Political versus Economic Issues on Immigration:
Can Immigration Work in a Westphalian World?

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Key Points

- Conventional Development Policy works in a Westphalian Sovereign State framework, where shocks are incremental and managed at state level. But Climate Change has converged with disruptive technology, social inequalities and corruption/inept governance to create REGIONAL (cross-national) effects that are often manifested through migration and violence-induced conflict.
- Climate Change is rapidly moving centre stage in social disruption, especially for smaller emerging economies (EMEs) which are fragile, failing or failed
- Need to think through in systemic framework how geopolitics, economics, technology, social inequities and climate change will frame global stability, or allow large parts of world engulfed by growing costs of Climate Change disruption
- Rich Nation States will have to decide whether to (a) allow massive immigration (b) mitigate climate-change costs in failing states that export migration (c) deal with only humanitarian issues that are fiscally and politically unsustainable

Section 1 The Big Picture

Migration has occurred throughout history, driven by complex factors, of which climate change is one

World Migration Flows (2010-2015)

Blue circles = +ve net migration (more inflows); **Red circles = -ve net migration (more outflows)**; Each yellow dot represents 1,000 people.
Source: Metrocosm. 2016. "*All the World's Immigration Visualized in 1 Map*."

Migration has been a Consistent Historical Trend
## – McKinsey (2016)

Global international migrants (million)

Source: Woetzel, et al. 2016. "*Global Migration's Impact and Opportunity*." McKinsey Global Institute.
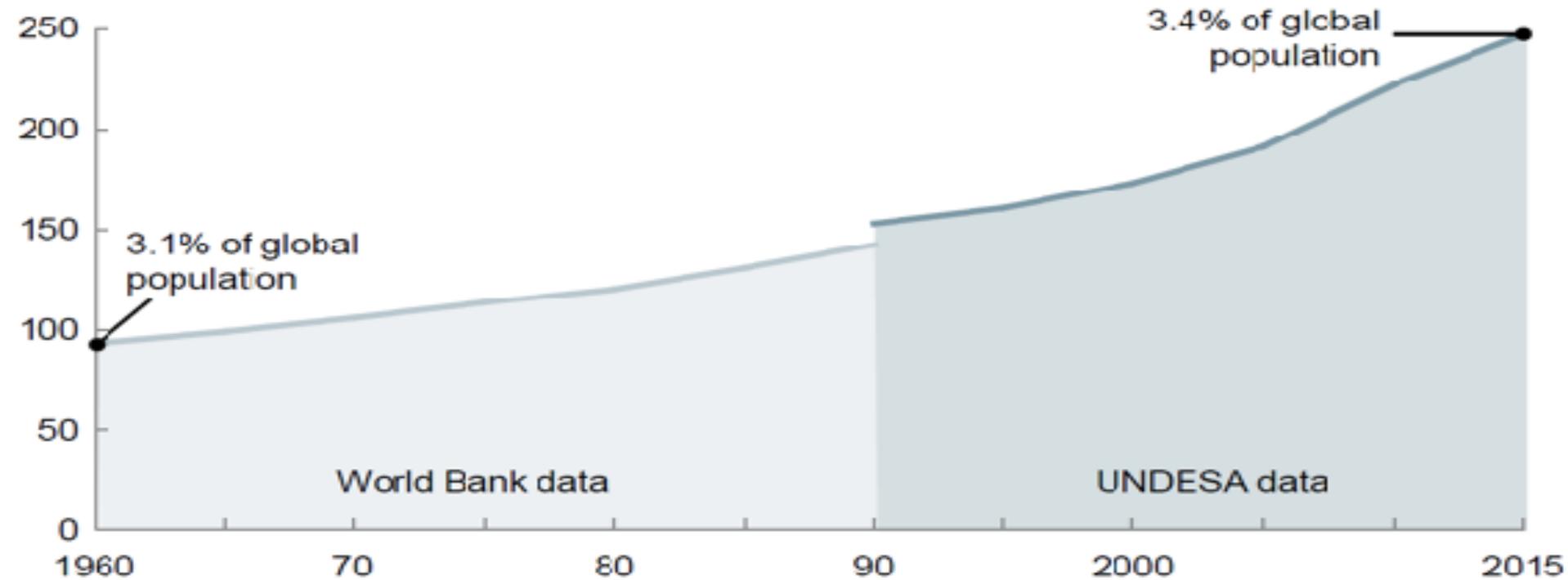
90% of World's Migrants Moved Voluntarily, While Remaining 10% are Refugees and Asylum Seekers

247 million people live outside their country of birth

90% are voluntary or economic migrants, while **10%** are refugees or asylum seekers

50% have moved from developing to developed countries

35% are high-skill migrants with tertiary education or above

Economic impact of migrants

Labor force
40–80% of labor force growth in top destinations between 2000 and 2014 was contributed by migrants

GDP
Migrants contributed 9.4% of global GDP, or $6.7 trillion— some $3.0 trillion more than they would have produced in their origin countries

Productivity
Migrants of all skill levels contribute to the productivity effect in top destinations

Employment
Migrants do not harm the long-run employment or wages of native workers

Wages
The average wage gap between native and migrant workers with similar skills is 20–30%

Source: Woetzel, et al. 2016. "*Global Migration's Impact and Opportunity*." McKinsey Global Institute.

UNHCR Costs $7.7 bn Annually to Run

65.6 million forcibly displaced people worldwide

Refugees **22.5 million**
17.2 million under UNHCR mandate
5.3 million Palestinian refugees registered by UNRWA

Stateless people **10 million**

Refugees resettled **189,300** in 2016
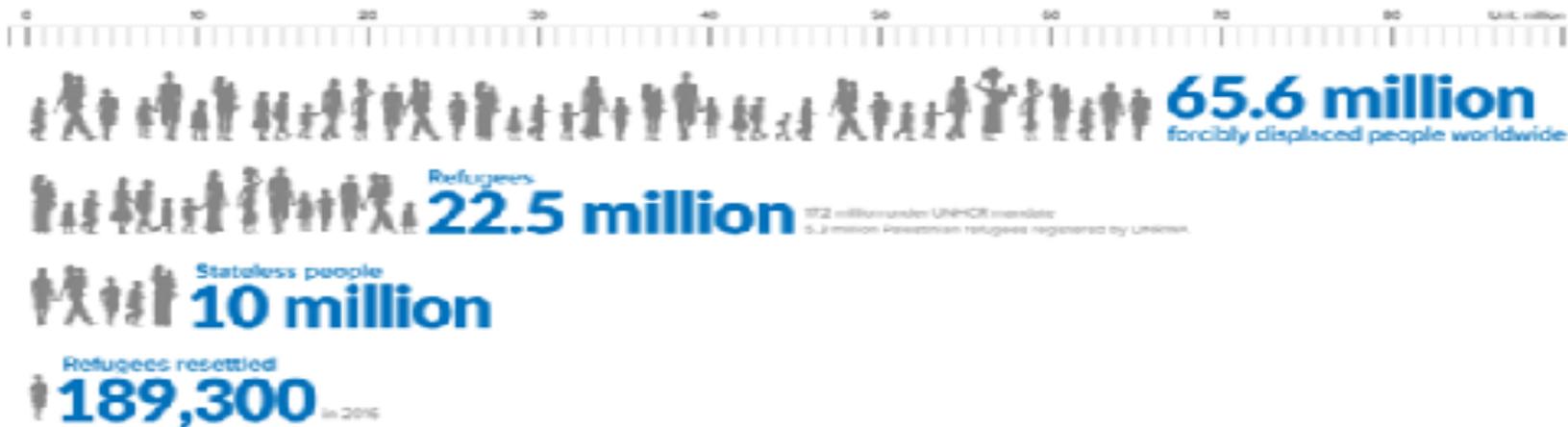
Where the world's displaced people are being hosted

- 16% Americas
- 11% Asia and Pacific
- 17% Europe
- 26% Middle East and North Africa
- 30% Africa
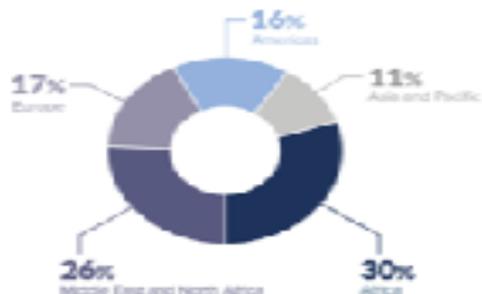
55% of refugees worldwide came from three countries

- South Sudan 1.4m
- Afghanistan 2.5m
- Syria 5.5m

Top hosting countries

- Ethiopia 791,600
- Uganda 940,800
- Islamic Republic of Iran 979,400
- Lebanon 1.0m
- Pakistan 1.4m
- Turkey 2.9m
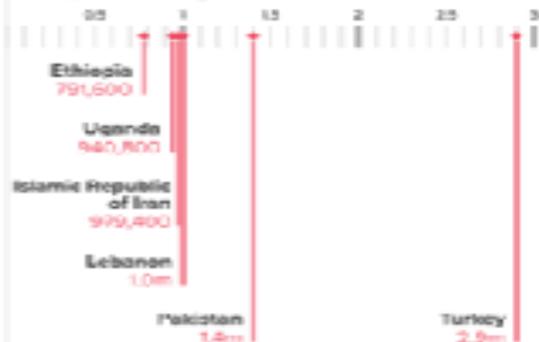
Global Migration Crisis?
– Weiner (1995) Huntington (1996), Reuveny (2007)

- "If there is a single 'law' in migration, it is that a migration flow, once begun, induces its own flow." – *Weiner, pp 21-28*
- "The changing balance of power among civilisations makes it more and more difficult for the West to achieve its goals with respect to weapons proliferation, human rights, immigration, and other issues." – *Huntington, p.206*
- In 38 cases of global environmental migration 1975-2001, half had violence and half less. 36 involved EMEs, arising from land degradation, drought, deforestation, water scarcity, floods, storm and famines. – *Reuveny (2007)*

Section 2 **Recent Developments in MENA**

The greatest water stressed areas affected by climate change are MENA and Sahel region, driving conflict and outward migration

Climate Change: Water Stress Causes Civil Unrest

WATER STRESS BY COUNTRY

ratio of withdrawals to supply

- Low stress (< 10%)
- Low to medium stress (10-20%)
- Medium to high stress (20-40%)
- High stress (40-80%)
- Extremely high stress (> 80%)
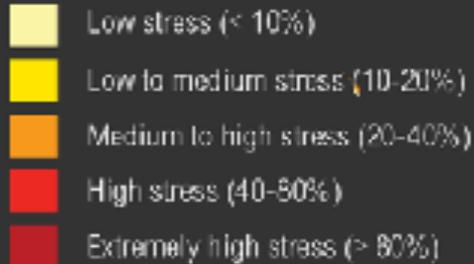
This map shows the average exposure of water users in each country to water stress, the ratio of total withdrawals to total renewable supply in a given area. A higher percentage means more water users are competing for limited supplies. Source: WRI Aqueduct, Gassert et al. 2013

Data source: WRI Aqueduct.
Source: World Resources Institute. 2013. "*Water Stress by Country*."
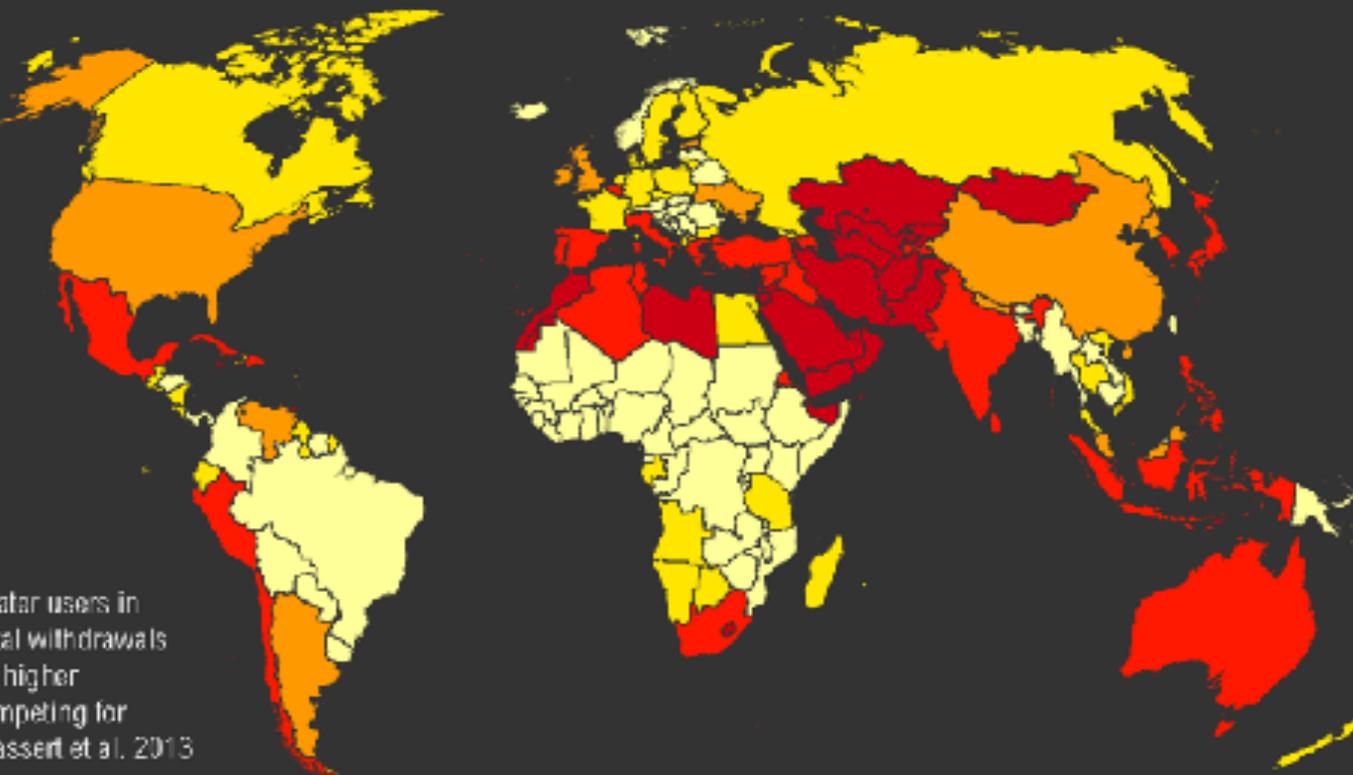
Climate Change & History *– Geoffrey Parker (2013)*

- "Climate Change has frequently caused or contributed to widespread destruction and dislocation on Earth." *p. xviii*
- 10,000 BC cooling wiped out mammoths
- 2,000 BC societies in South and West Asia collapsed due to drought
- 750-900 AD, drought weakened Tang and Maya empires
- Mid-14th century – Major epidemics halved European population
- Mid-17th century – One-third(?) humans died from cold
- Weather changes also forced human migration

Climate Change: By 2050, GDP of Orange Regions Could Decline by 6% due to Water Scarcity

Impact of water scarcity on GDP of Central Africa, East Asia and Middle East by 2050

Source: World Bank. 2016. "*High and Dry: Climate Change, Water, and the Economy*."
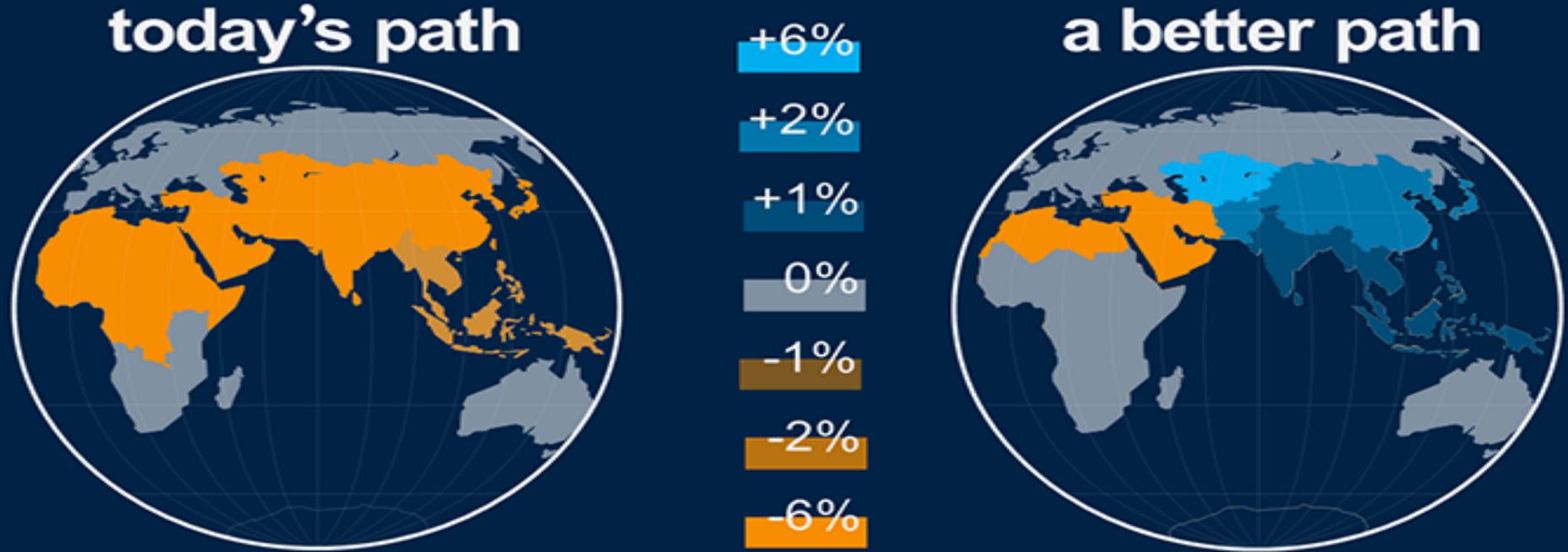
The Great Leveller: Inequality and Violence
- Scheidel 2017

- "For thousands of years, civilisations did not lend itself to peaceful equalisation." *p.6*
- Four Horsemen (violent ruptures):
  - Mass mobilisation warfare
  - Transformative revolution
  - State failure
  - Lethal pandemics (all related to Climate Change)
- Third Demographic Transition (*David Coleman, 2006*):
  - On conservative assumptions about immigration rates and the fertility of immigrants, by 2050 *the share of the national population that is of foreign origin will reach between a quarter and a third in six out of seven countries* (in EU, accounting for half of population of Western Europe) *p.428*

Conflicts Proliferating in Middle East and North Africa (MENA)

UN security level by country, Jan 2011 and Jul 2016
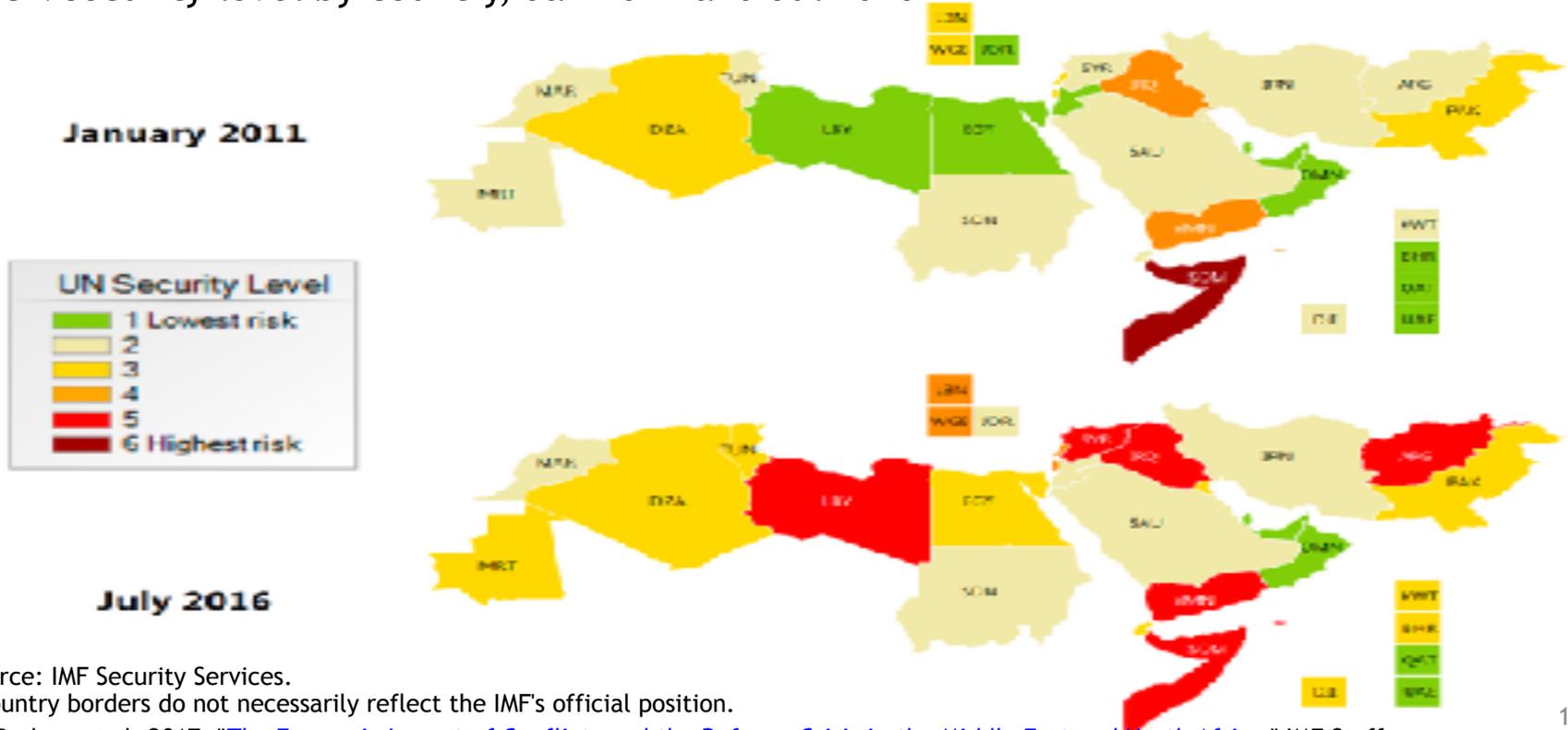
MENA Accounts for ~56.6% of the World's Internally Displaced and Refugees (2015)

Displaced Persons (millions)

Internally Displaced
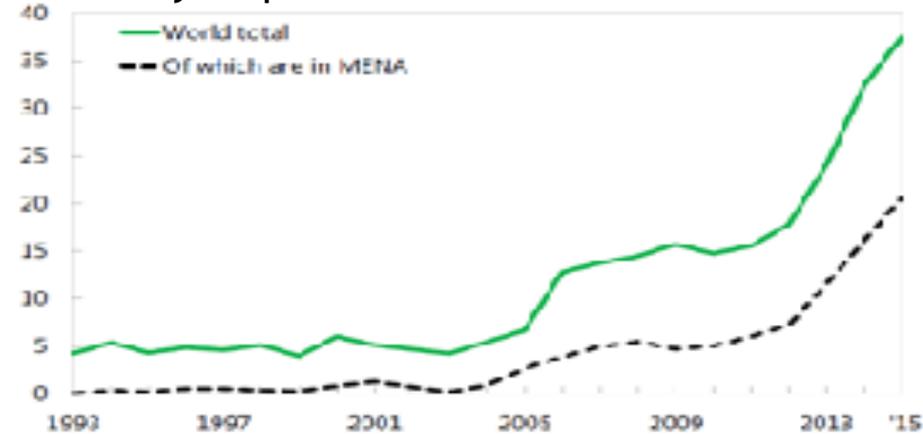

Refugees Living in Another Country
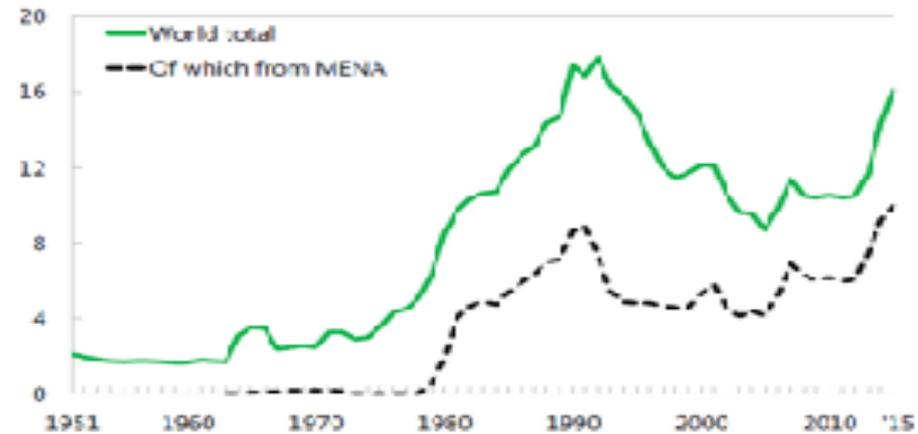
Data sources: UNHCR; IMF staff calculations.

Note: Refugee figures only include those registered with UNHCR. Data do not include Palestinian refugees in Jordan, Lebanon, Syria, and West Bank and Gaza who are registered with the United Nations Relief and Work Agency for Palestine Refugees in the Near East.

Source: Rother, Pierre, Lombardo, Herrala, Toffano, Roos, Auclair & Manasseh. 2017. "*The Economic Impact of Conflicts and the Refugee Crisis in the Middle East and North Africa*." IMF Staff Discussion Note 16/08.

Despite Declining Fertility Rates, MENA has some of World's Fastest Growing Young and Working-age Population which Presents Challenge for Policymakers

Total Fertility Rates Among Selected MENA Countries
(*Number of births per woman*)
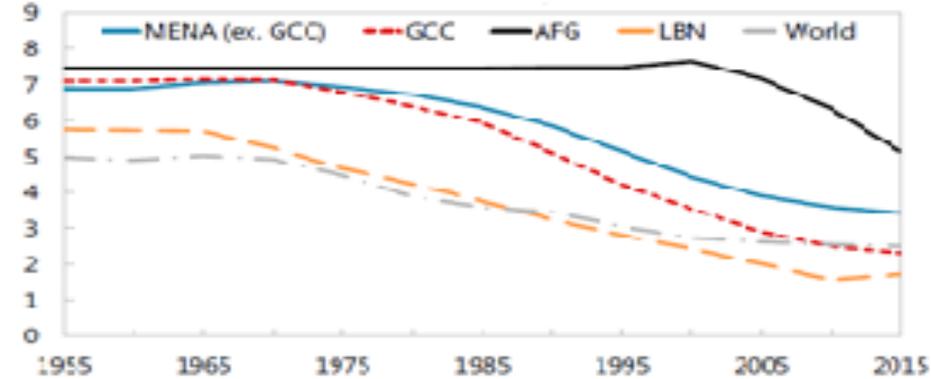
Share of Working Age Population
(*% of total population, ages 15-64*)
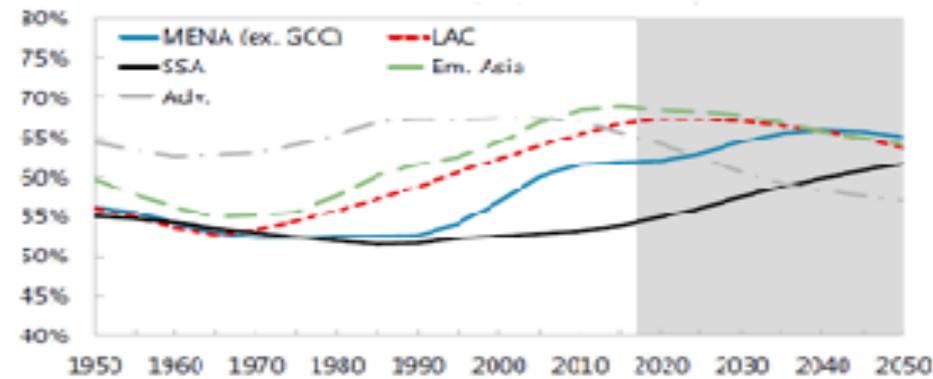
Data sources: United Nations Population Division; IMF staff calculations.
Note: Population projections are from the UN's medium variant. Afghanistan and Lebanon in the fertility rate chart represe
Source: Rother, Pierre, Lombardo, Herrala, Toffano, Roos, Auclair & Manasseh. 2017. "*The Economic Impact of Conflicts and the Refugee Crisis in the Middle East and North Africa*." IMF Staff Discussion Note 16/08.

90% of World's Refugees and Asylum Seekers are in Four Regions with Half Under Age of 18

Total refugees and asylum seekers by destination region, 2015

	Million	%
Middle East-North Africa	12.0	49
Sub-Saharan Africa	5.5	22
Europe[1]	2.5	10
South Asia (excluding India)	2.1	9
North America	0.7	3
All other regions	1.7	7

Top 4 regions
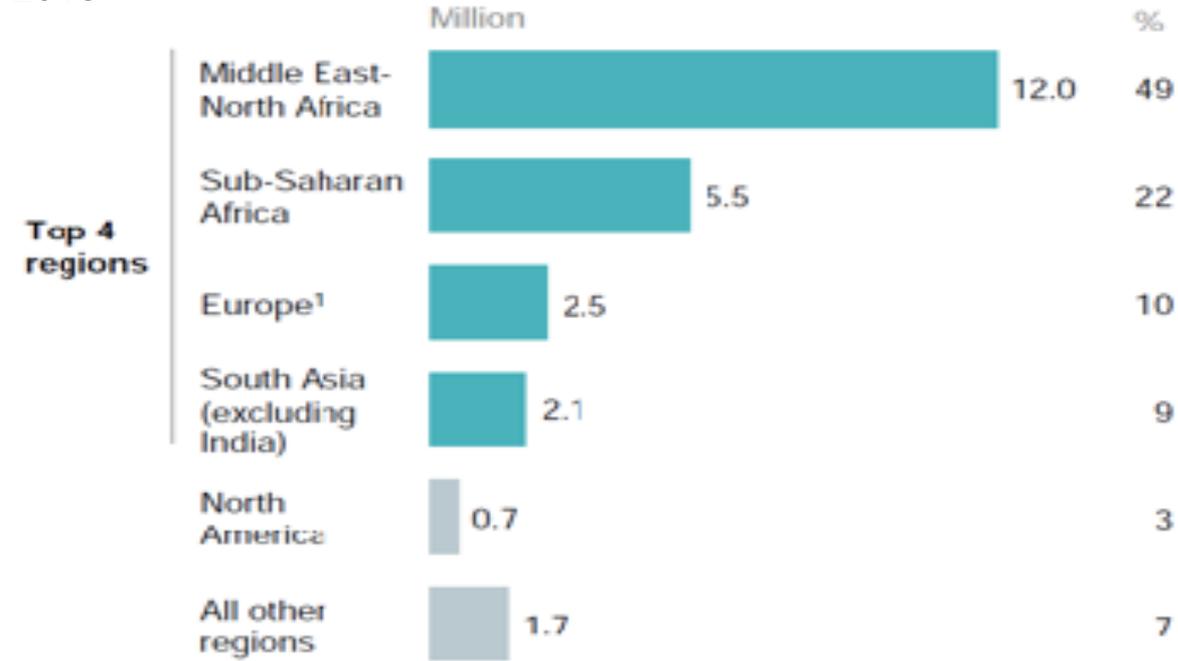
Refugees and asylum seekers, by gender and age group
% of total

Gender — Female 47, Male 53

Age group — 60 and over 3, 18–59 46, Under 18 51
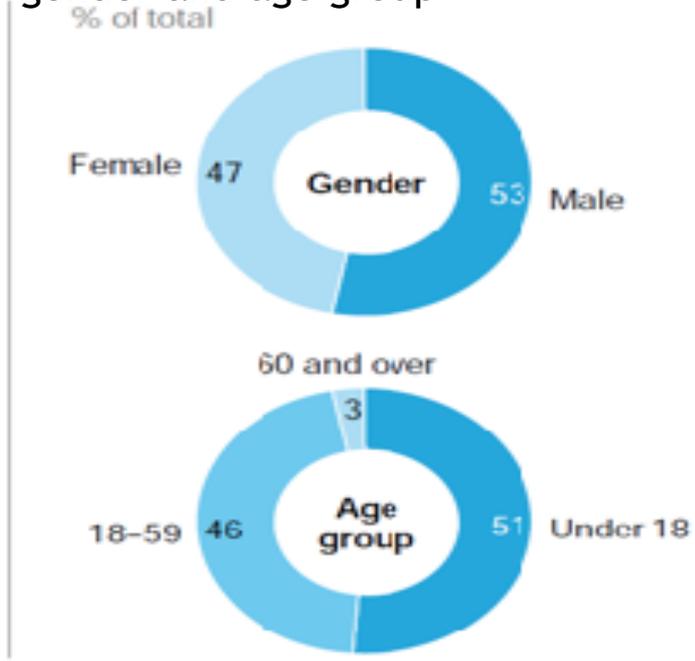
1 EU-28, including the United Kingdom, plus Switzerland and Norway. Data sources: United Nations High Commissioner for Refugees; McKinsey Global Institute analysis.

Source: Woetzel, et al. 2016. "*Global Migration's Impact and Opportunity*." McKinsey Global Institute.

Effects on GDP and Inflation due to Conflicts are Many Times Higher in MENA Countries Compared to the World

Cumulative Changes in GDP and Inflation by Years of Conflict
(*Percentage points of GDP loss and inflation due to conflict*)

Cumulative GDP loss
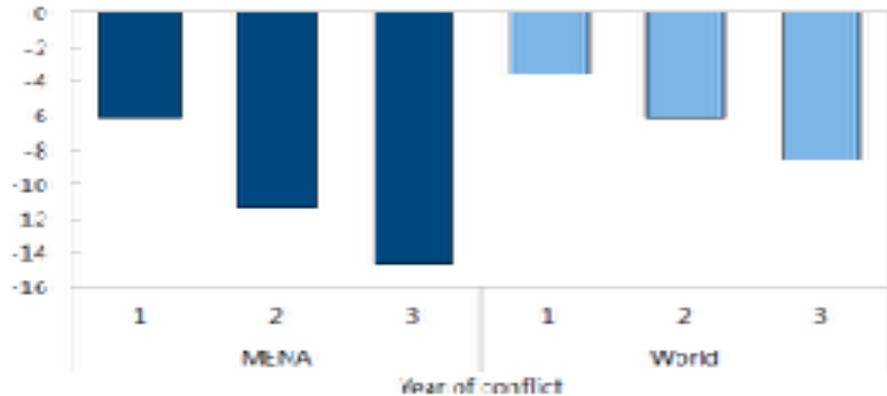
Cumulative inflation
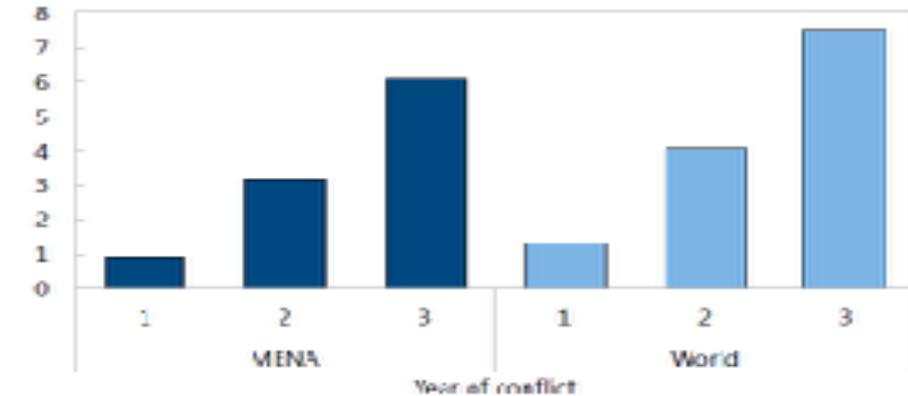
Data sources: Center for Systemic Peace; IMF World Economic Outlook; IMF staff estimates.
Note: Staff estimates of GDP loss and inflation changes due to conflict account for country fixed effects and conflict intensity. The sample period is 1970–2014.

Source: Rother, Pierre, Lombardo, Herrala, Toffano, Roos, Auclair & Manasseh. 2017. "*The Economic Impact of Conflicts and the Refugee Crisis in the Middle East and North Africa*." IMF Staff Discussion Note 16/08.

Policy Choices

- Other than continuing to mitigate climate change at global level, there are three options:
    1. Allow larger migrant inflow on humanitarian grounds, which causes populist reaction in host countries
    2. Provide aid and trade for countries of origin, but may be difficult if climate and conflicts worsen and are prolonged (Syria+++)
    3. Global compact on how to deal with growing negative effects of climate change
- Advanced economies are fiscally constrained and providing funding abroad will be problematic. Need a global taxation system (e.g. global FTT) if climate change costs are properly addressed

Global Public Goods Already in Crisis

- A purely humanitarian approach to refugee handling is neither operationally nor fiscally sustainable
- Three hurricanes in 2017 are estimated to cost $280 billion, three-quarters of total assets of the World Bank (gross lending commitments $23 billion and net only $9 billion in 2017). Meanwhile, central banks are changing balance sheets in trillions, making rich quite comfortable
- Costs are mounting the longer the situation is prolonged. We cannot pray and hope that climate change will not worsen, with further natural disasters going beyond costs of individual countries to bear
- Even the multilateral agencies are silent on how to make these estimates, for fear of making the donor countries more frightened of growing burden
- But being silent will not make the problem go away. We need proper research and scenario building on these pressing issues, to be discussed in transparent and objective way, so that we are clear-eyed on the realistic options and solutions
- Economists (and social scientists) need to get away from their silo mindsets and work together on these pressing issues of our time

Concluding Remarks

- For too long, our specialised, fragmented social science disciplines have created "silo-mentality", not seeing problems as a systemic whole
- "It is becoming more and more evident that the major problems of our time - energy, the environment, climate change, food security, financial security - cannot be understood in isolation. They are systemic problems, which means that they are all inter-connected and interdependent. Ultimately, these problems must be seen as different facets of one single crisis, which is a crisis of perception." - *Fritjof Capra and Pier Luigi Luisi (System View of Life - A Unifying Vision, 2014)*
- Unfettered consumption is ecologically unsustainable. Inequality is morally unsustainable. Charity is fiscally unsustainable.
- Old liberal mindset is gone, because there are limits to resources amidst growing population and demands
- There cannot be Pretence of Perfection - the world is imbalanced and changing. Politics will always be messy and unpredictable, but add to that the toxic blend of climate change and geopolitical rivalry, plus weapons of mass destruction, either we reform now or there are new arrivals at the gate

Thank you

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