The EU’s Blue Card: Will It Attract Asia’s Highly Skilled?

Jan Peter Wogart and Margot Schüller

As of this year, the EU Council will implement Directive No. 2009/50/EC of 25 May 2009, which is meant to coordinate and simplify the immigration of highly skilled migrants (HSMs) from third countries.

Analysis

It is expected that the new system, providing HSMs with “blue cards”, will not only help Europe overcome current shortages of skilled labour but also contribute to alleviating the continent’s ageing problem. We argue that this action is overdue, but we maintain that the impact of the measures will be rather small in this decade. Those countries from which a growing inflow of HSMs is expected are increasingly demanding highly qualified personnel themselves or are eager to lure them back. Thus, the EU will need to make additional efforts in order to create a win-win situation for host and home countries as well as for the HSMs themselves.

- The overdue blue card initiative provides a common starting point for HSMs to jointly consider the majority of European countries as potential host locations. It is doubtful, however, that the blue card will have a significant impact on the pattern of immigration to the European countries before 2020.

- Past attempts to open up immigration for the highly skilled have been less than successful. A “green card” initiative by the German government in 2004, which aimed to attract IT personnel from India, provides a useful case study about a rather limited response from Asian HSMs to move to Europe.

- In addition to the traditional immigration countries’ hunt for HSMs, strong economic growth and dynamic restructuring in emerging economies – particularly China and India – have intensified the global war for talents. They have introduced a reverse brain drain policy, trying to attract highly qualified foreign personnel.

- Along with the United States and other traditional immigration countries like Canada and Australia, China, in particular, is going to become an important competitor on the international market for the highly skilled.

Keywords: EU immigration policy, blue card, war for talents, innovation
EU Immigration Policies on Highly Skilled Labourers

The discussion on common immigration policies of the European Union (EU) has been going on for over two decades, with increased attention being paid to more educated individuals since 2005. Because the imbalance between low- and highly skilled workers was widening, and member countries’ immigration laws and regulations were becoming more diverse and difficult for potential migrants to understand, it was time to consider a common European immigration policy. This policy was to take advantage of incentive systems and draw on the experiences of traditional immigration countries such as Australia, Canada and the US.

As a result, the EU Commission and Parliament discussed a coordinated incentive system for a number of years and decided by 2007 to facilitate the immigration of highly skilled persons from third countries. A one-track system called the “blue card” was designed, which is expected to attract an increasing number of HSMs, who can apply for a work permit of up to four years if they have a job offer with a salary at least 50 per cent higher than the average wage in the immigration countries. The work permit can be renewed and possibly lead to permanent residence. The blue card holder will have most of the rights of his or her European colleagues, including social security and favourable family reunion rights (Euractiv 2008).

The major objectives of the blue card directive are not only to attract qualified workers from third countries but also to contain the continent’s brain drain. Nevertheless, the plan faced a lot of heated discussions and a number of obstacles before it was adopted in 2009. Its name and purpose has been compared with the American “green card”, which is not an accurate representation. It is more comparable to – and is expected to be superior to – the H1-B visa in the US, which provides fast-track immigration for skilled migrants with firm job offers, and which terminates upon the end of employment.

What is the worldwide competition for HSMs all about? How will the blue card scheme be introduced in the EU member countries, and what effects on the European in- and out-migration of highly skilled people can we expect in the coming decade? To what extent will the blue card be attractive to HSMs from those emerging economies that have introduced a reverse brain drain policy and entered the global competition for HSMs themselves? Finally, what additional policies and measures would help to make the initiative more successful than the current scheme? This contribution will attempt to tackle those questions.

HSMs and Their Impact on Economic Development in Host and Home Countries

Globalization has contributed to the change in the relations between developed and developing countries, including core-periphery innovation processes. Traditional approaches argue that inventions of new products and technologies take place in developed countries with strong research capabilities and high-income markets. At a later production stage, mass manufacturing is relocated to markets with cost advantages, to which foreign investors transfer technologies and support the technological upgrading of local companies. Independent technology development of countries at the periphery is not expected. However, with the decline in the cost of communication and information technology along with the fragmentation of production in specific industries, new avenues for entrepreneurship and experimentation in the periphery have emerged. Highly skilled immigrants and their relations to global technology centres came to play a crucial role in the participation of developing countries in the establishment of new industries, particularly communication and information industries. Increased mobility of highly skilled engineers and technicians transformed the former situation of either brain drain or brain gain into a situation of “brain circulation”, characterized by the transfer and adaptation of institutions and diffusion of knowledge in both directions. As a consequence, the impact of cross-regional entrepreneurs and their communities on the development in their host and home countries has exceeded the role the diaspora have been performing in sending remittances and/or investment capital to home countries (Saxenian 2005: 2–8).

Statistical data on the number and geographical pattern of the HSMs’ countries of origin are still fragmentary, but immigrants from Asian countries (especially China and India) count among the larger groups of expatriates in the OECD countries. HSMs from those two countries are characterized by a comparably higher level
of education and training (see Table 1). Their diaspora networks are strong, especially in the case of Indians, who have been immigrating to the US since the 1970s and have been able to become senior executives in US technology and other large multinational companies (Kuznetsov 2008: 269). Many of the highly skilled immigrants from India and China are employed as scientists and engineers in Silicon Valley. At the beginning of last decade, they accounted for one-quarter of all engineers in the region (20,000 Indian and 20,000 Chinese, of whom 5,000 came from Taiwan). Their share has risen further more recently (Saxenian 2005: 2).

**Table 1: Number and Education of Expatriates from Emerging Countries in OECD Countries**

<table>
<thead>
<tr>
<th>Number of expatriates</th>
<th>Share of highly skilled (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1,649,711</td>
</tr>
<tr>
<td>India</td>
<td>1,928,199</td>
</tr>
<tr>
<td>Brazil</td>
<td>351,878</td>
</tr>
<tr>
<td>Argentina</td>
<td>266,070</td>
</tr>
<tr>
<td>Mexico</td>
<td>8,431,381</td>
</tr>
<tr>
<td>Chile</td>
<td>200,366</td>
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</tbody>
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Recent empirical studies on the impact of HSMs on the development in host and home countries demonstrate also that migration of the highly skilled will foster human capital accumulation in low-income countries if the skilled emigration rate is not too high (below 20–30%). This is a piece of positive feedback particularly for large home countries with a relatively high number of HSMs who are expected to contribute to economic growth (Beine et al. 2010).

The Hunt for the Best and Brightest and the Role of Asian HSMs

As OECD countries are increasingly shifting their economic activities from industry to services, many of which are skill-intensive, the supply of a well-trained labour force has become an urgent issue. Despite renewed efforts, the educational infrastructure and the supply of students in the member countries has consistently failed to match the need for qualified applicants from research institutes and enterprises. As a consequence, the search for the best and the brightest abroad led to a movement of HSMs in the 1950s and 1960s (Auriol and Sexton 2002). Most of them were migrating within the OECD countries, particularly from Europe to the US. With the rapid development of the Internet and the internationalization of higher education, HSMs from developing countries followed suit, and the issue of the best and brightest moving from poor to rich countries became a hot topic in international development. While the migrants reacted to significant differences in the working environments and salaries in their home and host countries, representatives of the Third World and most students of development decried the “brain drain” as still another example of the former colonial powers’ exploitation of human capital raised and educated in developing countries (Bhagwati 1976). In the 1970s, a number of proposals from international organizations were made that demanded that the HSMs’ host countries compensate their home countries for the investment they had made in educating those migrants (UNCTAD 1979, 1983).

Traditional immigration countries in the Americas and Australia have been recognizing the importance of attracting highly educated and skilled persons for nearly 100 years, and Europe’s loss of those people before and during WWII has been an invaluable gain for them, especially for the US (Hunt and Gautier-Loiselle 2008; Kapur 2007). EU countries have been hesitant toward HSMs. The degree of openness varied significantly during the early years of the last decade, with countries like Sweden, Austria, Spain, Denmark and Italy being the most restrictive, while Ireland, the Netherlands and the UK were the most liberal. The latter two countries have chosen point or green card systems to facilitate and encourage the migration of skilled personnel. With it, they copied the practices of the traditional immigration countries in the OECD (Cerna 2008).

Despite several attempts to devise special incentives from time to time, the number of HSMs has remained small. There are exceptions, such as the UK, which has a tradition of attracting particularly South Asian migrants, a significant number of whom are highly educated or in the process of becoming so. Just like in the UK, a higher share of highly educated people who are significantly younger than the domestic population can also be found in some Southern European
countries (OECD 2008). Among OECD countries, Germany has taken in more international migrants than most others, with an estimated stock of close to 15 million during the first decade of the twenty-first century; however, of those, only approximately 1 million are highly skilled, and they comprise a rather modest percentage of the general population.

When Germany faced a serious shortage of IT workers in 2000, Chancellor Schröder announced a green card for foreign IT specialists that would allow those highly skilled workers from non-EU countries to work in Germany for five years. Requirements for successful candidates were a degree from a university or polytechnic in information and communication technology both for those who came from abroad and for those graduating from German institutions, the latter of whom would have been forced to leave otherwise. A minimum wage was also set (at 100,000 DEM: approximately 50,000 EUR).

The initial reaction was encouraging: With the quota set at 10,000 for IT technicians and engineers, over 7,000 had applied in the first eight months. The monthly inflow of about 700 migrants into Germany remained well within the limits of the quota, and Indian citizens comprised only 20 per cent of the total number of applicants, with the US, Canada and the UK remaining more attractive for them. At the same time, German employers were satisfied with the implementation of the procedures, which minimized delays and rejections (Werner 2002).

The positive trend faltered in the following years, when instead of the expected 50,000 migrant IT specialists, only 17,000 came within the four years of the initiative (Westerhoff 2007). By 2004, the business cycle had turned negative, and unemployment of skilled and unskilled labourers had risen again in the EU countries. It became clear that other restrictions had hampered the flow of potential applicants considerably. Among those issues were the “guest worker status” – i.e. the limited time allowed in the country, the relatively high entrance salary, the prohibition for migrants to establish their own firm, the problems of not allowing family members to work, and the bureaucratic entanglement.

While most of those conditions and requirements have been removed in the European blue card approach, the more liberal environment for migrants alone may not lead to those vacancies getting filled. It is for that reason that several larger German multinational firms not only increased their efforts to hire both domestic and foreign engineering talents in the EU area but also moved parts of their operations, including research and development (R&D) facilities, abroad, particularly in the areas of IT, pharmaceutical and chemical industries. They have especially targeted those Asian countries that now provide both a substantial number of highly skilled people and an acceptable infrastructure, i.e. India and China. Company managers have not been sitting around waiting for a further liberalization of the EU labour markets: They have already realized the advantages in relocating production and R&D to countries with emerging markets, as potential migrants are increasingly choosing to stay in their home countries, where the job opportunities and salaries are becoming more promising (Sorge 2010).

**Competition from China and India on the Global Market for Talent**

Asian HSMs have been an important source of highly skilled labourers for the traditional immigration countries (Martin 2008), with talented scientists and engineers from China and India outnumbering those from other developing countries by a considerable margin. Until the end of the 1990s, a large share of Indian and Chinese migrants preferred to stay in host countries after they had finished their studies, often working in R&D at universities or companies. Since then, however, a growing number of HSMs have chosen to return to their home countries, which began offering new avenues for the highly skilled. Along with strong economic growth and the expansion of the tertiary industry, the competition for well-trained labourers among research laboratories, universities and enterprises increased. Attractive salaries and career opportunities in their home countries represent competitive incentives for the highly skilled, many of whom – if not returning permanently – set up businesses or intensified cooperation with their home country.

The Indian and Chinese governments’ reverse brain drain policies and an active diaspora information network have contributed to the changing environment for returnees. The Indian government established a Ministry of Overseas Indian Affairs (MOIA) in 2004 with the aim to maintain contact with Indian migrants. After introducing the Person of Indian Origin card (PIO card) in 1999,
the government followed up with an Overseas Citizenship of India card (OCI) in 2005. Both grant practical parity with Indian citizens but do not permit voting, standing for election, or government employment. As of March 2009, the Indian government had granted almost 400,000 OCI cards, 43 per cent of them through Indian consulates in the United States and 13 per cent in the United Kingdom (Naujoks 2009).

The government has also set up the Prime Minister’s Global Advisory Council, consisting of diasporic scholars, scientists, politicians and businessmen. Aware of the increasing benefits of international migration of their best and brightest, members of the Indian diaspora have also responded positively to the European blue card initiative, maintaining that they will present their technical and scientific talents and in return will benefit from the skills they acquire abroad, which will ideally be used at home in later years. More broadly, this group has maintained that “there is a strong case for restructuring India’s international migration policies with a view of expanding India’s economic space and strategic leverage in the world” (Asher and Nandy 2009).

In China, an improvement of the political climate for HSMs was necessary in the wake of the Tiananmen Square Incident in 1989, after which many Chinese students preferred to stay abroad. The government promised that previous political activities would not be taken into account and offered returning scholars various incentives, including ample and quick disbursements of research grants, enlarged living spaces and job mobility for them and their families. The new Chinese government approach towards HSMs was reflected in the slogan raised by the State Education Commission in 1992: “Support overseas study, encourage people to return, and give people the freedom to come and go” (Zweig 2006: 68). In the following years, investment in higher education was increased, and universities were encouraged to attract overseas Chinese talents with that additional funding. Those Chinese scholars who preferred to remain overseas were offered short return visits to China and incentives to serve their country from abroad (Zweig 2006: 69). After China’s entry into the WTO in 2001, the government further improved policies in terms of labour market conditions and the domestic political climate for returning HSMs.

The reverse brain drain policy included also the establishment of new institutions such as job centres for returned students. A national association for returned students was designed to act as an intermediary between the state and the HSMs. In addition, educational bureaus were set up in Chinese embassies and consulates with the mandate to help establish over 2,000 overseas students’ associations and about 300 professional associations of overseas scholars (Zweig 2006: 71). Chinese returnees were encouraged to maintain links with their research organizations or companies abroad, serving as bridges between China and foreign countries. The central and local governments established science parks and incubators for the returnees to settle down and open companies or work in R&D (Antal and Bartz 2006: 57). By February 2009, more than 110 overseas returnee entrepreneurship incubation centers were founded, in which approximately 8,000 companies and 20,000 returnees were settled (Zhao and Zhu 2009: 329).

Since the mid-1990s, a variety of programmes has been introduced on the national and local level to recruit global talents, including overseas Chinese and foreigners of non-Chinese origin. Through the “One Hundred Talents Scheme” initiated by the Chinese Academy of Sciences in 1994 and the “Yangtze River Scholar Scheme” created by the Ministry of Education later on, approximately 4,000 researchers, mainly postdoctoral students and associate professors, came to China. Another “One Thousand Talents Scheme” provides incentives for professors in internationally well-known universities, international companies or those who have already developed technologies or patents and founded their own businesses abroad to come to China. Under this scheme, founded in 2008, approximately 2,000 top talents should be lured to China within a period of five to ten years (Zhao and Zhu 2009: 323–29).

Local provincial and municipal governments compete strongly for returnees by offering specific programmes and initiatives. The Shanghai Pujiang Talent Programme launched in 2005, for example, offers cash grants for research purposes and interest-free loans of up to 150,000 CNY for returning entrepreneurs to establish businesses in Shanghai/Pudong. The programme is targeted at returnees specialized in life sciences, renewable energy, biomedicine, IT, etc. (Rightsite/Asia 2011).

Given the growing demand for qualified personnel, the recently published Global Talent Index Report forecasts that China’s ranking within this index will see a substantial rise in the near
future. This index is a benchmark for the capacity of countries to develop, attract and retain talents in 2011, and it also makes forecasts for 2015. China’s score is expected to rise by 5.2 per cent between 2011 and 2015, growing to a total of 46.2 per cent, the largest increase of any country in the index. The report relates the foreseen score improvement to the Chinese government’s willingness to employ more foreign workers (Heidrick & Struggles 2011: 8). This represents an additional hint that China will play an increasingly important role in the coming “war for talents”.

The Next Steps

The blue card initiative provides a starting point for HSMs in general and Asian talents in particular to consider working in an increasing number of EU countries. Given the tightening international competition for HSMs, including from the very countries those talented people are expected to come from, it is doubtful that the blue card will have a significant impact on patterns of immigration to the European countries before 2020. As a result, several researchers have proposed additional measures to be considered and introduced in order to boost the effectiveness of the blue card scheme (Angenendt and Parkes 2010: 77–78). Among the rather modest but most promising measures would seem to be the coordination of immigration and inter-country migration within the EU. In addition, new joint efforts to lower “brain waste” and improve the mobility of HSMs already living in the EU should be undertaken. Finally and probably most importantly, deepening the common provision and regulations of the EU’s higher educational market, including incentives and rules to facilitate job opportunities after graduation, should pay off. While the educational infrastructure has improved rapidly – especially in China – students from both Asian giants will always consider it worthwhile to apply to universities in OECD countries, especially since the supply of first-class higher educational institutions in their home countries is still very much limited, and prospects for job experience abroad are considered useful steps in ambitious careers.

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■ GIGA Research on Migration
As part of GIGA Research Programme 3: Socio-Economic Challenges in the Context of Globalization, a new research project entitled “Entrepreneurial Chinese Migrants and Petty African Entrepreneurs” focuses on the impact of the interaction between those two groups in various localities in the West African states of Ghana and Senegal.

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