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Migrants in the global labor market

A paper prepared for the Policy Analysis and Research Programme of the Global Commission on International Migration

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Executive summary

This thematic paper for the Global Commission on International Migration examines current and projected trends in the supply of and demand for migrant workers. It reviews demographic trends, patterns of entry to and exit from the labor force, changes in technology, trade, aid and investment policies and their impacts on international migration patterns, and the role of migrants in the informal sector of the economies in which they work. We develop alternative global and regional labor market and migration scenarios and lay out the challenges and opportunities associated with each. Finally, the policy options available to deal with the various challenges and opportunities are reviewed, including the potential of bilateral and regional guest worker programs and global regimes such as GATS Mode 4 movements of natural persons to promote orderly and legal labor migration.[1] An annex that reviews the relationship between government debt, development, and international migration has its own executive summary.

The report reaches these major conclusions:

- Most international migrants move from lower to higher wage labor markets, which explains why the high-income countries with 16 percent of the world's workers have over 60 percent of the world's migrants, defined as persons born outside or nationals of countries their country of residence.[2] There were 52 million migrants among the 465 million workers in high-income countries in 2000, making migrants an average 12 percent of their work forces. There was considerable variability: migrant shares range from about 1 percent in Ireland and Japan to 23 percent in Australia and over 30 percent in Singapore.
- There is more variability in migrant shares of the labor forces in developing countries. The 32 million migrant workers are only 1 percent of the 3 billion workers in developing country workers, and migrant shares range from near 0 in China and Vietnam to over 70 percent in the Middle Eastern oil exporters. Globally, about half of the world's migrants have been women for the past four decades, but there is significant variability across countries. Women are the majority of migrants in

[1] A related paper deals with the impacts of international migration on economic growth in receiving countries and the impacts of emigration on development and poverty reduction in emigration countries, asking how to maximize benefits to both receiving and sending countries, with a particular focus on remittances and investment, migrant pensions, disaporas, brain gains and losses, and returns. That paper also examines the relationship between international migration and the Millennium Development Goals and the potential for more dialogue and cooperation between sending and receiving countries. Other papers deal with trends in irregular migration and its potential threat to security and assesses efforts to combat irregular migration and trafficking; the integration of migrants in host countries; the international, regional and national responses to the human rights dimensions of international migration; the health of migrants and the impacts of the movement of health care professionals from developing to more developed countries; the international legal and normative framework that deals with international migration; and the governance of international migration, including efforts to develop a global frame work to better manage migration.

[2] Under this inclusive UN definition of migrant, there are generally more foreign-born residents than foreigners. For example, about 23 percent of Australian residents were born in another country, but only seven percent are not Australian citizens.

countries as diverse as Nepal, Serbia, and the Czech Republic and the ex-USSR nations, but a third or less of migrant workers in the Middle Eastern oil exporters.

- Demographic, economic, and human security differences between countries are widening between many countries, encouraging more migration for employment. During most of the 20th century, inertia, controls, and economic growth kept international labor migration relatively low. However, revolutions in communications and transportation have lowered costs and enabled more people to cross borders for jobs and higher wages and, with labor-receiving governments unable or unwilling to tackle growing differences between countries and reverse the globalization that increases connections between countries, their default migration management tool has been to restrict the rights of migrants, such as limiting who can apply for asylum or restricting the access of newcomers to social safety net programs.
- Globalization refers to the increased movements of goods, capital, and services over borders, and the gradual transformation of national markets into regional and global markets.[3] Labor migration, the oft-lamented "missing global flow," is being liberalized in a bottom-up fashion via bilateral and regional agreements. Migration barriers are falling fastest and furthest among states that have similar wage levels, seek closer economic integration, and expect and experience relatively little additional migration as border barriers are lowered such as in the expanding European Union. The major outcome of regional agreements that anticipate freedom of movement for some types of workers is very slow and uneven implementation, from Mercosur to Caricom to APEC.
- Instead of regional agreements promoting freedom of movement, more countries have launched or expanded unilateral or bilateral temporary worker programs. Despite the proliferation of guest worker programs, many and perhaps most of the world's migrant workers are outside legal admissions channels. The challenges facing countries with large numbers of unauthorized workers include:
  - whether and how to ease currently irregular migrants into legal status, and how to ensure that future migrants are legal workers admitted and employed under established foreign worker programs,
  - whether and how to modify guest worker programs to more closely reflect current labor market realities to increase the share of legal workers, such as eliminating economics needs tests for employers seeking migrants, and/or
  - whether to experiment with more legal slots for permanent residents (immigrants) or free mobility regimes as a means of reducing irregular migration, with sending countries cooperating to accept the return of unauthorized migrants.
- The General Agreement on Trade in Services (GATS) aims to liberalize trade in services, but is unlikely to increase significantly the movement of Mode 4 natural persons (migrant service providers). However, GATS liberalization may ease Mode 3 intra-company transfers between subsidiaries of multinationals, including those based in developing countries with branches in developed countries.

[3] Trade in services is often associated with migration, as when people cross borders to consume tourist, education, or medical services. See the section on GATS and migration.

What does the future hold? The two extremes are closure and openness, implying less and more migration. In a globalizing world of growing differences and in which most past migrations have been deemed beneficial, logic suggests that migration barriers will fall and more workers will move from poorer to richer countries. As a result, migrants and destination countries should generally benefit economically from more voluntary labor migration, although the benefits for emigration countries are less clear. However, even if we know that there is likely to be more rather than less migration in the decades ahead, and that its results are likely to be economically beneficial to receiving countries, the impacts of migration will vary with factors such as who moves, how long they stay, and their economic and other ties to their countries of origin.

How should we think about labor migration in 2025 or 2050? A quick look backward may be instructive. In 1950, there was relatively little trade in goods, capital flows were limited by exchange controls, and it was thought that economic development would be fastest if poorer countries protected their infant industries from global competition and aid was used to build dams, roads, and other physical infrastructure. A half century later, the emphasis is on opening developing economies to global markets, using aid to improve health and education systems rather than building physical infrastructure, and getting the economic fundamentals rights, such as having market-set prices and exchange rates, minimal regulation, and transparency in governance to foster economic growth.

Could there be a similar sea change in attitudes toward migration? The most common argument in favor of a new era of mass migration is based on the self-interest of more developed countries: shrinking labor forces will require reducing pension benefits or adding workers even as rising expenditures on controls aimed at preventing the entry and employment of migrants have not been able to prevent the number of unauthorized or quasi-authorized foreigners from rising. Destination countries should, this argument goes, open more doors for migrants because it is in their economic self interest and would help them to gain more control over migration. The counter arguments are dominated by two themes:

- first, importing workers is only a short-term fix to aging and shrinking work forces because migrants also age. Thus, current pension promises must eventually be dealt with by some combination of longer work lives, reduced pension and other benefits, and higher worker productivity.
- second, if immigrants are not integrated into employment, opening more doors for legal migrants may add to unemployment and dependency. Furthermore, simply opening migration doors could increase irregular migration if sending countries do not experience rapid economic growth, as more migrants gain contacts and experience that enable them to move abroad.

The central theme of this paper is that migrants are a rising 12 percent of more-developed country labor forces. The growth of the global migrant labor force will depend on individual decisions as well as government labor, enforcement, pension, and trade and aid policies and their implementation. Many current individual and government decisions add to international migration pressures, as when people in lower-wage countries learn more about and have access to opportunities abroad, while older workers with the support of industrial country governments continue to elect early retirement despite longer life spans.

There are alternatives, but governments have been slow to adjust pension promises and endorse freer trade in the commodities that could create jobs in emigration countries and reduce the demand for migrants, as in agriculture. The major response of high-income countries to these cross-currents could create new problems. Many countries have opened new doors for highly skilled migrants to enter and settle, such as students who graduate from local universities, IT specialists, and nurses. Meanwhile, these same countries have sometimes attempted to funnel unskilled migrants into seasonal, temporary worker, and other programs that include incentives for them to return to their countries of origin. The result has been brain drain worries in some emigration countries, and worries about links between micro guest worker programs and the informal economy in receiving countries.

Over 200 years ago, Adam Smith warned that "man is the most complex luggage to move over borders," a reminder that cooperation between sending and receiving countries is vital to ensure that labor migration is a force for convergence and stability in a globalizing world. It is not easy to design migration programs that generate optimal economic results, and economics may not be the decisive factor in determining a government's migration policy. Security concerns in the post 9/11 world are reflected in new entry restrictions, more expenditures on border and interior controls, and new laws giving governments more power over individuals suspected of links to terrorists.

Global labor trends and migrants

Population and labor trends

Migrants are people who cross national borders, and the starting point for considering the role of migrants in global labor markets is differential fertility. Over 40 percent of the world's residents are in countries that have below-replacement fertility, and this includes most European countries as well as China and Japan. Virtually all of the world's population growth is in developing nations, which explains why their share of global population rose from two-thirds to 80 percent between 1950 and 2000. If current trends continue, the share of the world's residents in developing countries will continue rising.

Table 1. Population of major world regions, 1900-2050

Population of major world regions, 1900-2050

Millions	1900	1950	2000	2050	1900	1950	2000	2050
World	1,650	2,519	6,071	8,919	100%	100%	100%	100%
Developed	539	813	1,194	1,219	33%	32%	20%	14%
Europe	408	547	728	632	25%	22%	12%	7%
N America*	131	269	466	588	8%	11%	8%	7%
Developing	1,111	1,706	4,877	7,699	67%	68%	80%	86%
Africa	133	221	796	1,557	8%	9%	13%	17%
Asia, Oceania	904	1,315	3,561	5,102	55%	52%	59%	57%
Latin America	74	167	520	768	4%	7%	9%	9%

Source: UN Population Division, World Population Prospects: The 2002 Revision (2003).
*Includes Japan, Australia, New Zealand
2050 is the medium variant; the high variant is 10.6 billion, low is 7.4 billion

The highest fertility rates[4] tend to be in the poorest developing countries, e.g. 5.2 children in Africa compared to 2.6 to 2.7 children in Asia and Latin America and 1.4 children in Europe in 2003. Over 55 percent of the world's residents live in 126 countries with fertility rates above replacement levels, which suggests that most of the world's workers, and most of the growth in the world's work force, is and will remain in developing countries with higher-than-replacement fertility rates.

[4] The fertility rate is the average number of children a woman would have under prevailing age-specific birth rates (PRB, 2004).

Table 2. Countries grouped by 2003 fertility rates

Countries grouped by 2003 fertility rates

Fertility*	4 or more	2.1-3.9	2 or less	Total
Countries	70	56	71	197
World Pop	16%	41%	43%	100%
Examples	Afghanistan	Brazil	China	
	Pakistan	India	Japan	
	Uganda	Iran	Germany	

Source: Adapted from PRB, 2004, p34

*The average number of children a woman would have under prevailing age-specific birth rates in 2003

Countries with 100,000 or more residents, and share of 2003 world population.

Source: PRB, 2004

The global labor force, 3 billion in 2001, is projected to increase by an average 40 million a year to 3.4 billion by 2010, including an increase of 38 million a year in developing countries and two million a year in high-income countries. This means that the share of the world's workers in developing countries is expected to rise from 84 percent to 86 percent in the first decade of the 21^{st} century, assuming no major changes in migration patterns or the countries included in the developing and developed country groups. With most people and workers in developing countries, and most of the increase in people and workers there, the migration question is how many are likely to move from lower-wage developing to higher wage developed countries

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Table 3. Global labor force, 1980, 2001, 2010

Global labor force: 1980, 2001, 2010

	Labor Force (mils)			Average annual growth rate	
	1980	2001	2010	1980-01	2001-10
World	2,036	2,983	3,377	1.8	1.4
Developing Countries	1,662	2,517	2,894	2	1.6
High-income Countries	373	467	483	1.1	0.4

Source: World Bank. 2003. World Development Indicators, p44

It is often asserted that developed countries "need" migrants from developing countries to sustain their labor forces, maintain economic growth, and pay the taxes that are transferred to retired workers in pension payments (GCIM, 2004). Economic theory does not use the word “need” in reference to goods or workers. Instead, the operative term is demand or willingness to pay, which turns “need” into a market transaction. This introduces the related concept of choice—there are always alternatives between goods and between ways of maintaining economic growth or keeping pension plans solvent, including raising productivity growth in countries with shrinking or stable work forces so that rising wages and taxes can rise to support retired workers, having workers who have longer life spans work longer, so that they pay more for their own pension support and receive benefits for fewer years, and admitting migrants to minimize the need to make the other changes. There are several ways to deal with demographic peaks and troughs and, just as there is currently significant variation in labor and pension policy, there is likely to be significant variation in how industrial countries deal with the projected demographic trough.[5]

Migrant patterns

Migrants are defined by the United Nations as people outside their country of birth or citizenship for 12 months or more. In a world of 190+ sovereign nation states, each of which issues passports and regulates who can cross its borders and stay in its sovereign territory,[6] the UN’s Population Division estimated there were 175 million migrants in 2000, including 65 million or 37 percent in “less developed” nations, which are those outside Europe and North America, Australia/New Zealand, Japan, and the ex-USSR “where it is presented as a separate area.” The number of migrants in less-developed countries was stable in the 1990s, but the developing countries’ share of the world’s migrant stock fell with their rising population.

[5] During the 1970s, industrial countries such as the US experienced very high labor force growth as baby boomers as well as mothers having fewer children joined the labor force. As a result, government policies created jobs directly, expanded services that indirectly created jobs, such as grants for child-care services, and expanded education and training to relieve the pressure of creating jobs for new workers.
[6] The UN Population Division estimates migrant stocks for 228 countries, territories, and other places, and finds the highest share of migrants in the Holy See—100 percent of residents are considered migrants.

Table 4. International migrants and global population, 1960-2000

International migrants, mid-year

	World	More Developed	Less Developed	More Dev	Less Dev
1960	75,900,698	32,084,671	43,816,027	42%	58%
1970	81,527,177	38,282,819	43,244,358	47%	53%
1980	99,783,096	47,726,643	52,056,453	48%	52%
1990	154,005,048	89,655,849	64,349,199	58%	42%
2000	174,933,814	110,291,047	64,642,767	63%	37%

Global Population, mid-year, (000)						Migrant share		
	World	More Developed	Less Developed	More Dev	Less Dev	Global Pop	More Dev	Less Dev
1960	3,021,475	949,622	2,071,853	31%	69%	2.5%	3.4%	2.1%
1970	3,692,492	1,053,054	2,639,438	29%	71%	2.2%	3.6%	1.6%
1980	4,434,682	1,138,630	3,296,051	26%	74%	2.3%	4.2%	1.6%
1990	5,263,593	1,215,803	4,047,789	23%	77%	2.9%	7.4%	1.6%
2000	6,070,581	1,266,608	4,803,973	21%	79%	2.9%	8.7%	1.3%

Source: Population Division, DESA, United Nations. Trends in Total Migrant Stock by Sex, 1990-2000, 2003 Revision, POP/DB/MIG/Rev.2003
More developed means Europe, North America, Australia/New Zealand, Japan, and the former USSR.

The number of migrants has increased slightly faster than global population. Between 1960 and 2000, the world's population doubled, while the stock of migrants more than doubled to almost three percent. Most of the growth in the migrant stock occurred after 1980, and was concentrated in the more developed nations:

- Migrants in more developed nations rose from 48 million to 110 million between 1980 and 2000
- Migrants in less developed nations rose from 52 million to 65 million.
-

The share of migrants in the populations of more developed nations doubled to 9 percent by 2000, while the share of migrants in less developed nations fell slightly to 1.3 percent because of their faster population growth.

Most of the 30 developed countries have 5 to 12 percent migrants. The highest migrant shares are in Australia, Switzerland, Canada, and New Zealand, where 15 to 25 percent of residents are migrants, and virtually all more-developed countries have at least one percent migrant residents. There is far more variation in migrant shares of population in less-developed countries, with the migrant share of residents ranging from virtually zero in China and Vietnam to about 70 percent in Gulf oil exporters UAE and Qatar. Labor migration between developing countries includes professionals, as with Egyptian doctors and teachers moving to Saudi Arabia or Cuban doctors moving to South Africa and a larger number are unskilled migrants moving for higher wages, as with Burmese moving to Thailand, Africans moving to South Africa, and Nicaraguans moving to Costa Rica.

Most developing countries lack the data as well as the analytic, legislative and enforcement capacity to determine their need for migrants, to manage migrant inflows in a manner that maximizes benefits and minimizes costs, and to protect the rights of all workers, local and migrant. The challenges and opportunities facing developing countries in migration management include determining how many migrants to admit and how to manage foreign workers to minimize employer distortion and migrant dependence, that is, how to avoid the tendency of employers to make business decisions that assume migrants will continue to be available and for migrants to become dependent on jobs and wages abroad; how to maximize the benefits of the migration that is occurring by maximizing the amount and job-creating impact of remittances, such as making transfers easier and cheaper, matching remittances contributed to improve infrastructure in migrant areas of origin, and providing technical assistance to migrant investors as well as making better use of returned migrant and Diaspora skills to accelerate development; and exploring the potential to cooperatively manage migration between developing countries.

Table 5. Female migrants: ranked by share of total migrants, 2000

Female migrants: ranked by share of total migrants, 2000

	Migrant Stock		Female Share	
	1990	2000	1990	2000
WORLD	154,005,049	174,933,815	**48**	**49**
More developed regions	81,424,718	104,104,560	**51**	**51**
Less developed regions	72,580,331	70,829,255	**44**	**45**
Least developed countries	10,992,041	10,458,106	46	47
Nepal	413,351	618,506	72	73
Serbia and Montenegro	132,000	626,000	61	62
Czech Republic	145,945	235,595	60	60
Lebanon	532,592	634,027	57	57
Italy	1,346,174	1,634,290	56	56
Israel	1,632,704	2,256,236	53	56
Croatia	483,193	425,000	54	55
Belarus	1,270,500	1,283,700	54	54
Bulgaria	21,510	101,000	54	54
Russian Federation	11,688,700	13,259,400	54	54
Republic of Moldova	578,500	474,400	54	54
Ukraine	7,097,100	6,947,115	54	54
Jordan	1,146,510	1,945,213	34	34
Saudi Arabia	4,220,456	5,254,816	30	34
Bahrain	173,200	254,306	28	34
Yemen	107,191	248,135	32	32
Iraq	83,638	146,910	33	31
Kuwait	1,560,120	1,107,677	39	31
United Arab Emirates	1,555,753	1,922,001	28	28

Qatar	345,398	409,388	26	26
Oman	449,875	681,725	21	21
Bangladesh	881,595	987,815	14	14

Source: United Nations Population Division

Women were 49 percent of global migrants in 2000, and their share was higher in the more developed than in the less developed nations, 51 percent in more developed, and 45 percent in less developed. Among countries with at least 100,000 migrants in 2000, women were over 60 percent of migrants in Nepal, Serbia, and the Czech Republic, and a third or less of migrants in Gulf-area nations in the Middle East and Bangladesh.

Migration is a response to differences, and there are two major types of differences that prompt people to move: economic and noneconomic. The factors that encourage a migrant to cross borders, in turn, can be grouped into three categories: demand-pull in destination areas, supply-push in areas of origin, and network factors that link destination and origin. The resulting 2 x 3 matrix makes it possible to distinguish economic migrants who are encouraged to move by demand-pull guest worker recruitment from noneconomic migrants encouraged to cross borders to join family members settled abroad.

For example, a Guatemalan may be recruited to work in Mexican agriculture, a demand-pull factor, and failing crops may encourage him to go, a supply-push factor, in part because friends and relatives went the year before and can tell him about wages and conditions abroad, a network factor. Demand-pull, supply-push, and network factors rarely have equal weights in the migration decisions of individuals or families, and the importance of each factor can change over time. Generally, demand-pull factors combine with supply-push factors to set migration flows in motion, and network factors become more important as migration streams age or mature.

Table 6. Determinants of migration

Factors Encouraging an Individual to Migrate

Type of Migrant	Demand-Pull	Supply-Push	Network/Other
Economic	Labor recruitment, e.g. guest workers	Un- or under-employment; low wages; e.g., farmers whose crops fail	Job and wage information flows; e.g., sons following fathers
Non-Economic	Family unification; e.g., family members join spouse	Flee war and persecution; e.g., displaced persons and refugees/asylum seekers	Communications; transportation; Assistance organizations; Desire for new experience/adventure;

These examples are illustrative. Individuals contemplating migration may be encouraged to move by all three factors. The importance of pull, push, and network factors can change over time.

Family unification is probably the most important noneconomic factor encouraging migration. In many cases, one member of a family is the pioneer who goes abroad and obtains a job and/or residence rights, which explains why the migration literature often uses nautical metaphors, discussing anchor migrants and follow-on chain migration. Refugees and asylum seekers move primarily for noneconomic reasons: refugees are persons outside their country of citizenship who are unable or unwilling to return to face persecution.[7] Most refugees stay in camps near their countries of origin until the situation in their home countries changes or until they are resettled in another country, but asylum seekers arrive in a country and ask to be recognized as refugees. If they are recognized as refugees, they are usually allowed to resettle and make a new life in the country.

About half of the world's residents are in the labor force, but labor force participation rates vary with fertility—countries with more children have less than half of their residents in the labor force— women working for wages, and retirement patterns and policies. The ILO applied country-specific labor force participation rates to UN estimates of migrant stocks by country, and estimated that there were 86 million migrant workers in 2000, suggesting that almost half of the world's 175 million migrants were in the labor force. A third of the world's migrant workers were in more developed countries in Europe and a quarter were in North America, but most in Asia moved from one developing country to another.

Table 7. ILO estimates of migrants and migrant workers, 2000

ILO estimates of migrants and migrant workers, 2000

Region	Migrants Millions	Migrants Per Dist	Migrant Workers Millions	Migrant Workers Per Dist
Africa	16.3	9	7.1	8
Asia	49.9	29	25	29
Europe	56.1	32	28.2	33
Latin America and the Caribbean	5.9	3	2.5	3
North America	40.8	23	20.5	24
Oceania	5.8	3	2.9	3
Total	174.9	100	86.3	100

Source: ILO, 2004, p7

[7] The 1951 Geneva Convention obliges nations not to refoul or return to face persecution persons who fear persecution in their countries of origin based on race, religion, nationality, membership in a particular social group, or political opinion(www.unhcr.org)

Assessing migrant impacts

There is no global database that provides information on migrant workers by gender and skill. National and regional data show that migrants in most developed countries tend to be at the extremes of the skill and education ladder, having either more education than the average resident, or less, so that migrants are often professionals or unskilled workers (OECD, SOPEMI, annual). In one metaphor, natives in industrial countries, when arrayed by years of education, the best single predictor of income, have a diamond shape, with the largest group of those completing secondary school in the middle. Migrants, on the other hand, tend to have an hourglass shape, grouped at the top end of those with tertiary education or at the bottom with those who did not finish primary school.

It should also be emphasized that people crossing borders are different from goods crossing borders. A car crossing borders remains a car, with foreseeable economic and environmental impacts. People change their intentions, status, and impacts, as when migrants intending to be temporary sojourners become permanent residents and then seek to change socio-political conditions in their new countries of residence-- importing workers also means importing new languages, cultures and ideas, and the means to reproduce them. The fact that migrant intentions and status may change means that the benefits and costs of migration are not always predictable, as Max Frisch noted when he wrote that European countries in the 1960s "asked for migrant workers, but got people." Clarifying benefits and costs, and overcoming the fear of irreversible (negative) change because of migration is a high hurdle, as illustrated by the undoubtedly apocryphal story of the dying North American Indian chief who lamented that failure to stop the arrival of European boat people ended a centuries old way of life in North America.

Global and receiving country impacts

What impacts do migrants have on their host countries? There are several speculative estimates of the economic gains from more international migration based on increased allocative efficiency, which means that the gain is measured by the increase in wages from migration. Hamilton and Whaley, in a 1984 exercise, estimated that world GDP could double if barriers to labor migration were removed.[8] The 1992 UNDP *Human Development Report* estimated that, if an additional two per cent of the then 2.5 billion strong labor force of developing countries were permitted to move to industrial countries (an additional 50 million migrants), and each migrant earned an average US$ 5,000 a year or a total US$ 250 billion, and remitted 20 per cent of their earnings or US$ 50

[8] Hamilton and Whalley grouped 179 countries into seven world regions, and estimated that if enough workers moved between these regions to equalize wages, global GDP, which was $8 trillion in 1977, could rise by $5 trillion to $16 trillion. The assumptions include: full employment (so that wages are determined by marginal productivity), a ratio of wages to profits of one in both rich and poor countries before migration barriers are lifted, and capital does not move even as labor migrates. The model used CES production functions to produce a single output, estimated differences in the marginal productivity of labor across seven multi-country regions, and assumed that these differences were assumed to be due to migration restrictions. They assume factor-price convergence via migration, with workers losing and capital owners gaining in receiving areas and workers gaining and capital owners losing in sending areas.

billion a year to their countries of origin, the extra remittances would be equivalent to official development assistance.

Within industrial countries, migrants increase GDP by lowering (the growth of) wages. The US has about 15 million foreign born workers, and their presence was estimated to add a net US$10 billion to the US$10 trillion GDP in the late 1990s, or 1/10 of one percent (Borjas, 1994, 1999); economic output rises with immigration, but much of this additional output due to immigration goes to the immigrants in wages or the owners of capital in profits. If this US net gain of 1/10 of one percent from immigration is applied to all the industrial countries, which have a GDP of US$25 trillion, their economic gain due to immigration is US$ 25 billion a year, and doubling the number of migrants could double the gain to US$50 billion a year. However, the gains from more migration are such that economist Dani Rodrik asserts "even a marginal liberalization of international labor flows would create gains for the world economy" far larger than prospective gains from trade liberalization.

The sign of the migrant economic effect on host countries is positive, but its magnitude is small. To put US$50 billion in perspective, if industrial country GDP grows by 2 percent, it rises by US$500 billion a year, which means that doubling the number of migrants in the industrial countries has an economic impact equivalent of about one month's "normal" growth. Increasing migration highlights competition between competing goods – the faster rising GDP associated with more migration may also be coupled with more unemployment and/or increased inequality.

Unemployment and inequality can be dealt with via government safety net policies, but if such programs are lacking or perceived to be inadequate, there can be opposition to migrants.[9]

The fact that some residents in receiving countries lose from migration helps to explain why richer countries to which migrants want to move often keep their doors at least partially closed. At first glance, migration restrictions are especially surprising when it is remembered that the benefits of migration tend to be immediate, measurable, and concentrated-- migrants who work abroad have higher wages measurable in monetary

[9] News reports often highlight the uncertainties facing middle-class workers in an age of increased global competition (trade that allows lower wage workers to do work formerly done in the US) and rapid advances in technology (enabling computers to do jobs previously done by workers). The Washington Post in Fall 2004 had several articles on $17 an hour (the average wage of private sector US workers) or $35,000 a year workers, many of whom were high school graduates who lost their high-wage manufacturing jobs that offered health and pension benefits and whose new service sector jobs offered lower hourly wages, fewer benefits, and less security.
Between 1969 and 1999, the share of US jobs classified as blue-collar and administrative support—typical middle class jobs for those with a high-school diploma—fell from 56 to 39 percent of a growing labor force. The share of jobs offering lower and higher than average wages rose-- janitors and fast-food workers and lawyers and doctors. Low-end jobs cannot support middle-class lifestyles, and high-end jobs require more education. The gap between the wages of a 30-year-old male high school graduate and a 30-year-old male college graduate was 17 percent as of 1979, and 50 percent in 1999. Griff Witte, "As Income Gap Widens, Uncertainty Spreads," Washington Post, September 20, 2004.

terms.[10] The costs of migration, if any, tend to be deferred, diffused, and harder to measure, as when wages in destination areas rise slower due to the presence of migrants, or if settled migrants send for their families and increase schooling and health care costs. Migration also has more difficult to measure integration and diversity issues, ranging from bilingual education, distributing scarce resources such as housing, and maintaining unity.

It should be emphasized that there is significant and growing south-south migration, and that developing countries that have to "manage migration" are relative economic success stories, that is, it is a good thing to have migrants seeking to enter. There is no off-the-shelf or one-size-fits-all migration management policy, since migration systems reflect the histories, migration patterns, and the economic circumstances of particular sending and receiving countries, and in some cases governments need to learn from their mistakes to develop a sustainable policy. For example, Thailand became a net labor importer in the 1990s and, after economic growth provided alternatives for internal migrants from poorer regions, the government allowed Thai employers to register the irregular foreign migrants they employed and thus delay their removal for a year or two. Registration-to-delay-removal remains Thai migration management policy but, beginning in 2004 there is to be an national quota on migrant workers, and any additional migrants are to be admitted with two-year renewable work permits only after their country of origin issues them identity documents (Martin, 2003).

Sending country impacts

The benefits and costs of migration are even more ambiguous for sending countries. Economist Harry Johnson in the 1960s asserted a "cosmopolitan liberal" position that gave highest priority to the individual and global impacts of migration: "like any profit-motivated international movement of factors of production, [migration] may be expected to raise total world output…[except] when the migrant's private calculation of gain from migration excludes certain social costs that his migration entails." (Johnson 1968, 75). Johnson believed that there were relatively few negative externalities associated with migration for developing countries, and that any losses could be dealt with by, e.g., changing the way education is financed in countries concerned about a brain drain.

Economist Don Patinkin, on the other hand, took a "nationalist" approach, rejecting the argument that "the 'world' should be considered as a single aggregate from the welfare viewpoint—and that the welfare of this unit is maximized by the free flow of resources between countries."(Patinkin 1968, 93). Patinkin argued that developing countries require a critical mass of talent, and that too much emigration can prevent their economic take off, a sentiment echoed more recently by Khadria (2000), who argues that countries like India should seek foreign investment that raises labor productivity and enables India to compete in the global economy despite migration.

[10] Owners of capital in receiving areas also benefit.

The goal is a world of few migration barriers and little economically motivated migration, a word in which people do not feel they "must migrate." However, there is no agreement on the role that migration can play in achieving such an ideal, since the effects of migration on sending countries can be virtuous, as when young workers who would have been unemployed at home find jobs abroad, send home remittances that reduce poverty and are invested to accelerate economic and job growth, and return with new skills and technologies that lead to new industries and jobs. The result is a convergence in economic conditions and opportunities between sending and receiving areas.

The alternative vicious circle can unfold if employed nurses, teachers or engineers are recruited for overseas jobs, so that quality and accessibility in health and schooling declines, and factories lay off workers for lack of key managers, In the vicious circle, migrants who go abroad may benefit from higher incomes, but if they do not send home significant remittances, or send home remittances that fuel inflation rather than job-creating development, those who stayed behind may be worse off. If migrants abroad do not return, or return only to rest and retire, there may be only a limited transfer of new ideas, energies, and entrepreneurial abilities from more to less developed countries, so that some migration leads to more migration.

Indian IT worker migration is an example of a virtuous migration circle. India had only 7,000 IT specialists in the mid-1980s, but multinationals recognized their skills, and began moving some Indian IT specialists from India to their operations in other countries. This led to the creation of brokers who specialize in the recruitment and deployment of Indian IT workers, and India became the major source of migrant IT workers. Some Indians returned with contracts to provide computer services to firms abroad, and the Indian government bolstered the budding IT industry that exported services instead of people by reducing barriers to imports of computers, upgrading the communications infrastructure, and allowing the state-supported Indian Institutes of Technologies to admit students on merit and to set quality benchmarks for IT education.

Employing Indians in India to do computer work became a growing industry that had important spillover effects: more government emphasis on improving the electricity and telecommunications infrastructure, wider acceptance of merit-based selection systems, and better IT services in India, since it made economic sense to offer Indians the same world-class level of services that were being offered to foreign firms. The virtuous circle was completed with a sharp jump in enrollment in science and engineering schools, pushing the number of IT specialists to 700,000 and making India a leading provider of low-cost, high-quality IT specialists and services.[11]

[11] Khadria (2000) takes a less benign view of the emigration of IT and health care workers, arguing that, to overcome the poverty of education and poverty of health that cause labor productivity to be low in India, the Indian Diaspora can help to raise productivity with remittances, technology transfers, and returns. Khadria's 2004 survey of IT workers and doctors found that the desire for professional experience that would pay off at home was a major reason to go abroad, while nurses wanted to emigrate and settle abroad. Khadria estimated the percentage of Indians 15-64 in science and technology rose from less than three percent in the early 1990s to four percent by 2000.

By contrast, the emigration to high-income countries of African doctors and nurses seems to have set in motion a vicious circle of poorer health care, and this is occurring just when the need for health care is growing because of AIDS and initiatives to improve immunization. Many African countries retained colonial-era education systems, but financially strained health care systems in Africa find it hard to place doctors and nurses in poorer rural areas. To provide health care services in such areas, they often assign new graduates who received government support for their education to rural areas with limited facilities and staff, and enforce these assignments by withholding licenses until a year or two of service is completed. The result is a bad experience that prompts many newly licensed health care professionals to emigrate. In South Africa, for example, about 40 percent of the 1,300 doctors and 2,500 nurses who graduate each year plan to emigrate as soon as possible.

Health care is a peculiar sector, with government strongly influencing demand via the provision of clinics and charges for patients and drugs, and government affecting supply by subsiding training and by setting the salaries and working conditions of health care workers. The solution to health-care labor shortages, even in South Africa, may not be stopping emigration. For example, in 2003 there were reported to be 32,000 unfilled nursing jobs, 7,000 South African nurses abroad, and 35,000 nurses in South Africa who are not working as nurses, so that even if all South African nurses abroad returned, there still would be unfilled nursing jobs.

More generally, the three R's associated with migration--recruitment, remittances, and returns—are not well understood for many developing countries that send workers abroad. Abella (1997) outlines strategies that developing countries can follow to make sending workers abroad more efficient and to protect migrants during recruitment and deployment. Remittances have become a major subject of study in recent years, especially after they topped ODA in the mid-1990s in developing countries and are now about double ODA (Ratha, 2003), but the study of interactions of remittances and returns on development is still in its infancy (Adams and Page, 2003)

Factors shaping migrant flows

Most economically motivated migrants move from areas with lower wages and fewer jobs to areas offering more jobs and higher wages, but the volume and composition of international labor flows are shaped by factors that range from economic and labor policies to trade and aid policies, as well as attitudes toward women going to school and working outside the home. In a globalizing world in which goods and capital flow ever more freely over national borders, in which costs of communication to learn about jobs abroad and transportation to get to them are falling, and because migrants are settled abroad who can serve as anchors for newcomers, the major surprise is how little international labor migration occurs, not how much.[12]

[12] Surveys of international migration globally and in particular countries include Castles and Miller, 2003 and Cornelius, et. al. 2004.

Differences in interest rates and goods prices across countries have generally narrowed to 5 to 1 or less, but wage differences for workers with similar skills often exceed 10, 20, or 30 to 1. The reasons for relatively modest levels of international migration in the face of such differences—86 million migrants in a global work force of 3 billion makes migrants 3 percent of all workers—include inertia, controls, and growth. The number one form of migration control has been and remains inertia—most people do not want to move away from family and friends, so most people stay in the country in which they were born. Second, governments have significant capacity to use controls that regulate migration, and they do, requiring passports and visas from visitors and establishing border and interior controls to determine who enters and remains on their sovereign territory. Third, experience shows that countries can undergo migration transitions from being mostly emigration areas to being immigration destinations, including southern European countries, South Korea, and Ireland. Furthermore, the migration transition from net labor sender to net labor receiver may be measured in years rather than decades, as in South Korea and Thailand.

Differences and migration

However, rising demographic, economic and other differences between countries promise more migration. Demographic trends in Africa and Europe provide an example of the differences that could lead to increased migration. In 1800, Europe had about 20 percent of world's one billion people and Africa 8 percent, but by 2000, the populations of these two continents were almost equal--Europe had 728 million residents and Africa 800 million, giving each continent 12 to 13 percent of the world's population. If current trends continue, the populations of Europe and Africa will diverge. Europe is projected to shrink to 660 million by 2050, giving it 7 percent of the world's 9 billion residents, while Africa is projected to expand to 1.8 billion, giving it 20 percent of the world's residents. If history repeats itself, there could be migration from demographically expanding Africa to other parts of the world.

Economic differences between rich and poor countries are widening, encouraging migration for higher incomes and jobs. The world's GDP was $30 trillion in 2000, making average per capita income $5,000 a year, but there was significant variation--the range was from $100 per person per year in Ethiopia to $38,000 in Switzerland, a 380 to 1 gap. When countries are grouped by their per capita GDPs, the gap between high-income countries, with $9,300 or more per person per year, versus low (below $750 per person per year) and middle income (between $750 and $9,300) countries has been widening, with very few low and middle income countries climbing into the high-income ranks.[13]

For example, in 1975, per capita GDPs in the high-income countries were 41 times greater than those in low-income countries, and 8 times greater than in middle-income countries. A quarter century later, high-income countries' had per capita GDPs that were

[13] For example, Portugal and South Korea moved from middle- to high-income between 1985 and 1995, while Zimbabwe and Mauritania moved from middle- to low-income status.

66 times those in low-income countries and 14 times those in middle-income countries. Rising per capita income differences help to explain why so many migrants from low- and middle-income countries take big risks to enter high-income countries, sometimes turning to smugglers or buying false documents.

A second dimension to increasing economic differences adds to international migration pressures. In developing countries, half of the work force, some 1.3 billion persons, are employed in agriculture, usually as small farmers, and many are taxed despite their lower than average incomes; in rich countries, by contrast, the farmers who are a small share of workers are generally subsidized.[14] Farm-nonfarm income gaps encourage massive rural-urban migration in developing countries, helping to explain why the urban share of the population in low and middle income countries rose from 32 to 42 percent between 1980 and 2000.

Many industrial countries had a "Great Migration" off the land in the 1950s and 1960s, and similar "Great Migrations" are underway in many major emigration. The Great Migration off the land has three implications for international labor migration. First, ex-farmers everywhere are most likely to accept so-called 3-D (dirty, dangerous, difficult) jobs in urban areas, either inside their countries or abroad, as is evident in Chinese coastal cities, where internal rural-urban migrants fill 3-D jobs, and abroad, where Chinese migrants are employed in industries that range from services to sweatshops. Second, farmers leaving agriculture often make physical as well as cultural transitions by moving to cities, and many are willing to go overseas if there is recruitment or a migration infrastructure to help them to cross borders. For example, Turks leaving eastern Turkey or Mexicans leaving southern Mexico may find adaptation in Berlin or Fresno as easy as integration in larger cities within their countries. Third, if rural-urban migrants move to cities within their countries, they get one step closer to the exits, since it is usually easiest to obtain visas and documents for legal migration in the cities of developing countries, or to make arrangements for illegal migration.

Security and human rights differences add to migration pressures. After the global conflict between capitalism and communism ended in the early 1990s, local conflicts erupted in many areas, leading to separatist movements, new nations, and more migrants, as in ex-Yugoslavia and the ex-USSR. Creating new nations is almost always accompanied by migration, as populations are reshuffled so that the "right" people are inside the "right" borders. Governments sometimes sent migrants to areas in which there were separatist feelings or movements, so that if the area later breaks away and forms a new nation, these migrants and their descendants can become international migrants without moving again, as with Russians who were sent to the Baltics or Indonesians sent to East Timor. After independence, new governments established rules that in some cases made it difficult for residents born in the country to be considered citizens.

[14] Taxes are extracted from agriculture via monopoly input suppliers who sell seeds or fertilizers at high prices or via monopoly purchasers of farm commodities who buy from farmers at less-than-world prices and pocket the difference when the coffee or cocoa is exported. In the high-income countries, farmers' incomes are generally higher than those of non-farmers, in part because high-income countries transfer funds to producers of food and fiber.

There is also a more mechanical reason for more international migration: more nation states and thus more international borders to cross. There were 191 generally recognized nation-states in 2000,[15] up from 43 in 1900, which means that some Africans who continue traditional seasonal migrations have become international migrants with the independence of ex-colonies. The number of new nation states has increased much faster than the number of regional agreements, such as the EU, that permit freedom of movement.

Networks and rights

Differences encourage migration, but it takes networks or links to persuade people to move. Migration networks include factors that enable people to learn about opportunities abroad as well as the migration infrastructure that enables migrants to cross national borders and remain abroad (Massey, et al, 1998). Networks have been shaped and strengthened by three major revolutions in the past half century: in communications, transportation, and rights. The communications revolution helps potential migrants to learn about opportunities abroad. The best information often comes from migrants established abroad, since they can provide family and friends at home with information in a context they understand. Many people in developing countries see movies and TV shows produced in high-income countries and some believe that, if they can get into countries with such wealth, they can share it, which is why some say that TV shows such as Dallas and Dynasty spur migration toward the US from all corners of the world.[16]

The transportation revolution highlights the declining cost of long-distance travel. British migrants unable to pay passage to the colonies in the 18th century often indentured themselves, signing contracts that obliged them to work for three to six years for whoever met the shipping cost and paid the captain for one-way transportation. Transportation costs today are far less, typically less than $2,500 to travel anywhere in the world legally, and $1,000 to $20,000 for unauthorized migration. Most studies suggest faster payback times for migrants today, so that even migrants who paid high smuggling fees can usually repay them within two or three years (Kwong, 1998; Kyle and Koslowski, 2001).

The rights revolution refers to the spread of individual rights and entitlements that allow some foreigners to cross borders and stay abroad. Many governments have ratified United Nations, International Labor Organization, and other conventions that commit them to guarantee basic human rights to all persons within their borders, including due process, emergency health care, and sometimes housing and food while they are awaiting decisions on their applications for asylum. This means that individuals who allege that

[15] The CIA factbook lists 191 "independent states", plus 1 "other" (Taiwan), and 6 miscellaneous entities, including Gaza Strip, West Bank, and Western Sahara. (www.cia.gov/cia/publications/factbook/index.html,).

[16] Even if migrants know that movies and TV shows portray exaggerated lifestyles, some of the migrants who find themselves in slave-like conditions abroad say that they did not believe that things in rich countries could be "that bad."

they face persecution at home are given an opportunity to explain why, and if the first judge does not believe them, they may receive benefits while their appeal is pending, a process that can take several years. Social safety net programs that provide housing, food and health care for asylum applicants make it easier for migrants to stay at least for several years.

There is little that countries experiencing "unwanted immigration" can do in the short-term about the demographic, economic, and security differences that promote migration, and they have little power or desire to reverse the communications and transportation revolutions. Governments create and enforce rights, and the default policy instrument to manage migration has been new or modified laws that restrict the rights of migrants. Many European governments reacted to the influx of asylum seekers by establishing rules that made it more difficult for some foreigners to apply for asylum, such as those who came from "safe" countries or transited safe countries in which they could have sought refuge. The US did not develop effective strategies to reduce illegal migration, but did restrict the access of legal and unauthorized migrants to social safety net programs. Altering the rights of migrants is a problematic way to manage migration.

Global and regional scenarios

Most migrants move only a short distance, and there is little prospect of a new global labor migration regime emerging quickly. Existing global regimes establish norms and standards for the protection of migrant workers, and the trend has been to get additional conventions, resolutions and standards approved to protect migrants and their families, even though most of these are ratified only by emigration countries and are widely violated in practice.

Economically motivated migration could decrease as a result of faster economic development. Remittances from migrants to their countries of origin have increased sharply, and may become substitutes for investment and aid in some areas from which migrants come. Trade and investment are more volatile, and they have in some cases contributed to more migration, a migration hump, as increased imports and restructuring in response to economic integration displace workers and speed up rural-urban migration.

Migrant standards

Migrant workers have been a special concern of the International Labor Office since its founding in 1919, and two major Conventions establish norms and standards for workers moving over national borders (ILO, 2004). Convention 97 (1949), ratified by 42 mostly emigration countries, defines a "migrant for employment" as "a person who migrates from one country to another with a view to being employed otherwise than on his own account." Its bedrock principle is equality: migrant wage and salary workers should be treated like other workers in the countries where they work, and the convention recommends bilateral agreements[17] that guarantee equality by spelling out procedures for private and public recruitment, exchanging information on migration policies and regulations, and having governments cooperate to ensure that employers have accurate information on the migrants being sent to them and migrants have complete information on wages and working conditions abroad.

Convention 143 (1975), ratified by 18 countries, was enacted after oil-price hikes led to recessions in European countries that had been importing large numbers of guest workers, and recommends policies to minimize illegal migration and to promote the integration of settled migrants. For example, Convention 143 calls for sanctions on employers who hire unauthorized migrants and encourages international cooperation to reduce the smuggling of migrants, including the prosecution of smugglers in both source and destination countries.

Both ILO migrant conventions[18] have fewer-than-average ratifications, which is often attributed to provisions that conflict with national legislation. States that ratify the conventions often exclude occupations dominated by migrants, such as farm workers and domestic helpers.[19] However, migrants in some countries are protected by national laws that conform to other core ILO conventions, including Convention 87, Freedom of Association and Protection of the Right to Organize (1948), and Convention 98, the Right to Organize and Collective Bargaining (1949),[20] but in some countries, even if migrants have these fundamental labor rights, they may be denied effective remedies if their rights are violated.[21]

[17] Conventions Nos. 97 and 143 exempt seafarers, frontier workers, the self-employed, artists and trainees. ILO Recommendation No. 86 includes a model bilateral agreement for migrant workers, and has been used as a model for many of the bilateral agreements that were established.

[18] Many other ILO conventions cover migrants (Freedom of Association and Protection of the Right to Organize Convention, No. 87 (1948)) or consider migrants as a group of special concern, as in the equal treatment under social security convention (118). The Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) calls for equality of treatment of all workers and for special measures to support certain workers, including regular migrant workers, and calls attention to the difficulties of returning migrants who would be unemployed in their home country. The Private Employment Agencies Convention (181, approved in 1997), calls for member states to penalize private employment agencies that defraud or abuse migrant workers, and urges bilateral agreements to prevent such abuses.

[19] For example, Article 8 of 97 says that foreign workers injured at work should not be subject to removal just because they are not employed, but most countries tie legal residence to legal employment. Article 8 of 143 calls for protection for migrants who lose their jobs, and 14(a) says that migrant workers should have the right to occupational mobility—most countries do not allow migrants to change employers.

[20] Convention 87 was ratified by 142 countries as of February 2004, and 98 was ratified by 154 countries.

[21] The US Supreme Court in March 2002 ruled that unauthorized workers who are wrongly fired for union organizing are not entitled to back pay for the time they are jobless after their illegal firing. The court ruled 5-4 in Hoffman Plastic that a worker's violation of immigration laws was more serious than an employer's violation of labor laws: "awarding back pay to illegal aliens runs counter to policies underlying [immigration law because] it would encourage the successful evasion of apprehension by immigration authorities, condone prior violations of the immigration laws, and encourage future violations." Union leaders denounced the decision, saying it would encourage employers to hire unauthorized workers because they know that, if they violate worker rights, "there will be no meaningful remedy."

The United Nations General Assembly on December 18, 1990[22] approved an International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families. The 8-part, 93 article UN convention,[23] which went into force in July 2003 with ratifications by 23 migrant-sending countries, aims to "contribute to the harmonization of the attitudes of States through the acceptance of basic principles concerning the treatment of migrant workers and members of their families." The UN Convention includes most of the protections in ILO Conventions, but goes beyond them to cover all migrants, including seafarers and the self-employed, and calls on states to adhere to basic human rights standards in their dealings with authorized and unauthorized migrants, including guaranteeing migrants freedom of religion and freedom from arbitrary arrest or imprisonment.

The major employment-related protections are in Part III, human rights, particularly Articles 25-27, which prescribe equality in wages and working conditions for authorized and unauthorized migrant and national workers, assert that migrants should be allowed to join unions, and call for migrant workers to receive benefits under social security systems to which they contribute, or to receive refunds of their contributions on departure. Authorized migrants should have additional rights set out in Part IV, including the right to information about jobs abroad as well as "equal treatment" such as freedom of movement within the host country, freedom to form unions and participate in the political life of the host country, and equal access to employment services, public housing, and educational institutions.[24]

Other international instruments and declarations also call for equal treatment for migrants. The Vienna Declaration and Programme of Action on Human Rights (1993) and the Cairo Programme of Action of the International Conference on Population and Development (1994) affirmed the importance of promoting and protecting the human rights of migrant workers and their families, while the Beijing Platform of Action of the Fourth World Conference on Women (1995) paid special attention to the rights of women migrants and urged protections for them from violence and exploitation. The United Nations Commission on Human Rights in 1999 appointed a Special Rapporteur to investigate violations of the human rights of migrants, and the World Conference on Racism, Racial Discrimination, Xenophobia and Related Intolerance in 2001 issued the Durban Declaration and Programme of Action, which urges states to allow migrants to unify their families and governments to make active efforts to reduce the discriminatory treatment of migrant workers. The UN General Assembly in 2000 adopted the Convention Against Transnational Organized Crime, which has two additional protocols:

[22] December 18 is celebrated as International Migrants Day.

[23] ILO Convention 97 is about 5,600 words, 143 is 3,000 words, and the UN Convention is over 14,000 words.

[24] Part IV, Article 44 was one of the most contentious parts of the Migrant Convention. It says that "recognizing that the family is the natural and fundamental group unit of society," obligates states to "take appropriate measures to ensure the protection of the unity of the families of migrant workers…to facilitate the reunification of migrant workers with their spouses… as well as with their minor dependent unmarried children." Migrant family members are to have "equality of treatment with nationals" in access to education, social and health services, and "states of employment shall endeavor to facilitate for the children of migrant workers the teaching of their mother tongue and culture."

the UN Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children, and the Protocol Against the Smuggling of Migrants by Land, Sea and Air.

Many reports reviewing the challenges and opportunities opened by globalization comment on migration. The World Commission on the Social Dimension of Globalization's report, A Fair Globalization, noted that many developing countries "maintain that freer migration to the industrialized world would be a swift and powerful means of increasing the benefits they receive from globalization" (2004, p. 96). The Commission acknowledged "a strong polarization of views on the desirability of expanding opportunities for international migration," but asserted that the development of a new migration regime was a realistic project to "facilitate mutually beneficial ways of increasing migration opportunities, with due regard to States' legitimate interests to ensure that the process is fair to both sending and receiving countries" (2004, p. 97).

However, these reports generally avoid a fundamental dilemma: differences prompt migration, but most international and many national standards call for equal treatment of migrants. There is an inverse relationship between the number of migrants and the rights of migrants[25]— the number of migrants tends to fall as rights and equal treatment rise— but most reports call for both more migrants and more or at least equal rights. With the fastest growth in migrant employment outside established channels designed to admit and protect foreign workers (unauthorized migration), should governments try to put unauthorized migrants and their jobs into established and legal channels by stepping up enforcement and having legalization programs, or should they accept a layered labor market and society in which rights and conditions for migrants vary with legal status and other factors?

In searching for the proper balance between migrant numbers and rights, we must be mindful of the fact that in managing migration, the perfect can be the enemy of the good. The quest for comprehensive international migration conventions, for example, can lead to a panoply of rights for migrants, but very few ratifications and thus limited government efforts to enforce these rights. Finding the proper balance between numbers and rights is a difficult and complex challenge for migrants, employers and governments in the 21st century.

Trade, investment and aid

Goods have labor embodied in them, so trade can be a substitute for migration. This is what has occurred in countries that have gone through the migration transition from labor senders to labor receivers, such as Italy and South Korea. Between 1950 and 2000, world

[25] This numbers-rights dilemma is clearest when the demand for labor is negatively sloped, meaning that, if unauthorized farm workers are treated "equally" their labor costs rise so much that there is often mechanization. Equal rights can mean e.g. that employers who hire workers only seasonally or hire them to work in private homes or on weekends have to pay a premium wage to induce local workers accept such jobs, but can pay minimum wages to migrants.

GDP increased 4-fold to $30 trillion, [26] while world trade in goods increased 17-fold to $13 trillion, meaning that goods worth 40 percent of the value of global output crossed national borders.[27] Increased trade was stimulated by economic growth and reductions in the average tariff on manufactured goods, which fell from 40 percent in 1950 to 4 percent in 2000. Services, which are normally produced and consumed at the same time, as with medical care and tourism, involved exports worth $1.4 trillion and imports worth $1.4 trillion and, as with goods trade, but over 80 percent of services trade was between high-income countries in 2000.

Most global trade involves goods, which means that a good is produced in one country, taken over borders, and consumed in another. Economic theory suggests that if countries specialize in producing those goods in which they have a comparative advantage,[28] most residents of countries that specialize and trade will be better off. Even if the US can produce both TV sets and corn cheaper than Mexico, but is relatively better at corn production, the US should devote resources to corn production and buy televisions from Mexico so that Americans have cheaper TVs and Mexicans cheaper tortillas. With trade accelerating economic and job growth in both countries, trade becomes a substitute for migration, and Mexico-US migration falls as trade narrows wage differences.

[26] Average world capita GDP doubled from $2,500 to $5,000 per person per year between 1950 and 2000. By 2003, global GNI was $35 trillion for 6.3 billion people, an average $5,500 per capita, and at purchasing power parity, GNI was $51 trillion, or $8,200 per capita. Merchandise trade totaled $15 trillion, 43 percent of global GNI.
[27] The $13 trillion represents both exports and imports of goods.
[28] Comparative advantage theory advises countries to specialize in producing goods in which they have a relative advantage because of their resources, location, or capital-labor costs. Even if one country can produce all goods cheaper than another, both countries are still better off specializing in the production of the goods they can produce most efficiently, exporting some, and importing goods they cannot produce as efficiently. Trade can also lead to economies of scale, which lowers the cost of production as output increases for a larger market.

Table 8. Global trade and service flows: 1990 and 2000

Global trade and service flows: 1990 and 2000

	Merchandise					
Trade in 2000	Exports($bils)	Food (%)	Ag Raw Mat	Mfg goods	1990	1990-2000
Total	6,356	7%	1%	78%	3,433	85%
High Income	4,612	6%	2%	82%	2,423	90%
High Income	73%				71%	
Low-Middle	1,743	9%	2%	61%	702	148%
	Merchandise					
Trade in 2000	Imports($bils)	Food (%)	Ag Raw Mat	Mfg goods	1990	1990-2000
Total	6,565	7%	2%	74%	3,516	87%
High Income	4,949	7%	2%	75%	2,846	74%
Low-Middle	1,616	8%	3%	71%	663	144%
	Commercial Services					
Trade in 2000	Exports($bils)	Transport(%)	Travel(%)	1990	1990-2000	
Total	1,431	23%	32%	750	91%	
High Income	1,170	23%	30%	647	81%	
High Income	82%			86%		
Low-Middle	261	23%	43%	103	153%	
	Commercial Services					
Trade in 2000	Imports($bils)	Transport (%)	Travel(%)	1990	1990-2000	
Total	1,400	28%	31%	775	81%	
High Income	1,103	27%	32%	643	72%	
Low-Middle	297	33%	28%	131	127%	

Services are produced and consumed at the same time
Transport services are performed by residents of one country for residents of another
Travel services include goods and services consumed by travelers while abroad
Source: World Bank, World Development Indicators, 2002

Migration and trade were substitutes across the Atlantic and within Europe in the 19th and early 20th century. When European growth rates in the 1950s and 1960s rose above US rates, the gaps in wages and incomes across the Atlantic narrowed, and migration slowed even when the United States reopened doors for European immigrants in the 1960s. A similar story of narrowing wage and income gaps due to freer trade and aid explains why labor migration from southern European nations such as Italy and Spain fell or stopped in the 1970s and 1980s just as Italians and Spaniards got the right to live and work anywhere in the European Union.

The US Commission for the Study of International Migration and Cooperative Economic Development studied the links between trade and migration and concluded that: "expanded trade between the sending countries and the United States is the single most important remedy" for unwanted migration (1990, p. xv). However, the Commission emphasized that, when countries suddenly embrace freer trade and investment, there can be labor-displacing adjustments that temporarily increase migration. For example, Mexican farmers who were protected from global markets may quit growing corn as imports rise. Since Mexicans were migrating to the US from rural areas before there was freer trade in corn, migration may temporarily increase so that "the economic development process itself tends in the short to medium term to stimulate migration," producing a migration hump when flows are charted over time (1990, p. xvi).

The migration hump can be small and short-lived if foreign direct investment accelerates creation in emigration countries. For example, instead of migrating to the US, displaced corn farmers may remain in Mexico if FDI creates jobs for them. FDI can accelerate socio-economic changes already underway, such as stimulating internal migration, as when FDI is concentrated in the US border-area in Mexico, facilitating migration, or flows to southeastern coastal areas of China, and area sending migrants abroad. FDI rose rapidly in the 1990s, peaking in 1997 at $196 billion, reflecting in part widespread privatization programs that allowed foreign investors to buy previously state-owned operations. The top 10 developing country recipients of received 70 to 80 percent of the total, and they have been China, Brazil, Mexico, Argentina, Poland, Chile, Malaysia, Thailand, the Czech Republic, and Venezuela, with China alone accounting for almost 40 percent of FDI in developing countries in recent years. In 2003, FDI in developing countries totaled $147 billion, including $49 billion or a third going to China.

Table 9. Foreign direct investment: 1990 and 2000

Foreign direct investment: 1990 and 2000

FDI($bils)	2000	1990	1990-2000
Total	1,168	200	484%
High Income	1,001	176	469%
Low-Middle	167	24	596%

Source: World Bank, World Development Ind
2002

The incentive to invest in developing countries is driven by expected profits, not the need for jobs to reduce emigration. Developing countries already on the road to stay-at-home development tend to get the most FDI, and some of them are net immigration areas, including Argentina, Malaysia, Thailand, and the Czech Republic. This means that, in countries such as Malaysia and Thailand, foreign investors may be creating jobs that are filled by migrants from neighboring countries that offer less secure environments for FDI, as with Burmese migrants employed in Thailand or Indonesian migrants employed in Malaysia.

Trade and investment often seem to be the slow road to development, but the world has found no other path that promises sustained economic and job growth. The new globalizers, as the World Bank (2002) termed the Chinese and Indian states that attracted foreign investment to produce manufactured goods for export, have had the fastest rate of poverty reduction, and they often attract internal migrants to the jobs created by local and foreign investment. Over the past two decades, at least parts of developing countries with about three billion residents have experienced substantial poverty reduction as a result of trade and investment. However, the World Bank warned that other developing countries with about two billion residents seem to be falling further behind and risk the "danger of becoming marginal to the world economy" except as sources of migrants (World Bank, 2002, x).

Official Development Assistance (ODA) monies are grants and low-interest loans given by one government to assist development in another. In 2000, the OECD nations that are members of the Development Assistance Committee provided $54 billion in ODA,[29] about the same as the $53 billion in 1990, but a smaller percentage of donor and recipient GDP. Some countries, notably France, call their bilateral aid programs "co-development" to stress the effort to promote cooperation in economic development and other areas of mutual interest with countries receiving aid, including migration management. Since 2000, for example, the annual Mali-France Consultation on Migration has dealt with the integration of Malians who want to stay in France; co-management of migration flows; and cooperative development in emigration areas of Mali to reduce migration pressures.

World Bank studies suggest that the impact of aid on development depends on the quality of state institutions and policies, with aid being more effective as spurring growth in countries with good governance and economic policies (Burnside and Dollar, 2004). The chicken and egg question is whether ODA can lead to good governance and economic policies, or whether good governance and economic policies must be in place before ODA will be effective.

The stability of ODA contrasts sharply with trends in other global flows. During the 1990s, for example, remittances to developing countries more than doubled, trade increased 1.5 times, and FDI rose almost six-fold. This raises the question: if there must be a choice, which is more important--more aid or trade reforms in the rich donor countries that would permit developing nations to expand their exports of farm commodities and labor-intensive goods? The World Bank (2002, 131) is clear that freer trade in farm commodities is most important: "trade reform in both industrial and developing countries would have a larger impact on improving welfare in developing countries than any of the increases in aid…Industrial countries spend more than $300 billion a year in agricultural subsidies, more than six times the amount they spend on foreign aid." If developing countries had unrestricted access to industrial country markets, their GDPs would rise five percent, according to the World Bank, five times more than their current gain from remittances.

In most developing countries, 40 to 60 percent of the labor force is employed in agriculture, and farm goods are a major share of exports. Most migrant-receiving countries protect their farm sectors, generally by guaranteeing their farmers higher-than-world prices for the commodities they produce, and often donating or subsidizing the sale of the surplus in world markets, depressing world prices for farm commodities and

[29] Another $6.9 billion in official aid was provided to so-called Part II countries, most in Eastern Europe and the ex-USSR. About a quarter of ODA is provided via technical cooperation grants, as when donors pay consultants to advise developing country governments.

limiting the incentives for farmers in developing countries to stay on the farm.[30] Farm subsidies in rich countries have been rising: between the late 1980s and late 1990s, the producer support equivalent (PSE) level of subsidy for the farm sector in the US, Japan, and the EU rose from about 4 times their level of aid to 5 times.

Table 10. ODA and farm subsidies: 1990s

ODA and farm subsidies: 1990s

	ODA($bils)	Farm Support (PSE $b	
	2000	1999	1986-88
DAC/OECD	256	252	221
US	10	54	42
Japan	13	59	54
EU	28	114	95

DAC is Development Assistance Committee mem
the OECD
PSE is producer support equivalent
PSE is the value of transfers from taxpayers (pay
and consumers (higher prices) to farmers
Source: OECD

Could more aid reduce migration pressures? An ambitious study concluded "not necessarily." After examining the role that aid played in the various countries and regions that sent large numbers of economic migrants and political refugees over borders in the 1970s and 1980s, experts anticipated the World Bank's conclusion, asserting that the most important aid to deter economic migrants would be that spent inside the industrial countries to buy off the protests of industries and workers who limit trade in garments, farm commodities, and other products in which developing countries have a comparative advantage (Böhning and Schloeter-Paredes, 1993). Experts studying the role of aid in refugee situations concluded that aid was often given to help one superpower gain influence in a region at the expense of another superpower, so that aid could prolong conflicts and create more refugees. The study concluded that there may be ways to reconfigure and target aid to reduce the number of economic migrants and political refugees, but the record of the 1970s and 1980s was not encouraging.

GATS mode 4 service providers

The World Trade Organization and its 147 members aim to free up trade and enhance comparative advantage, the economic theory that concludes that if each country specializes in goods it can produce relatively cheaper, and trades for other goods, most residents of trading countries are better off, and their combined economic output is

[30] In the late 1990s, when global exports of manufactured goods were about $3.5 trillion a year, global exports of farm goods were less than $500 billion a year, including a third from developing countries. Another comparison is with global arms sales, some $26 billion in 2001, down from $40 billion in 2000, and 2/3 of global arms sales are to developing countries.

greater. WTO trade rules are based on two principles: the most-favored-nation (MFN) principle, treating all WTO members equally, so that if a country allows autos from one foreign country to enter, it must allow autos from other WTO member countries to enter on the same basis. The second principle is national treatment, which means equal treatment for foreign and "like" national firms operating inside the country or bidding to supply goods, with exceptions allowed for e.g. national security and other reasons.

The General Agreement on Trade in Services (GATS) is part of the World Trade Organization that entered into force in January 1995, and is a central focus of the current 2004 Doha round of negotiations aimed at liberalizing flows of goods and services over borders in ways that benefit developing countries. Led by India, developing countries have been requesting that high-income countries open doors wider to temporary service providers, and the WTO's 2004 World Trade Report in September 2004 concluded that more migration of service providers would have positive effects "on both the sending and receiving countries," increasing global GDP by $150 billion to $200 billion a year.
Services are usually defined as items that are produced and consumed simultaneously, and usually change the consumer, as with medical services.

There are four major modes or ways to move services over borders—cross border supply, consumption abroad, FDI or commercial presence, and migration, which the GATS refers to as the temporary movement of natural persons.[31] About 85 percent of world trade in services occurs in Modes 1 and 3, but many developing countries have made liberalization of Mode 4 service migration their "litmus test" for judging the success of the current Doha round of trade negotiations scheduled to conclude by 2005. GATS does not apply to "measures affecting natural persons seeking access to the employment market" and does not apply to "measures regarding citizenship, residence, or employment on a permanent basis," which suggests that the movement of service providers could be slowed by immigration restrictions.

Table 11. Global trade in services by mode, 2000

Global trade in services by mode, 2000

Mode	2000 ($ mils)	Per Dist
1. Cross-border supply	1,000	28%
2. Consumption abroa	500	14%
3. Commercial presenc	2,000	56%
4. Migration-compensa	50	1%
Total	3,550	

Source: WTO Statistics, March 14-15, 2002

During GATS negotiations, WTO members make "commitments" that spell out the minimum treatments they offer to nationals of their trading partners seeking entry to supply services: they can provide full access, no access), or partial access to particular sectors. Countries offering partial access to foreign service providers are to spell out

[31] Temporary is not defined in the GATS, but GATS explicitly does not apply to permanent migration. Most WTO members limit service providers to less than five years in their country.

restrictions such as quotas or the maximum number of foreign service providers allowed, the minimum size or value of permitted providers (e.g. only banks with assets of at least $100 million may establish a subsidiary), and/or the maximum number of customers to be served or migrant service providers allowed to enter to serve them. The final two restrictions relate to local participation—must the service provider have a local partner, and what percentage of the capital must or can come from abroad?

The GATS has 29 articles covering the four major modes of trading services:

- **Mode 1**. Cross-border supply are services provided from the territory of one country to another, such as telephone calls that cross borders to call centers. Mode 1 service supply is most analogous to trade in goods, since services but not producers or consumers cross borders.
- **Mode 2**. Consumption abroad are services provided within one country to consumers from other countries, such as tourism, educational and health services; consumers cross borders to reach the provider and receive the service.
- **Mode 3**. FDI or commercial presence are services provided abroad via a subsidiary of a bank, insurance company, or other firm established in the country where the service is provided. Mode 3 services are often accompanied by some migration, as with intra-company transfers of staff from the mother company in one country to a subsidiary in another.
- **Mode 4**. Temporary movement of natural persons involves services provided by individuals abroad. These migrants can be foreign workers, as when Indian IT workers are employed abroad, or self-employed migrants, as with architects or consultants who cross borders to provide services to clients.

Countries may provide full, partial, or no access to particular service sectors and, if they provide partial access, they can limit the number and characteristics of foreign service providers, e.g., up to 1,000 accountants a year can be admitted to work for private firms. Most countries make "horizontal commitments," meaning that they open legal services accounting in all sectors to all foreign service providers, not just accounting in banking and insurance (Mattoo, 2002; Nielson and Taglioni, 2003).

Liberalization of trade in services is achieved primarily via the most-favored-nation (MFN) principle: if a country allows foreign firms to enter a sector such as banking, the GATS generally requires the country to treat all banks from WTO member countries equally, unless they specified an exemption when they joined GATS. However, unlike reciprocal trade liberalization in goods, as when the US and Mexico simultaneously reduce tariffs on auto imports, GATS negotiations are often not reciprocal, as when the US allows foreigners to enter to teach in public schools, but other countries do not allow Americans to teach in their schools. Once a GATS liberalization commitment is made, there is to be no backtracking, e.g. the US committed to 65,000 H-1B visas a year in the first round of GATS negotiations, and is thus obliged not to reduce the ceiling below 65,000 a year.

The second GATS liberalization principle is national treatment— equal treatment for foreigners (or foreign firms) and nationals (or national firms). Under trade in goods, national treatment means that there should be no additional taxes on foreign-made cars or subsidies for US-made cars. However, many services are provided by governments, for which the GATS allows exemptions. For example, GATS allows governments to permit only citizen employees to provide government-provided or funded-services, including teaching in schools.[32] The GATS explicitly allows countries to cite national immigration policies as a reason not to open a particular sector to the temporary movement of natural persons or to deny entry to certain individuals.

Services are 70 to 80 percent of output and employment in the world's high-income economies, and the service sector tends to expand with economic development, as when women work outside the home, generating a demand for day care and restaurant meals. The demand for services is income elastic, which means that if incomes rise 10 percent, the demand for tourism or health care services rises more than 10 percent. Finally, many services once considered to be immobile have become mobile with falling telecommunications costs, including back-office jobs processing bank and medical records, which first moved from inner cities to suburbs within countries and are now increasingly outsourced abroad.

Labor is typically the largest share of the cost of supplying services, accounting for 70 to 80 percent of production costs, versus 20 percent for manufactured goods. Lower wages in developing countries give them a "comparative advantage" in producing many services, especially as technologies and training in computer-related occupations become standardized around the world. Industrial country firms have begun to aggressively "outsource" some services, such as setting up call-center operations in India or coupon-redemption centers in the Caribbean, enlarging Mode 1 services trade. Multinationals that establish a subsidiary abroad, and then move managers and specialists there for a few years, help to expand Mode 3 FDI-related trade in services.

Developing country GATS demands

During the Doha round trade negotiations, industrial countries led by the US and EU pushed for liberalization of Mode 3 trade in services so that their banks, insurance companies and other service providers could more easily establish subsidiaries and sell services to consumers in developing countries. Developing countries, on the other hand, advocated liberalization of Mode 4, the temporary movement of natural persons, and made demands in four major areas: eliminating or reducing economic needs tests, easing visa and work permit issuance, expediting the recognition of an individual's credentials, and avoiding the requirement that service provider migrants pay social security and related taxes. Developing countries also asked that Mode 4 market access provisions be

[32] Countries may also de-regulate the provision of services, but limit competition to national suppliers, e.g. introduce vouchers and charter or private schools, but allow only national firms employing citizens to provide educational services.

extended from professionals to semi-skilled workers who provide construction, cleaning and similar services.

Under GATS Mode 4, the only obligation is for host countries to grant market access to foreign service providers.[33] If trade negotiators such grant market access, the next step is to determine what roles labor and migration agencies play in determining whether particular foreigners can enter to provide services. Many developing countries would like the WTO to issue a Service Provider Visa that would allow foreigners to enter "temporarily" to provide services, with the burden on the host country to prove that a particular foreigner with a WTO-visa should not be allowed to enter. This would reverse current procedures in most countries, which but the burden on foreigners seeking admission that they will not violate immigration and labor laws.

The first hurdle for most foreign service providers is an economic needs test (ENT). In most countries, foreign service providers must have employment offers, and employers seeking permission to hire them must satisfy their governments that local workers are not available. There are two major types of economic needs tests: pre-admission and post-admission.[34] Pre-admission labor certification means that an employer must demonstrate that she has tried to find local workers while offering at least prevailing or government-set wages, which employers do by placing ads seeking workers and keeping logs that record why applicants were not hired. Under pre-admission labor certification, the border gate remains closed until the employer satisfies the government that foreign service providers are truly needed. Employer attestation, on the other hand, is a trust-the-employer approach. The employer attests or asserts that the foreigner is needed and makes minimal assurances, such as promising to pay at least the prevailing wage, and the government agency approves the foreigner's admission. There is generally no enforcement unless the agency receives complaints, which is why attestation is an employer-opens-the-border-gate policy, with post-admission enforcement aimed at keeping employers honest.

There are over 250 ENTs specified or scheduled in GATS offers, and they range from case by case tests to ensure that local workers are not available to giving employers in particular sectors relatively easy access to migrants. Developing countries would prefer few or no ENTs and more transparency in procedures used by government agencies to determine prevailing wages and other factors used to assess the need for foreign workers in both pre-admission and post-admission systems,[35] a goal they could achieve with a WTO-issued GATS visa applicable to employees and self-employed persons.[36] The

[33] For the purpose of facilitating negotiations, a list of 12 service sectors and 160 sub-sectors was developed.
[34] In the US, pre-admission ENTs are called labor certification, and post-admission ENTs are called employer attestation.
[35] Some countries have requested the right to be informed about and comment on regulations governing the access of foreign service providers to local labor markets.
[36] Some countries, including the UK, already allow the admission of "independent service providers." In the UK they are non-EU foreigners who achieve at least 75 points in five personal areas: education (maximum 30 points for a PhD), work experience (maximum 25 points for five years), past earnings (25 points for $65,000 a year, 35 points for $165,000 a year), work achievements (15 or 25 points for

Asian-Pacific Economic Cooperation (APEC) Business Travel Card, issued by national authorities to facilitate business travel among APEC countries, is sometimes cited as a model for such a visa, but it is simply a three-year multiple entry visa permitting two- to three-month stays in other APEC countries, but not to work (Nielson, 2002).

Visa and work permit procedures refer to the steps required to obtain permission to enter another country and work as a service provider. After an employer receives permission to hire a foreign service provider, the foreigner must normally be interviewed by a government employee, such as a consular officer in the migrant's country of origin, to determine if she is eligible for a residence and work visa. In some countries, separate agencies issue work and residence visas, and there can be conflicts between them over whether a visa should be issued or a foreigner admitted or allowed to work, which increases costs and uncertainties. Developing countries would like "one-stop shops" in industrial countries that would issue multiple entry visas and work permits that are easy to obtain and renew, with the right to file trade complaints if inter-agency conflicts slow visa issuance.

Most industrial countries make it easiest for professionals to enter, and a major demand of developing countries is easier recognition of a migrant's qualifications. Professional migration is facilitated if credentials issued in one country are recognized in another; if they are not, professionals may be discouraged from migrating. Within countries and some regions, such as the European Union, mutual recognition agreements (MRAs) facilitate migration, as when the institutions that issue licenses to local doctors and nurses acknowledge the validity of licenses issued by other states or countries on a reciprocal basis. MRAs are most common when educational systems are similar, such as within the EU,[37] and between previous mother countries and colonies, as in the British Commonwealth. Efforts to develop MRAs among the more diverse countries in the WTO are likely to begin with accounting and actuarial sciences, perhaps the most global occupation, although there is discussion of standardizing medical education around the world as well. Many developing countries would like a global MRA administered by the WTO, so that if the WTO certified a person as a doctor, all member countries would be obliged to recognize the doctor's credentials. As a second-level demand, developing countries would prefer employer assessments of an applicant's qualifications to government checks of credentials, as sometimes happens in high-tech fields where there are few credential-vetting systems.

The fourth developing country demand centers on social security-related issues. Payroll taxes add 20 to 40 percent to wages in most industrial countries, and developing countries complain that migrant service providers are often required to pay them, even if they have limited or no access to the benefits these taxes finance. If the comparative advantage of developing countries is lower labor costs, requiring migrants to pay social security taxes

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publications and honors), and skills in UK "priority areas," such as general practitioner doctors (www.workpermits.gov.uk/).

[37] The EU's mutual recognition system applies only to EU nationals, so that a Turk recognized as a doctor in Germany does not have to be recognized as a doctor in France. In countries such as the US and Canada, credentials may be state- or province-specific, so that a doctor or lawyer accredited to practice in one place may not be licensed to practice in another within the same country.

erodes their comparative advantage, according to developing countries. On the other hand, many migrants find ways to stay abroad, so excluding them from social security systems might leave them with fewer benefits than other workers if they settle, raising equity issues.

Can GATS liberalize migration?

There have been relatively few commitments made for Mode 4 liberalization, and there are far more limitations attached to the Mode 4 commitments that have been made than on the other modes of trade in services. For example, many countries reserved the right to suspend entries under Mode 4 if the foreign service provider is entering during a strike, and most commitments allow immigration authorities to deny entry to particular persons deemed a security threat.

Industrial countries cite several reasons why they find it difficult to liberalize Mode 4 migration, including high unemployment rates among IT workers, the sector that accounted for much of the global growth in Mode 4 migration over the past decade. Advocates of more Mode 4 migration frequently note that it covers only temporary migration, but industrial countries know that many migrants intending to stay temporarily wind up as permanent residents, making it very hard to separate temporary and permanent migration. Some countries fear that opening another migration door for service providers could add to illegal migration, especially if a net set of documents such as a WTO-issued visa were counterfeited.

Another concern is that "service provider" could be broadly construed and render guest worker programs irrelevant. For example, one OECD document notes that guest workers could be considered to be supplying fruit-picking "services incidental to agriculture." Another example involves a sewing shop receiving cloth and a contract to sew shirts—is it a supplier of sewing services entitled to bring foreign sewers into a country to provide the service? (Nielson and Taglioni, 2003, 8).[38]

Some developing countries recognizing that it may be easier to move service providers over national borders via Mode 3, as occurs when they establish a subsidiary abroad and move managers, specialists, and perhaps trainees between operations in different countries. For most intra-company transfers sent over national borders, there are no economic needs tests, no numerical limits, and no prevailing wage or other salary requirements, which helps Indian firms to move IT workers from operations in India to operations abroad.[39]

However, even if developing countries use the "easy" avenue of intra-company transfers to move service providers over borders, the issue of independent service providers

[38] Nielson and Taglioni go on to note that it may make no sense "to limit labor mobility solely to service providers" since many firms provide both goods and services (2003, 8)
[39] Winters et al. (2002, 57) conclude that subcontracting and using intra-company transfers "offers the greatest chance of extending Mode 4 to lower-skilled workers."

remains, such as architects and translators who often work in a non-employee relationship with their client-consumers. Most industrial countries that allow the entry of self-employed migrants require them to provide services to final consumers. However, few developing country service providers have the contacts to find consumers abroad, which is why there is pressure on industrial countries to allow professionals to enter and work as employees for service firms such as architects. Under current laws, such movements are considered labor migration and subject to rules governing guest worker programs.

Professionals with a college degree or more are among the fastest growing types of migrant workers. Their migration transfers human capital, a key to faster economic growth, from developing to developed countries. The presence of professionals from developing countries in developed countries is generally welcomed, and most countries have made it easier for foreign students and professionals to enter and stay. The impacts of the professional emigrants are more mixed in developing countries, with some complaining that the exit of health care workers leads to a vicious downward spiral, while others find that the exit of IT specialists sets in motion a positive virtuous development process. Developing countries would like to use the GATS negotiations to make it easier for their nationals to cross borders and provide services in industrial countries, but the fact that the impacts of service provider exits on developing countries is not clear suggests that they may want to be careful what they wish for.

Regional agreements

There has been more progress liberalizing the movement of labor at regional and bilateral levels. The best-known regional agreement permitting freedom of movement is the European Union, which includes labor among the four freedoms: capital, goods, services, and workers can cross the national borders of member states and be treated on an equal basis with locals. However, the EU often restricts freedom of movement for new members for fear that there may be “too much” labor migration. For example, labor migration from Italy was restricted until 1967, a decade after the EEC was founded, and nationals of the eight East European states that joined the EU on May 1, 2004 may have had to wait up to seven years for freedom of movement rights to the old-15 EU states.[40]

Despite a series of national and EU decisions that, inter alia, expanded mutual recognition of credentials, linked social security benefits across national systems, and removed other barriers to freedom of movement, only two percent of EU workers are migrants. The EU encourages more migration, and the multilingual young people of so-called "Generation E (for Europe)," may increase the share of EU nationals who work for at least several years outside their country of nationality. However, especially older workers who may be unemployed in one country seem reluctant to move within that country or to another area where there may be more opportunities for employment.

[40] It has been suggested that, if Turkey is invited to join the EU in 2015, there could be permanent restrictions on freedom of movement for Turks.

The North American Free Trade Agreement (Nafta), which went into effect on January 1, 1994, offers a more limited type of freedom of movement. The purpose of Nafta was to free up trade and investment between the United States, Canada, and Mexico, and one hoped for side effect was for less irregular Mexico-US migration due to the expectations of faster economic and job growth. However, Nafta's Chapter 16 has migration provisions, and since 2004 they have permitted relatively free movement for college graduates in 60+ occupations.[41] The number of Canadian professionals entering the US to accept jobs with Nafta-TN visas almost tripled after 1995, from about 25,000 entries a year to 70,000 entries a year, but the number of Mexican entries remained far below a 5,000 a year cap that was removed in 2004.

Table 12. US admissions of Nafta professionals, 1994-2002

US admissions of Nafta professionals, 1994-2002

	Canadians	Mexicans	Total
1994	25,104	16	25,120
1995	25,598	63	25,661
1996	28,237	229	28,466
1997	48,430	436	48,866
1998	60,742	785	61,527
1999	60,755	1,242	61,997
2000	89,864	2,354	92,218
2001	70,229	1,806	72,035
2002	71,082	1,732	72,814

Source: Roger Kramer, Developments in International Migration to the US, 2003
Calendar year data

There are agreements between groups of developing countries that call for freedom of movement, but most have been marked by very limited goals, such as the APEC business card,[42] or by ambitious goals that are not fulfilled, as with Caricom,[43] Mercosur, and several African agreements.

[41] A Canadian or Mexican shows the US inspector at the port of entry a written offer that spells out the entrant's job duties, expected length of stay, and salary arrangements and proof of Canadian or Mexican citizenship and the requisite education and receives TN visa that is renewable indefinitely. Under US immigration law, three of the four groups of trade-related migrants under Nafta's Chapter 16 enter with other visas, e.g. business visitors use B-1 visas, treaty traders and investors use E-1 and E-2 visas, and intra-company transferees L-1 visas.

[42] The Asian-Pacific Economic Cooperation (APEC) Business Travel Card, issued by national authorities to facilitate business travel among APEC countries, is a three-year multiple entry visa permitting two- to three-month stays in other APEC countries for business but not work.

[43] Under Caricom, five categories of workers have freedom of movement rights: graduates of the University of the West Indies, media workers, musicians, artists and sports persons. These migrants are to have their social security rights harmonized and transferable, and Caricom is to establish mechanisms for certifying and establishing equivalency of degrees by the end of 2005.

Bilateral agreements

ILO Conventions call for migrant workers to move over national borders under the terms of bilateral MOUs or agreements. Canada's Commonwealth Caribbean and Mexican Agricultural Seasonal Workers Program is one such program, and it is often considered a model for moving temporary workers over borders.

Canadian farmers have been allowed to employ foreign workers selected by Caribbean governments since 1966, and from Mexico since 1974. About 80 percent of the migrants admitted are employed on fruit, vegetable and tobacco farms in Ontario, where the average stay is four months and migrants fill about 20 percent of seasonal farm jobs.

Especially the Mexican and Canadian governments seem pleased with the program. In March 2003, then Canadian Prime Minister Jean Chretien said to Mexicans: "This program, where your farmers can come and work in Canada, has worked extremely well and now we are exploring (ways) to extend that to other sectors. The bilateral seasonal agricultural workers program has been a model for balancing the flow of temporary foreign workers with the needs of Canadian employers." Carlos Obrador, Mexican vice-consul in Toronto said the program: "is a real model for how migration can work in an ordered and legal way" while Mexican Foreign Secretary Luis Ernesto Derbez said the program "shows our colleagues in Spain and the United States the success of a program established correctly."

The admissions process begins with farmers applying to local offices of Human Resources Development Canada (HRDC) for workers; under the Canadians First Policy, farmers must hire any qualified Canadian workers available. If there are no Canadian applicants, farmers must offer Mexicans at least 240 hours of work over six weeks, free approved housing and meals or cooking facilities, and the higher of the minimum wage (C$7.15 an hour in Ontario in 2004), prevailing wage, or the piece-rate wage paid to Canadians doing the same job.

A farmer-funded organization, Foreign Agricultural Resource Management Services (FARMS) arranges for the Mexican workers to be transported Canada and to their employer's farm.[44] Employers advance the cost of transportation to Canada, and then deduct four percent of worker wages (up to $C575) to recoup transport costs; farmers also deduct payroll and insurance taxes from workers' pay. Mexican migrants are on probation for two weeks, and farmers provide written evaluations of each worker at the end of the season; these employer evaluations are placed in sealed envelopes and delivered by returning workers to Mexican authorities. Farmers may specify the names of Mexican workers they want, which they do over 70 percent of the time, so that the average worker interviewed in one study had seven years experience in Canada (Basok, 2002).

[44] FARMS began to play this role in 1987, when the program was changed and the private sector played a greater role in program administration. Transportation is arranged by CAN-AG Travel Services.

Table 13. Canadian guest worker employment in agriculture

Canadian guest workers admitted for agric
1987-2002

	Mexicans	Caribbean*	Total	Mexican '
1987	1,547	4,655	6,202	25%
1988	2,721	5,682	8,403	32%
1989	4,468	7,674	12,142	37%
1990	5,149	7,302	12,451	41%
1991	5,111	6,914	12,025	43%
1992	4,732	6,198	10,930	43%
1993	4,710	5,691	10,401	45%
1994	4,848	6,054	10,902	44%
1995	4,884	6,376	11,260	43%
1996	5,194	6,379	11,573	45%
1997	5,670	6,705	12,375	46%
1998	6,480	6,901	13,381	48%
1999	7,528	7,532	15,060	50%
2000	9,222	7,471	16,693	55%
2001	10,446	8,055	18,501	56%
2002	10,778	7,826	18,604	58%

Source: Citizenship and Immigration Ca
*From Barbados, Jamaica, and Trinidad and Tobag
http://www.cic.gc.ca/english/pub/facts2002-temp/index.html

Most of the Mexican migrants are married men who leave their families in rural Mexico, travel to Mexico City at their own expense and pay for required medical exams, and arrive in Canada in debt.[45] In Canada, the migrants are isolated on farms, where they report spending little money, enabling them to save an average C$1,000 a month from their average C$1,400 pay, earned for working 50-hour weeks. Many Mexicans leave Canada before they get their last paychecks, or have their tax refund checks sent to addresses in Canada, and the Mexico's Foreign Ministry is to forward them to the workers in Mexico.

There have been protests over wage deductions and a strike on April 29, 2001 (Ontario farm workers do not have the right to strike) that led to deportations and complaints made on behalf of the migrants by the United Food and Commercial Workers Union. The UFCW calls the migrant program "Canada's shameful dirty secret," and has filed suits against provincial authorities for excluding farm workers from the Occupational Health and Safety Act and for charging migrants C$11 million a year in unemployment insurance premiums but not allowing them to obtain benefits—if migrants are unemployed, they must leave Canada. On the other hand, migrants are eligible for health

45 About 75 percent of the Mexican migrants are from four Mexican states: Tlaxcala, Guanajuato, Mexico and Hidalgo.

insurance coverage upon arrival in Canada— the usual three-month wait for coverage under provincial health care programs is waived.

The potential best practice aspects of the Canadian seasonal farm worker program include the active involvement of farm employers in program design and administration, Mexican government involvement in recruiting and monitoring migrants in Canada, and the health insurance coverage. Worker organizations do not play a role in program design or administration, and their complaints focus on legal restrictions that apply to all farm workers, including guest workers. Researchers emphasize that most migrants arrive in debt, and thus have an incentive to be good employees and follow program rules so that they can return, repay debts, and accumulate savings, which often occurs in the second or third years of traveling north.

Germany operates similar seasonal worker programs for foreigners employed up to 90 days under memoranda of understanding signed by the German Labor Ministry and Labor Ministries in Eastern European countries. About 90 percent of the 293,000 seasonal migrants admitted in 2002 were Poles, and 90 percent worked on German farms. Employers submit to local Employment Service offices proposed contracts that spell out wages and working conditions as well as provisions for employer-provided housing, meals, and travel arrangements. Labor offices certify the employer's need for migrants after a test of the local labor market, and charge employers a fee of EUR 60 per worker. German employers may request foreign workers by name, and they do for about 90 percent of the seasonal workers. Migrants arrive with copies of the bilingual contracts, and both German employers and migrants must make payroll tax contributions that are about 35 percent of wages.[46]

Unilateral programs

The purpose of nonimmigrant or guest worker programs is to add workers temporarily to the labor force, but not settled residents to the population; the guest adjective implies that the foreigner is expected to leave the country when his job ends. An alternative are immigration programs that select permanent residents on employer demand criteria, as when an immigrant is admitted at the request of an employer, or supply-side criteria, as when foreigners seeking to immigrate are selected on the basis of personal characteristics such as age, education, and work experience.[47] Finally, there are programs that fall between the nonimmigrant and immigrant extremes that admit foreigners on "probation," meaning they can stay if they satisfy conditions, as with investor visas in Canada and the US and highly skilled migrants in the UK.

In the past decade, there has been a proliferation of what might be called "micro guest worker programs," meaning that they aim to fill job vacancies in particular labor markets.

[46] If seasonal foreign workers are employed less than 2 months in Germany, the workers and their employers do not have to pay social security taxes on their wages.

[47] Demand-side criteria are often used to select immigrants across the skill range; supply-side criteria are generally used only to select skilled immigrants.

Instead of one guest worker program and one set of rules for employers and migrants, many industrial countries have 10 or more programs, each with its own admissions criteria and unique rules governing length of stay and adjustment of status. Micro programs generally benefit employers, since there is less debate over small programs that require a mastery of rules. However, they also mean that and macroeconomic variables lose their importance in determining the "need" for migrants, as when there are farm labor "shortages" despite double-digit unemployment rates.

Micro guest worker programs can be compared along several dimensions, but two of the most important are (a) the requirements employers must satisfy to open the door for guest workers and (b) the rights of migrants. These criteria are summarized in Table 14 for the 15 US micro programs. Employers usually set the migrant worker admissions process in motion by applying for permission to have guest workers admitted, and there are two major methods to check on employers seeking to hire migrants: certification and attestation. Pre-admission certification usually requires employers to convince a government agency that there are no local workers available to fill the jobs for which the employer wants guest workers. This means that the border gate remains closed until the government agrees or certifies that local workers are not available on a geographic, industry, or occupation basis.

Table 14. Employer requirements and worker rights: US programs

	Worker rights	
Employer requirements	*Contractual worker*	*Free agent worker*
Pre-admission certification	H-2A/B unskilled	
Post-admission attestation	H-1B professionals	F-1 Students
No checks on employers	L-1 intra-company transfers; J-1 exchange visitors	Irregular workers

Source: see text

A post-admission attestation program, by contrast, permits employers to open the border gates to guest workers on the basis of their attestations or assertions that they are paying prevailing wages or that they tried to recruit local workers and failed to find any. Under certification, government checks on the employer and the availability of local workers occurs before the migrants are admitted; under attestation, government checks occur after migrants are at work, which is why employers generally prefer attestation to certification. The third option, no employer checks, often applies to the transfer of managers and specialists from their foreign to local subsidiaries.

Regardless of the particular steps that employers must follow to gain access to migrants, there can still be ceilings or quotas on the number of migrants that could prevent the entry of guest workers. Quotas can be established by geography, industry or occupation, or in terms of a ratio between migrant and local workers. Employers may also be required to pay fees for the guest worker visas, and these fees can be set to cover only administrative costs or they can be set to achieve other goals, including to lower the cost of local workers or to provide subsidies to train local workers to fill the vacant jobs.

The second dimension for comparing guest worker programs distinguishes the rights of migrant workers inside the country. Since the core rationale of guest worker programs is to fill vacant jobs, most programs tie migrants to a particular employer with a contract, and most do not allow migrants to switch employers or remain unemployed. This means that, at the end of contract s that can vary in length from three months t three years, or if the migrant is fired or laid off, the guest worker must leave the country.

There have been many complaints that workers tied to a particular employer are “unfree,” and a few guest worker programs allow workers to be free agents in the host country labor market. Foreign students in the US, for example, have been allowed to work part time while studying and full time during breaks in free agent fashion, in the sense that they can work for any employer willing to hire them, and can quit their jobs and not lose the right to be in the country. It might be noted that employers of unauthorized workers are not checked by government agencies, and that the migrants they employ can change employers.

One major contrast in these micro guest worker programs is the ability to adjust from guest worker to immigrant status. Many industrial countries launching new guest worker programs made it easier for highly skilled migrants to adjust to permanent resident status and made such adjustments more difficult for unskilled migrants. For example, the US allows employers to use a post-admission attestation process to hire foreigners with a college degree or more with H-1B visas, and allows H-1B visa holders to stay up to six years and to become permanent resident immigrants. On the other hand, employers seeking H-2A and H-2B unskilled foreign workers to fill temporary jobs are subject to pre-admission certification, and H-2A and H-2B visa holders must leave when their contracts and visas expire.

Migrant worker rights tend to rise with education and skills. Not only do college-educated migrants earn more and have more opportunities to become immigrants, they are also more likely to have the right to have their families accompany them.

Other industrial countries have similar policies, tightening rules that aim to ensure that unskilled guest workers leave when their contracts expire, but easing rules that allow graduates of local universities and professionals to remain (Ruhs, 2003).

Conclusions: challenges and opportunities

Most migrant workers move from lower to higher wage labor markets, which explains why migrants are 12 percent of workers in high-income countries and 1 percent in middle- and low-income countries. Inertia, border and interior controls, and economic growth have kept international labor migration relatively low, but widening demographic, economic, and human security differences promise more economically motivated migration in the 21st century. This labor migration is increasingly unauthorized, and the response of most countries has been unilateral programs aimed at admitting legal foreign workers and stepped up enforcement against unauthorized workers.

There is a great deal of uncertainty about the future volume and character of what might be broadly called south-to-north migration. Most of the industrial countries attracting migrants have slow-growing or shrinking labor forces, threatening the viability of economies and pension systems based on the assumption of continued growth. Many have responded by opening new doors for highly skilled migrants, which has aroused concern in developing countries that are more interested in sending unskilled workers abroad. There is little chance that regional or bilateral agreements will expand between major sending and receiving countries, and the GATS negotiations are also unlikely to usher in a new era of mass migration. Indeed, the central theme of this paper is that there is no single policy or magic fix that is universally applicable to improve the management of international labor migration.

In an ideal world, there would be few migration barriers and little unwanted migration. For most of human history, there were few governmental barriers to migration, and the challenge of too many people for available resources and technologies meant that migration from place to a place was a normal response to famine, war, and displacement in traditional economies. However, migration was often limited by nascent communication and transportation networks as well as institutions and rules from slavery to serfdom.

There was migration in the pre-industrial world, including the great migration of 60 million Europeans to the Americas in the 19th and early 20th centuries. During the 20th century, the world's population increased fourfold, and sharply different rates of population and economic growth emerged between the world's nation states, whose number quadrupled to about 200 in the 20th century.[48] Most nation states have more workers than formal-sector jobs, and especially young people who know that wages are 10 or 20, times higher in another country are eager to cross national borders, putting international migration "close to the center of global problems." (Bhagwati, 2003, 82).

If people were goods, the solution to different wage and employment levels would be obvious: encourage the transfer of "surplus" people from poorer to richer nation states, which should benefit individuals whose incomes rise, increase global GDP, and promote convergence in wages and opportunities between sending and receiving areas that eventually reduces migration pressures. In a world in which economically motivated migration effectuated convergence between areas, migration would be the proverbial "free lunch" for the world economy. However, migration sometimes set in motion vicious circles that increase the motivation to migrate and divergence in the world economy.

[48] There were 43 generally recognized nation-states in 1900, and 191 in 2000, when the CIA Factbook listed 191 "independent states", plus 1 "other" (Taiwan), and 6 miscellaneous entities, including Gaza Strip, West Bank, and Western Sahara. (www.cia.gov/cia/publications/factbook/index.html,).

Annex 1. Debt and migration, Chris Li and Philip Martin

The purpose of this paper is to explore links between government debt and emigration pressures. There have been assertions that high levels of government debt lead to "a sharp growth in illegal trafficking of people" because heavily indebted governments that cannot borrow abroad become dependent on remittances, which gives them "little interest in the management of emigration and illegal trafficking of people." (Sassen, 2004). Recent surveys of migration and economic development do not include discussions of government debt as a cause of migration (Lucas, 2004), and the vast literature on debt and development rarely mentions migration.

Developing countries owed about $2.3 trillion in 2002, when their Gross National Income (GNI) was about $7 trillion, so their debts were equivalent to a third of GNI.[49] The cost of servicing this debt is about $375 billion a year, or more than developing country spending on health or education, almost 7 times foreign aid flows, and more than twice foreign direct investment in developing countries, which was $147 billion in 2002. Much of the developing country debt was incurred during the 1970s commodity boom, when the prices of developing country exports rose and developed country banks had oil revenues to recycle as loans. However, the influx of foreign loans to developing country governments was sometimes matched by capital flight, as some of the money lent to developing countries left to be invested in developed countries.

When commodity prices fell and interest rates rose in the 1980s, many developing countries had trouble servicing their debts, which made it hard for them to continue borrowing and led to economic crises in many countries, including some that sent migrants abroad, such as Mexico. Debt relief usually involved the IMF negotiating agreements with governments to postpone repayments due in exchange for austerity programs that often involved higher taxes and reduced spending. During the 1990s, economic growth and private lending to developing countries resumed, and some of the local flight capital returned along with foreign direct investment during the privatization wave of the 1990s. However, many developing countries remain unable to borrow significant new monies because of high debts incurred from past borrowing. Indeed, since 2000 developing countries have become net exporters of capital, as they repay more debt than they incur with new loans, a process the World Bank calls a "precautionary reaction to the costly crises of the 1990s." (2004b, 7).

The links between debt and migration are very indirect. The argument that debt and migration are linked could flow as follows:

- high government debts that cannot be repaid lead to austerity programs that reduce spending on health, education and other government services, prompting families to send a breadwinner abroad to earn money to pay for health emergencies or school fees

[49] External debt data is for 2002; GNI for 2003; the GNI of the high-income countries was $28 trillion in 2003. (World Bank, 2004, p257 and 263).

- high debts could slow development by limiting new borrowing to build the infrastructure needed for job creation, encouraging especially young people who would be unemployed or underemployed to see emigration as the only way to achieve economic mobility
- individuals facing crises due to unexpected or expected events, such as crop failures or weddings, and unable to borrow money locally because of the absence of low-cost loans, may decide to emigrate to offset the loss or to obtain the money needed for an expected event.

Most of the debt relief and migration literature focuses on government, not individual debts. However, regardless of the exact chain of causation that leads to emigration, once migration flows begin, they can take on a life of their own as migration networks lower the cost of additional migration.

How would debt relief affect emigration? Since the debt and migration linkage is indirect, so reducing or canceling an emigration country's debts may not reduce unauthorized migration in the short term. Debt relief that takes the form of canceling governmental debt or reducing the debt service obligation can free up funds to overcome some of the obstacles to job creation, but such processes are likely to take time to affect established migration flows. If funds that would have otherwise gone to service external debts provide emergency loans for farmers whose crops failed or are used to reduce school and health fees, there may be less emigration pressures in the short term.

However, the more typical scenario is that debt relief allows governments to build the infrastructure needed to attract foreign investors, which suggests that the emigration-reducing effects of debt relief may be apparent only in the medium- to long-term. In this sense, debt relief may be analogous to freer trade and more foreign direct investment, acting as an indirect mechanisms to promote economic growth and reduce emigration pressures over time. It should be emphasized that most of the 27 countries participating in the World Bank's Heavily Indebted Poor Countries (HIPC) initiative are sub-Saharan African countries that are not major sources of migrants.[50]

Debt and debt relief

Poor countries need capital to develop, and many developing country governments borrow money to build infrastructure and invest in education and health care to create socioeconomic conditions that can increase economic and job growth rates. Developing countries obtain this capital through internal savings[51] or by borrowing, and they can borrow from their own residents or abroad (developing countries can also obtain capital

[50] The HIPC countries had a combined population of 672 million in 2003, and an average per capita gross national income of $350. Most of the HIPC countries that have received some debt relieve are in sub-Saharan Africa, e.g. Benin, Ethiopia, Mali, Senegal, but a few are in Latin America (Bolivia, Honduras, and Nicaragua). Laos and Myanmar are eligible for HIPC consideration, but have not yet reached agreement with the WB and IMF to obtain debt relief.

[51] Internal savings in developing countries are often limited by the fact that many residents are poor and unable to save significant sums from limited incomes.

from abroad via foreign direct investment and aid). Monies can be supplied to developing country governments by private individuals and firms, foreign governments and international institutions.

During the 1970s, many developing countries borrowed from banks in developed countries that had Middle Eastern oil exporters' funds to lend. Developing countries were perceived as good credit risks because commodity prices were at record highs, and there were projections that, in this inflationary era, real assets such as land and minerals were poised to continue increasing in value. Much of the money lent to developing country governments was not invested to raise long-term growth rates, since capital flight meant that some of the money lent and given to developing countries returned to developed countries in the form of savings and investments.[52] The exact amount of capital flight is unknown, but a governor of the Bank of International Settlements was quoted in the late 1980s as saying: "If Latin America's corrupt politicians simply gave back all the money they've stolen from their own countries, the debt problem could be solved. And most [corruption] simply could not have occurred without the active assistance of leading First World banks, contractors, vendors, multilateral lenders, advisors, and governments." (Henry, 2004).

During the 1980s, rising interest rates and recession made it hard for countries that announced ambitious development plans in the 1970s to sustain them without additional loans. However, many private banks stopped lending when there were crises in countries such as Mexico in 1982-83, with the government unable to pay its debts. The debt paradox was that governments that had borrowed during good times became net capital exporters if they serviced their debts during crisis, so that government services to poor people might be reduced as governments paid at least some of the interest on their loans.

The IMF was willing to make new loans to some governments, but only if they agreed to austerity programs that paved the way for them to repay their debts in the future. At the same time, governments often received a temporary reprieve from repaying private and other lenders while the adjustments proceeded. However, this meant that debts kept growing, prompting proposals in the late 1980s to forgive some of the debts of especially very poor and heavily indebted countries who were in any event unlikely to repay them in full. Most of these countries were in sub-Saharan Africa.

Lending to developing countries resumed in the 1990s after many governments adopted the Washington consensus model of market-led economic development, opening their economies to international trade and privatizing many state-owned industries. However, the proceeds from the privatization of state-owned industries were often less than expected, and some countries continued to borrow to cover the losses of state-owned industries that could not be sold or shrunk because of the job losses involved. Since the end of the bubble economy in 2000, developing countries have sharply reduced their reliance on external borrowing, and their debts as a percentage of Gross National Income

[52] The Economist, January 17, 2004 (p12) reported that, "For every dollar that foolish northerners lent Africa between 1970 and 1996, 80 cents flowed out as capital flight in the same year."

have fallen, and the austerity associated with this fiscal prudence appears to be the source of the assertion that debts increase migration.

Table A1. Debt and interest payments, 1990-2003

Developing countries' debt and interest payments, 1990-2003

Debt and interest are expressed as a percentage of developing country GNI

Year	Debt	Interest
1/1/90	34.1	1.7
1/1/91	35.9	1.7
1/1/92	37.2	1.6
1/1/93	39.3	1.5
1/1/94	40.2	1.6
1/1/95	39.8	1.9
1/1/96	37.0	1.8
1/1/97	36.3	1.8
1/1/98	42.0	2.0
1/1/99	44.0	2.1
1/1/00	39.4	2.1
1/1/01	38.2	2.0
1/1/02	38.9	1.6
1/1/03	36.8	1.4

Sourec: World Bank, 2004
http://globaloutlook.worldbank.org/globaloutlook/outside/graphs\FinancialMarkets_graph1_1.xls

Past borrowings require interest repayments today. Repeated rounds of debt rescheduling in the 1980s and 1990s led, over the previous objections of the WB and IMF,[53] to the Heavily Indebted Poor Countries (HIPC) initiative in 1996 to cancel some of the debts of developing countries that are poor and heavily indebted. Under HIPC, poor country governments that have at least a three-year track record in economic stabilization and agree to make public sector reforms as well as to target increased any increased public spending for poverty reduction, health, and education can have their debts to the WB and IMF reduced or cancelled. The WB and IMF monitor how debt relief savings are spent to avoid another round of borrowing that could fuel corruption or lead to investment in unproductive projects (Levinsohn, 2003). Writing off poor country debts, they argue, will limit their resources to make new loans to developing countries.

[53] The WB and IMF argued that writing off poor country debts would limit their resources to make new loans to developing countries.

HIPC, which was expanded in 1999, has provided some debt relief to 27 of 38 eligible countries, and full debt relief to 14.[54] The World Bank's Debt Department (www.worldbank.org/hipc), established in July 2004, administers HIPC, and expects to provide a total of $54 billion in debt relief. At Decision Point in negotiations with HIPC countries, creditors commit to canceling debt and provide some debt-service relief, while Completion Point is the final stage when debts are irrevocably cancelled.

An indicator of a country's debt is the net present value (NPV) of its debt-to-export ratio, and the 38 HIPC countries (32 in Sub-Saharan Africa) have ratios of 150 percent or more.[55] The World Bank's web site lists the accomplishments of the 27 participating HIPC governments that received about $50 billion in debt relief by 2004, such as new classrooms, water and sanitation projects, and new or expanded micro-credit programs. During the October 2004 meetings of the World Bank and the International Monetary Fund, the US urged that the poorest nations be allowed to cancel their loans to the WB and IMF, but if they did so, their new loans from the WB and IMF would be cut by the amount of debt forgiveness. The UK, on the other hand, argued that the value of the IMF's gold reserves be raised to global prices to offset canceling the debt owed by the 38 poorest countries.

Campaigns for debt relief were begun in the mid-1990s, and the Jubilee 2000 Campaign aimed to persuade rich countries to cancel poor country debts in the millennium year. However, the result--HIPC debt relief-- is controversial. Some critics argue canceling debts will simply set the stage for a new round of borrowing, corruption, and stagnation in developing countries, while others assert that making debt relief conditional on good governance is the only way to get development going. Most analysts agree that "debt reduction alone is not enough to get development in the poorest countries back on the rails" (Birdsall and Williamson, 2002, 5) in part because it does not change the structure of economies in poor and heavily indebted countries that rely on only a few exports. In many highly indebted developing countries, the top three exports are 60 percent of the total, and these exports are often primary commodities whose prices relative to the prices of their imports have fallen (Gunter, 2003, 111).

One major question today is what comes after HIPC? Some advocate more debt relief accompanied by more conditionality, which could culminate in an international bankruptcy court that would have the power to develop and enforce national government budgets. Economist Joseph Stiglitz (2003) has endorsed such an approach to deal heavily indebted countries, with the court monitoring government spending in poor countries receiving debt relief. According to Stiglitz, the court would have the power to, for example, approve new loans so governments could build schools and hospitals, but not buy arms.

[54] When the IMF and WB provide debt relief, many industrial countries also forgive the debt owed by that developing country to government entities as well. For example, the UK canceled the bilateral debts owed by poor countries.
[55] In some cases, countries can participate if the NPV of their debt-to-government revenue is 250 percent or more.

The quest for a new mechanism to monitor government spending in developing countries is motivated by fears that debt relief alone will simply lead to another crisis in the future. Many analysts echo Thomas (2001), who warned that “The international community must figure out a way to ensure the proper use of debt-relief dollars-before the problems plaguing many of the world's poorest countries grow any worse.”

Because it may be easier to impose good governance conditions on aid than on debt relief, some analysts urge more aid in lieu of more debt relief. Numerous studies show that virtuous circles are possible with aid: countries with sound economic policies and low inflation, balanced budgets and free trade, and with good institutions such as the rule of law and an effective bureaucracy, generally benefit from aid, in the sense that their per capita incomes grow faster with injections of foreign loans and grants. The New Partnership for Africa's Development (NEPAD) follows this logic by promising better governance in exchange for more aid. Under WB and IMF prodding, poor countries seeking support must prepare Poverty Reduction Strategy Papers that include consultations with the poor people expected to benefit from the aid requested (Levinsohn, 2003).

Whatever debt relief and more aid might accomplish to speed up growth, it is also clear that reducing trade barriers to the exports of poor and heavily indebted countries could do more in the long term to speed up economic growth and reduce emigration pressures. Estimates of the economic gains from trade liberalization depend on the assumptions made about how economies of scale and productivity growth would respond to larger markets, but most estimate that completely free trade would add $250 billion to $850 billion a year to global GDP, with developing countries receiving half of the benefits, largely because of freer trade in farm commodities (Anderson, 2004, 552). Debt relief and ODA are both about $55 billion a year, so these estimates suggest that free trade would provide far more help to developing countries.

Development, debt, and migration

Debt can be incurred by governments, firms, or individuals. Individuals make decisions to migrate, so the link between government or firm debt and individual migration decisions is usually indirect. For example, it might be that governments or firms took on too much debt and thus cannot create or preserve jobs and wages sufficient to keep people from emigrating because of the interest they must pay. However, individuals who take out emergency loans to meet unexpected health or other expenses may decide that emigration is the fastest way to earn the money to repay the debt plus interest.

Proposals for debt relief focus on governments, not individuals, even though the new economics of labor migration suggest that individuals migrate in part because of missing markets such as the absence of banking facilities or insurance firms, so that emergencies lead to very high interest loans that can be repaid fastest with emigration and higher earnings. With families forced to rely on their own resources for savings and investment and to deal with crises, failed harvests and both anticipated and unanticipated expenditures for education, health, weddings etc can prompt emigration, since rural households with potential migrants cannot buy insurance or take out loans that can be repaid over time. If such missing market explanations are a major cause of migration, then debt relief for individuals as well as more banking and insurance facilities could reduce emigration pressures (Taylor and Martin, 2001). There has been a proliferation of micro-credit institutions in developing countries, but they are rarely justified as a means of reducing emigration pressures.

Most of the debt and development literature focuses on governments, and emphasizes that money is fungible: governments that pay less in debt service can devote more resources to expenditures that improve the quality of life and may reduce emigration pressures. If money not used for debt relief is invested or spent by governments in ways that speed development by raising productivity, job and wage growth can reduce emigration pressures. However, the fact that there are several links between debt relief, alternative government expenditures, and individual migration decisions means that there are likely to be significant lags between debt relief and less emigration.

Development

The most common summary indicator of a country's level of development is its per capita Gross Domestic Product (GDP) or Gross National Income (GNI), and for international comparisons, these measures are sometimes adjusted to purchasing power parity (PPP) to reflect the fact that goods are often cheaper in poorer countries. The most recent World Bank data put global GNI at $35 trillion for 6.3 billion residents in 2003, or an average $5,500 per person. Adjusted for PPP, global GNI rises to $51 trillion or $8,200 per capita (World Bank, 2004a)

GNI is not distributed equally across or within countries. The high-income countries with 971 million residents had $28 trillion or 80 percent of total GNI in 2003, an average $28,600, while the remaining 5.3 billion people had $7 trillion in GNI, an average $1,300 a year. The World Bank considers countries that have per capita GNIs of $765 or less to be low-income, those between $766 and $9,385 are middle income, and those above $9,385 are high-income. In 2003, the 2.3 billion residents of low-income countries had per capita GNIs averaging $450, while the 3 billion in middle-income countries had per capita GNIs averaging $1,920. Most low-income countries are in Africa and South Asia, while most other developing countries are middle-income.

The World Bank makes a further distinction between lower middle income countries, whose GNI per capita is $766 to $3,035, and upper middle income countries, whose GNI per capita is $3,306 to $9,385. Examples of major emigration countries in the upper middle income category include Poland and Mexico, while emigration countries in the lower middle income category include the Philippines, Morocco, Caribbean islands such as Jamaica, and India. South Africa and Thailand are lower middle income countries that are net receivers of migrants, while Ivory Coast is an example of a low-income country that is a net receiver of migrants.

There have been many criticisms of per capita GDP or GNI as indicators of a country's development, beginning with the fact that, as countries develop, more goods and services flow through markets and are thus recorded in national accounts.[56] GDP or GNI also fails to capture many of the indicators that lead to an improved quality of life, including infant mortality rates, the availability of social services, and the distribution of income. The UNDP's Human Development Index adds factors other than per capita income to rank countries. Countries that rank far higher on the HDI than a GNI index include China and Costa Rica, while countries that export natural resources, such as Gabon and Saudi Arabia, tend to rank higher on GNI than HDI indexes.

Most of the countries included among the 55 with high human development are net recipients of migrants, but three—Poland, Cuba, and Mexico—also send large numbers of migrants abroad. The 87 countries considered to have medium human development include some countries that both send and receive migrants, but are net receivers, such as Thailand, and some that send and receive and are net senders, such as Morocco. Medium human development countries often include countries that are major senders and receivers, e.g. Saudi Arabia, number 77, receives migrants from inter alia, the Philippines, number 83, just as Russia, number 57, receives migrants from inter alia, Kazakhstan, number 78. Most of the 36 countries with low human development are in sub-Saharan Africa (UNDP, Human Development Report, 2004).

Three major obstacles to more rapid economic development that could reduce emigration pressures are cited frequently: primary commodity exports, displacements associated with industrialization, and new technologies. Developing countries tend to export primary commodities, such as farm products, the same products that developed countries most aggressively protect. Primary commodities also experience wide swings in prices, so that the incomes of farmers and developing country governments can rise and fall. The fact that price swings are largest in the poorest countries with the thinnest social safety nets has prompted many proposals for buffer stocks, cartels, and other means of propping up prices and reducing the instability in developing country export earnings, so they do not borrow in good times and have trouble servicing their debts in busts. However, except for oil, none of these approaches to raising and stabilizing primary commodity prices has worked over time.

Industrialization has been the traditional engine of growth in developing countries, as exemplified by rural-urban migration that turns farmers into factory workers. Until recently, many developing countries adopted import-substitution policies, meaning that they used trade barriers to protect local industries from goods produced in industrial countries, raising their factory employment, but also forcing farmers and others who bought manufactured goods to pay higher than world prices. Instead of leading to an economic take off, import-substitution policies in many cases led to overstaffed and unproductive industries that proved unable to compete with rivals abroad in an era of freer trade. As the Washington consensus model of economic development spread in the past decade, there was widespread displacement in both rural and urban areas. This

[56] The transformation of a country from self-employed farmers producing much of their own food to wage workers who buy food will by definition raise GDP per capita.

displacement undoubtedly contributed to emigration pressures, as workers pushed out of agriculture or who lost jobs in one-industry cities in the ex-USSR had to migrate, and some decided not to stop at national borders in the quest for new jobs and higher wages.

A third issue that may slow development and thus maintain emigration pressures are new technologies, most developed in industrial countries by highly educated workers. Economic growth depends on technological progress, and human capital is the key to the invention and diffusion of productivity increasing innovations. New technologies, often protected by patents and other intellectual property rights, can be very expensive for developing countries, but they have few alternative sources of airplanes, machinery and computer equipment choice . Even if they incur debt to buy products that embody the newest technologies, many developing countries say that the technologies developed in industrial countries would be far more useful at accelerating development if they were appropriate for their conditions.

Primary products, industrialization, and accessing new technologies are issues that have dominated development economics for decades. The current consensus is that developing countries hold most of the keys to their development, in the sense that good governance and reliance on markets to set prices and allocate resources is the foundation for economic growth. However, even a well-governed and efficient economy can be poor and a source of migrants, but in such countries, the 3 R's of recruitment, remittances, and returns are most likely to set in motion virtuous circles that lead to an economic take off.

Debt and migration

Developing countries are by definition capital-short, and development has long been speeded up by foreign investment, as when British investors bought railroad bonds to expand the transportation system in 19th century America, or French investors bought bonds to finance the building of the Suez canal. After World War II, the IMF and World Bank began to lend to poor countries to speed their development. In the 1960s, many developing countries became independent at a time when multinational businesses were emerging to invest in them, and foreign direct investment to developing countries rose sharply in the 1970s. In 2004, a record $210 billion worth of emerging country bonds were sold in international capital markets, suggesting that private investors are willing to buy bonds issued by developing firms and governments despite defaults by Russia in 1998 and Argentina in 2001.

The analysis of debt focuses on three factors: how much is borrowed, what is the loan used for, and what are the prospects for repayment. Countries can grow despite large amounts of external debt if the loans are invested in productive assets that will generate returns sufficient to repay the debt and interest. However, much of the 1970s borrowing by developing countries was put into public enterprises that could not repay the loans because e.g. governments required them to sell their products at subsidized prices. A further complication is that some countries borrowed short-term to cover long-term projects, so that when the project failed to deliver the promised return, interest burdens mounted, especially as interest rates rose.

However, the major problem with much of the borrowing behind today's debts is that many governments borrowed for projects that did not produce their expected returns. In many cases, projects were justified by borrowers and lenders assuming that current conditions would persist into the future, meaning that commodity prices and inflation would remain high and that debts could be repaid with export earnings in a low-interest rate environment. But neither assumption proved true, and when inflation was reduced sharply in the early 1980s, real interest rates on developing country debt rose. Some debts were rescheduled, meaning that payments due were postponed but the debt was not canceled, and in other cases, banks were persuaded to lend more money in exchange for a role in how the new loans would be used, which led to cases of new borrowing being used to service old debts.

By 1985, when growth resumed, it was clear that some countries would be unable to grow fast enough to service their debts. The major response was the Baker Plan, which encouraged the WB and IMF to continue lending to poor and indebted countries, and to reschedule or postpone debt service payments, but only if indebted countries reached austerity agreements with the IMF that laid out plans for debt repayment, making the IMF often the scapegoat for the austerity policies. Many developing countries had to depreciate their currencies in order to stimulate exports, prompting more capital flight as insiders sent money abroad before the devaluation and then sometimes returned to buy home country assets at fire sale prices afterward. Secondary markets in debt appeared, and the prices of bonds representing claims on sovereign debt fluctuated with the economic outlook in particular countries.

The Brady Plan in 1989 introduced the idea of debt forgiveness, in part because secondary prices of government debt fell so low for some countries that it became apparent that some debt would not be repaid. Under the Brady Plan, indebted countries were encouraged to negotiate with creditor banks a reduction in their debt that allowed banks to maintain the interest rate they agreed to pay initially, or to maintain the full debt but reduce the interest rate. By the mid-1990s, most major developing country borrowers such as Mexico and Brazil had negotiated Brady Plan deals, which allowed the world leaders to declare the debt crisis solved.

In 2002, the World Bank reported that developing countries had external debts totaling \$2.3 trillion, including half owed by the Big 8 developing country debtors, led by Brazil (World Bank, 2004b). Of these Big 8 debtors, four are major sources of migrants today, China, India, Indonesia, and Mexico, but their debt levels in relation to GNI are very different—ranging from less than 25 percent in China, India and Mexico to almost 90 percent in Indonesia. Similarly, if we examine smaller countries with significant external debts that also send migrants abroad, the present value of their debts in relation to GNI ranges from a low of 20 percent in Albania to a high of 95 percent in Ecuador. Most of the countries with external debts that are more than 100 percent of their GNI are in sub-

Saharan Africa and are not major sources of migrants; they are led by the Republic of Congo, where the external debt of $5.2 billion is over 225 percent of GNI.

Table A2. External debt and present value of debt as percent of GNI, 2002

External debt and present value of debt as percent of GNI, 2002

Big 8	Debt (mils)	PV-% of GNI
Argentina	132,314	66
Brazil	227,932	48
China	168,255	14
India	104,429	17
Indonesia	132,208	89
Mexico	141,264	26
Russia	147,541	50
Turkey	131,556	77
Big 8	1,185,499	
Total LDCs	2,338,848	
Big 8 Share	51%	
Others		
Albania	1,312	20
Dom Republic	6,256	30
Ecuador	16,452	95
El Salvador	5,828	46
Jamaica	5,477	82
Jordan	8,094	83
Moldova	1,349	78
Morocco	18,601	51
Philippines	59,342	77
Poland	69,521	37
Romania	14,683	37
Sri Lanka	9,611	48

Source: World Bank, 2004a, 262-3

The poorest developing countries were less affected by the debt crisis because they had less access to private bank loans when the lending spigot was open. Some nonetheless ran up significant debts to the WB and IMF, and many stopped servicing these debts when their exports fell, setting the stage for HIPC.

Today, the conventional wisdom is that there is greater sophistication in the capital markets of both developing and developed countries, so that lenders are better able to assess risk. This explains why foreign direct investment and other private capital flows tend to be concentrated in the middle-income developing countries that show the greatest promise for growth. Thus, HIPC-style debt relief may reduce repayment burdens in poor and highly indebted countries, but not help them attract new private investment if investors do not perceive these countries to have good growth prospects.

Conclusions

The developing countries that are the source of most of the world's migrants also have relatively more labor and less capital, so borrowing money to build up their economies makes eminent economic sense—economic growth can lead to a larger economy able to repay the loans plus interest. Lending to developing countries accelerated in the past three decades because the commodity price boom of the 1970s coincided with the need of developed country banks to recycle petrodollars, encouraging lending to developing countries under the assumption that commodity prices would stay high. Such lending seemed profitable and sound because some developing countries took off economically, enabling them to pay off their loans plus interest.

However, during the lending euphoria there was too much lending for too many projects that did not yield a return, and some of the money lent to developing country governments was lost to corruption and capital flight or put into money-losing or ill-conceived enterprises. During the debt crises of the 1980s, many developing country debts were re-negotiated, with governments required to reach austerity agreements with the IMF if they wanted to have their debt or interest reduced.

Many middle-income developing countries began to grow rapidly in the 1990s, and they returned to international capital markets to borrow at interest rates that reflected their risks of default. However, many of the poorest countries that had borrowed money and were unable to repay it remained unable to borrow more and unable to grow enough to repay what they had borrowed. For these countries, debt relief was aimed at wiping the slate clean for those that agreed to good governance and a monitoring of their spending. This HIPC initiative will potentially provide about as much debt relief as annual ODA, but so far affects primarily sub-Saharan countries that are not major sources of migrants.

The linkages between debt, development and migration are indirect, so reducing or canceling a country's debts may not reduce unauthorized or unwanted migration, especially in the short term. There may be a strong case for debt relief for at least some developing countries to remove an obstacle to their development, but it is hard to see how such debt relief can be justified primarily on the grounds that it will reduce migration in a short time.

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