



Reverse Brain Drain for the Middle East

Marcus Noland , Michele Wucker , Devin T. Stewart

January 29, 2008



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Introduction

DEVIN STEWART: I'm Devin Stewart from the Carnegie Council. Welcome. Today we are talking about "Reverse Brain Drain for the Middle East."



[Michele Wucker](#)

Brain drain is a big topic, particularly for the Middle East these days, because the Middle East is very vulnerable to oil prices and energy prices.

Unfortunately, the diversity of the Middle East is not such that it is a robust economy that can rebound from prices of commodities. So a lot of people have started to think about what's next: After an energy- or natural resources-intensive economy, what's next? How do we create the kind of insurance to make sure that economic growth could continue?

Nevertheless, we have actually been seeing falling investment levels into the Middle East. Indicators show that technology transfer also has been stagnant.



[Devin T. Stewart](#)

Today we are going to talk about the brain drain in the context of a book written by Marcus Noland. The book is [The Arab Economies in a Changing World](#). Marcus Noland actually wrote this several months ago and was due to give a talk here, but was stuck on an Amtrak train. He soldiered on and came back here several months later. We are really fortunate for his patience and his generosity to talk about this unique and important topic.

Just a bit about Marcus Noland. He has given talks here before on another topic, which was North Korean famine. Later on he will be talking about progress on the Korean Peninsula on the nuclear talks.

Marcus Noland is a Senior Fellow at the Peterson Institute for International Economics and has been associated with that Institute since 1985. He has a Ph.D. from the Johns Hopkins University. He was a Senior Economist at the Council of Economic Advisors in the Executive Office of the President of the United States.

Michele Wucker has joined us today. She'll be giving us some commentary about the brain drain phenomenon, which is very much in her portfolio of research. She is Senior Fellow and Executive Director of the World Policy Institute. She is also Co-Founder of WPI's Immigrant Voting Project and Citizenship and Security Program, as well as a Research Fellow at the Immigration Policy Center. Michele has a

graduate degree from Columbia University's School of International and Public Affairs.

We will start with a fifteen-minute comment from Marcus Noland, focusing on the brain drain element of his book, *Arab Economies in a Changing World*. If you want to know anything about the Middle East economy, it's like uranium—it's just full of information. It's so dense it takes a lot to digest. I'd love to delve deeper into the book after Marcus's initial comments and Michele's commentary.

Thank you. Marcus?

Remarks

MARCUS NOLAND: Thank you very much, Devin. It's a great honor to be here. I apologize to any of you who were inconvenienced by that previous episode involving a train and a burning garbage truck. But no such problems this afternoon.

As Devin indicated, my remarks today will be drawn from a book that I co-authored with [Howard Pack](#) of the Wharton School at the University of Pennsylvania, called *Arab Economies in a Changing World*, which was generously underwritten, in part, by a grant from the Carnegie Corporation of New York.

The title of this meeting is "Reverse Brain Drain for the Middle East." The question, obviously, is: Why is that important?

The Arab world is experiencing a boom of historic proportions. The tiny Persian Gulf emirate of Dubai is emblematic, boasting the world's only seven-star hotel. Its massive land reclamation project is reportedly the only manmade structure visible from the moon. They are whimsically creating parcels of land shaped like palm trees and continents.

Oil is at \$90 a barrel. The Egyptian stock market is up 1800 percent in the last five years. I checked this afternoon. The last few weeks have been tough for the markets. Egypt is still up more than 1800 percent over the last five years.

But the boom is being felt very unevenly across the region. Two-thirds of Arabs live in countries that are not major oil exporters. Looking forward over the next decade, the key issue is the ability of these economies to create jobs for the massive numbers of new entrants into the job market.

Today the region has the world's lowest employment rate; less than half of adults are formally employed. And, on the back of the commodity boom over the last five years, growth has accelerated and unemployment has come down several percentage points, to around 11 percent. But underneath this good news there is cause for concern.

Estimated unemployment among young people is 25 percent, double the world average. Moreover, unemployment is positively associated with educational attainment. In Egypt, for example, the likelihood of being unemployed is 10 times as high for a college graduate as for someone with a primary education, and this appears to be an increasingly urban phenomenon.

Moreover, with a few exceptions, employment has not been growing in sectors or industries where productivity is increasing. That is to say the growth of employment does not appear to reflect an expansion of activity in rising, dynamic sectors. In [the Maghreb](#), for instance, there is evidence of people being warehoused either in public works jobs or in the agricultural sector.

And in some Arab states—not just those small emirates of the Gulf, but some other countries as well—foreigners, not nationals, account for most of the new hires over the last five years. The dominance of foreigners is even more acute in the private sector, given the disproportionate hiring of locals in the public sector.

And, as the locus of employment has shifted from the public sector to the private sector, it appears that young female graduates are particularly disadvantaged and having a difficult time gaining a toehold in the job market.

Depending on one's assumptions about various things, the region will experience labor force growth on the order of 3.5-4.0 percent over the next 10-15 years. The World Bank estimates that, essentially just to keep up with that growth in the labor force, the region will have to create 55-70 million new jobs—55 million just to keep up; 70 million to bring the employment rate up to the global norm.

Now, the most reliable method of generating a rapid and commercially sustainable increase in employment is through the expansion of labor-intensive exports, either in the manufacturing sector or in the service sector. But, as Devin was indicating, the region's shares of world trade and investment have actually fallen over the last 25 years. The Arab world's share of world manufactured exports has never been high, but now it is less than 1 percent. Technology royalty payments, an indicator of technology transfer, has basically stagnated, while exploding in other regions of the world.

One could go on with more specifics of this sort, but the basic message is that, with the exception of the extractive industries where geology determines the location of production, or certain irreproducible cultural assets, like the pyramids, which underpin the tourism industry, the Arab countries as a group appear to have weak linkages to the outside world.

Now, on the strength of the current oil boom, some of these trends have begun to turn. Merchandise trade and export shares are up modestly since 2003.

But to put that good news into broader perspective, oil-producing Indonesia, the world's largest Muslim country, today has roughly twice as many people employed in the manufacturing sector as the entire Arab world, despite having 100 million fewer people. Thailand exports more manufactured goods than the Arab countries, despite having one-quarter of the population.

And, despite recent surges in foreign direct investment—and Egypt's foreign direct investment is up twelve-fold in five years, for example—Sweden, with a population of 9 million people, still attracts more FDI than Egypt. Moreover, a lot of that FDI is the recycling of petrodollars; it's simply money that has come in through oil exports and it is being recycled to other countries in the immediate area around the Gulf. And much of that has gone into things like hotels and real estate, what we call non-traded goods sectors. There are concerns that that form of FDI investment does not confer the same effects, in terms of upgrading technology and productivity, that a more diversified pattern of investment coming from other more industrial countries might have.

In short, the neural synapses that would help connect the latent productive potentiality of the Arab people with the products and services that the global marketplace demands are relatively weak.

The critical issue is: Will the future look more like the last three-to-five years or more like the last 30-to-50 years?

Now, one can imagine a positive scenario in which you get a supply response in these economies, you absorb that labor from the young people, and what is now a potential threat—lots of unemployed young people—turns into a demographic bonus; lots of highly productive workers in the prime of their life, the same sort of demographic pattern that East Asia exhibited back in the 1960s, 1970s, and 1980s.

To get that, you need supply response. Heuristically, we can think of three sources: one would be local entrepreneurs; one would be foreign investors; and the third would be returnees, Arabs that have gone outside the region and are coming back to establish businesses—that is to say, reversing the brain drain, the topic that we are supposed to be discussing today. I will focus the remainder of my remarks on that third issue, now that we have some context for why I think it is really important.

Writing the book, this was possibly the most interesting part of the book to write for me. When I initially began my research and started looking at the data, I was tempted to conclude that smart people was Egypt's leading export.

Reversing this brain drain can benefit the Arab economies in two ways.

First of all, those returnees could represent that synaptic link between local economies and the opportunities presented in the global economy. Let me give you the specific example, of a man that I met while I was doing my research, Dr. Mohammed Maggette [phonetic]. Dr. Maggette is a computer scientist who spent roughly 25 years in Canada, eventually returning to his native Egypt. There, he computerized the revenue service of the Egyptian government, both improving revenue collection and decreasing corruption, and then went on to establish the banking sector's electronic payment system. Dr. Maggette is, in effect, the father of the Egyptian ATM network. Both of these contributions raised the efficiency of the Egyptian financial sector, reduced opportunities for corruption, and were obviously contributions to Egypt's economic and social development.

Such returnees have played important roles in the industrial development of countries around the world, such as South Korea and Taiwan, encouraged by the cultural pull, especially to raise children in your home environment (not everybody thinks America or Western Europe is the greatest environment for raising kids), and sometimes public policy has consciously targeted these engineers and scientists to try to bring them home.

For example, in the case of Taiwan, the government established a science park, and provided tax and financial incentives for Taiwanese abroad to return to Taiwan and establish high-technology firms. Much of today's booming high-technology sector in Taiwan has its origins in firms established by these returnee scientists and engineers.

Secondly, even if these returnees don't go on to establish high-tech firms or computerize the government revenue system, simply reversing the brain drain, which has occurred in Ireland over the past generation, could amount to raising social rates of return on educational investment, conceivably by a significant margin. So instead of educating people and having them go abroad, you educate them and they stay at home.

What is the scope for this in the Middle Eastern context? Let me start by briefly sketching out the characteristics of the Arab communities in North America and Europe. I am going to use data from both Canada and the United States, so I'm going to call it North America.

The North American Arab community is relatively small, about 1-to-1.5 million people, depending on whether you count children who were born here. Like many immigrant communities, it is predominantly male—a little bit over half in the United States, and likewise in Canada.

In terms of sending countries, or countries of origin, relative to the Arab world as a whole, the community is disproportionately from the eastern Mediterranean. In the United States, the Lebanese are the single largest group at about 30 percent, followed by the Egyptians at about 15 percent. The situation is similar in Canada: Lebanese make up the majority; Egyptians are in second place with 16 percent.

In fact, the North American Arab community actually appears to be almost two communities: an older, more established community, which is primarily Lebanese, Syrian, Palestinian, where rates of marriage and home ownership are high, and the median age is about 40; and then a younger community of more recent arrivals from Iraq and the Maghreb, where the median age is in the late 20s.

Now, the Arab-American community, on average, is both richer and better educated than the U.S. population as a whole. Median Arab income is slightly higher than median family income for the United States. But if you look at that eastern Mediterranean group, especially the Lebanese and the Egyptians,

income levels are about 20 percent higher than the average American family.

Now, presumably, that earning power is related to educational attainment. The proportion of Arab-Americans with bachelor degrees is more than half again higher than the United States as a whole. In Canada, the share of Arabs with bachelor degrees is more than twice the national average. And, indeed, in Canada the share of Arab females with bachelor degrees is double the national standard, which is something that we are not going to observe when it comes to Europe. In the United States, there is considerable variation across countries of origin. Egyptians have the highest rate, almost two-thirds are college graduates; Moroccans are the lowest, with less than one-third.

In the United States, Arabs are more likely to be in management or professional work, about 42 percent, higher than the national average. And again, the highest rate is for Egyptians, more than half; and the lowest for Moroccans, less than a third. And similar sorts of data for Canada as well.

The U.S. Census does not ask respondents about religious affiliation, but, anecdotally, the community seems to be disproportionately Christian relative to the countries of origin. The Canadians do ask about religious affiliation, and about two-thirds of the Canadian Arab population is Muslim, but about one-third is Christian, and it is a majority of the Lebanese, Egyptian, Syrian, and Iraqi communities.

In short, you get an impression of this Arab-American community consisting of an older, more settled, more established, more Christian community from the eastern Mediterranean and a less-established, less-well-educated population primarily from the Maghreb. What is an open question is the extent that this group can be a conduit for the sorts of economic effects that I spoke about at the beginning, and I'll come back to that in a moment.

But first I want to look at Arabs in Europe. Regrettably, the data on Arab communities in Europe is nowhere near as good as the data is for the United States or Canada, so I can't make the same sort of specific statistical claims for the most part. This has to do with—well, I won't even go into that. Just accept that the data just is nowhere as good. But, even with this fragmentary data, you get the following picture.

First of all, the size of the community is much bigger in Europe. It's roughly 5 million people, which is, say, four times as large as the Arab community in North America, with Moroccans alone in Western Europe being more than double all the Arabs in North America.

This kind of pointillist portrait you get from this fragmentary data paints a picture of a much less accomplished and a much less integrated community. While, on average, Arab-Americans are richer and better educated than Americans as a whole, educational attainment among European Arabs is disproportionately low and unemployment is disproportionately high.

So what are the possibilities of reversing the brain drain and having these communities act as a kind of dynamic stimulus to economic growth in the economic world?

Well, in the case of North America, the data allow us to do some simple illustrative calculations, on which we go into detail in the book. Basically, we try to calculate how many of these people are of certain characteristics—have advanced degrees in science and technology, where do they come from, and so on.

What we find is that the numbers are not enormous. We have something on the order of 20,000–25,000 people with advanced degrees in industrial sectors that could potentially go back. It is very much concentrated on two countries, Lebanon and Egypt.

Now, the question is: How small is too small? That is an interesting question. If some of those returnees are [Bill Gates](#), then presumably you don't need a whole lot of them to have this dynamic impact.

But to lure back that homegrown talent, the prospective returnees must be convinced that they and their

families will be physically secure and not subject to economic predation. Lebanon today obviously poses enormous challenges, but we can look at the other countries—Egypt in the case of the United States and Canada, Morocco and Algeria in the case of Western Europe.

If one looks at data, [Freedom House](#) data or [Polity IV](#) data, it appears that these countries are actually less repressive today than Taiwan or South Korea were back in the 1970s, when they first started attracting large numbers of these returnees home. Now, admittedly, there is more to life than Polity IV or Freedom House ratings, but at least on this indicator of political repression the degree of local repression does not appear to be an insurmountable barrier to attracting returnees.

Well, how about living standards? The gap between living standards here in the West and in these countries is larger today than it was between Korea and Taiwan or these countries back in the 1970s, with one exception, Tunisia, where the gap is about the same. Nevertheless, today we have advantages we didn't have 25 or 30 years ago—things like the Internet—which could cut both ways. Admittedly, you could move back home, you could stay more connected to the world through the Internet and mass communications. On the other hand, that might actually intensify feelings of regret once you have gone home.

A final critical issue is public policy. As I indicated, Taiwan, for example, actively recruited returnees to bring them back home. The question is whether countries like Egypt or Morocco would do the same thing today. We see now in Egypt there are actually beginnings of programs to accomplish exactly that, to try to bring people home.

So to sum up what has been a very rapid and wide-ranging set of comments:

- First of all, the number of potential returnees is actually pretty large.
- The potential channels of human capital transfer are basically between North America and the eastern Mediterranean and between Europe and the Maghreb.
- But the brain drain will not be reversed until these potential returnees can be convinced that they are not going to be subject to economic predation and that their families will be physically safe. For this to occur, the countries have to make themselves more attractive. That would include improvements in security of property rights and improvements in social stability.
- It may also be necessary to have specific policies to try to lure back the returnees, as has been done in the case of Taiwan. These generic sorts of improvements in property rights protection and physical stability would actually make the countries attractive not only to returnees, but other forms of foreign investment as well.

But I would argue that those developments, through one channel or another, are absolutely essential for these economies to successfully surmount the very real challenge that they face over the next 10-to-15 years, which is to create an adequate number of reasonably high-paying jobs for the millions of young people that are now entering the labor force.

I realize that I've run a little long in these comments, but I hope not too long. I look forward to Michele's remarks and then our broader discussion. Thank you.

MICHELE WUCKER: Thanks very much. I learned a lot from that, Marcus. The best part of these events is when you get to learn things as a speaker as well.

I am going to take a very, very big shortcut and, obviously, not address the question of the political and social stability and the property rights, the big elephants in the room that really have to be addressed if some of these people are going to start returning home, and talk a little bit about some of the policies

that have been put in place in other parts of the world where governments have identified a similar problem, the need to bring back entrepreneurs, people with very high skills, who can generate jobs for others as well.

India and China actually have both been quite successful in this, using very different approaches. There was a study a couple of years ago out of the Public Policy Institute of California by [AnnaLee Saxenian](#) that is very frequently quoted, saying that over half, maybe even 60 percent, of Silicon Valley engineers, Indian and Chinese engineers, frequently went back to their home countries, were involved in businesses, particularly as entrepreneurs themselves, in their countries of origin, and this was really quite positive for those home countries.

India and China have both taken a lot of steps to try to encourage more of the very highly skilled, particularly the entrepreneurial individuals with extensive contacts in the business world in the United States and Europe and other places, to come home and try to apply some of those assets in their home country.

India, in particular, changed its rules on citizenship, creating a new category of nonresident Indian, an overseas citizenship, which isn't quite exactly like dual citizenship because they don't enjoy all the rights of normal Indian citizens, but they enjoy more rights than people from other countries. They also tried to lure a lot of investment by creating special bonds that were marketed to wealthy Indians abroad. These are NRI [Non Resident Indian] bonds that they talked about.

China's most interesting efforts in this area have been very, very explicitly entrepreneurial. They have come up with government venture capital funds. I actually love this Chinese twist on capitalism, government capitalism. They have gone to a lot of universities in the United States, recruited top young scholars and graduates, and lured them back to China with offers of capital to help them launch businesses there.

I've heard of many, many people, particularly in the Northeast Corridor, where really the most brilliant people in the world come out. Many of them have been lured back to China. I did a lot of research, talking to a number of students there, and everyone had a tale of someone who says, "You know what? I'm not going to stay in the United States anymore. I'm going to go back to China and take this money that the government is giving me and do what I can."

People also started to feel like they could have a better standard of living with relatively less money in their country of origin.

The Philippines, as Devin mentioned earlier, has been very, very concerned about the question of people returning. They've actually got an overseas workers office. So they have been very involved also in trying to come up with jobs for Filipinos in other countries. They've got networks with the companies in other countries that the Filipinos go to and might come back from.

This is really interesting, because about a year ago I was in Seville at the Atlantic Conference with a lot of Africans, Europeans, Americans, and Latin Americans. Africans and some Latin Americans were also very, very concerned with visa policies in the North, which have changed dramatically over the last several years, shifted very, very firmly in favor of allowing more and more skilled migration—unfortunately, often under terms that made it very, very difficult for those skilled workers to circulate back through their countries of origin. There was really a lot of resentment from some of those places that "the North is stealing our people."

Mexico has also tried a slightly different approach. They have tried to team up with hometown associations in the United States, people from a certain town who have ended up living in the same place in the United States. Migration often ends up that way—one person goes, and then their cousin, then the brother, then the wife, et cetera, et cetera—so you get clusters from one town. Mexico has offered the Three for One program (*Tres por Uno*), that says that if you invest some money in a social project in your

hometown, the government will actually match it three-for-one. That has gotten quite a lot of publicity. Some people are skeptical that it has been as successful in actually creating results as it has in creating publicity, but I think it is an interesting policy that Middle Eastern countries might talk about.

I know there have been some initial projects in Morocco and other places that had a little bit of trouble getting off the ground. I think Israel has been a lot more successful in this.

Just to sum up, I want to mention a real irony in this. In a lot of the countries in the North with high increases in migration over the last several years, you hear a lot about wanting to promote circular migration. But it is generally aimed at the lower-skilled populations, saying "it's okay if you're lower-skilled and you come here for a couple years and you go back." But it is all done with "sticks." And similarly, for the higher-skilled people, in the United States for example, a lot of people are on the H-1B visas, temporary visas, where they run up against a deadline that they're stuck with, X number of years and then they have to go back; but it often doesn't necessarily coincide with the right place for them professionally, either for the United States, or whatever host country, or for the country at home.

So I think there really needs to be a lot of rethinking of policies on circular migration of the lower-skilled people, who are less likely to come with a knowledge of the language, of the culture, of the country that is hosting them. It's important to think about what would make it easier for them to learn the language of the place where they were. Would it be better for both economies for them to stay longer? And conversely, with the highest-skilled people, how do you change the visa rules to make it easier for them to go home when it's best for them professionally, when it's best for their country of origin? Then everyone becomes better off.

So really, it would work best if you come up with policies that involve "carrots," not just "sticks," and also have much closer coordination between the sending countries and the host countries that right now are getting quite a large bonanza of skills from people who leave war-torn countries or economically poor countries where they don't have the opportunities that they might otherwise.

The success that China and India have been beginning to have in luring people back I think offers quite a bit of hope. That's something that, if the Middle East didn't have to worry about the stability problems that it does, might be an approach it could take. Nevertheless, there are countries in the Middle East that are somewhat stable, that are, as we started out talking about, way too dependent on the oil economy, and that could very, very much benefit from bringing these people back home to generate more economic diversity.

I'll stop there.

MARCUS NOLAND: Just a few brief reactions.

I think those remarks are very complementary, not in the personal sense but in the way that economists use the word, that the things went well together.

MICHELE WUCKER: With an "e," not an "i."

MARCUS NOLAND: Right. Complementary comments.

Just three brief comments.

One thing I didn't mention in my remarks that in retrospect I probably should have. Among the sort of policy initiatives that are going on right now in the Arab world is a proliferation in the Gulf of attempts to create, not only new universities, but science cities. The idea that you are going to essentially reproduce something like the Research Triangle down in North Carolina or Silicon Valley in the Gulf. I have an open mind about this. Most of these sorts of initiatives fail, but it seems to me a reasonable thing to try to do. If it was successful, it could do precisely that sort of connection function that I described between what's

going on in the outside world and what is necessary to commercialize these developments in the local economy.

At the same time, it's interesting. If successful, these initiatives could attract Arab scientists and engineers to come back to the region, but it also could set off an intra-regional brain drain. Egypt is going to have a very, very difficult time competing with anything the Saudis or the countries along the Persian Gulf can offer.

A second issue is I really liked what you had to say about some of these passport issues. It can be the case, for example, that having a foreign passport, having an American passport or having a Canadian passport, can actually facilitate this, because it is, in essence, an insurance policy, that if you go back home and things don't turn out too well, you've got an escape hatch. Making the decision to return home to Syria without an American passport or a Canadian passport is a very different decision than returning home to Syria and if it doesn't work out you can just go back for a couple of years.

That raises at the end some ethical issues that I thought that Devin was going to perhaps start quizzing about. There are lots of different dimensions to this that occurred to me just listening to the comments.

First of all, there's the obvious issue of individual rights versus governments wanting to manage these things. It has a special kind of poignancy for me because my wife is not an American. She actually comes from a poor country that experiences a lot of brain drain, including her. So, in some sense, she is one of these people you want to keep in these countries or you want to send her home or something.

But on the other hand, as an individual, people should have a right to be able to do as well as they can do, professionally or in terms of earning or whatever. So when you are actually dealing with this on the individual level, it raises some sensitive issues.

In her case—my wife is from Ghana—not only are there a lot of educated Ghanians outside of Ghana, but about 10 percent of the adult population is outside of Ghana. Well, now Ghana is democratized, they're having elections. Those elections are pretty closely fought elections. You have the possibility of non-resident Ghanians who, if given absentee rights to vote, could swing elections. They don't live under these laws; they're not subject to taxation. In some sense, this raises an ethical issue within the country. What are the legitimate rights and responsibilities of nationals who have gone abroad either permanently or semi-permanently? What say should they have in deciding the rules in their home country?

Finally, that raises the broader issue that was one of the centerpieces of [Dr. Federico Macaranas's remarks here last year](#), which is there is no multilateral management of this. It's all either undertaken by individual governments unilaterally, or perhaps bilaterally. I'm not one of these people who thinks a new international organization is the solution to all problems, but this actually may be one where some greater multilateral management of this issue would be useful, to try to put on the same level in some sense the bargaining power—or, at least in theory, the say—of both the countries that are predominantly senders as well as the countries that are predominantly recipients.

Questions and Answers

DEVIN STEWART: I have a couple of questions for both of you, just tailing off of Marcus's comments.

You talk about Ireland as a case study. A lot of people have been talking about relating the Ireland story to an institution you have mentioned earlier, [The Heritage Foundation](#), I believe, and Freedom House. They have shown that, according to some indicators, Ireland is a much freer economy than it was 20 or 30 years ago. This corresponded to growth and to people coming back to work in Ireland.

You said there's an individual freedom aspect. The ethical question is you're allowed to leave to go pursue a more fruitful life or a more profitable life somewhere else, but in doing so you might be harming the society from which you were born. So I'm wondering if there is a certain tipping point where you are free

enough to leave but then economic freedom is so great that you want to come back. In other words, is it a bell curve or is it—how does economic freedom play into the brain drain equation?

MARCUS NOLAND: First of all, I want to clarify something. I did mention Freedom House. I don't think I mentioned the Heritage Foundation. I mentioned Polity IV, but that's an academic project based at the University of Maryland.

I don't think it's so much economic freedom. I think it's standards of living. If you look at the case of most sender countries, as their levels of income converge on the levels of income in the rich—let's just say [OECD](#) [Organization for Economic Co-operation and Development] rich industrialized democracies—as those levels of income converge, the rate of mass migration tends to attenuate. So, for example, Korean migration to the United States has been falling since the mid-to-late-1980s. Eventually, Korea just got rich enough that people made that calculation and decided they would just stay home.

The Irish story is a complicated story. It very much involves not only political and social developments within the Republic, but also membership in the European Union, and what that did both in terms of the legal system and, importantly, in terms of economic policy and economic performance. Once economic performance picked up, first people stopped leaving, and now people are going back home in quite large numbers.

MICHELE WUCKER: On the economic level, getting back to the ethics of whether you leave or not when you have the freedom to do that, the question of what the impact is on a sending country is very, very complicated. You know, on one level, of course, when you leave you affect the labor force, you affect the wage pressures. Historically, for example, 100 years ago during the great wave of migration to the United States, that migration from Europe ended up raising wages in Europe because the labor supply shrank. So by leaving, in a certain way you are improving the living standards of the people at home.

Also, if your family doesn't have a way to eat unless you go from the Dominican Republic to New York and send back your remittances, then there's a question of that too. On the other hand—and this is something I have written about as well—this creates a sort of perpetual migration machine, where one person goes and then everybody else ends up feeling like they have to go, because if their neighbors are all living on dollars that have come back home, then they can't get by on the pesos that they've got.

A whole other level of this—and I wish I could remember the study; I think it was something that came out of the [National Bureau of Economic Research](#) maybe a year or so ago—there was a study saying that when it involves skilled migrants, particularly with technological changes, if somebody goes from a poor country where they can't pursue their skills to their ultimate highest point, then those skills are lost to the world. But if they are able to go to MIT and get their degree in rocket science and come up with some new technological change that ends up raising living standards all over the rest of the world, then that benefits both countries, even if the person doesn't go back.

There is also the calculation of who knows what's going to happen. Maybe you go to the other country and you do fabulously. Maybe it doesn't work out.

There are just so many variables that I think it does come back to how important freedom is to leave and go do something and not rely on a government to second-guess what people might end up doing. This is, of course, not to say that governments shouldn't come up with smart policies to encourage one thing or the other. But, as I said, it should be through "carrots" and incentives, and not "sticks," and, ideally, thoughtful, useful incentives that are evaluated from time to time to be sure that they're having a good effect.

DEVIN STEWART: I have one more very tricky question and then we'll open up the floor here. This question is so difficult that Marcus Noland actually treated it with scare marks or quotation marks because he wasn't sure he wanted to own it, which is happiness. There's a section on happiness in this book, which I suggest you take a look at.

In my feeling, it relates to something that Dr. Macaranas talked about and engaged with a discussion on during the conversation here with a Filipino who was in the audience, who said: "Look, until the Philippines gets its act together and I can actually feel some pride in my country, I'm not going to want to go back." There's a certain psychological feeling there.

Marcus Noland does talk a bit about happiness and comparing happiness levels and happiness, in quotation marks, to those in other countries around the world. Does this play into the brain drain in the Arab world? How do you see this relating to your thesis in general?

MARCUS NOLAND: For those of you who have not been exposed to this strain of research, there are a number of studies and surveys around the world that ask people some questions to evaluate their subjective well-being in various dimensions; and then, having collected this data, lots of people have gone out and tried to analyze it.

Basically, my reading of this evidence is it comes down to two—well, at the individual level, personal health status is obviously enormously important; if you are really sick, you are generally not happy.

But in a broader social sense, what matters are two things. One is employment status. The other is a broader and harder-to-completely-identify sense of voice, or lack thereof, in how your society is run. It oftentimes manifests itself in opinions having to do with the ability, or inability, to influence local government decisions.

To me those two things make a lot of sense. People are basically happy if they are gainfully employed, because that is a source of personal self-respect, and, importantly, it is a source of status within the community. So if you feel you have a sense of personal self-respect and dignity, you feel that you have a status within the community, people deal with you from a standpoint of mutual self-respect and dignity, you are pretty happy. And if you think people actually listen to you in how things are run and actually respond to your content or discontent in some way, that makes you happy.

Unfortunately, the Arab world has more problems on both of those dimensions. You have a looming employment crisis that is focused on young people. In these happiness surveys, some of the polling data for the Arab world suggests that the least happy people are young, urban, educated, un- or under-employed males, especially those with access to the Internet, because basically they are being bombarded with messages about how good life is elsewhere and, in reflection, how bad or unsatisfying they regard their own situation.

That data has seemed to turn around over the last several years as part of the commodity boom, because incomes are rising. Bahrainis are the happiest of all campers.

The problem is what goes up goes down, as we are learning in the American housing market, and it is likely that people will learn in the commodity markets pretty soon. When the price of oil and the price of other energy products start heading south, then these situations are going to be back into the situation they were in the 1990s, with substantial discontented populations—not only for the economics reasons, but because of the pervasive political authoritarianism of the region.

The region really is unique. There is no place in the world that combines authoritarianism and stability the way the Arab world does. There are parts of the world that are politically stable, most obviously the big industrialized democracies of the OECD; and there are places that are authoritarian, but they tend to be unstable, the governments change.

But if you think back—well, none of us are going to think back this far because none of us were alive—but if somebody in the audience thought back to the days of the 1950s or the 1960s and the [Nonaligned Movement](#) and you think about the leaders of that movement—[Sukarno](#), [Nasser](#), [Nkrumah](#), [Jomo Kenyatta](#), [Nehru](#)—well, India pretty much always has been a democracy. With fits and starts, Indonesia

has done pretty well. Kenya and Ghana—Ghana is a functioning democracy; Kenya obviously has some troubles. Egypt, basically the same political machine that overthrew [King Farouk](#) is still running the country 50 years later.

So on both of those measures, personal economic performance and sense of accountability or voice in governance broadly writ, the Arab world has real problems.

MICHELE WUCKER: This question of voice in governance is huge, as are certainly the dual citizenship and overseas voting issue that you mentioned. In Latin America, in particular, really over the last two decades since the early 1990s, dual citizenship has become very, very common, and absentee voting in the last seven years or so. It has really been a pragmatic issue.

And it is also going back to that old question of no taxation without representation. In a lot of these countries, so many of the emigrants are sending so much money home—in some places in Latin America, 25-30 percent of the economy is made up of remittances sent back home—some of the logic has been: "Well gee, they're paying for the country; they ought to have a say in it." That works both ways, because the governments certainly feel like: "Well, if we give them a vote, then they're more likely to keep sending money back to us." So there's a little self-interest on all sides there.

But I think a question that gets forgotten is this question of: What happens to other people when you have a voice? When you live in a community and people around you don't have a say in what's going on—I lived for about a year up in Washington Heights, where a lot of people couldn't vote for whether the garbage on the street was picked up or whether the crack dealer was hauled in or not, and that affected my life too.

You go back to the founding of the United States and the whole democratic principles in the first place. The idea is that if everybody in a society has a stake in it and has a say in it, then actually everybody is better off. That's something that is certainly operative in overseas voting and dual citizenship as well.

Of course, the question of what people abroad do, there's a very wide range of it. Sometimes there are people who are very powerful have left and are in a host country work to affect the foreign policy of the host country towards the sending country. It's not always necessarily in the interest of the people at home.

And vice versa. Sometimes I think of Cape Verde, where there are more people living outside of the country than are living in it, and they are very, very actively engaged in Diaspora. Every year and a half, they have a Cadres of the Diaspora Conference to get people involved in helping come up with development plans and investment and staying engaged.

So I think it's not just a question of even who's got a right to say something, but in very, very practical terms who benefits from other people having engagement and an input.

And even for the host country—in this country, there's often a sense that if somebody's voting in their home country then they don't care about what's going on in the United States; they're never going to integrate. But I can tell you from a lot of experience that the people who are most involved in their home countries are also the people who are the most involved in this country.

In the Dominican Republic, I was covering one of the elections one year. I went down to breakfast that morning in my hotel. The City Council, all the Dominican politicians from New York, they were down there. They were involved as election observers and all sorts of things. So they are the people who are actually working for the benefit on both sides.

That's something that countries really need to keep in mind when they are talking about policies to attract people back home, and it's something that the host countries need to think about too. If you've got somebody engaged in their home country, then they're probably going to be working for life to be

better off here too.

QUESTION: Mr. Noland made a comment about what goes up comes down, talking about the price of oil. But, given a commodity that has a relatively finite supply and a demand that keeps expanding, what do you think is going to push the price down?

MARCUS NOLAND: I think in the short run demand may not expand so rapidly. If the United States goes into a recession—

QUESTIONER: But you have countries like China and India, with 2.5 billion people.

MARCUS NOLAND: Those are important sources of demand, but those are also sources of demand that will also be affected if the United States slows down, especially China.

So in the short run you just have cyclical effects. There will probably be some decline in price if that happens.

In the long run, I think the big long-run threat to the oil producers is the possibility that the publics of the United States and other major parts of the world will get really concerned and jazzed up over global warming. There are real possibilities for technological advance that could substantially reduce our reliance on hydrocarbons while at the same time maintaining and continue to increase current living standards.

So if I were looking out not 10 or 15 months, but 10 or 15 years, and if I were sitting in Abu Dhabi, that would be my concern, that essentially governments in the developed world will get serious about global warming and there will be a substantial attenuation of demand on an economically adjusted basis for the products we're selling.

QUESTIONER: In the interim 10 or 15 years, you could see the price of oil going much, much higher while this development is taking place. I mean the best minds and the biggest corporations are working on this problem, and so far they haven't even scratched the surface. So oil could conceivably go to \$150, or even higher than that, within the next 10 years.

MARCUS NOLAND: There is an enormous range of opinions on this. There is a man named [Matthew Simmons](#) who is famous for arguing that basically the world is running out of oil and it's going to go to \$200 a barrel.

But I was just talking the other day to the CEO of United Technologies, and he's basically saying that fuel cell technology is within grasp, that essentially if you had a U.S. government program to subsidize consumption by a little bit, that the rapidity of technology development in that sector is such that you could see fuel cell technology being used in commercial vehicles within a relatively short period of time, like five years, and then you could see it rapidly broadening to other parts of the transportation system, which here in the United States is one of the major sources of hydrocarbons use.

We can debate this all afternoon. I grew up in Texas. My father was in the oil industry. It's kind of like views about immigration. I'm perfectly happy from a personal standpoint if the price goes to \$150. It just means that our family will be richer. But from a social standpoint I hope that doesn't happen. And if it does, I hope that it doesn't have such a disruptive effect on the Arab oil-producing economies.

QUESTION: This fuel cell project that you said might be a government project, is this the so-called [Manhattan Project](#) idea of 2008?

MARCUS NOLAND: The idea is simply that right now we have technology that can produce a kilowatt hour at a certain cost, and that's substantially above what it needs to be to be commercially viable. The

argument is that if you pursue some industrial policies that will basically help create a market for this product and perhaps subsidize its consumption initially, then firms will be willing to do the R&D that will push that down the cost curve relatively rapidly.

QUESTION: This discussion quite literally hits home, because I'm a native of a small industrialized democracy of Europe—Scotland. For reasons of both demographic and economic development and challenges of the time, 2009 is "The Year of Return," a major initiative to get ex-pats to return. [Alex Salmond](#) was in New York a few weeks ago and said, "If Ireland has been the economic tiger, we should be the economic lion." So we shall see.

My initial question was actually addressed in the last part of the discussion. I was going to say that, in addition to the issues of physical security, family security, and rule of law, property rights, and so on, the third obvious thing that came to mind was that of political opposition. The people who would return as entrepreneurs, as economic engines, would be involved politically. You addressed that.

Let me turn the question around a little bit and ask if you have charted at all, Mr. Noland, the political participation as ex-pats of the people who might return? Are they engaged in any way as expatriates with political opposition groups?

For example, what comes to mind is in Egypt the main opposition, of course, is the [Muslim Brotherhood](#), which is held up by [Mubarak's](#) government as the reason we should keep Mubarak's government stable and secure and in perpetuity. So again, it's kind of a complicated dynamic, where there would be a logical role of political opposition, but perhaps not the kind of political opposition that's prevailing, certainly in Egypt, and perhaps elsewhere.

MARCUS NOLAND: The numbers are sufficiently large that, as far as I can tell, every political tendency in these countries is represented in these communities. I would be very hesitant to start making kind of broad-brush statements about the political tendencies of a community in the United States which is a million or more people.

I think, though, that in your question there are two points that I would simply like to emphasize for the audience.

Number one, the governments themselves may be a little concerned about bringing back a bunch of entrepreneurial, rule-breaking kind of people, who may color outside the lines, as they say.

Secondly, with the proviso that, again, in my own personal experience, all political tendencies are represented in these communities, I would be willing to guess that, given their experiences in the United States at least—I'm not so sure about Western Europe, but given their experiences in the United States—the people who go back, to the extent that they have political views, would tend to be secular liberals. But that's not certainly by any stretch of the imagination the only group. Other groups are represented. But yes, you would tend to get secular liberals going back.

QUESTION: I'm trying to understand, and I'm having difficulty. When you speak of a brain drain, the implication is that you are speaking of brains, people who are accomplished, who are educated, who are successful. Based upon the figures that you presented us, in Europe the vast majority of the European Arabs do not fit into that category. So there really is no brain drain there. There is perhaps labor drain, but they don't seem to have much of a need for labor. I mean they have large populations in these countries. Anyhow, I'm not an expert on it. You'll explain this to me.

Now, in the United States you spoke about the Arab-American population. We know that the Arab-American population is being very American, although they maintain their Arab identity; very successful, very educated, very employed in managerial and professional areas, and Christian. Why would they go back to societies where they would be in a teeny minority as Christians, where there is no stability, and certainly no security as Christians?

MARCUS NOLAND: Those are both very good questions.

Obviously, the composition of the emigrants affects to what extent it is a brain drain versus a general labor drain, as you put it. Still it's a brain drain, even in the case of Western Europe, since you have people who are educated, with degrees in science and engineering, leaving the Maghreb in particular and settling in Western Europe. So there is a brain drain aspect to it, even though you are absolutely right, that the kind of proportions differ in the case of Western Europe and North America.

Why would they go back? That's a simple but an absolutely profound question. Let me start out with an anecdote.

One of the ways that I got interested in this was I was doing a survey in Israel. I was trying to understand the locational decisions of certain firms. I wanted to know why they decided to locate in the northern Galilee versus other parts of the country. In order to do that I needed to know a history of the firm. I had a survey instrument. We were going and we were interviewing these companies and asking them questions. A story kept on coming out that was not on our survey, was not part of our instrument. It just maybe reflects the paucity of knowledge and imagination of the people who designed the instrument. But the story I kept on hearing went roughly as follows.

I'd be sitting there with some executive from an Israeli high-tech company in the northern Galilee and we'd be talking about the history of his company. He'd say something along the lines of: "Well, my wife and I were living in Phoenix. We had a couple of kids. Then we started talking to each other about whether we wanted our children to grow up as Americans or whether it was important for us that they grow up as Israelis."

In a shocking number of cases, the people I interviewed had small children and they made this decision to go back to Israel. So there is a cultural pull aspect to it. It counts for something. Money counts for something, political freedom counts for something, cultural issues count for something, and it is going to vary from case to case.

Now, you raised at the end a very sensitive issue, which is that, at least in the case of North America, this community is disproportionately Christian. It is a fact that the Christian communities of the eastern Mediterranean are under a certain amount of stress that would vary from location to location. In particular, the Egyptians that I've talked to from the government, as well as other people who are active in this area, are very, very concerned about this. And it relates to their concerns about the Muslim Brotherhood as well, because they understand that it is important, that this is an important issue, and it can have a potentially negative effect for Egypt, both in terms of driving out a community that is highly talented and impeding the return of a community that's highly talented.

QUESTION: My question basically was going to be the same as your second question, so I'll just sort of re-jigger it a little bit. It seems as if in your talk you present a mismatch between what could be harnessed in terms of reverse brain drain from North America and what's needed. It seems as if what's necessary is any effort to get around the pressures that you're talking about and the fact that the people who would be most successful would be those who are able to tap into the social and economic networks which run through Islamic networks within these countries. I'm wondering if you can point to specific industries or specific economic activity that could perhaps foster an identity that would allow these people to sit down at a table across from each other and say: "I'm a Christian. I'm investing here. I need to tap into your network of Islamic banking that runs through these countries in support of making the Middle East the XY region," the same way that you talked about branding and research, ways for science quarters.

MARCUS NOLAND: I guess I have a different basic notion of how business operates in the Middle East in the following sense. If you go to the Gulf, a lot of that money is being managed, including in state firms, sovereign well funds and so on, by Lebanese and Palestinian Christians. They're good at managing

money. The locals, whose money it is, they want the best manager they can find. They really don't care if the guy is Christian or Muslim or whatever. A lot of Lebanese and Palestinian Christians are managing money in the Gulf.

If you go to Egypt, the big industrialist families are Christian. [Orascom](#), some of the famous companies you've heard of, those are Christian families.

So I think that religion, obviously, is a very sensitive issue in the region. It has been a source of conflict and is an ongoing source of conflict in some of these countries. There are real stresses. You'd be a Pollyanna to ignore that. But at the same time, to a large extent, it doesn't seem to get too much in the way of doing business.

QUESTION: I'm a Christian Palestinian Jordanian, part of that brain drain living here in the United States. At least in Jordan, where I was born, I was never oppressed, and I don't see that there is any oppression of Christians. So not going back just because I'm Christian has never even occurred to me. I'm not back because there isn't the kind of scientific and research opportunities for me that exist here. Here I work for Google. There isn't a similar sort of innovative company where I can work over there.

But there are initiatives, and it would be important to support those, even though you said that they are usually not successful. But there are those happening in Jordan, because Jordan is suffering a big brain drain of people going from Jordan to the Gulf, engineers graduating and ending up in the Gulf, and the country wants them back to Jordan. So the Gulf itself isn't suffering a brain drain, so to speak.

Even though it's stable, there is no one from the Gulf who would go back there because people there are happy. But they are sucking out the Lebanese and the Jordanian engineers there, and the countries want them back. That's a bigger brain drain perhaps than the people that go to the United States.

MARCUS NOLAND: Can I make one brief response to this? I'm very glad that you made your intervention, in part, just for sociological reasons.

I was once on one of these live television call-in shows on C-SPAN. The way the panel is set up, you always have one person who's supposed to be representing one side and one person who's supposed to be representing another side. Sometimes they don't get the people cast quite correctly.

On this particular call-in show, there was the guy who was supposed to be the Japan basher, and then there was the guy who was supposed to be the Japan apologist, and then there was supposed to be the dispassionate academic, and then there was "the Japanese," and poor Yoshi Komori from *Sankei Shimbun* [newspaper] was representing 140 million people. So I'm glad that we have one of the immigrants here.

But, more seriously, you raise a very important analytical point that shouldn't get lost in how we think about these things. Certainly from a numerical standpoint, the intra-regional movements of people, and, in particular, movements of skilled people, are quantitatively larger than movements between the region and North America or the region and Western Europe.

That raises, as I alluded to in the discussion of some of these initiatives in the Gulf, its own set of ethical issues. The Arabs may be staying in Arabia, but if all the Egyptian scientists go to the Gulf, then is that a good thing or a bad thing or a second-best thing? We could hash that out.

QUESTION: The fact that the vast proportion of successful Arabs, at least in this country, are Christian would indicate that it's not a coincidence. I wonder whether it's because they have been afforded more secular education where they came from rather than religious Muslim education. If not, what are the reasons, and is this something that perhaps their countries of origin might consider when examining the reasons for this and making changes in the type of education that's being offered?

In Qatar, I had the fascinating experience of meeting the [Emir and his wife, the Shaikha of Qatar](#). They

are focused on two things, and I said our President [Bush](#) could learn a lot from them. They had this huge income. The Emir said that they have decided that they were going to spend it on two areas, health and education, so that when all this oil money disappears his population will be a healthy one and an educated one, which I think is quite wise.

They have five or six campuses now. The Shaikha is the one in charge of the education of the country. And they have five or six foreign universities, as you know. I'm interested to know who is going to them. Who is attracted? Are they Arabs from the Middle East and the Maghreb, or are these foreign students?

The first question I'm very interested in hearing your answer to particularly, about the type of education and if they're examining the reason why the Christians are so successful and are they emulating some sort of education.

MARCUS NOLAND: Although I've tried to speak in complete sentences today, my intellectual background is actually in econometrics and modeling, so I'm really big on numbers and data and verifiable analysis. As a consequence, I'm not sure that the presumption underlying your question is actually supported by data.

In the case of the United States, I don't even know how you would investigate it, since we don't collect data on religious affiliation, and to my knowledge—

QUESTIONER: We do.

MARCUS NOLAND: In the Census we don't.

QUESTIONER: But you gave us these figures.

MARCUS NOLAND: For Canada we do. I don't know if anybody has actually analyzed whether, controlling for age and educational attainment and all those other factors, Canadian Muslims are on average or Canadian Christians are on average more successful or less successful or higher earning or lower earning than the other. So I'm not sure if empirically that is the case.

It could be the case, and then you would speculate on reasons why. One could be that social integration is probably easier for Christians than it is for Muslims in the United States and Canada. It may be generational. It may be high-performing Christian Arabs that you know of—you know, they've just had more time to become famous.

Now, the second question is a fascinating question. If you've been to the Gulf, there is absolutely a proliferation of branch campuses of American and European universities, many of which probably will not survive the next downturn in commodity prices, if it ever occurs, and there will probably be some consolidation in the sector.

Who are the students? I don't know in a systematic sense who they are, but I have visited a number of these campuses, including a very, very interesting women's college that has been set up in Jeddah, Saudi Arabia. A fascinating place.

Who are the students? The students are a mix. It is a mixture of people from the local country and other Arabs. So there is intra-regional movement for education, and there are students who come from predominantly Muslim countries that have difficulties with their educational systems, and/or their parents are working in the Gulf.

So when you visit these campuses, you will meet students—in the case of the women's college, young women—from Pakistan, from Ethiopia, from all around the world. So it's a real mix as far as I have been able to tell, just anecdotally, visiting a handful of these places.

QUESTION: May I very briefly ask, Marcus, is there any labor flow into Egypt from North Africa?

MARCUS NOLAND: There must be some, but I don't think the numbers are very large. What has actually been sort of interesting in the Egyptian case is in some cases an intra-regional reversal of the brain drain. Let me give you a specific example. It's really interesting.

Egypt historically had a very repressed, highly regulated financial system, and you had a lot of bright Egyptian people working in banking who were drawn both by higher salaries and a more liberal environment to the Gulf. So you had Egyptian bankers leave Egypt and go to the Gulf, oftentimes working for Western financial institutions in Kuwait or in the UAE [United Arab Emirates]. Then Egypt did banking reform over the last several years and the banking sector has become more vibrant and dynamic. These guys are now returning back, and they are returning back with a new set of skills that they learned working either for local institutions or Western institutions in Kuwait, in the UAE, and so on. So you've actually had an intra-regional reversal of the brain drain that is acting as a stimulus to financial sector development in Egypt.

DEVIN STEWART: Marcus, thank you very much.

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