

Interview with Professor Max Spoor with Capital

Nearly 20 mln. people (5.5% of the population) have left Eastern Europe since 1990, affecting unfavourably the domestic economic growth of these countries, said IMF in a recent report.

Max Spoor (MS): It seems to me that this average figure does not say anything. First of all, there are enormous differences between countries in Eastern Europe. For example, it is estimated that possibly a quarter of the population of the Republic of Moldova has left the country. Furthermore, Polish outmigration (to the West) has been substantial in terms of absolute numbers, but not in terms of the share of its (large) population. Second, what should not be forgotten is that a substantial part of the outmigration from Eastern European countries went to other countries in Eastern Europe. For example from Tajikistan into Russia and Ukraine, from Moldova into Romania (when it was not yet member of the EU), from Uzbekistan into Kazakhstan, etc. Third, the brain drain that took place (young, well educated, middle class people) certainly had a negative impact on some economies, but this is difficult to measure, as this seems to me to be more of a long term effect. There was also no or insufficient employment at the moment of migration, and therefore, the contribution of remittances which came soon after the migrants left (and had found work and income) might well have countered the negative impact.

Have emigration flows been declining since EU accession (for those countries which are now members of the EU)?

MS: It seems to me that the large migratory flows (from particularly Poland, and to some extent from Romania and Bulgaria) started not so much since EU membership (2004 or 2007), but since the moment that people were free to work in other parts of the Union. The large flow of Polish migrants started only a few years after accession.

Could Brexit, for example, influence positively return migration in the near future?

MS: I cannot look into the future, but it seems to me highly unlikely that the UK will be able to negotiate such an unequal deal, namely maintaining free entree into the EU market for its goods and services, while being able to limit the free movement of people into the UK. That's the discourse of the Brexit supporters, but, first, it would take years to negotiate, second, the EU will not accept any such deal, in particular because members in Central and Eastern Europe will not accept it (and if they do, they will want to have a similar arrangement, look at what Hungary and Slovakia have recently proposed). Hence, I do not envisage Polish or Romanian migrants suddenly going back because of a Brexit. They will only go back when their countries of origin are prospering and employment opportunities are bright.

Which countries in Eastern Europe are most dependent on remittances? What are the positive effects of these remittances and are they sustainable in longer term? What are the negative consequences?

MS: The smaller countries, such as Moldova, Kyrgyzstan, Tajikistan, but also Albania, show a high share of remittances in their GDP, with varying estimates between 20-30%. There are positive effects for the families receiving these remittances.

There are many studies about how remittances are used. Most are used for the improvement of housing, and some for the education of children, but very little for investment in businesses. In other words, they are mostly current expenditure. Good for growth in general, but with little significance for long term development. Remittances are in any case not sustainable, as migrant families bring the rest of their family to the host country and gradually send less money. Furthermore, this type of finance does not lead to sustainability or broad-based growth, as it does not create employment, and - as already noted - is generally not used for investment.

Besides addressing poverty as one of the biggest factors for emigration, what else could the governments do to attract back immigrants? Is there any country in the region that has successfully implemented such a strategy?

MS: Addressing poverty might not be the main issue, although related. What is most important is to address inequality and labour markets. Employment and future perspectives are the only reasons that will deter people from migrating, or incentivise them to return. Hence, models of broad-based, job-rich growth are the only way forward in this respect. Such a context would make it more likely that a Polish migrant would return (not because of Brexit, but because of attractive opportunities at home, close to friends and family). The same goes for a Romanian (or Bulgarian, Albania, Moldovan) migrant. I do not know of deliberate strategies, and if there are, they mostly fail. Migrants will only return if there are long-term perspectives for them and their children, the same reason that they migrated in the first place.