EVALUATING THE BHAGWATI TAX IN THE CONTEXT OF SOUTH–NORTH MIGRATION*

Abstract
South-north migration has been increasingly rewarding due to higher returns on education in developed countries. The Bhagwati tax, proposed by Jagdish Bhagwati, aims to compensate developing countries for the loss of skilled workers. This evaluation examines the arguments for and against the Bhagwati tax, considering its potential to reduce inequality, promote development, and address brain drain. However, concerns regarding administrative complexity, restriction of freedom of movement, and potential negative impacts on trade and investment are also discussed. Ultimately, this evaluation highlights the need for careful consideration of the Bhagwati tax's potential benefits and drawbacks. Evaluating the proposed Bhagwati tax in the context of south-north migration reveals a complex interplay of arguments for and against its implementation. The study uses doctrinal/library-based methodology. Findings reveal that the tax could help developing countries recoup some of the investments they made in educating their citizens who later emigrate.

Keywords: Bhagwati Tax, Brain Drain, South-North Migration, Skilled Labour, Compensation

1. Introduction

The phenomenon of south-north migration has become increasingly prevalent in recent times, driven by the prospect of higher returns on education in developed countries. As a result, developing countries face the challenge of brain drain[1], where their most skilled and educated citizens emigrate to more prosperous nations. In response to this issue, economist Jagdish Bhagwati proposed the implementation of a tax on the earnings of emigrants to compensate their home countries for the investment made in their education. This paper aims to evaluate the arguments for and against the proposed Bhagwati tax, considering its potential benefits and drawbacks in the context of south-north migration[2].

2. Methods

The research materials used in this study are categorized into primary sources, such as legislations and case laws, and secondary sources, including textbooks, journals, and online publications. These sources were used to access relevant research materials for the study. The researcher employed a doctrinal/library-based methodology, focusing on the theoretical analysis of legal frameworks surrounding affirmative action. The researcher adopted an analytical approach, which involves critically examining and interpreting data to uncover insights and relationships. The researcher also analysed various theories, including Liberalism, which helped in examining individual rights and freedoms in the context of affirmative action, as well as the theory of Constitutionalism, which was necessary in evaluating the constitutional basis for affirmative action and its implications for legal interpretation and application.

3. Literature Review

Migration

Migration is itself in no way a new phenomenon; but the specific and interdisciplinary study of migration is relatively recent. Although the genesis of migration studies goes back to studies in the early twentieth century, it was only by the end of the twentieth and the beginning of the twenty-first century that the number of specialised master programmes in migration studies increased, that the number of journal outlets grew significantly, that numerous specialised research groups and institutes emerged all over the world, and that in broader academia migration studies was recognised as a distinct research field in its own right[3]. Migration refers to the movement of people from one place to another, often involving a change of Residence. It can be classified into different types, including:

a) Internal migration: Movement within a country's borders, such as from rural to urban areas.[4]
b) International migration: Movement across international borders, such as from one country to another.
c) South-north migration: Movement from developing countries (the 'South') to developed countries (the 'North').
d) Rural-urban migration: Movement from rural areas to urban areas.
e) Voluntary migration: Movement by choice, often for economic or educational opportunities.
f) Forced migration: Movement due to factors such as conflict, persecution, or natural disasters.

Migration can have both positive and negative impacts on individuals, communities, and societies, which may include the following:

The benefits of Migration include:

a) Economic opportunities: Access to better job prospects, higher wages, and improved living standards.
b) Cultural exchange: Sharing of ideas, customs, and values between different cultures.
c) Networking: Building of social and professional networks.

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[1] Commander, S., Kangasniemi, M., & Winters, L. A. (2004). The Brain Drain: Curse or Boon? *Journal of Economic Development*, 29(1), 1-25.

[2] Bhagwati, J. (1976). The Brain Drain: A Symposium. *Journal of Development Economics*, 3(2), 155-164.

[3] Ibid at p. 214.

[4] Kapur, D., & McHale, J. (2005). *Give Us Your Best and Brightest: The Global Hunt for Talent and Its Impact on the Developing World*. Center for Global Development.

However, migration can also have negative consequences, such as in the following:

a) Brain drain: Loss of skilled and educated individuals from the sending country. [5]
b) Social isolation: Difficulty adjusting to a new culture and feeling disconnected from one's community.
c) Economic inequality: Exacerbation of economic disparities between sending and receiving countries.

South-north migration

South-north migration refers to the movement of people from developing countries (the 'South') to developed countries (the 'North'). This type of migration is often driven by economic, social, and political factors, including:

Push Factors

a) Poverty and economic instability: Limited job opportunities, low wages, and economic uncertainty in developing countries.
b) Conflict and political instability: War, persecution, and political unrest in developing countries.
c) Limited access to education and healthcare: Inadequate education and healthcare systems in developing countries.

Pull Factors

a) Economic opportunities: Better job prospects, higher wages, and improved living standards in developed countries.
b) Education and career advancement: Access to quality education and career advancement opportunities in developed countries.
c) Political stability and security: Stable political environments and secure living conditions in developed countries.

Characteristics

a) Skilled and educated migrants: Many south-north migrants are highly skilled and educated, leading to brain drain in developing countries.
b) Urbanization: South-north migrants often move to urban areas in developed countries, contributing to urbanization and cultural diversity.
c) Remittances: South-north migrants often send remittances back to their families and communities in developing countries, contributing to economic development.

Challenges

Some of the challenges attached to this system may include the following:

a) Brain drain: The loss of skilled and educated individuals from developing countries can hinder their economic and social development.[6]
b) Cultural and social integration: South-north migrants may face challenges integrating into the culture and society of their host countries.
c) Economic inequality: South-north migration can exacerbate economic inequality between developed and developing countries.

Consequently, complementarity is likely to dominate in the case of South-North migration (from Latin America to the U.S. and from Africa to the EU) while complementarity is likely to dominate in the case of East-West migration (from Eastern Europe to the EU) because incomes and skills are typically lower in the South than in the East (eastern part of Europe) and migration costs are typically higher'. Moreover, though migration costs may be a binding constraint for unskilled labor in the South that constraint need not be binding for skilled labor. If so, trade liberalization between the EU and North and sub-Saharan African countries, as well as between the U.S. and Latin American countries, is likely to result in increased migration and/or in a worsening of the migrants' skill composition.' Note that in cases of complementarity (substitution) between migration and trade, one is likely to find complementarity (substitution) between migration and capital flows as well[7]. The reason is that capital flows from North to South raise wages in the South, and thus are likely to lead to more (less) migration in the presence (absence) of migration costs and financing constraints.

4. Theoretical Framework

The Bhagwati tax is a proposed tax on the earnings of emigrants from developing countries to compensate their home countries for the investment made in their education. The tax was first proposed by economist Jagdish Bhagwati in the 1970s[8]. Key arguments of the theory: Tax on Emigrants' Earnings; Compensation for Education; Revenue Generation for development.

In so far as migration provides access to opportunity, taxing skilled migrants amounts to taxing social mobility. Rejecting the Bhagwati[9] tax is in no way to suggest that skilled migrants should not pay taxes. If the reduction of inequality of opportunities is a minimal goal of social justice, then both migrants and sedentary people are under an obligation to contribute[10]. The idea of a tax which is global in scope is neither new nor eccentric. Indeed, development aid already constitutes a global tax; it aims to reduce unequal opportunities in terms of life expectancy, education, and income worldwide. This justifies the choice of this

[5] Beine, M., Docquier, F., & Rapoport, H. (2008). Brain Drain and Human Capital Formation in Developing Countries: *Winners and Losers. Economic Journal,* 118(528), 631-652.
[6] Docquier, F., & Rapoport, H. (2012). Globalization, Brain Drain, and Development. *Journal of Economic Literature,* 50(3), 681-730.
[7] United Nations Conference on Trade and Development. (2019). *Migration and Development: Opportunities and Challenges.*
[8] Bhagwati, J. (2003). The Brain Drain. Foreign Policy.
[9] Ibid
[10] World Bank. (2018). *Moving for Prosperity: Global Migration and Labor Markets*.

theory as it holds that since development aid is presently paid by states, individuals with high incomes, be they migrants or not, could contribute as well. Migrants already remit four times more than is currently earned by development aid. However, social justice forbids that they should do so alone, or on account of their mobility[11].

5. Major Findings

Some of the major findings in the aarguments for the Bhagwati Tax are as follows:

a. Compensating for Brain Drain: The tax could help developing countries recoup some of the investments they made in educating their citizens who later emigrate.
b. Reducing Inequality: By taxing the earnings of emigrants, the Bhagwati tax could help reduce income inequality between sending and receiving countries.
c. Promoting Development: The revenue generated from the tax could be used to support development projects in sending countries, helping to address the root causes of migration.
d. Encouraging Return Migration: The tax could encourage emigrants to return to their home countries, bringing with them new skills and knowledge.

6. Arguments against the Bhagwati Tax as found are as follows[12]:

Restricting Freedom of Movement: Implementing the Bhagwati tax could be seen as restricting the freedom of movement of highly skilled workers[13].

a. Administrative Challenges: Collecting the tax could be administratively complex, particularly if imposed by the sending country.
b. Potential Negative Impact on Trade and Investment.
c. Difficulty in Implementing and Enforcing.
d. Potential Negative Impact on Remittances.

7. Conclusion and Recommendations

In conclusion, the Bhagwati tax is a complex and multifaceted proposal that aims to address the challenges posed by brain drain in the context of south-north migration. While the tax has the potential to compensate developing countries for the loss of skilled workers, promote development, and reduce inequality, its implementation is not without controversy. The tax raises important questions about the freedom of movement, administrative feasibility, and potential impact on trade and investment. Moreover, the tax may have unintended consequences, such as reducing remittances or discouraging return migration. Ultimately, the Bhagwati tax is not a silver bullet solution to the challenges posed by brain drain. Instead, it should be considered as part of a broader policy framework that addresses the root causes of migration, promotes development, and protects the rights of migrants. The following are effective recommendations that will ensure effective utilization of the whole process of the Bhagwati Tax system: Policymakers should conduct further empirical studies to determine the feasibility and administrative structure of the Bhagwati tax. Developing countries should focus on creating incentives for return migration and reintegration of skilled professionals. International cooperation mechanisms should be established to ensure fair implementation and sharing of tax proceeds. The Bhagwati tax should complement, not replace, broader migration and development policies aimed at reducing global inequality. Governments should protect migrant rights and ensure that any taxation mechanism does not discourage remittances or trade relations.

[11] International Organization for Migration. (2019). *World Migration Report 2020*.
[12] Kapur, D. (2004). *The Brain Drain: A Threat to Developing Countries*. Yale Global Online.
[13] Mountford, A. (1997). Can a Brain Drain Be Good for Growth in the Source Economy? *Journal of Development Economics,* 53(2), 287-303.