

How Migration Is Helping To Reshape Eastern Europe And Central Asia; The Power Of Remittances In Eastern Europe And Central Asia

16 January 2007

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A **World Bank** report shows migrants helping to change the demography and economies of eastern Europe and Central Asia

WHEN eastern Europe was behind the Iron Curtain, it was a grim joke: “If they ever open the borders, will the last person to leave please turn off the lights?” Now that the borders are open, and the young and skilled are indeed leaving in record numbers for work in more prosperous climes, it is hard to tell whether the old joke rings with hope or despair.

On Tuesday January 16th the **World Bank** issued a report on migration and remittances in eastern Europe and Central Asia since the fall of the Berlin Wall. It shows some surprising trends. An initial surge of migration was attributed to ethnic reconsolidation after the removal of artificial barriers. Since then, migration has slowed but remains a significant force, helping to reshape lives and whole economies throughout the region.

Migrants make up nearly a tenth of Russia's population, 15% of Ukraine's and 20% of oil-rich Kazakhstan. Much of this is because of ethnic resettlement, but there has also been rapid movement of workers seeking economic opportunity from the region's poorer nations. Then there is the impact of migrants from the newer members of the European Union (EU) travelling westwards to seek work in richer countries.

According to the Bank, migration is hastening already striking demographic trends. In the region defined by the **World Bank** as “western ECA”—broadly, much of eastern Europe and Central Asia—the population peaked at 130m in 1990. By the middle of this century, the total is likely to be down by about a fifth. Much of the former Soviet Union is also seeing rapid demographic change. In Russia the working-age population is expected to fall dramatically. The population of western Europe, by contrast, is projected to remain roughly stable—entirely because of immigration.

Given the limited supply of bright young people, it seems unwise to ship them abroad to add value to other economies. Yet there is some compensation. For many countries, the remittances those workers send home are vitally important. For some transitional economies saddled with creaky Soviet-era infrastructure and burdensome bureaucracy, the best product they have to export is their youth. Remittances represent over a fifth of GDP in Moldova and Bosnia, and more than 10% in Albania, Armenia and Tajikistan. For poorer countries the remittances are often the single biggest source of external finance, and for others they still represent a large source.

The report suggests a modest positive relationship between remittances and growth, at least for countries with the complementary assets to take advantage of the infusion of capital. But even where remittances do not provide macroeconomic stimulus, they clearly alleviate poverty, taking a burden off fragile government institutions. Remittances can provide over 20% of spending in the region's poorest households.

Models based on the experiences of southern Europe and Ireland predict that in the short term migration will continue, and possibly increase, as the regional economy becomes more integrated with western Europe. Over the longer term, however, this is less likely to be sustained. As the

populations of countries in eastern Europe and Central Asia begin to age and (with luck) grow wealthier, they will produce fewer migrants and may well require more labour themselves.

As migration changes, shorter-term movements will bring migrants home with wealth accumulated abroad and human capital in the form of knowledge and new institutional norms that can improve domestic life. The American experience suggests that, for all the fears that Mexican culture is overwhelming the domestic variety, the influence is more likely to go the other way. Tyler Cowen, an economist who does field work in Mexico, points out that American influences—whether consumer tastes, a greater inclination to give to charity or more enthusiasm for democracy—are stronger there than anywhere else in Latin America. The spread of values, in other words, may be just as influential as the remittance of cash.

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