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Contribution of Migrants to Development:
Trade, Investment and Development Linkages

Geneva, 29 July 2009

**CONTRIBUTION OF MIGRANTS TO DEVELOPMENT:
TRADE, INVESTMENT AND DEVELOPMENT LINKAGES**

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International migration flows continue to increase as globalization and the interdependence of nations deepens

- Number of migrants worldwide approaching 200 m
- Migrant workers account for over 85% of this total
- Females account for 50% of the world's migrants
- Nearly 80% of migrants are between the age of 25 and 65



Migration should not be narrowly viewed as a South-to-North phenomenon

- Five developed countries are among the world's top 20 sending countries, including UK, Germany, Italy, Poland and US

South-South migration is deepening

- Number of migrants in developing countries (South) is comparable to the number in developed countries (North)
- About 75 million, or nearly half, of migrants from developing countries reside in other developing countries



Trade, investment and development linkages of migration

- Benefits flow to both sending and receiving countries
- Through labour matching, migration allows workers to move to where they are more productive, thus increasing productivity and output in receiving countries
- Two-way transfer of skills and knowledge
- Remittances can fuel development in sending countries
- Diaspora communities can be an important source of trade, capital, technology and knowledge



Gains in receiving countries

- Migration responds to real labour needs in receiving countries by fulfilling unmet labour requirements
- Migrants bring new scientific, technological and cultural resources to receiving countries, contributing to diversifying/enriching receiving countries' economic and cultural base
- Increased domestic consumption and tax revenue
- Remittance flows generate import demand for receiving country exports in sending countries
- Migrants contribute to the expansion of global trade with their knowledge of home country markets



Remittances : Fuelling development

- Remittance flows to developing countries reached \$328 b in 2008 – over half the value of FDI inflows (\$550 b) and more than twice ODI (\$119 b)
- Flowing directly to households and widely distributed throughout the economy, remittances can have a much broader effect on home country economies than either FDI or ODA
- Spent on construction of homes, healthcare and education, and deposited in financial institutions, remittances generate employment in critical services sectors



Diaspora : New channels for development

- New policies and incentives are enhancing diaspora contributions to development in their countries of origin
 - *In China*, to encourage the return of diaspora, local governments use preferential policies tax breaks, subsidized housing, tax-free imports of automobiles and computers, schooling for children of returnees, jobs for spouses, etc.
 - *India* has introduced a scholarship programme for children of overseas Indians to study in India
 - *In Mali*, facilities created by the Government to transfer funds and encourage returns have been identified as conducive to diasporas' increased involvement in national development



Diaspora : New channels for development

- Enhancing investment in home country economies
For example, through government support of Hometown Associations...
- *The **Philippines** Overseas Link for Philippine Development (LINKAPIL) programme facilitated more than 2,700 donations amounting to a total investment of \$50 million from 1990 to 2006.*
- *From 1992 to 2001, **Mexico**'s Tres por Uno programme carried out 400 projects, in which migrants invested \$5 million (out of total investment of \$15 million). In 2003 alone, however, the federal Government invested \$10 million in 898 projects, out of a total investment of \$40 million.*



Diaspora : New channels for development

- Opening new trade opportunities for home country SMEs, and creating new conduits for receiving country exports
- *Italy, in collaboration with Ghana and Senegal and with IOM support, launched two Migration for Development in Africa (MIDA) programmes in 2003 targeting African diasporas in Italy that included local development and decentralized cooperation elements linking three regions in Italy (Lombardi, Veneto and Tuscany) to communities in Senegal and Ghana to transfer entrepreneurial knowledge for business and trade.*



Diaspora : New channels for development

- Diaspora return to home countries as economic opportunities emerge with entrepreneurship and essential knowledge and skills
- *India's outsourcing services industry benefited from the skills and business opportunities of its diaspora networks. Many Indian engineers, who moved to the United States in the 1960s, by the 1990s had become entrepreneurs, venture capitalists and senior executives in IT firms. As economic opportunities opened in India in the late 1990s, many of these professionals returned to India to either start their own companies or work with others thus helping to establish India as an outsourcing destination.*



Financial Crisis

Negative impact on migrant workers

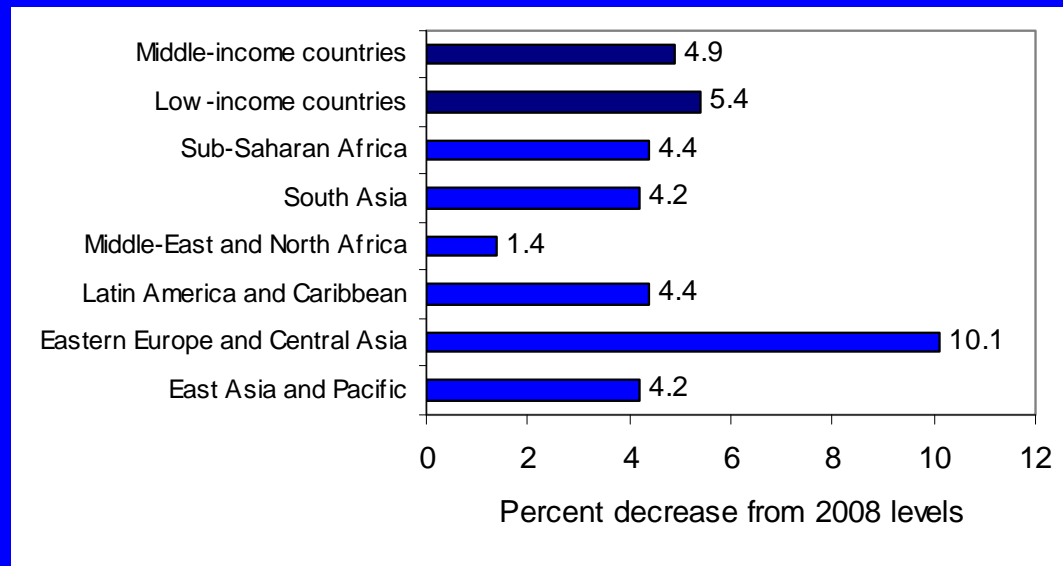
- Impacts most pronounced in sectors employing a large number of migrant workers such as financial, distribution, construction and tourism services, as well as manufacturing
 - *UNWTO now projects world tourism to decline by up to 2 per cent in 2009.*
 - *Globally, the construction market is projected to shrink to \$5.6 trillion in 2009 and spending will not hit its 2007 peak of \$5.8 trillion until 2011.*
- Reduction of existing and prospective employment opportunities for migrant workers



Financial Crisis

Negative impact on migrant workers

- Remittance flows to developing countries off sharply in 2009



- Migrant employment and remittances must be carefully monitored so that emerging problems can be effectively addressed



Financial Crisis

Policy reactions

- In response to the crisis, some governments have introduced financial incentives to encourage migrant workers to return home
 - *Spain offered eligible unemployed migrants lump sum payments to return to their home countries*
 - *Japan offered free one-way flights to recently laid-off Brazilian-national ethnic Japanese workers to return to Brazil*
 - *In the UK, government funds are being used to cover travel costs for the immigrants, mainly Polish, who have been unable to find work in Britain*



Financial Crisis

Policy reactions

- Many governments have closed-off entry of new migrants through more restrictive policies, including skill-based labour matching procedures
 - *In the US, the “American Recovery and Reinvestment Act of 2009” contains the Employ American Workers Act that limits the ability of companies that receive funds from the Troubled Assets Relief Program to hire new H1B workers.*
 - *In the Republic of Korea, restrictions on the issue of new visas to temporary migrant workers became effective in February 2009.*



Financial Crisis

Policy reactions : Are they optimal ?

However, migration can be a tool to help resolve to crisis, so more restrictive policies may be retarding, rather than promoting a global recovery



Policy Options

Improved policy frameworks to enhance migrants' contributions to development

- Policies are changing in most countries, with some relaxing and others restricting their entry policies
- Policies must provide the national economy with the right amount of migrant workers with the right skills
- Temporary migration has been proposed as one approach to deliver win-win outcomes
- Programmes engaging diaspora communities yield multiple benefits



Policy Options

Circular/Temporary migration

- In meeting the identified labour needs of countries of origin and destination, circular migration can contribute to co-development
- Related policies can generate greater overall development gains for sending countries than remittances alone
- Mobility patterns are becoming increasingly temporary rather than permanent – in the OECD countries, temporary migrants outnumber permanent migrants by 3 times and up to 50 percent of migrants return to their home country within 5 years
- Circular migration frameworks based on incentives rather than sanctions can promote mobility and voluntary return



Policy Options

Circular/Temporary migration policies

- *In cooperation with Spain, Senegal provides information on circular migration, establishes work contracts and visa for its migrants workers, and assists with the reintegration of returning migrants.*
- *Denmark initiated a pilot project with India in 2008 to encourage the temporary employment of highly skilled workers in Denmark.*
- *A bilateral agreement on circular migration between Mauritius and France allows Mauritian workers from a range of different professions to work in France for a limited period of time before returning to Mauritius.*



Policy Options

Improving understanding on migration patterns

- Identifying and promoting ways to ensure that international migration better supports the development objectives of both sending and receiving countries
- Encouraging and supporting more extensive analysis and research on labour migration issues
- Improving bilateral and multilateral channels for the exchange of migration and related labour market information



Policy Options

Strengthening the development benefits of migration

- Integrating and mainstreaming labour migration in national employment, labour market and development policy
- Designing structures and mechanisms to empower migrants to contribute to sending and receiving country economies, including by involving all stakeholders in migration policymaking; simplifying administrative procedures for migrants and employers; recognizing migrant workers' skills and qualifications; and reducing remittance transaction costs



Policy Options

Engaging Diaspora Communities

- Many programmes providing incentives for migrants' return to, and investment in, their home countries have been successful
- Home countries can also promote exports of goods and services to their diaspora communities abroad
- Home countries can also improve services for communication, information dissemination and networking to their diaspora communities abroad



Policy Options

Making migration a building block for international and regional trade

- Promoting bilateral and regional labour and trade agreements that reduce barriers to the international flow of labour
- Promoting the positive role of migration in deepening regional integration by mainstreaming migration into national trade policies
- Providing developing countries with tangible opportunities for mode 4 services exports to developed countries



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Thank you for your attention

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