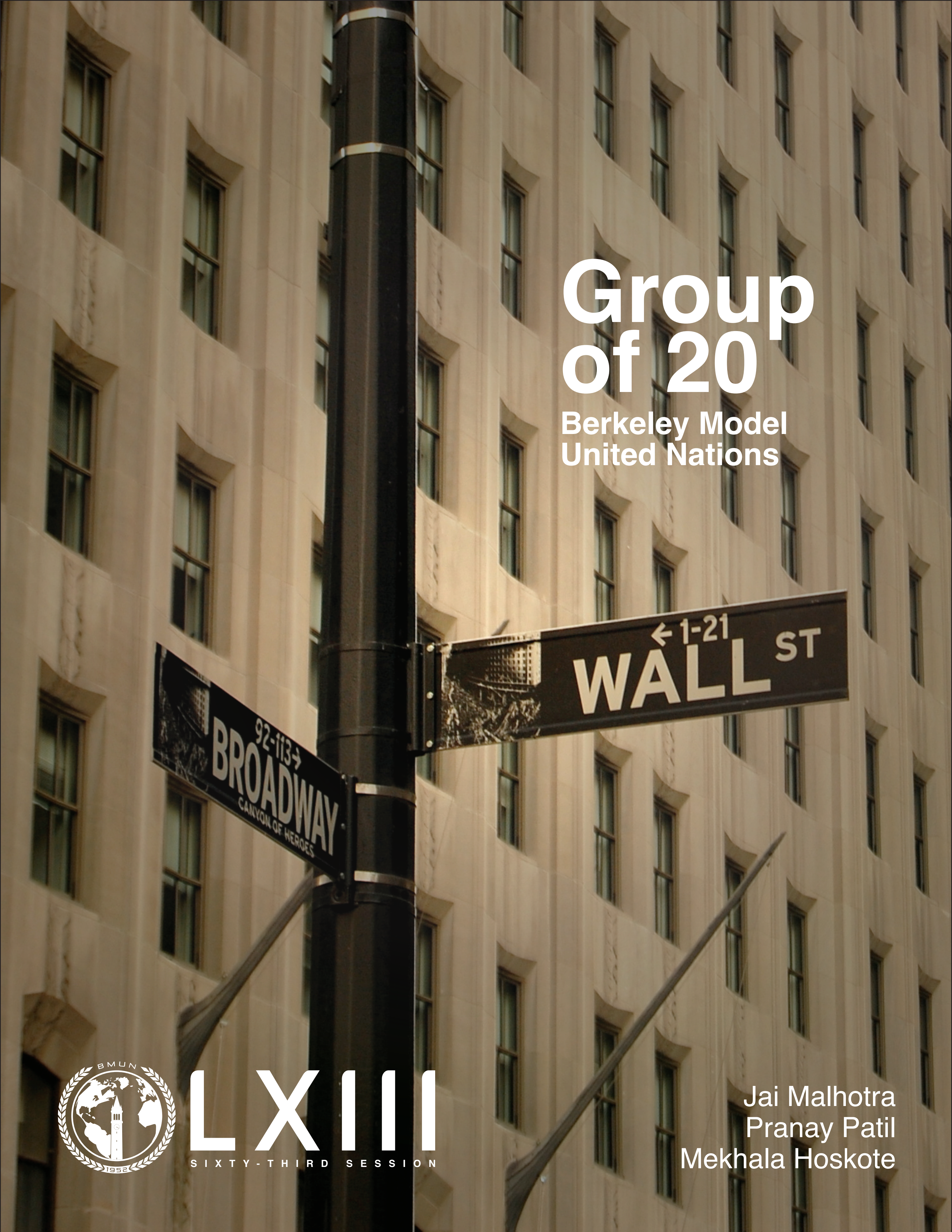

Group of 20

Berkeley Model United Nations

BMUN
1952
LXIII
SIXTY-THIRD SESSION

Jai Malhotra
Pranay Patil
Mekhala Hoskote

Hello Delegates!

My name is Jai Malhotra and as your head chair, it is with great enthusiasm that I welcome you to the Group of 20 for the 63rd session of Berkeley Model United Nations. The G20 was formally inaugurated in September 1999 and with the rise of many emerging economies, replaced the G8 as the UN's main council on economic policy exactly a decade later. It is not officially recognized as an official organ of the United Nations but as a specialized committee, significantly impacts the internal economies of member nations and their interactions as part of the international community. ***The Global Currency War*** *and the* ***"Brain Drain"*** *of human capital will be our topics of discussion during the time you spend on campus. Both issues have shaped today's global economic scenario and will require a fair amount of research to understand the diverse nature of economic policy.*

Before we move on, let me introduce your dais. My name is Jai Malhotra and I am currently a third-year student at UC Berkeley majoring in Economics. My major interests lie in macroeconomic factors like international trade and investments. I am an international student from Bangalore, a city in the south of India. Model UN has been my main extracurricular since I was in the 8th grade and I've continued participating as a delegate and organizing member here at Cal, winning awards on the national collegiate circuit. My other passion is soccer, which I enjoy to watch and play excessively. In my spare time, I like to attend raves, mix electronic music and cook. There's no doubt our committee will involve a high level of debate but I'm even more stoked about getting to know all of you. If you have any questions, feel free to hit me up at jmalhotra8@berkeley.edu.

Pranay Patil is a second year Electrical Engineering and Computer Science major at Berkeley. He is from Saratoga, California and this will be his fourth year of participating in MUN. He attended BMUN as a delegate during his last two years of high school and served as a member of the secretariat last year. He is looking forward to helping guide you through committee and passing down many of the things he has learned throughout his MUN career. When he is not busy debating social issues or programming, he loves doing things outdoors. In particular, he loves playing soccer and basketball, going on long runs, and exploring new places. He wishes you the best of luck on your research and looks forward to hearing your solutions to the problems on hand.

Mekhala Hoskote is a second year Public-Health major at UC Berkeley. She is from Pleasanton, California and this is her first year as a member of BMUN. Her interests lie in medicine and health policy. In high school, she was involved in her school's civics team and has always had a passion for politics and international affairs. In her spare time, she likes to go hiking, reading and watching movies and musicals. Despite living in the Bay Area her whole life, she loves exploring new places in San Francisco and Berkeley. She is really excited to meet and work with you at this year's conference.

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Currency Wars

Introduction

A currency war refers to a series of sudden currency depreciations that nations may resort to in tit-for-tat moves to gain an edge in international export markets. It is constructed off a rule of finance known as competitive devaluation. Competitive devaluation refers to a scenario in which abrupt national currency devaluation by one nation is matched by a currency devaluation of another. Competitive devaluation is considered a "beggar-thy-neighbor" type of economic policy, since it amounts to a nation trying to gain an economic advantage without consideration for the ill-effects it may have on other countries (Investopedia, 02). A country only gains a temporary advantage until another country chooses to devalue as well. Many nations see devaluation as a benefit of a process known as quantitative easing- central banks of countries attempt to buy bonds and assets to help lower interest rates. This will lower the demand of a currency because there will no longer be an incentive to save, thereby leading to fall in the exchange rate. It is important to understand the impact of such a depreciation.

The Effects of Competitive Devaluation

A country may move to devalue its currency for a number of reasons. A fall or depreciation in the value of the exchange rate will mean that the price of imports into the country will rise and the price of the country's exports will fall.

- Domestic manufacturers who sell in the home market will find that their goods are now more competitive compared to imported manufactures that have now become relatively more expensive. There will be an increase in demand for their products and they will try to expand production to meet this demand. If there is lots of spare capacity in the economy with lots of unemployed labor, it is likely that unemployment with fall.
- A depreciation would also entail a fall in a country's export prices. This will mean that there will be an increase in the demand for that country's products in foreign markets.
- It is inevitable that prices will rises because manufacturers in the country will face increased demand for their goods. Prices may also rise because of competition within the domestic market to increase exports. Despite such inflationary pressure, exchange rate depreciation will lead to an excess of exports over imports, creating a balance of payments surplus.

However, one country's efforts at competitive devaluation has a negative impact on the welfare and economic activity of other nations. This is because their exports will deteriorate in comparison and will result in a loss of profit. Higher labor effort for a lower profit at any level of consumption will further lead to disutility or an overall loss of satisfaction within these countries (Bamford and Collin, 54).

- With more imports than exports, such countries will have a balance of payments deficit. This is considered unfavorable because more money is flowing out of the country than is flowing in.
- An unequal flow of currency will reduce the supply of money in the nation and subsequently raise the exchange rate relative to other currencies. This may well lead to unemployment as producers face declining sales both home and abroad.

Topic Background

Following the end of the First World War in 1918, most countries tried to gear their economies to the gold standard, which was a major catalyst of trade in the 19th and early 20th century. Inflation had resulted from the price of goods increasing due to high levels of demand during the war and no spare capacity to meet this rise. This meant some economies like the USA and France tried to adjust gold to new rates because of higher prices while others like Britain attempted years of painful deflation to return to pre-war gold rates. An imbalance in the world's gold supplies meant some important currencies were overvalued while others became instantly undervalued.

For a short period of time, the output of commodities increased and prices fell as nations attempted to recover. However, after the Great Depression struck in the 1929, countries trying to rebuild their struggling economies faced even worse problems. Economies with overvalued currencies struggled to compete in export markets and ran trade deficits to lower imports. This led to gold outflows. Central banks further responded by raising interest rates so that the demand for their domestic currency would go up and reduce inflationary pressure. This situation worsened until countries realized the advantages of going off the gold standard. Such an action had several implications: countries off gold would be competitively devalued against those in the gold bloc and this boosted their domestic industries. Central banks no longer needed to control reserves and were able to reduce inflation and improve monetary policy because of a fall in aggregate demand (The Economist, 01). When countries within the gold bloc realized what was happening, many tried to replicate the actions of those before them.

On the other hand, nations that tried to remain competitive with gold tried to protect their own economies by introducing "protectionist" measures like tariffs and quotas: these limited the levels of goods that could be imported from other countries. This was where the most adverse impact of competitive devaluation could be seen: countries now organized into "tariff protected currency blocs" were encouraged to engage in further military conflict to gain more resources while maintaining their own economic interests.

This resulted in the first currency war, taking place between Britain, America and France between 1931-1936. Britain's currency known as the Sterling was severely impacted by the weakening of the dollar during the Depression. France subsequently lost confidence in Britain's economy and without any aid to raise the value of the Sterling against market forces; the UK fell into a major economic crisis in 1931. The USA and Britain both tried to devalue their currencies to lower the price of exports and for several years, this currency war continued. It ultimately concluded with the Triparite monetary agreement of 1936, where nations agreed to maintain their existing currency values and refrain from competitive depreciation (Rickards, 03).

With an aim to prevent such an event taking place again, representatives of the world's leading nations met in Bretton Woods, New Hampshire, in 1944 to create a new international monetary system. The USA accounted for nearly half of the world's manufacturing capacity and held most of the world's gold, it was decided that the world's currencies would be tied to the dollar (economcisabout.com, 02). An international currency system was established with the US dollar as reserve currency and all countries agreed to a semi-fixed exchange rate, where fluctuations to the dollar were required to kept within a defined margin; 1% of the fixed rate. This marked the golden age of the dollar (Keynes, 73) where global growth became very high. The Bretton Woods system addressed the ills that had resulted from the formation of war blockades to control imports and exports and existed till about 1971.

However, the US balance of payments became increasingly strained by funding a costly war in Vietnam. The revival of West Europe and Japan influenced a decline in dollar diplomacy that had been taking place since 1944. Forbes describes the events that followed August 1971 as one of the most important chapters in modern economic history (Forbes, 02). After his impoundment, President Richard Nixon decided to suspend the US dollar's backing by gold, despite it being the old currency doing so under the Bretton Woods System. He feared that an American deficit would induce high levels of inflation and that U.S gold holdings would not be able to keep pace with a growing money supply in the international market. He chose to suspend dollar-gold convertibility and his attempt at the stark devaluation of the dollar backfired: the fixed exchange rate systems put in place under the Bretton Woods System collapsed. The global economy was now filled with floating exchange rate systems that led to high unemployment, runaway inflation and a huge rise in the price of oil.

The next major currency war that took place was the 1997 Asian Financial Crisis. Also known as “the Asian Contagion”, a series of currency devaluations took place in the Asian markets that sent shockwaves throughout the continent as well as other parts of the world. In the late 1990s, the US increased interest rates to reduce inflationary pressures. Higher interest rates in the US, made Asia less attractive to foreign investors. A lack of “hot money” or short-term foreign investments caused the currencies of these nations to fall governments struggled to keep exchange rates at their fixed level against the US Dollar (Economics Help, 01). Thailand was the first to unpeg its currency from the dollar and the rapid devaluation that followed led to a loss of confidence throughout Asia. Moreover, other Southeast Asian countries were forced to devalue their currencies as investors wanted an immediate escape route. The currency war led to massive levels of debt and the IMF’s inability to introduce efficient fiscal policies of government spending and taxation plunged the economy into a recession. The Asian Financial Crisis was a key instance of the importance of consumer confidence because of a loss of investors would cause a downward spiral to continue (Rickards, 05).

Following the recession in Asia, many countries were forced to accept harsh terms from the IMF and were forced to sell many of their capital goods and fixed assets. Confidence in free-market movement was at an all time low and many emerging economies continued to devalue their currencies to make exports more competitive. A major difference during the 2000’s was that leading nations like the USA were able to handle current account deficits because of this and accepted the benefits of importing inferior goods. It became evident that emerging economies were to lead export-based growth programs and from this was derived the notion of a revived Bretton Woods System, known was Bretton Woods II (Dooley, 15). The currencies were again pegged against the dollar with the USA serving as the main export market. Many famous economists like Michael P. Dooley and Peter Garber question the effectiveness of the revived system because external factors have not been taken into account when setting interest rates and this has prevented a semi-fixed exchange rate system (Rickards, 21).

The severity of the 2008 global financial crisis and its protracted recovery made a case for implementing unconventional monetary policies in many economies. In September 2010, Brazil's minister of finance Guido Mantega publicly asserted that an "international currency war" had broken out after wealthy nations became seriously concerned with new competition in international markets from the BRICS countries (Brazil, Russia, India, China and South Africa). These emerging countries were experiencing high levels of cash inflow and foreign investment because yields appeared much more attractive in their markets. In an attempt to curb the investment of their own currency in foreign economies and to stabilize their own markets, countries like the USA began to buy back their own currencies. The BRICS bloc poorly received this. "We're in the midst of an international currency war, a general weakening of currency. This threatens us because it takes away our competitiveness," Mr Mantega said (Wheatley and Garner, 17). Confirming the existence of such a struggle was simply public acknowledgement of what many intellectuals already saw as a source of conflict in the G20: countries knew a weaker exchange rate would make their exports cheaper and more competitive, thereby promoting economic growth. Moreover, the currency war of 2009-2011 was dominated by an economic struggle between the USA and China, where unlike other emerging economies, China was able to hold her currency down against the dollar by fighting inflation with rising interest rates but needed to buy dollar assets at an alarming rate, which aggravated the USA. There have been major G20 summits since 2010 that have involved the discussion of currency wars and the need to set exchange rate policies for the good of all rather than individual nations, but upward pressure on exchange rates still remains an issue.

Most recently, a potential currency war has been sparked by Japan's attempts to buy open-ended bonds to devalue the yen in 2013. The G20 warily approved Japan's monetary plan that may be beneficial in the short term for its economy but could lead to another Asian financial crisis. It intends to double its monetary base and reach an inflation level of 2%- this could be dangerous for the global economy because Japan is already in a lot of debt. If inflation were to increase, Japan would be choked by interest payments alone. Numerous members of the G20 are concerned about this move and what the repercussions of such aggressive devaluation could be.

It can be seen that for nearly 50 years since the breakdown of the first Bretton Woods agreement, national governments have been freewheeling with their monetary affairs, without any formal link to a particular standard unit or volume of economic activity.

Past UN Action

The debate about currency wars during the G-20 summits first came under the spotlight in the 2000's when competitive devaluation was effecting the US- China relationship. China was criticized for its export- led growth model that is benefited by low labor costs and what can be considered an "undervalued" currency (Rickards, 26). At the 2009 G-20 summit in Pittsburgh, many countries voiced their concern of a potential "confidence crisis" on the sustainability of the US running large current account deficits. There was a fear that such imbalances could lead to widespread instability, where financial and economic fragilities could materialize into an undesirable situation. This was when the G-20's summit goal of "strong sustainable and balanced growth" was first established. It was recognized by the committee that the nature of national growth models was of much importance and that any externalities resulting from one country's strategy must be considered. The implicitly and diplomatically conveyed the idea that "some global coordination of policies has globally welfare- enhancing effects and that some form of a commitment to act could be reached through the G-20 process." (Rickards, 28).

At the 2010 G-20 summit in Seoul, global leaders agreed a "ceasefire" in the ongoing currency war. The committee established that new indicative guidelines would be developed to correct global trade imbalances. The summit document released thereafter stated that the members would move towards exchange rate-systems driven by the free market and ensure flexibility based on economic fundamentals (G20 Seoul Summit Document, 01). However, tensions clearly surfaced when China and the USA accused each other of driving down the value of their currencies, with President Obama suggesting that China was doing so to raise levels of exports at the expense of high levels of American unemployment. Obama also called for a 4 percent limit on national trade deficits and surpluses but this was vehemently opposed by China and Germany, who are currently the world's most dominant exporters.

Japan's policies to drive down the yen were at the center of debate during the 2013 St. Petersburg summit. The United States, Japan, Britain, Canada, France, Germany and Italy have recently been labeled the G-7 and dominated discussions. Although Japan was not singled out, the USA made it evident that Japanese monetary policy was "aggressive", having seen the yen drop in value by nearly 20 percent. The Group of 20 declared that there would no longer be a currency war and stressed the need to promote global growth, jobs and financial stability. It was confirmed that efforts would be made to monitor and minimize the effects of possible spillovers resulting from the domestic actions of members (IMF Maps, 01). An additional statement was released by the G-7 that reaffirmed their "longstanding commitment to market-determined exchange rates"(Al Jazeera, 01).

The 2014 Brisbane summit represents the next meeting where the issues of individual growth strategies and policy reform will be debated on by members of the G-20.

Case Study

The Aftermath of the 2008 Financial Crisis/ The 2008-2011 Currency War

The financial crisis of 2008 paved way for the largest global currency war since the last episode during the 1930s, for which there was the Great Depression to thank. Despite these previous cases of countries implementing policies to devaluate their currencies, the term "currency war" was not recognized until Brazil's Finance Minister Guido Mantega introduced it in September 2010 when he publicly stated, "We are experiencing a currency war. Devaluing currencies artificially [has become] a global strategy."

To understand why any country would actively look for ways to devalue their currency, it is critical to understand the effects the financial crisis of 2008 had on the global economy. The health of a country's economy is dependent on its balance of trade, i.e., a trade surplus or a trade deficit. A strong economy is marked by a trade surplus when the net value of a country's exports exceeds the net value of that country's imports. In June 2009, the Brookings Institution reported the United States accounted for more than a third of the growth in global consumption between 2000 and 2007. In other words, the United States was helping prop up other countries' export levels. But when United States consumers lost most of their purchasing power due to the financial crisis, the United States was no longer able to keep importing goods at pre-2008 levels. Countries that had been dependent on exporting to the United States consequently saw a drastic decline in the demand of their goods. This in turn led to the consumers of these countries lose their own purchasing power leading to drops in import levels in these other countries. Soon, one by one, most countries' gross domestic product (GDP) sharply declined, as there was simply no consumer demand elsewhere in the world for most goods. Indeed, within the first few months of

2009, the annualized rate of decline in GDP was 15.2% in Japan, 14.4% in Germany, 18% in Latvia, 9.8% in the Euro zone, 7.4% in UK and 21.5% in Mexico. Furthermore, the United States, which had been importing more goods than it was exporting since before 2008, was left without the workers, infrastructure or outside demand necessary to start exporting products at a faster rate and therefore saw its own GDP decline at an annualized rate of 6% near the end of 2008 and beginning of 2009.

As economic deficits began to rise rapidly around the world in 2009, most countries realized the need to employ a strategy of export led growth. But amidst the financial crisis, the demand was missing in the world for export led growth to become a reality; consumers could not afford the products that were being offered to them. This led to countries such as China, Japan, Colombia, Israel and Switzerland attempt to devalue their currency in order to make the prices of their exports favorable to those of other countries.

After Mantega shocked the world in 2010 by coining the term, “currency war,” International Monetary Fund (IMF) Managing Director Dominique Strauss-Kahn and US Treasury Secretary Tim Geithner publicly assured the world that a currency war was highly unlikely. Nevertheless, within a few weeks, French president Nicolas Sarkozy placed reform of the international monetary system on top the G20 agenda while pushing the IMF to launch studies and investigations on the issue.

Amidst heavy pressure from the United States, a considerable amount of attention was placed on China regarding allegations of heavy currency devaluation. Although China had allowed the yuan to appreciate by 2% from June to October of 2010, many Western countries argued that China only allowed the yuan to appreciate amidst global pressure. Historically the biggest practitioner of currency devaluation, finance journalist Martin Wolf and Center for European Policies Studies director Daniel Gros suggested the best way to keep China in check would be to prevent her from buying numerous foreign assets, which can devalue the currency of the buyer, by placing controls on the flow of capital in and out of China.

By the end of 2010, the currency war had become such a hotly debated issue that it was the top priority during the G20 summit in Seoul in November 2010. Yet, despite talks discussing the currency devaluation showdown between the United States and China threatening global economic stability, the summit failed to agree upon any solutions. The group of developing and emerging nations simply assured the world that it would continue to monitor for cases of active currency devaluation. Critics immediately attacked this statement as they felt the G20 had papered over many of the serious problems preventing recovery from the financial crisis.

Yet, despite these attacks from critics, the G20 may have been right in not actively preventing the outbreak of a currency war. By February of 2011, talks of a currency war quietly subsided as many emerging economies were forced to allow currency appreciation as a means to fight inflation. Several other economies saw currency appreciation as a way to combat rising food prices, an issue that helped lead to the outbreak of the Arab Spring.

Questions to Consider

By the mid point of 2011, most talk of widespread currency devaluation had come to an end. But for many, the quick rise and quiet end of the currency war left more questions behind than it had been answered:

1. How had the issue come to end so quickly? Was the G20 summit in Seoul correct in taking no action?
2. Who were the largest culprits and what were their methods? What steps should be taken in the future to prevent a similar situation?
3. Given these circumstances, is there still a currency war ongoing today?

Brain Drain: Human Capital Flight

Introduction

One of the most important ideas in labor economics is to think of the set of marketable skills of workers as a form of capital in which workers function as a form of investment. In such a context, "human capital" is the summation of the knowledge and skills a worker possesses that aids productivity and the long-term goal of development.

Sustainable economic development can be considered as one of the UN's highest economic and social priorities. This goal is defined as "the process of improving the quality of all human lives. Three equally important aspects of development are (1) raising people's living levels—their income and consumption level of food, medical services, education, etc. through relevant economic growth processes; (2) creating conditions conducive to the growth of people's self esteem through the establishment of social, political and economic systems and institutions that promote human dignity and respect; and (3) increasing people's freedom by enlarging the range of their choice variables, as by increasing varieties of consumer good and services" (United Nations Charter, 26).

In contrast, underdevelopment is defined "an economic situation in which there are persistent low levels of living in conjunction with absolute poverty, low income per capita, low rates of economic growth, low consumption levels, poor health services, high death rates, high birth rates, dependence on foreign economies, and limited freedom to choose among the activities that satisfy human wants" (Todaro, 03).

Since the beginning of development discourse based on dualism of development versus underdevelopment (Wagle, 35), particularly since the end of World War II, a large number of explanations and theorized school of thoughts have attempted to point out the causes for a seemingly inescapable trap of poverty and underdevelopment that exists across many developing economies in the world today. During today's period of innovation and advancement, why is it that underdevelopment remains unresolved and the majority of the global population currently lead sub-standard lives?

In many cases, the causes of underdevelopment are attributed to the underutilization of human resources. Considering this, it becomes evident that one of the major causes for economic inequality is the lack of mobilized manpower and human capital in underdeveloped areas.

Human capital is a necessity for the increase of income and living standards, along with the assurance of higher consumption levels, welfare benefits and the growth of economic confidence. Professor Steve Pischke from the London School of Economics outlined the importance of skilled labor in making this possible (Pischke, 04). Primarily, a greater level of knowledge and skills increases the production function within an economy. The production process is also greatly benefited by a worker's capacity to adapt to changing work environments as well as the need to work with other members within an organization. A greater level of human capital has therefore been recognized as directly correlated to an increase of profit and overall contribution to an economy.

The main reason for this lack of skilled labor in developing nations can be attributed to a major economic issue in the world today known as "the human capital flight". This term has been directly translated from the sociological phenomenon known as "brain drain", where there is significant emigration of highly skilled technical and intellectual individuals from developing nations to their developed counterparts. What this creates is a substantial loss of such personnel in countries and a subsequent barrier to economic growth and development. There are several arguments for and against this by many economists who have outlined the impact of the human capital flight on the global economy and its constituencies.

Topic Background

Renowned economic development theorist Arthur Lewis argued in 1954 that an unlimited supply of labor could exist in an economy at subsistence wage, based on the minimum required for a worker and his or her dependents to function. This is the wage level at which surplus labor is available for employment, which results in a greater share of profit for individual national income. As profits grow, there will be greater capital formation and technological progress. Lewis also states that this is the main instrument used for an economy to transition to a greater state of urbanization and maintain continuous expansion (Lewis, 03).

However, it is one thing to present Lewis' theory and another to put it into practice and evaluate how economies have formed based on such economic logic. The ongoing "brain drain" problem has severely inhibited the implementation of what Lewis had predicted because of the flight of human capital from underdeveloped and rural areas to developed and urban countries. As these skilled individuals leave, their countries are harmed in two ways (Investopedia, 01). The supply of trained labor decreases within the economy. Second, the country's economy is harmed as each professional represents injections in the form of spending. Professionals often earn large salaries, so their departure removes this surplus or significant consumer spending from the country. Overall, this causes sustained differences in income levels and growth rates between a country and its foreign counterpart. These differences must be analyzed to explain how the flight of human capital constrains economic development.

Why does brain drain take place?

In 1976, Economist Todaro Smith analyzed the state of economic structures across nations in the world to explain the disparity of development taking place (Edokat, 07). The human capital flight can be considered a consequence of the inability of the state and economic structures to provide sufficient employment for its working age population in general, especially those with high professional qualifications. The resulting unemployment that strikes a good proportion of this population leads to an underpayment of those who work and, in conjunction with the law of supply and demand- this brings about the workforce's desire to leave in hopes of finding better-paid work. Consider the case of a professional worker: why not maximize your skills in a place where a higher quality of labor is more actively sought after and better paid?

Economically speaking, it should be natural that this increase in demand for labor would help raise the average salary across the global economy. However, the laws of the market tend not to apply when a wealthier nation is able to dictate the movement of a more fragile economy's workforce. Offering what these workers perceive as a life outside the poverty and corruption back home, developed nations indeed gain human capital because of the decent working conditions and wages present.

The problem also relates to those pursuing a higher quality of education. People such as training managers and potential students are sent to other countries to gain a higher standard of academic training. While these migrants are assumed to reside until they finish their studies, many fear the process of reintegration into their home society and tend to prefer the level of infrastructure offered where they are studying. They tend to compare their salaries to their counterparts at home and also the disparity they would face with those in higher positions of power. Why should a corrupt parliament member in an African country earn significantly more than a PHD professor regardless of his level of study?

Homecoming presupposes a drastic reduction in purchasing power and harsher living conditions. It is not only the economic conditions abroad that serve as an incentive to stay abroad but it is also such factors as social peace, the absence of social unrest, war, police harassment, and reliable banking facilities (Wilson Center, 02).

The Impact of the Human Capital Flight

It has been widely accepted that such ongoing labor migration has a widespread socio-economic impact, most importantly jeopardizing the prospects of development in the country of emigration. Without a scope for capital accumulation and the necessary skilled labor, developing nations are unable to expand or move forward into an established system of industrialized society. Moreover, while the country of migration undoubtedly gains from this exchange of resources, economic and social theorists have pointed out there may still be ill effects to deal with.

If human capital means anything in the poorer areas of Africa, South America and Asia, it means civil engineers, scientists, physicians, nurses, computer and communications specialists, logistical experts, architects and entrepreneurs. They all are in short supply in these regions that have already lost so many skilled people to the West (Al Jazeera, 03). Many of these specialists belong to a young, able and willing workforce that can bolster the output within a local economy. The loss of youth has an undesired impact on the demographics of a country. Studies have shown that since 1990, 76% of African migrants residing in the United States had obtained a graduate degree before their emigration. The issue of brain drain must be stopped as migrants appear to acquire their qualifications and training in their home country yet at the country's expense itself.

A 2010 UNESCO report stated that over 300,000 young people from Nepal moved across the border and continent in search of better work prospects (Quartz, 05). This loss implies that the elderly population within a country tends to grow much faster. With such a large percentage of the workforce living away from home, it becomes difficult for members of the community like single parent families, children and the elderly to support themselves. As the human capital flight leads to the absence of those able to deliver a stable source of income, many rural societies part of developing countries have become subject to the growth of "ghost villages". Fearing the lack of education and healthcare, villagers in countries around Asia have begun sending their children (aged as low as 10) to far-away schools and monasteries, as well as more populous areas to find sources of subsistence. Such forced migration has led to the disbandment of an already aging population. Many herders and farmers belonging to these villages are now leaving in pursuit of the benefits of urbanization that they believe is the reason for many individuals of their community not returning at all. UNESCO estimates that the rate of abandonment taking place in these villages could lead to a population decline as high as 60% in regions like Nepal and Tibet.

Inevitably, already prevalent social inequality in developing countries will continue to widen because of a change of status. Any families that receive remittances from their members working abroad are more likely to achieve social mobility and a better living standard. With such a source of funding, these families will have access to an improved range of goods and services than other members of their community. The 2010 UNESCO study highlights that on average, 97% of the families' houses were electrified and 38% of them use liquid petroleum gas to cook. 28% have some

type of motor vehicle. Additionally, over 80% of them have a phone and 85% of them have a TV, VCR, or fridge. This can serve as a potential source of discontent and lead to conflict within the general population. Local leaders that view this as dissent tend to take aggressive action against such families to ensure that they maintain control of resources. The professionals supporting these families automatically become exiled.

Most importantly, the brain drain deprives developing countries of individuals that are able to help address ills within government institutions and infrastructure. In Africa, human beings die or become seriously sick for lack of physicians, nurses and indigenous scientific laboratories searching for ways to prevent or deal with infections and other diseases ignored by Western nations. Moreover critical public services are not maintained for the necessities of life (Al Jazeera, 02). As a result, these socio-economic problems are still long standing. Countries from the Caribbean and Latin America to Asia and Africa still face high levels of unemployment and are governed under political mandates that deter their economies from moving in the right direction.

Past UN Action

Stopping brain drain seems a near impossible task, with any sort of action posing an economic and social opportunity cost. These skilled professionals discussed are faced with the dilemma of staying in their home country and contributing to its development or assuming the desire to maximize their gains from superior education and expertise. Therefore, it may be more beneficial to address the issue of the human capital flight in terms of how the return of skilled migrants or those pursuing education abroad can be ensured. Could it be possible for the countries of origin to ensure such brain drain is only temporary and use it to their advantage in the long term?

It is necessary to ensure that these migrants are reintegrated into the internal economy and society successfully. This could be made possible by offering them higher positions within the workforce with attractive clauses such as better working conditions and support for their families. In the 1990's, the World Bank encouraged some of its leading members to return to their countries to serve in important positions. Influential thinkers like Andre Milongo in Congo and Nicephore Soglo in Benin were supported as Prime Ministerial candidates to introduce better governed regimes (Milongo, 15). Yet it must be considered whether this is possible with a significant number of returning migrants.

Skilled professionals could also be encouraged to stay on or return to their home countries by providing financial facilities to integrate them effectively into the workplace. In 2011, Senegal established a program known as the return of "Senegalese abroad" that offered credit facilities and access to vocational training to ensure effective reintegration. A barrier to such a policy would again be the political and socioeconomic problems that such a country still continues to faces. Migrants may be hesitant to return to such conditions.

Another solution may be to encourage the transfer of skills and technical efficiency from workers while they continue to live abroad, in shorter periods or visits. In 2006, the UN established a program known as TOKTEN (Transfer of Knowledge Through Expatriate Nationals) that allowed migrants to return temporarily to their home countries in leadership positions to help in the development of various institutions or infrastructure. Countries like Algeria and Lebanon have seen many skilled individuals return temporarily to teach at universities (Migration and Development, 02).

Would it be possible to involve migrants directly in the development of their countries' economies? It might be beneficial to offer development initiatives where migrants are assisted and supported to manage companies with their own sense of enterprise. Providing a professional worker with the logistics and resources required and allowing him to exercise his own knowledge could serve as a potential form of motivation.

At the 2006 United Nations High- Level Dialogue on International Migration and Development in New York (UNECA, 02), a bloc of African countries that included Senegal and Kenya proposed a plan to rehabilitate institutions of higher learning and universities. In developing nations, fixing the poor living and working conditions in universities could be key in preventing the brain drain resulting from the migration of current students and graduates. This must also be considered in conjunction with improved employment prospects within the domestic economy.

Conclusion

As an aspect of international migration, the human capital flight is an issue that must be addressed with great effort because of its overall impact. Diminishing human capital through the migration of skilled and educated workers has an amplified effect on the internal society and economic structure of a nation. In light of factors like pressure from developed nations to add to their already superior workforces as well as features like an aging population and political instability, it is a high possibility that underdeveloped countries could be driven into a state of economic helplessness. Solutions must be implemented to minimize the effects of brain drain while fostering positive outcomes. The importance of consistent development as a goal for nations must not be undermined.

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