Chapter 5
Conclusion

5.1 Discussion

Globalization affected the mobility of workers across state frontiers and challenge human capital development. A much higher scale of labor mobility in the twenty-first century is not brought about liberalization of immigration controls, but by the growing pressures of labor supply, rising income inequalities within and across nations brought about by globalization itself, and the revolution in information and communication technologies. For example, the falling prices for transportation and the increased speed of communication have changed the character of international migration, making it much less a permanent move. In addition, flows of goods and capital between rich and poor countries will not be large enough to offset the needs for employment in poorer countries. Instead the social disruption caused by economic restructuring is likely to shake more people loose from their communities and encourage them to look abroad for work.

Migration can influence the stable state income level through its impact on the saving rate, the fertility rate and the rate of technological progress. As a consequence, any change in national saving rate affects the current account of a country but leave the investment decision unaltered. The standard suggestion to deal with skilled labor outflow has been the introduction of an exit tax for brain drain in the form of a surcharge on their income tax in the destination countries, which had been mentioned above. Furthermore, remittances can be viewed as an endogenous compensation mechanism for the sending countries. Within the brain drain literature it is even stated that the presence of remittances can be used for productive investment and thereby raise the per capita income for the remaining population. It has been argued that the emigration of highly qualified persons is likely to harm those left behind by means of positive externalities from human capital, public provision of education and the generation of unemployment.

Hence, globalization presents both risks and opportunities for developing countries. The risks stem from the fact that their integration into the global economy will exacerbate inequality, at least in the short run, and raise the political costs of inequality and the social tensions associated with it. The integration of world markets has not led to the more balanced movement of capital to all regions or to increasing the share of the least developed countries in trade. On the other hand, not all inequality is a bad thing. Some inequality represents the healthy outcome of differences among individuals in ambition, motivation and willingness to work. This constructive inequality provides incentives for mobility and rewards high productivity. For developing countries, any risk of increasing inequality associated with active participation in the global economy is even greater.

International migration and development are interrelated and the linkages are numerous and complex. These linkages, the size, type and direction of migration movements, and national policies are all a function of the political, economic and social contexts of the time. It is found that a phenomenon in the more advanced economies where minimum legal standards and social safety nets are proving more and more difficult to guarantee because of weakened control of governments over many aspects of economic life. Thus, international cooperation was presented as a priority. Cooperation policies can be shaped that promote development while maintaining international migration that is mutually advantageous for countries of emigration and immigration.

A necessary condition for all countries and social groups to draw benefit from globalization is a high and steady growth in national income and output. In order to achieve this growth in the first instance, requires that national authorities in the industrialized world maintain their economies at close to full employment while at the same time avoiding inflation. Growth must be equitable to ensure that human development progresses at an equal or faster pace. Reforms strategy in developing countries required an increase in public expenditure on basic education and health, enabling environment for private and non-governmental enterprises the full use of their potential for developing human resources; efficient and profitable operation of public enterprises; reduction in the rate of population growth; and the provision of equal opportunities for men and women.

In addition, recession in industrial countries weakens primary commodity prices, increases protectionism pressures, and creates budgetary difficulties that work against the maintenance of aid. Likewise, an outbreak of inflation will have a negative impact on the debt service of countries that have borrowed from international capital markets. It will lead to a build-up of an effective surveillance of macroeconomic policies, acting to ward off impending unemployment and growth retardation, as well as of inflationary pressures reflected in the evolution of domestic prices of goods, services and assets or the deterioration of external balances.

5.2 Implications and Policy Implementation

5.2.1 National Policies: Countering Unfavorable International Conditions

Many countries in the 1990s continued to suffer from a structural imbalance in their external accounts. The elimination of these imbalances and the stabilization of the economy are preconditions for a resumption of rapid growth. In the absence of a favorable international environment, exports. The most important is to adjust them to a favorable international environment.

5.2.2 Adjusting to a Favorable International Environment

Particularly important are the adjustments developing countries must make to compensate for the effects of international movements of capital and labor. The emergence of a more liberal international economic system could well aggravate this problem by reducing restraints on the movement of capital and highly skilled labor. The apparently inexorable forces behind the perverse movement of factors of production are sometimes reinforced by inappropriate policies in the developing countries. The overvaluation of the exchange rate is one such policy, which tends to reduce the inflow of foreign capital and encourages the outflow of domestic savings.

Another adjusting view on the issue of brain drain is that the exporting country does not receive revenues to compensate it for the cost of supplying the skills and that the migration of highly skilled labor is a drain on the resources of the developing countries. If there were a mechanism that enabled developing countries to recover the full cost of producing "brains", then there would be no drain at all and skilled labor would be a profitable export consistent with the comparative advantage of the country concerned. There have been proposals for an international system to compensate developing countries for the emigration of skilled labor to developed countries. Proposed solutions include transferring part of the revenues from income tax paid by emigrants to the developing countries from which they came. No progress has been made toward working out a practical system of compensation and it is highly unlikely that a solution will emerge in the foreseeable future.

The emergence of a favorable international economic environment as a result of policy changes in both developed and developing countries will not necessarily solve all the problems of adjustments faced by developing countries. Then reform of the trade regime in developing countries usually is an important component of a stabilization programme and a key policy for eliminating external imbalances. It helps promote exports, especially exports to other developing countries. It reduces the incentive for capital flight, often a major contributor to external disequilibrium. It also helps attract direct foreign investment. The systems governing finance and trade must genuinely and visibly meet the needs of developing countries as well as those of developed countries. Equality of opportunity also requires that systems governing finance and trade be built into the education, training and other activities designed to help developing countries to secure the knowledge and skills required in obtaining maximum benefits from the systems.

5.2.2.1 The Trade Regime: Making Markets Work for Development

Integration of developing countries, as rapidly as possible, into the world trading system can be made to accelerate development.

1. **Trade liberalization.** The reduction of barriers to trade is an important ingredient in the approach to development of almost all developing countries. In order for governments to accelerate the pace of development, complementary policies to liberalization are needed in a number of areas, such as:

- Supporting proper access to investment financing and venture capital;
- Facilitating access to new technologies and to joint ventures with foreign partners;
- Active labor market policies, including retraining in new technologies and activities; unemployment insurance;
- Provision of basic infrastructure, industrial utilities and complementary services.

However, government price controls should be avoided. Care will need to be taken to ensure that the removal of trade barriers contribute to achieving more competitive and well functioning domestic markets that send proper signals to producers and investors.

2. Reduction of tariffs, particularly peak agricultural and industrial tariffs for products of major export interest for developing countries.
3. Tighter disciplines on subsidies, including the removal of agricultural export subsidies, and the drastic reduction of production and investment agricultural subsidies.
4. Stricter disciplines are carried on anti-dumping and countervailing duties.
5. Special provisions for LDCs, including bound zero tariffs and liberalization of services in their favor.
6. Incentives for exports of environmentally preferable products for developing countries, without creating new forms of conditions.
7. Improvements in GSP arrangements, including consideration of whether internationally agreed graduation criteria could be introduced and how conditional ties could be restrained in the various schemes.
8. Ensuring the accession of all developing countries and economies in transition to the WTO be done on fair and equitable terms.

Special steps need to be taken to review competition policies, with an eye toward formulating and updating both national and international rules governing competition. The aim is to ensure that transnational firms do not use their large economic and financial power to engage in anti-competitive activities detrimental to local firms. While competition policy remains mainly a matter for national legislation and surveillance, there is a growing trend towards international cooperation, as witnessed by the rapidly increasing number of bilateral and regional agreements, primarily among developed countries.

5.2.2.2 A Financial Architecture for Development

International financial flows for development occur through borrowing abroad under commercial terms, official development assistance, and through the regular lending activities of multilateral lending institutions, which borrow funds in international capital markets and lend the proceeds to developing countries. Each of these three forms of external finance has an essential function in the overall architecture of finance for development in that they are central to the external financing of a growing number of developing countries and has achieved many programmes for expanding essential services in health and knowledge infrastructure, particularly education and training.

On the other hand, financial crisis of East Asia and Latin America of the 1990s has revealed the lack understanding in the dynamic international financial world. It has also highlighted the absence of a sufficiently wide set of policy options available to developing countries to influence the magnitude and character of financial flows to and from their countries. The rapid liberalization of financial transactions in developing countries, which did not leave sufficient prudential regulation, was an important element in the onset of the current financial and economic crisis. International action is needed towards:

- Enhancing financial supervision and regulation, and ensuring the timely availability of information;
- Securing greater autonomy for developing and transition economies with regards to policies affecting capital flows;
- Providing adequate international liquidity in times of crisis;
- Increasing the policy instruments available for dealing with capital flight.

5.2.2.3 Toward Enhanced Governance of Knowledge for Development

The preceding chapter argued that inadequate skills and inadequate access to knowledge, information and technology reduce the ability of developing countries to take full advantage of the opportunities that in principle flow from their integration into the world economy. A policy to build human capital should also aim to develop a broad array of technical, managerial, and scientific skills needed to sustain rapid growth. Technological progress should be seen more broadly to encompass skill formation. A supportive incentive structure should reward the acquisition and building up of such competence.

On the other hand, while building-up on the western scientific knowledge and skills, a vigorous program of protecting indigenous knowledge and skills should be mounted and sustained. It is absolutely wrong to jettison all that is indigenous in favor of all that is western as is presently the case in least developed countries. Some traditional medicine should be studied, developed and applied where appropriate, while indigenous craft and technology should be developed and promoted to attract foreign interest. Then nations should preserve the indigenous human capital as a way of expanding their choices and the horizon of their outlook to various shades of social, economic, and political situations of the human race. In addition, an international dialogue on these issues should be initiated. This dialogue should have the objective of identifying actions that could be taken to enhance the ability of developing countries to participate more effectively in a knowledge-based world economy. Since actions mainly come from the private business sector, that part of civil society concerned with knowledge production and consumption, government and international institutions, it would be appropriate, indeed necessary, for them all to participate in this dialogue.

5.2.2.4 Coalesce into a more Integrated Economic Bloc and Reject Unrestrained Global Economic Integration

A more integrated economic bloc that rejects unrestrained global economic integration will be a more potent economic force in a global economy. Developing countries should pursue regional economic integration. Granted, there are lessons to be learnt from every developmental success, the context of every nation's situation demands some peculiar strategies. Developing countries are in a special situation that demands special solutions. If the economic interests of poor countries are to be relevant to the global economy, a formidable economic bloc powerful enough to force the current economic giants to the negotiation table is the only tool. Economic integration is necessary to foster credibility in national policies and pool economic risks between otherwise vulnerable small economies in order to:

- Resolve conflicts in order to minimize political risk;
- Exploit complementarities;
- Develop regionally based links on a reciprocal and mutually beneficial basis.

It is thus no wonder that many authors have identified integration as a viable path for a sustainable economic redemption (Amoako, 1999; Rodrik, 1999). On the other hand, developing countries should learn how to reject unrestrained global economic integration. No governments are willing to give up their economic sovereignty to meet the interest of transnational corporations. If some of the western players are going to double up as referees and linesmen in a global world, how do we ensure that the political and economic game is fair to all concerned parties and interests? In the area of global justice for offenses relating to pollution, piracy and many others, how do we ensure that justice is easily accessible to all? These questions appear to reinforce the earlier suggestion that developing economies take their destinies in their own hands, shun all the deceptive advice that always come from the west, and form a regional economic bond to buffer the vicissitudes such bold economic liberation step will attract from the west.

All in all, the development could take some time. Globalization may in the end not reduce international disparities but merely place countries into new categories of rich and poor. The poorest developing countries are trying to industrialize in a fiercely competitive environment. This could still leave vast numbers of people marginalized, but with sufficient resources to travel overseas in search of work. There is little doubt that as development proceeds, migration pressure will rise in the decades ahead.