair saloons in northern Malaysian states of Penang, Kedah and Perak are seeking about 2,500 workers from India to continue operating. According to S. M. Idris, President of the Consumer Association of Penang, the Malaysian government should allow workers from India to work in the hair saloons to keep the traditional practice alive.

He cautioned that delays in issuing permits to the Indian Hair Dressing Association would lead to the close of more shops. More than 30 such saloons have already closed this year, he added. *(BL, 03.07.03)*

Humanity on the Move

Martin Wolf argues on the myths and realities of international migration in FT, 30.07.03. Population flows, though proportionately smaller than in the 19th century, are now a global phenomenon affecting both developed and developing countries.

At the start of the 21st century, one out of every 35 human beings was an international migrant. This meant 175 million people, or 2.9 percent of the world's population. Moreover, these figures exclude the flood of irregular migrants.

In the words of International Organisation for Migration (IOM), all 190 or so sovereign states are now "either countries of origin, transit or destination for migrants, and increasingly are all three simultaneously".

The largest source of emigrants was Mexico, with a net outflow of 6 million between 1970 and 1995. Behind Mexico came Bangladesh and Afghanistan each with 4.1 million, and the Philippines with 2.9 million.

The US was the world's largest recipient of immigrants. Between 1970 and 1995, its net inflow was 16.7 million. Behind it came Russia, with 4.1 million, Saudi Arabia, with 3.4 million, India and Canada, each with 3.3 million, Germany, with 2.7 million, and France, with 1.4 million.

These flows understate the following:

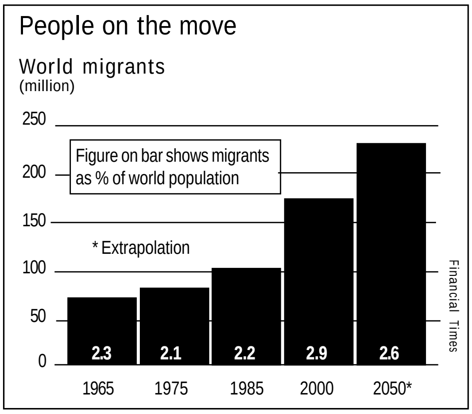
- huge gaps in living standards and birth rates;
- the relatively low cost of transport and communications;
- the presence of migratory networks;
- environmental degradation; and
- the collapse in many countries of marginally competent government.

The rising tide of people wanting to migrate is itself, as the IOM notes, "among the most reliable indicators of the intensity of globalisation". Barriers to flow of people seem certain to rise even higher. The pressure on those barriers is bound to rise too.

Impact on Developed Countries

"During the 1990s, Europe became a continent of immigration." This statement from the IOM defines a profound change. The continent joins the rich countries of North America and Oceania as a sizeable net recipient of immigrants.

In 1950, Western Europe was home to 3.8 million foreign citizens. Today, this figure is 20.5 million and rising. Another eight million are foreign-born, though no longer foreign nationals. Such immigration has challenged the sense of national identity. The impact is different, in this respect, from that of continuing migration on countries that have been traditional destinations for migrants, such as the US, Canada and Australia. How is one to assess the economic impact?



First, there is little theoretical or empirical reason to expect the narrowly economic benefits of immigration for the rest of a society to be large. The biggest benefits are likely to come from the immigration of skilled people who have acquired their education elsewhere or of those with a strong entrepreneurial drive.

Second, immigration into high-income countries tends to include large proportions of both highly skilled and unskilled people but relatively few of those in between. More than 40 percent of foreigners in the US have college qualifications. But the proportion of unskilled people is considerably higher in the immigrant than in the native populations in the US, Germany, France and the UK.

Third, economic benefits will be non-existent if immigrants fail to work. Here the evidence from some countries is disturbing. In Canada, the US and Australia, the unemployment rate of foreigners in 2000-01 was about the same as in the labour force as a whole. In France, Portugal, the Netherlands, Belgium, Denmark, Finland and Sweden the ratio was twice or more.

Last, the effectiveness of immigration in stabilising the old-age dependency ratio (the proportion of pensioners to the working population) is also limited, because immigrants age too. A report by the UN argued that the immigration needed by the European Union to stabilise its old-age dependency ratio would bring its population to more than one billion by 2050.

Impact on Developing Countries

What does migration do to the countries the emigrants leave behind? This depends, in part, on who emigrates. The export of skilled people, particularly those whose skills were acquired at public expense, is far more likely to harm those left behind in their countries of origin than the export of unskilled people.

Such emigration represents a direct loss of human capital. As such people become scarcer, economic efficiency and the relative wages of unskilled people are likely to fall. The reverse will be the case, however, if it is abundant unskilled people who leave, though the effect is likely, in practice, to be small.

One group to benefit is direct recipients of remittances, normally family members. Evidence suggests, however, that the better-educated emigrants are less likely to remit and are also likely to remit a smaller share of their incomes.

Remittances can be large. India, for example, received $11.6bn in 2000, Mexico $6.6bn, Turkey $4.6bn and Egypt $3.7bn. If one ranks recipients of remittances by the ratio of their receipts to gross domestic product, Jordan comes top, with 21.8 percent of GDP, followed by Yemen with 13.6 percent, El Salvador with 13.3 percent and Jamaica with 10.7 percent. Between 1980 and 1999, Tunisia, Egypt and Morocco received substantially more in official recorded remittances than in aid.

One Out of Three Jobs is at Risk

Economic evolution is inevitable. Companies will always pursue the lowest-cost structure, which means less skilled work will move out of the US to emerging economies. The shift first occurred in textiles and other manufacturing jobs, followed by low-end services such as telemarketing and data entry. Now, it is moving up the labour food chain, leaving white-collar workers increasingly nervous.

Is this angst justified? It is probably too early to know for sure whether this latest shift in jobs is qualitatively different from past offshore movements. But it certainly feels that way. Outsourcing is hitting skilled jobs that were once thought 'safe' across a far wider swath of white-collar America.

The extent to which industries are moving a wide array of mid-level professional jobs offshore is troubling. We are talking about computers and other high tech business services, and finance. Add those industries up, along with factory jobs, and one out of three private sector jobs is now at risk of being outsourced.

LOSING OUR EDGE?
Estimated number of high-skilled US jobs moving offshore*

	2005	2015
Life Sciences	3,700	37,000
Art, Design	6,000	30,000
Legal	14,000	75,000
Sales	29,000	227,000
Architecture	32,000	184,000
Management	37,000	288,000
Business Operations	61,000	348,000
Computer	109,000	473,000
Office Support	295,000	1,700,000
Total	588,000	3,300,000

* To low-wage countries such as India, China, Mexico, and the Philippines Data: Forrester Research

From just-in-time inventories to nanosecond technologies, business practices now turn on a dime. As soon as work can be made routine – whether it is reading an X-ray or creating blueprints – the job can potentially be outsourced.

Another reason for the speed and size of this shift is the nature of service work, especially in our Internet world. Manufacturers must spend years and billions of dollars erecting plants overseas and setting up distribution chains for supply and shipments before moving work offshore. But service jobs need much less infrastructure. Many need only a desk, computer, and Net access.

A structural change is also afoot that could result in a worsening job picture 10 or 15 years down the road. Overall, the global economy will do much better, but the US workforce may face frequent career changes and downward pressures on wages through every part of the economy subject to competition from foreign labour.

What can be done to prevent such a dreary outcome? There are no quick or easy fixes. Legislation blocking jobs from moving overseas would amount to 1930-style protectionism.

More attention should be paid to educating the US workforce. America is on the cutting edge of the information and technology economy. But others are catching up. India and China award more natural science and engineering degrees than we do.

The only way the US will keep one rung ahead of the rest of the world is to ensure that it has a broadly educated workforce that keeps learning.

(Excerpts from BusinessWeek, August 25, 2003 by Kathleen Madigan, Business Outlook Editor)

America's Strongest Suit is Innovation

Think of the world economy as a ladder. On the bottom rungs are the countries producing mainly textiles and other low-tech goods. Towards the top are the US and other leading economies, which make sophisticated electronics, software and pharmaceuticals. Up and down the middle rungs are all the other nations, manufacturing everything from steel to autos to memory chips.

Viewed in this way, economic development is simple: everyone tries to climb to the next rung. This works well if the topmost countries can create new industries and products. Such invention allows older industries to move overseas while fresh jobs are generated at home.

Today, many are worried that the US has reached the top of the ladder and run out of rungs. A growing number of high-tech and other white-collar jobs are moving to India, China, and other places. At the same time, there is nothing readily apparent to replace those exported jobs.

What's more, the countries snatching jobs are producing large numbers of college graduates for the first time. The fear is that the US educated class will be ground down by globalisation, just as blue-collar workers were in the 1970s and 80s.

It is a scenario that should not be dismissed out of hand, but it is not likely to happen. The US still has a distinct competitive advantage in innovation. If there is any country well-suited to find a new rung for the economic ladder, it is America. Outside the tech, the labour market for educated workers still seems fairly decent, given the stage of the business cycle. Despite anecdotes of well-paying jobs being sucked overseas, there is little evidence that educated workers, overall, are worse off than they were after the last recession.

A DEGREE STILL PAYS OFF
Job growth for educated adults is strong, and their unemployment rate is stable

	One-Year Employment Growth*	One Year Change in Unemployment Rate*
College Graduate	2.2%	0.2%
Some College	0.7	0.5
High School Graduate	0.6	0.3
Less Than High School	-1.3	0.6

* Twelve-month average ending July, 2003, compared with same period ending July, 2002, for workers 25 and over
Data: Bureau of Labour Statistics

Still, history does offer cause for worry. There was a period, from 1973 to 1985, when technological change contributed almost nothing to growth, according to government data. Not coincidentally, that was also the same stretch when US manufacturing became vulnerable to foreign competition. That is why the American economy needs a boost from innovation if it is to continue creating the next generation of leading-edge industries and new high-paying jobs.

Where will the next big innovation come from? It could be telecom, or biotech, or energy. Nobody knows. Nobody knew in 1994, either, when real wage growth was still slow, unemployment was above six percent, and the Netscape Communications Corp. initial public offering, which marked the start of the Internet Revolution, was a year away.

The biggest danger to the US workers is not overseas competition. It's that we worry too much about other countries climbing up the ladder and not enough about finding the next higher rung for ourselves.

(Excerpts from BusinessWeek, August 25, 2003 by Michael J. Mandel, Chief Economist)

EU Must Offer More on Services

In the current Doha round of global trade talks, the services sector has until now been less controversial than agriculture and trade-related intellectual property rights. But the recent offers by the European Union on services liberalisation have changed that.

The EU is willing to open markets further only in areas such as banking and telecommunications, and shies away from new commitments in public services such as health and education, as well as in audio-visual services.

Denying access to European markets in health and education clearly reflects double standards. This has jolted many developing countries that were hoping to gain access to the EU health and education sectors through mode 4 of service supply (movement of "natural persons"). The supply of services in banking and telecommunications takes place under mode 3 (investment), where developing countries are at a clear disadvantage.


The Economic Times

Already, mode 4 commitments are limited in sectoral coverage. Sectors such as health, legal and accountancy services, where cross-border mobility is important, have not been scheduled by many countries.

Greater mobility of labour will not only benefit developing countries, but also provide substantial gains to many developed countries, which are short of manpower in the health and education sectors. A recent study carried out on behalf of the Home Office found that immigrants contributed about ten percent more to public finances than they took out.

Further, the rising numbers of elderly people as a proportion of total population is increasing the burden on those of working age. The Organisation for Economic Co-operation and Development (OECD) estimates that by 2050 this trend could take 18 percent off living standards in the EU, 23 percent in Japan and 10 percent in the US.

Under the rubric of movement of "natural persons", we would like to see more export of workers in other sectors such as construction, agriculture and service industries. Another OECD study pointed out that there are more than 1,000 occupations in the west that need skilled manpower.

To take just one, a British Housing Corporation report has identified a shortage of skilled bricklayers in the UK, which has pushed up wage costs. In areas such as construction, public transport, hotels and retailing the case for lifting immigration controls is compelling.

According to a research into the mobility of labour carried out by the EU-India Network on Trade & Development *(see back page)* by the Consumer Unity & Trust Society in partnership with the University of Sussex, UK, movement of health workers from India and the Philippines to Europe is taking place despite the lack of commitments under the General Agreement on Trade in Services (GATS). Commitments under GATS would benefit sending countries by providing a more transparent framework based on non-discrimination.

There is also a debate about whether rich countries' gain is necessarily developing countries' loss. Any "brain drain" is nullified by the money sent back home by such migrants, and by returnees bringing investment and technology. Globally, remittances are estimated at $60-70bn a year, larger than development aid flows.

Pradeep S. Mehta
Secretary General, CUTS
(FT, 10.03.03)

Far more Problematic…

Your letter in Financial Times was excellent in drawing attention to the double standards employed by the EU in the current services negotiations at the WTO. However, your suggestion that developing countries should seek to export more of their trained personnel in key sectors such as health and education is far more problematic.

We believe you should seriously reconsider your position on the specific issue of migration on health and education personnel.

As you note, there is already substantial migration of medical personnel from countries such as India and the Philippines utterly independent of GATS – indeed, you could have added many more examples of this well documented trend both from Asia and from other continents.

Yet developing country ministries of health, health agencies and human rights groups around the world have fought long and hard to stem this loss of personnel, not to encourage it.

You claim that the "brain drain" effect of this migration "is nullified by the money sent home by such migrants, and by returnees bringing investment and technology". Nothing could be farther from the truth.

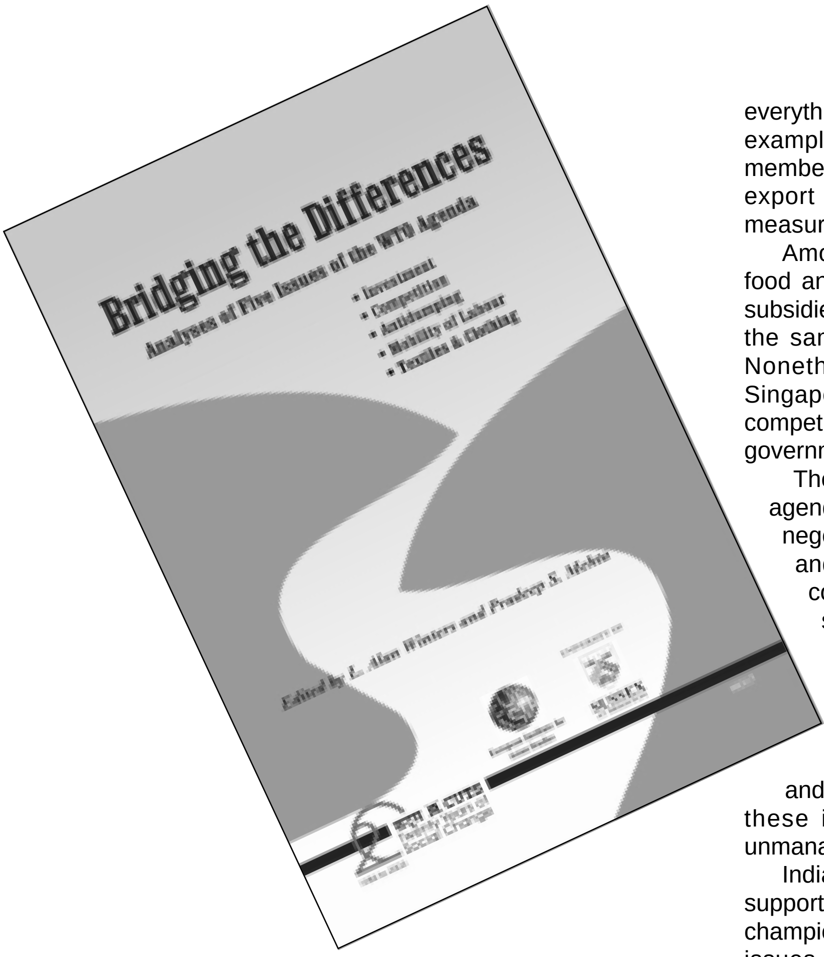
The systemic poaching of key personnel by richer countries has brought basic service systems in many poorer countries to their knees. Remittances by health and education personnel and skills transfer from those who do actually return are far outweighed by the catastrophic losses to the systems themselves.

There are exceptional cases (Cuba is perhaps the best example) where developing countries provide high quality basic services for all their own citizens and have a genuine labour surplus in those sectors.

In such cases there may be potential for exporting the surplus in order to secure balance pf payments gains. In the vast majority of developing countries, however, health and education systems are failing to deliver quality services in this way.

To suggest that developing country governments should look to export increased numbers of skilled personnel from these key sectors to richer countries is dangerous and ill conceived, and we call on you to ensure that this does not become a feature of CUTS policy on international trade.

John Hilary, Trade Policy Advisor,
Save the Children, UK
David McCoy, Health Systems Trust,
South Africa & Others
(Letter to CUTS, 16.04.03)



A rule-based global trading system enshrined in the member-driven World Trade Organisation (WTO) is at a critical juncture. The Fifth Ministerial Conference (MC) of the WTO is to take place in Cancun, Mexico in September. It is to review the progress in the multilateral trade negotiations launched at the Fourth MC in Doha, Qatar, in November, 2001.

Unfortunately, some of the crucial deadlines set in the Doha Ministerial Declaration (DMC), such as those relating to the provisions (in particular, compulsory licensing) of the Uruguay agreement on Trade-Related Aspects of Intellectual Property Services (TRIPs) as they affected public health, Special and Differential Treatment for developing countries, and modalities for market access negotiations on agricultural and non-agricultural products have not been met.

Not much progress has been made since the expired deadline, except for the hopeful sign that the EU is seriously considering decoupling agricultural subsidies from production and exports. Nor is there any agreed draft of their declaration for the ministers to discuss at Cancun.

A contributory cause for the impasse in negotiations is the difference in the perspectives of developing countries (DCs) on the one hand and the mature countries (MCs) on the other, both on the negotiating agenda, and on their positions on the items on the agenda. This is not to say, of course, that all DCs (and MCs) agreed on everything among themselves. Indeed, on agriculture, for example, the US and the EU (in particular, France, a member of the EU) differ on the pace of elimination of export subsidies and reductions in domestic support measures.

Among the developing countries also, importers of food and other agricultural commodities see the export subsidies of the EU as benefiting them while exporters of the same commodities see them as damaging them. Nonetheless, on certain issues (e.g., the so-called Singapore issues of trade and investment, trade and competition policy, trade facilitation, and transparency of government procurement) the DCs are united.

They failed to keep these issues out of the negotiating agenda: it was agreed at Doha that the modalities for negotiations on these (as well as the issues of trade and environment) are to be determined by explicit consensus at Cancun. Thus far, the issue of labour standards has been kept off of the negotiating agenda, despite pressure from the EU.

As the Director-General of the WTO, Dr. Supachai Panichpakdi, commenting on the failure to meet deadlines on several issues, succinctly puts it, "If greater flexibility is not found and understandings not reached on at least some of these issues, the ministers may be faced with an unmanageable task at Cancun."

India, a leading developing country, was a reluctant supporter of the launch of the Doha Round. It had been a champion of the (now lost) cause for keeping Singapore issues off the negotiating agenda altogether, and for settling issues of implementation of the Uruguay Round prior to the start of a new round. The EU was, on the other hand, a staunch supporter of including not only the Singapore issues but also labour standards on the agenda.

Given the critical roles of India and the EU, not only in the Doha Round of negotiations, but more generally in the global trading system, it is particularly appropriate that an EU-India Network on Trade & Development (EINTAD) was set up in May 2002, in Brussels with a leading NGO, Consumer Unity & Trust Society (CUTS), taking the initiative. The Network has the long-term objective to involve research, policy and civil society organisations in analysing national and international policies, and building capacities for policy-oriented research.

EINTAD brought together as partners several researchers from India, the University of Sussex in the UK, and the European Institute for Asian Studies in Brussels. This volume is the first publication from their research collaboration. It reports on research findings on five key issues: anti-dumping, textiles and clothing, competition policy, investment, and mobility of labour. It is timely, and its findings will undoubtedly be of immense value, not only to the negotiations of the EU and India, but also to the ministers at Cancun.

(Excerpts from the Foreword by T. N. Srinivasan, Samuel C. Park, Jr. Professor of Economics, Yale University, USA)

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