

China, the Belt and Road Initiative, and the Century of Great Migration

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By

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*To the victims of prejudice,
xenophobia, and irrational
policies, to the migrants*

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Trying to make your ideas understandable to students and more generally to the public is often the chance to really *understand* what you are talking about. This book has therefore profited not only from academic research, but also from my teaching at the University of Bologna and Modena, from the training I had the possibility of conducting for ILO in Turin and Beijing and for IOM in Cairo, but especially from the numerous seminars I have been invited to present over the last 15 years. It has also profited from the increasing understanding of labour market dynamics I gained from consulting activities first in Eastern European countries in their transition phase, then in Tunisia, Vietnam, Egypt, Cambodia and finally in China.

Thinking and working outside the prevailing paradigm can at times be very tiresome; your colleagues listen to you, seem to agree, but then immediately go back to the safer ground of normal science, while politicians are allergic to ideas that could prove unpopular. The tendency to contradict dominant ideas is probably explained by some events in our tender age. I have not been able to identify such events, but I must acknowledge the “bad” influence of two of my teachers, Benjamin Ward and George Akerlof, who showed me, at least this was what I felt, how to think outside the box.

More recently and for what relates to migration, a strong encouragement in this direction, and more specifically to pursue an explanation of migration flows from the demand side, came from the defamed work of Prof Chamie and the undeserved criticisms that followed the presentation of his Report on replacement migration.

An academic life intertwined with consulting activities has prevented me from having regular discussions with my colleagues. Enrico Giovannetti with whom for many years I taught different but connected topics (labour

¹ Franco sadly died when we were just starting to develop the theoretical and empirical implications of the stock-flow model we had developed.

economics and theory of the firm) to the same class is the most important exception, those hours of co-teaching being the occasion for discussion and discovery.

Only a very few colleagues and friends had the “opportunity” to read in parts or *in toto* the book (Paolo Bosi, Mel Cousins, Andrea Furcht, Claudio Tabacchi), but from them I received very valuable comments and suggestions.

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Finally, I will tell you that having a by now two-year old baby trotting around doesn't make your work easier, but it certainly makes you feel great!

INTRODUCTION

Preventing the arrival of migrants is one of the top items in the political agenda of the more developed countries, with Europe and the US leading the way. The predominant approach is to build walls, possibly far from the borders to defend, and provide money and weapons to neighbour countries to stop migrants and keep them in dedicated “residential” areas. The main proposition of this book is that this attitude is based on a totally wrong perception of the demographic and economic reality we live in, a perception nurtured by a long history of racism and by the dominant economic paradigm.

An increasing demographic polarization is dividing the around 200 countries of the planet into two groups. In the countries of the first group, the working age population will sharply decline, thus determining a structural shortage of labour; in the countries of the second, working age population will dramatically increase generating a structural excess of labour. Due to their enormous dimensions, neither the structural shortage of labour nor the structural excess of labour can be solved simply by market mechanisms and/or economic and labour market policies, and could on the one hand hinder the countries in the first group from continuing along a path of economic growth and social development, and on the other plunge the countries of the second into an even more dismal socioeconomic and political situation, while seriously threatening the world’s already fragile peace.

The structural shortage of labour present in the more developed countries will make immigration flows of an unprecedented size indispensable to sustaining the production process, whilst trying to prevent the influx of workers necessary to the economic system will only generate illegal migrations and unnecessary hardship. The only rational solution for these countries is to co-manage with one or more potential departure countries migration flows coherent with the quantitative and qualitative needs of their labour market. It will be further argued that economic fairness and sound economic thinking require arrival countries to finance the training of potential migrants in the country of departure: arrival countries should finance schools and vocational centres not walls.

I am deeply convinced that this is the only approach to prevent an increasing number of workers flooding the land and sea routes which link the world of poverty to the lands of affluence, thus preventing thousands of

deaths. Only this approach will prevent the exploitation of “illegal” migrants, limit unemployment and poverty and therefore economic, social, and political unrest in underdeveloped countries, as well as international tensions that jeopardize the fragile peace of a politically fragmented planet that will have to face a much greater ecological crisis than presently estimated.

China is an ideal case study: over the next decades it will be the country affected by the largest shortage of labour—a fact that many will find difficult to understand and accept, given that we are talking about the most populous country in the world. China also presents unique and relevant characteristics. Confronted with the risk that a high population growth rate would make it impossible to achieve the socioeconomic development necessary to bring its citizens out of poverty, at the end of the 1970s China adopted the one child policy. Confronted for the second time by a demographic challenge that could jeopardize its socioeconomic development and achieving world leadership, China’s dirigiste and pragmatic leadership could rise to the challenge again and adopt a policy in total contrast with the nation-wide feelings, but unavoidable if the covenant between the Communist party and Chinese society is to be saved. This decision could be facilitated by the possibility of acting in the context of the Belt and Road Initiative whose countries will also be affected by a notable demographic polarization.

If China decides to adopt this approach, the western world—which is trying in every possible way to maintain its political, economic, and moral leadership—could find itself obliged to follow suit, and in so doing determine a more equitable geographical redistribution of the labour force and thus the wealth of the planet. This would be an important contribution to the development of the forgotten countries, and a small but politically significant contribution to the fight against climate change.

Africa is the cradle of humankind and our ancestors have already left it at least twice to move to new and unexplored areas, driven by the basic animal instinct to find a better place to live and reproduce. During this century another much greater exodus will take place, this time determined by economic reasons that have their main cause outside Africa. One goal of this book and the author’s heartfelt hope, is to contribute towards making this experience less painful and sustained by hope for a better future.

This book was originally intended to focus on the issue of global migrations, to provide an explanation of this phenomenon capable of capturing its trends and characteristics and suggest a rational and humane way to manage them, with China providing an important and interesting case study. While writing the chapters already planned, I was however faced

with questions and puzzles that I felt necessary to confront if I wanted my arguments to be exhaustive.

In the first place I felt the need to clarify the difference between human migrations and the migrations of other animals and point out when they became different and when human mobility was no longer the result of instinct but of economic and demographic causes. Later, I was puzzled by the fact that demographic forecasts do not resort to behavioural models but are the result of hypotheses about future trends of fertility, mortality and migration which are not only projected independently from each other, but also from the demographic trends they determine and from the economic sphere. Another question was why economists have never been able to agree on the relationship between demography and economics but then, as a matter of course, take demographic forecasts as exogenous and use them to plan their policies. A further big issue was that of defining a labour market model coherent with the need to explain *flows* (the passages of people from one socioeconomic condition to another), and which could reflect alternative demographic backgrounds and therefore labour supplies with different characteristics, while allowing for structural disequilibria.

One more relevant issue I felt compelled to elaborate was why our societies find it so difficult to deal with the issue of migration and to finding a rational way to manage it. This pushed me to look for an answer in two directions of scientific endeavour: the first the 200 years of “scientific” inquiries on defining humankind; the second the economic theories of migration.

The racist theories developed starting from the middle of the XVIII century dominated the scene up to the end of WWII and were endorsed not only by ordinary people, but also by the great majority of the political, economic, and social elites. These “scientific” theories have implanted a distorted hierarchical vision of humankind that not only still lingers, but often now finds the occasion to raise its defiant head and gain wide consensus.

The neoclassical paradigm, while recognising all human beings without distinction of race, colour, and sex the status of *homo oeconomicus*, that is, a rational maximiser of his future well-being, has contributed to creating an image of migrants as runaway people who are not needed, and therefore have a negative economic and social impact on arrival countries.

The conclusion that science can be not only wrong, but also dangerous, is quite unsettling when I feel the need to share and approve utilizing a scientific approach to deal with the pandemic and its consequences. However, I believe that our trust in science should not be shaken by the

realistic conclusion that science, as has been shown repeatedly, can be totally wrong.

Since I do not believe in the existence of objective science, the only solution is to build a world where different opinions can be listened to and compared, and where political power is not used to establish *a priori* which ideas are right and which are wrong. This is very important in a moment in which the balance of power is moving from West to East. While I am personally convinced that it is difficult for things to worsen, I also believe that we should be careful not to jump out of the frying pan into the fire.

This introduction pursues a series of goals: it briefly depicts the demographic background that justifies the angle from which I have decided to tackle the dramatic problem of migration; it describes the structure of the volume and the content of the single chapters; it recalls the innovative methodological approaches adopted to confront crucial issues.

Lately it has become fashionable to write long and technical books of which most people read only the introduction; the reason could be that the introduction itself discourages the reader to continue, making him feel both already satisfied with what he has learned and worried about what lies in wait in the following five or six hundred pages. I hope this introduction will not fully satisfy the reader but will intrigue him, and that it will act more as an appetizer than a full meal. However, since I am familiar with laziness, I have added at the end of the introduction a guide for the reader that will allow him or her to choose what to skip, what to read in full, and for which topics the summary contained in this introduction can be sufficient.

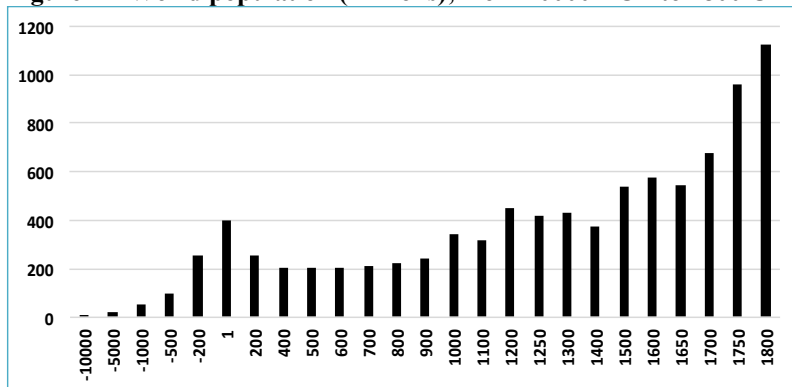
The demographic background: the long-term evolution of human population

According to the latest archaeological discoveries, *homo sapiens-sapiens* has been walking Earth for around 300,000 years. For the greatest part of this period, the growth rate of the latest edition of our species has been extremely low, and the values of the main demographic variables—those connected to fertility, mortality, and life expectancy at birth—have not presented relevant changes. However, it would be misleading to think that up to the industrial revolution the human population presented a linear, steady development: the reality was much more complex.

In the first place the demographic history of man has been relatively successful. According to available estimates, the human population increased from a few hundreds of thousands when man manifested its first representational capacities (between 50,000 and 30,000 BCE) to around 6 million in 10,000 BCE, to 400 million at the beginning of the CE, and to

961 million in 1750² (Fig. I-1). Hence the human species has proved much more successful than our closest relatives, the chimpanzees, gorillas, and orangutans, also during the hunting and gathering phase and the agricultural phase, despite being defenceless against nature and diseases and humankind's enormous capacity to continuously engage in bloody wars.

Figure I-1 World population (millions); from 10000 BCE to 1800 CE



Source: U.S. Census Bureau, Population Division³

In the second place, the human population has been characterized by an exceptional geographical mobility. The presence in Asia of great apes coming from a common African ancestor testifies that also other primates left the continent of origin. However, only man was able to reach every angle of Earth, a feat that was completed, according to the most recent evidence, around 15,000 years ago⁴. Moreover, differently from other primates, our species expanded without determining any speciation and instead this was made possible by adopting new technologies.

Finally, the human population has been able to recover from disastrous contractions due to natural events, famines, diseases, and wars that very often struck together.

Probably the most terrible natural event was the eruption of the super-volcano Toba that took place around 70,000 years ago on the island of

² Five hundred million lived in Asia, 111 in Europe, 35 in the ex-Soviet Union, 104 in Africa, 18 in America, and 3 in Oceania.

³ The data in Figure I-1 are the maximum values of the forecasts made by: Biraben, 1980; Durand, 1974; Haub, 1995; McEved and Jones, 1978; Thomlinson, 1975.

⁴ The presence of man in Australia has been recently documented as early as 65,000 years ago and in America around 15,000 ago, while it took man only 1,000 years to reach the tip of South America.

Sumatra. The explosion plunged the entire planet into a winter that lasted at least six years and provoked a substantial drop in temperature for around 1,000 years. This catastrophic event reduced the human population to a few thousand, which could explain the low genetic variability of our species.⁵ Other extremely notable demographic recoveries took place in Europe during the High Middle Ages, and then between the XIV and the XVIII centuries when Eurasia was hit first by the Great Famine and then by an almost continuous wave of plague. The great famine ravaged most of Europe from Russia to Italy early in the 14th century causing millions of deaths and marking the end of an unprecedented period of population growth that had started around 1050. The Second Plague Pandemic started with the Black Death that most probably originated in China, was spread through the Silk Road, reached Italy in 1348 and decimated the European population for the following three years. The plague was then present somewhere in Europe in every year between 1346 and 1671 and started to progressively retreat from Europe and Africa only in the following century (Biraben, 1975).

Before the XIX century, estimating war-connected deaths (both soldiers and civilians killed by fights, diseases and famine provoked by the war) is problematic. However, there is no doubt that, just to give an example, the thirty-year war caused a drastic decline of the population in numerous European regions.⁶

Therefore, available estimates, while largely differing, all support the conclusion that despite periods of demographic decline the world population presents a relevant long-term positive trend.

The on-going demographic revolution

The end of the XVIII century marks the appearance of a new demographic phase. A great amount of research has been devoted to it; however, its socioeconomic implications and consequences remain to be fully understood.

⁵ The existence of a link between the eruption of the super-volcano Toba and the bottleneck on human evolution was suggested in 1993 by journalist Ann Gibbon. The idea found academic support first by Michael R. Rampino (New York University) and then by Stephen Self (Hawaii University at Manoa). In 1998, the theory of the bottleneck was further developed by Stanley H. Ambrose of the Illinois University at Urbana-Champaign (Ambrose, 1998). The same theory has been proposed also for chimpanzees (Goldberg, T.L., 1996) and orangutans (Steiper, 2006).

⁶ It has been estimated that it reduced the population of Germany by between 25% and 40%.