

Interacting through Migration

How Can Russia Benefit and Learn From Its Asian Neighbors?

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Has Russia been missing out on the economic benefits of labor migration – particularly to and from Asia – and if so, in what manner and to what extent? What lessons or best practices about emigration and immigration in Asia are relevant for Russia, a relatively new global migration state? While estimating the costs and benefits of international migration has been notoriously hard, the factors that make migration a boon to both sending and receiving states have been well established in comparative immigration studies and in economics. Some of these studies have been applied to Russia, but a comprehensive assessment is still lacking. The present memo seeks to fill some of the knowledge gaps and calls on scholars and analysts to study these issues further.

The Demographic Baseline: The Compensatory Effects of Migration on the Labor Force

Economists generally agree that working-age population replacement is a core factor explaining why migration benefits outweigh the costs in the long run. Population replenishment is crucial for several reasons:

- It preserves and/or increases the number of consumers and, by doing so, attracts sustained investment in the economy.

- It guards against labor shortages and subsequent wage inflation.
- It increases the talent/creativity pool.
- It sustains contributions to retirement and welfare systems.
- It fills undesirable jobs, particularly in vital social services.
- It responds rapidly and flexibly to fluctuations of labor demand over time and across provinces within a country.
- It sustains economic performance before increases in labor productivity take effect.

Population replenishment is a vital issue for Russia. As shown in Figure 1, Russia's population naturally declined by 600,000-800,000 people per year from 2000 to 2005 (and this trend continues at present). It was precisely during this same period that the net gains from documented migration dropped sharply. In 1998, documented migration compensated for Russia's entire natural population decline. By 2000, migration compensated for just about half of Russia's population loss; from 2003 to 2005, less than a quarter. Even in the most rapidly growing central regions, which attract the bulk of internal and external migrants, gains from migration have not compensated for population decline (Figure 2).

These numbers do not tell the whole story, however. On the one hand, they do not include undocumented migration. Estimates of the latter have varied, but a certain consensus has emerged among migration scholars in Russia. An analysis by Yuri Andrienko and Sergei Guriev concluded that the stock of undocumented migrants in Russia ranged from 2 to 5 million around 2005. Sociologist Vladimir Mukomel believed their number varied from about 3 to 4 million. If so, the median number of undocumented migrants circulating in Russia by 2005 (3.5 million) compensated for the cumulative natural population decline over 2000-2005. If these undocumented migrants acquire permanent residency and act the same way as native consumers, Russia will most likely derive the same standard benefits from population replenishment that Europe and the United States have.

Even if one discounts prospective long-term gains, recent evidence suggests that documented and undocumented migrants have already been of significant benefit to Russia's economy. Valery Tishkov, a leading ethnographer and chairman of the Committee on Tolerance and Freedom of Conscience of Russia's Public Chamber, estimated that by 2007 migrants generated about 8 to 10 percent of Russia's gross domestic product (GDP). This translates into approximately \$170 to \$210 billion of GDP at purchasing power parity (PPP), i.e. 57-70 times greater than the costs of illegal migration estimated by Russia's Federal Migration Service in late 2006.

On the other hand, it is unclear how long and to what extent Russia may be able to replenish its general and working-age population in the next 10 to 15 years. Estimates of

life expectancy by Russia's State Statistics Agency (Rosstat) suggest that after 2008 Russia will see the beginning of a precipitous decade-long drop-off in working-age population. By 2015, the latter is projected to decline by 8 million and by 2025, by 18 to 19 million. From a purely economic standpoint, Russia may not need to compensate for this labor force decline in its entirety even if labor productivity remains constant or increases slowly. Part of the decline can be absorbed by corrections for misallocation of labor resources during the Soviet period, predominantly in the Northern and Far Eastern provinces. However, considering that millions have already left these provinces and moved west and south within Russia since the early 1990s, the compensatory effect of correcting for the "cost of cold" is not going to offset escalating labor demand.

Asia as a Source of Migration into Russia: Its Potential and Limitations

Asia has been the primary source of migrants to Russia. By 2005, more than 95 percent of documented migrants arrived in Russia from the former Soviet republics. About 60 percent of these came from three Central Asian states – Kazakhstan, Uzbekistan, and Kyrgyzstan (Figure 3). It is reasonable to assume, based on changes of the ethnic composition of Russia between censuses in 1989 and 2002 and on field interviews in Moscow, that the former Soviet republics in Central Asia have also been the source of about half or more of the undocumented migrants in Russia since 2000. While the documented migrants have been predominantly ethnic Slavs, the undocumented ones have been predominantly non-Slavs. Perhaps coincidentally, the increase in share of undocumented migrants in Russia since the passage of tighter restrictions on immigration in 1996 and 2002 coincided with the reduction of Slav populations around the Commonwealth of Independent States (CIS) who could migrate to Russia. Even though newcomers from outside the CIS have been a small minority among documented migrants, their share among undocumented migrants has been increasing. Overall, migration into Russia has been acquiring a distinctly more Asian face in the 2000s.

Demographic data indicates that this trend is likely to continue as long as migration into Russia from the Central Asian states continues. As Vladimir Mukomel estimated, the total number of ethnic Russians likely to migrate to Russia from the CIS declined from about 2.6 million in 2001 to 1.8 million in 2004. The share of ethnic Russians among prospective migrants dropped from 50 to 42 percent.

Despite the growing share of Asian migrants, however, migration from Asia has serious limitations. It is unlikely that migration will compensate for the shortfall in Russia's population, particularly in the working-age population, in the next 10 to 15 years without policies offering additional incentives. Even assuming that during that time Russia attracts all potential migrants from the CIS, ethnic Russians and non-Russians, its working age population will still shrink by about 12 to 13 million. Even

assuming (unrealistically) that Siberia and the Far East do not need any population replenishment whatsoever due to the correction for the “cost of cold,” Russia would still need 10 to 11 million workers just to maintain the size of its labor pool.

To what extent can migration from Asia, outside the CIS, compensate for Russia’s projected population decline, assuming the Russian government lifted or did not enforce the existing restrictions? From which countries might these migrants arrive? According to research summarized by the International Organization for Migration (IOM) in its World Migration 2005 report, per capita income differentials between receiving and sending states must typically exceed a 4:1 or 5:1 ratio for individuals to have an incentive to migrate. Two additional conditions for mass labor migration have been geographic proximity and/or ethnocultural networks. Overland proximity is particularly important because air travel is usually too well-regulated and policed to allow a large spontaneous influx of labor migrants. Russia’s ports are few, remote, and relatively too small for significant number of migrants to come as stowaways. Given that migrant networks may blossom with economic motivations and proximity, the latter two factors are of primary importance for longer-term projections. This leaves Turkey and China, apart from the CIS states, as the two most likely sources of labor migration to Russia.

Widespread apprehensions about large-scale Chinese migration – often taken on faith simply by comparing the populations of Russia and China – are not sustained by economic differentials, however. Russia’s per capita income (based on GDP PPP for 2007) was \$14,600, compared to \$5,300 for China – significantly below the 4:1 threshold. Also, China has been growing faster and longer than Russia. One opposing consideration may be that poorer northeastern provinces of China, such as Heilongjiang with a population of over 40 million, may become migrant-sending areas. However, income differentiation within China is not a guarantee that residents of poorer provinces would seek to go to Russia. While internal income differentials within China may produce putative sources of external migration, they also produce a motivation to migrate internally to more developed areas, as Lei Guang and other students have noted. In Russia there is a similar trend, with the more rapidly developing metropolitan areas of Moscow and St. Petersburg attracting most internal migrants. Economic differentials are also not favorable to large-scale labor migration from Turkey, where per capita income (PPP) in 2007 was estimated at about \$9,400.

In the longer term, population trends in China are also unfavorable. China’s population pyramid – like those in Japan, Europe, and Russia before it – is projected to become inverted by about 2025-2030. This means China itself may face labor shortages. Meanwhile, increasingly rapid economic growth in Kazakhstan (where per capita income was \$11,000 in 2007) has already been diverting prospective labor migrants from Russia. Competition for Asian migrant labor is likely to be more of an issue by 2020 than the need to regulate seemingly inexhaustible and inexorably growing migrant

flows.

In addition to these factors, the decline of net documented migration in Russia precisely at the time of rapid and sustained economic growth suggests that migration policies have been excessively restrictive. Unless these policies are modified, migration from Asia is unlikely to resolve Russia's precipitously growing labor shortage.

Learning from Migration Policies in Asia

The Asian context is conducive to fruitful comparative policy analysis. Most Asian states have political hybrid systems with significant authoritarian components that resemble those in Russia under Vladimir Putin. Many of them have multilayered high bribe-capacity bureaucracies. They face challenges of economic development, ethnopolitical conflict, and state-society relations more characteristic of Russia than of traditional migrant-receiving states in Europe and North America. Three cases are particularly relevant to examining how Russia might fruitfully change migration policies to increase economic payoffs from population replenishment.

Overseas Chinese and China

While China, unlike the USSR, has not experienced state collapse, there is a clear parallel between the overseas Chinese in the states neighboring China and the Slavic populations in Russia's "near abroad." Almost 80 percent of overseas Chinese are in Asia. In several states they comprise a sizeable proportion of the local population. Approximate estimates suggest that about 3 million ethnic Chinese make up 76 percent of the population in Singapore; 7 million Chinese make up 24 percent of the population in Malaysia; 8.5 million Chinese make up 14 percent of the population in Thailand; and 3.1 million mainland Chinese make up 14 percent of the population in Taiwan.

Survey research on the intentions of Singaporean Chinese business people by Heidi Dahles provides systematic evidence that one need not overestimate the attraction of shared cultural values for migration and investment. While they play some role, Dahles found that moral and sentimental ties with China were not mentioned by Singaporean Chinese entrepreneurs as a basis for doing business with their country of origin—even among first-generation Chinese immigrants. The primary motivations were the search for new markets and higher profits and incomes. By extension, improving economic incentives for migrants and migrant business might also help Russia resolve its labor shortages.

Another avenue of research would be to examine China's practices in attracting and accommodating investments and migration of overseas Chinese. Russia's policy experts could look at measures to attract more investment, business, and professional migrants from the Baltic states and Israel, where ethnic Slav diasporas have high incomes and make up a significant share of the local populations.

The Gulf Cooperation Council: Migration and the Energy Sectors

The experiences of member states of the Gulf Cooperation Council (GCC) – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – suggest that acceptance of migrants has helped the development of their energy sectors. When oil prices spiked in the early 1970s, these countries accelerated the intake of foreign workers, particularly in construction. According to the IOM, the number of foreign workers in the GCC increased from 1 million in 1970 to 4 million in 1980 and to 9.6 million in 2000. One major lesson from these states is that concerns about being “swamped” or “overwhelmed” by these migrants are unjustified. Faster resource development allows more oil revenues to be spent faster and thus to attract a workforce to other sectors of the economy. GCC states successfully accommodated migration on a scale that may have initially appeared to be overwhelming. By 2000, international migrants accounted for 38 percent of the population in Bahrain, 49 percent in Kuwait, 70 percent in Qatar, 68 percent in the UAE, and 24 percent in Saudi Arabia. The policies of these states are likely to be particularly applicable to Russia’s energy-producing regions, such as Tyumen, Komi, and Krasnoyarsk, as well as to areas where energy infrastructure (like pipelines, storage facilities, and refineries) is to be developed or enhanced.

The scale of labor imports in the GCC has been exceptionally high in proportion to local populations. At the same time, it has reflected the general trend underlying labor migration throughout Asia. Growth takeoff in Japan, Malaysia, South Korea, and Taiwan was accompanied – and, in part, sustained – by increasing labor migration, both documented and undocumented.

Information Technology Services in India

Regarded by the IOM as the best example of the “virtuous circle” between migration and economic growth, India’s policy on cooperation with its global diaspora to build up information technology (IT) services is relevant to Russia. This is because Russia, too, has a highly skilled pool of compatriots in the world’s leading economies. India’s policies are instructive because they ensured a productive circulation of migrants that contributed to economic growth both in sending and receiving countries. India’s technology experts abroad, along with IT multinationals in the 1980s, convinced the Indian government to provide incentives for former Indian nationals to return and do business in India. As a result, the number of IT specialists working in India took off rapidly – rising from just 7,000 in the mid-1980s to around 700,000 by 2003. This transformation also gave India a new comparative advantage in global IT services.

Of particular interest is the Persons of Indian Origin (PIO) Card Scheme launched in March 1999. It became a compromise solution responding to longstanding demands of the Indian diaspora for dual citizenship. (In the CIS this is a sensitive issue, as Putin’s advocacy of dual citizenship with Ukraine demonstrated around the time of Ukraine’s Orange Revolution in 2004). PIOs up to the fourth generation (excluding the citizens of

Pakistan and Bangladesh) were eligible to receive the Card. As part of this regime, PIOs were granted visa-free entry to India for 20 years at a \$1,000 fee. They also received the economic, educational, financial, and cultural benefits granted to Indian citizens. This regime has since been diversified, specified, and upgraded as the Indian government sought to make PIO Card membership more attractive. Among some of the measures launched since 2000 were the installation of separate counters at Indian international airports and the waiving of proof of residence when opening local bank accounts or applying for a driver's license.

Conclusions

Comparative immigration research and the experiences of major migrant receiving and sending states in Asia strongly suggest that labor migration contributes significantly to economic growth, growth sustainability, and global economic competitiveness. Asia's experiences are worth studying in greater detail for their applicability in the Russian context. These experiences also indicate, however, that Russian laws placing restrictions on entry, stay, and citizenship acquisition go against the general trend of successful economic development in Asia. As demographic trends in the region change, Russia will face an increasing challenge competing for both low- and high-skilled labor forces. It cannot take for granted the existence of unlimited migrant labor pools in Asia. At the same time, successful experiences across Asia show that states may still overcome these challenges by simplifying immigration procedures for significant groups of migrants and that sharp increases in migrant populations do not have to undermine social cohesiveness or political stability.

Figure 1: Compensatory Effects of Migration on Russian Population, 1994-2006

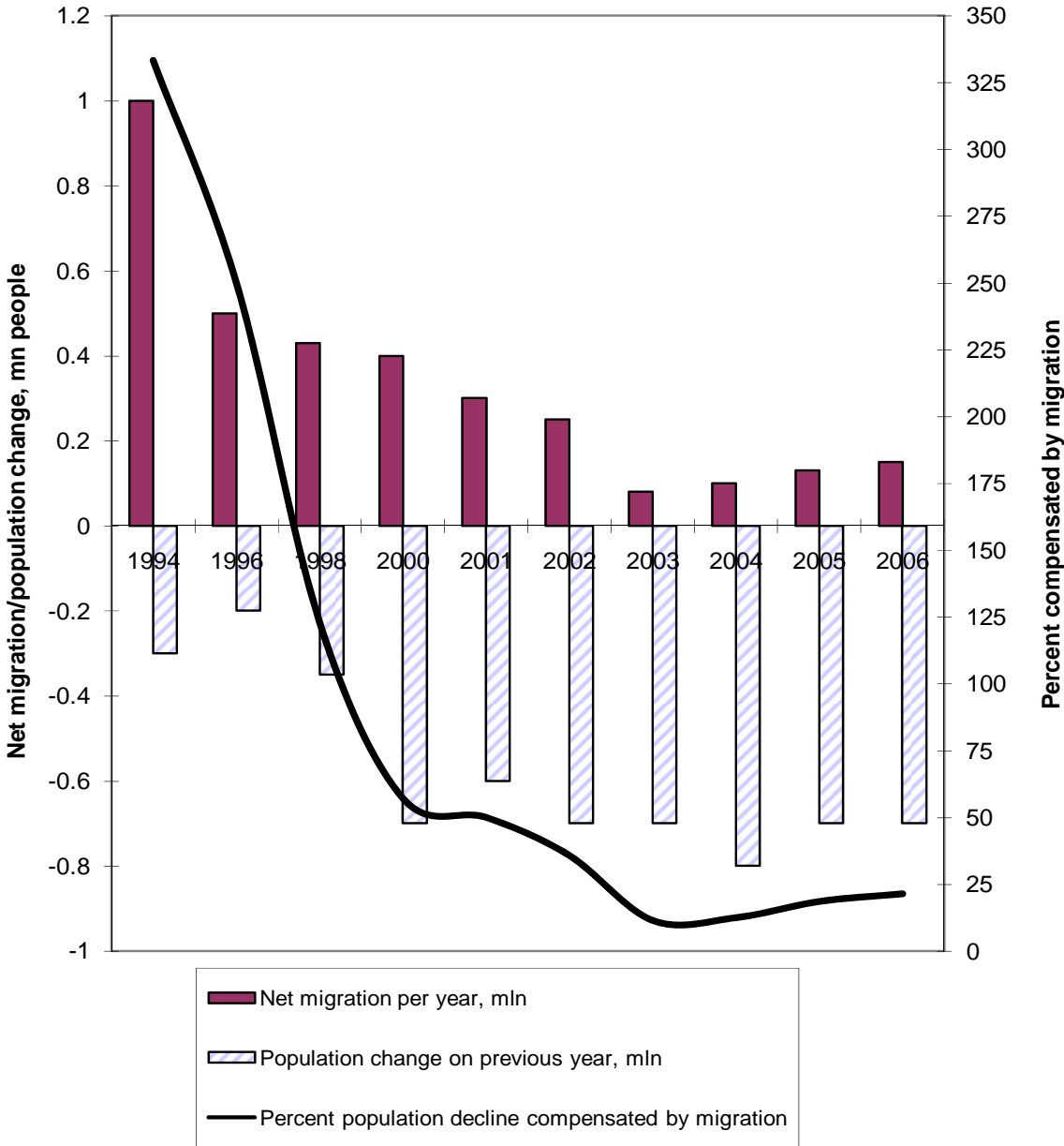


Figure 2: Origins of Documented Migrants in Russia, 2005

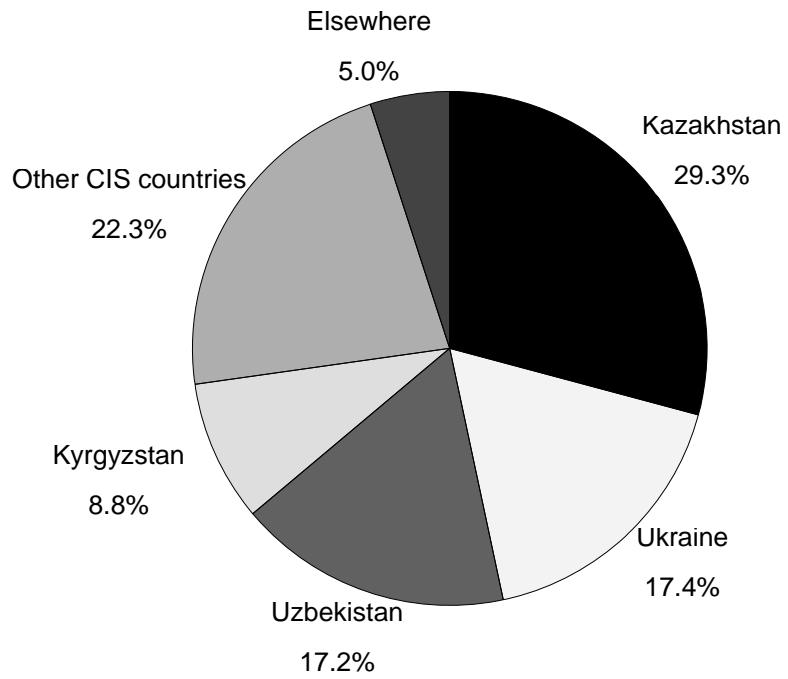
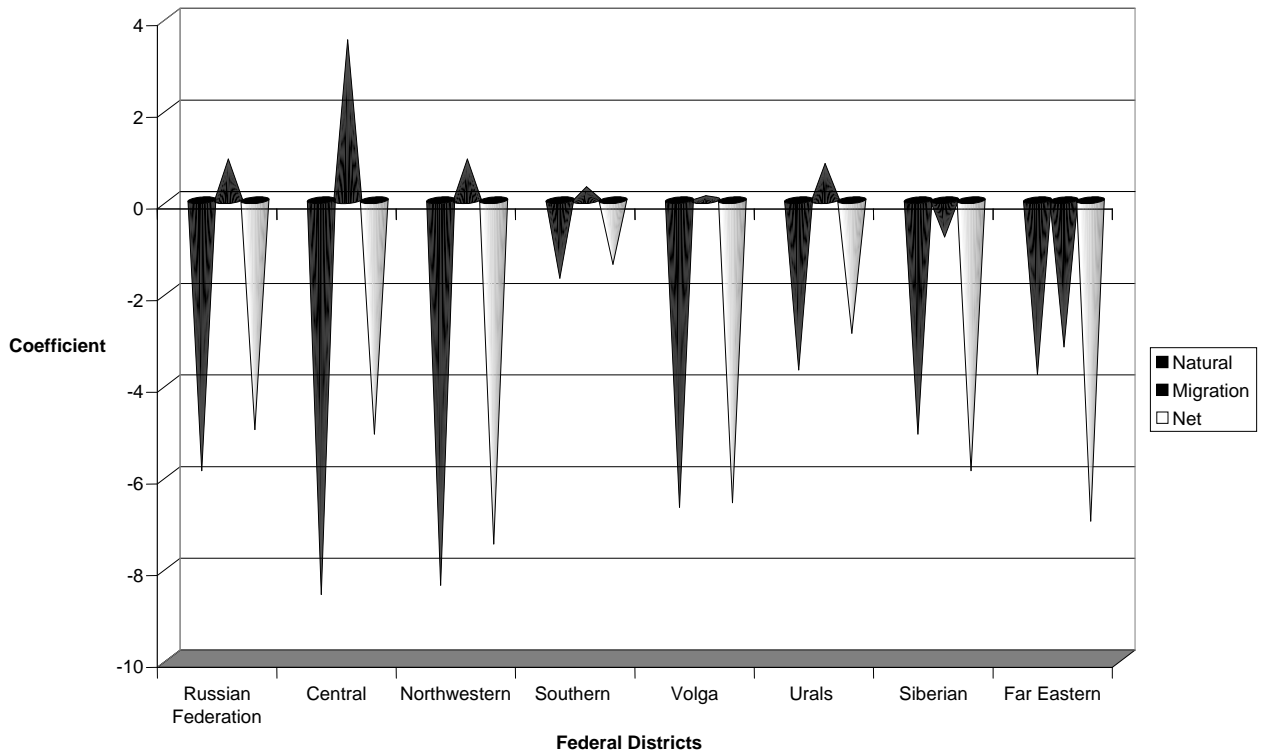


Figure 3: Population Growth Coefficients, 2005



Note: The coefficients equal the percentage population change in the given year due to births/deaths and migration. They are computed as the absolute size of population change divided by the mean population size in the previous year.

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