AD-HOC EXPERT MEETING
Contribution of Migrants to Development: Trade, Investment and Development Linkages

Geneva, 29 July 2009

AHEM - CONTRIBUTION OF MIGRANTS TO DEVELOPMENT: TRADE, INVESTMENT AND DEVELOPMENT LINKAGES

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- Migration has been an enduring feature of human life for millennia: indeed, the archaeology and history of the planet is a story of migration, often motivated and facilitated by economic incentives. Yet, in the post-second world war period, the internationalization of production and ownership, rising global growth rates and expanding markets have accelerated a process of globalization, which has partly affected migration patterns. In 2009, the world's stock of migrants reached 200 million, or about 3 percent of global population, double the number of international migrants 50 years ago. It is probable that future migration flows will add to this increase, as processes of urbanization and globalization continue their advance, and the full impact of climate and population changes take effect, in both developed and developing countries.

- In this context, it is important that we raise awareness of the contribution of migrants to economic growth and the role of migration as a channel for development finance (remittances), as well as skills and ideas, and the establishment of commercial and cultural networks. This becomes especially important during the current period of economic crisis and retrenchment in labour markets, where migrant labour is affected disproportionately by recession and rising unemployment. UNCTAD is committed to supporting countries and communities who seek to benefit from economic migration, in part by investigating the strong links between trade, investment and migration and how they impact on economic development. I have therefore convened this Ad Hoc Expert Meeting in response to UNCTAD's mandate in this area, and to further understanding on the drivers of migration, and polices that can help both the integration and regularisation of migrants, as well as facilitate better development outcomes for sending countries.

- Supported by a background note prepared by UNCTAD, our discussions here today aim to review the motivations behind international migration; recent international migration trends and their impacts on development; national experiences; and various policies that countries have implemented to maximize the positive development impacts of international migration. In particular, discussions will examine the potential of migrants' remittances to contribute to development in developing countries, and ways to strengthen diaspora networks and their capacity to deliver enhanced development benefits in both sending and receiving countries.

Trends in international migration, and its drivers

- Economic migrants account for over 85 percent of total migration, and among them regular migrants account for the vast majority. In addition to a huge increase in the numbers of migrants, the global distribution of migrants has also undergone fundamental changes in the past 50 years: the concentration of international migrants in developed countries has grown from 43 percent in 1960 to 63 percent in 2005. At the same time, the number of countries hosting migrants has widened with the number hosting more than half a million migrants increasing from 30 to 64, between 1960 and 2005.

- Today, the geographical distribution of international migrants is heavily influenced by the availability of employment opportunities and the relative openness and accessibility of receiving countries. The top 10 *receiving* countries include advanced economies such as the US and several European Union states including Spain, but also emerging economies such as India, as well as transition economies, such as Russia and the Ukraine. The pattern is further nuanced by the fact that of the top 20 *sending* countries, 5 are developed economies, including the United Kingdom, Germany, Italy, Poland and the United States. Developed countries are therefore an important source of migrant workers, and migration should not be narrowly viewed as a South to North phenomenon.

- Additionally, the role of South-South migration has become increasingly important. The World Bank has estimated that in 2007, about 74 million, or nearly half, of the migrants from developing countries reside in other developing countries, making South-South migration nearly as large as South-North migration. South-South migration therefore represents a significant share of total world migration, and is currently accelerating, especially in areas such as the Middle East and South East Asia. Geographic proximity and cultural links, such as a common language, are key factors influencing migrants' choices towards South-South migration. Moreover, because 80 percent of South-South migration is estimated to take place between adjacent countries, intra-continental migration is generally high in South-South migration; in Africa, for instance, 69 percent of migration is intra-African.

The development benefits of international migration

- The main direct benefit of migration for development is remittances, representing one of the largest private sources of external finance for developing countries, although only a small part of migrants' total incomes. According to recent estimates by the World Bank, remittance flows to developing countries in 2008 reached $328 billion, equivalent to about 2 percent of aggregate developing country GDP. This also represents well over half of foreign direct investment inflows, estimated by UNCTAD to be around $550 billion in 2008, and more than double official development aid, of about $119 billion. In some developing countries the relative importance of remittances as a source of foreign earnings and as a share of GDP is particularly high. In 2007, for example, remittances accounted for more than 20 percent of GDP in Guyana and Lesotho; in Tajikistan it was more than 40%. And, in ten other sub-Saharan African countries, remittances accounted for more than 5 percent of GDP.
- In addition to spending on consumption, remittances in developing countries are also directed at small scale investment such as homes, farms and SMEs, as well as health care and education spending, which can generate employment in critical services sectors. Remittances may also increase the consumption of

imported goods thereby boosting GDP through multiplier effects, as well as government revenues through import tariffs.

- Migration is also a channel for the transfer of technology, know-how and skills: migrant workers returning to their home countries are important transmitters of knowledge related to manufacturing, the provision of services, management skills, and knowledge of both external commercial networks and diaspora communities, which can provide opportunities for trade and investment. Diaspora networks can generate demand for developing countries' exports produced by SMEs, thereby enhancing the participation of SMEs in trade activities. Diaspora networks can also help to reduce the costs and risks of migration for the migrants themselves.

- Referred to as 'circular migration', when it is facilitated through private, government and/or international programs, temporary migration provides sending countries with greater overall development gains than remittances alone, since they might avoid, for example, the permanent effects of brain drain, and can benefit from knowledge and skill transfer. Available data indicates that mobility patterns are becoming increasingly temporary rather than permanent. OECD data suggest that temporary migrants outnumber permanent migrants by 3 times. Data also indicate that between 20-50 percent of migrants return to their home country within 5 years.

The benefits of international migration for receiving countries

- There is growing evidence to demonstrate that receiving countries enjoy substantial additional benefits from migration. <u>Firstly</u>, migrants make sizable contributions to receiving economies in terms of domestic consumption and the payment of taxes, which can also offset an aging, and non-economically productive population, characteristic of many developed receiving countries.

- <u>Secondly</u>, the economic benefits of migration in sending countries contribute to benefits in the global economy, including the economies of receiving countries, as sending countries increase their participation in international trade of goods and services. And in a commercial sense, migrants contribute to the expansion of global trade with their knowledge of home country markets as the case of Chinese, Mexican and Indian diaspora clearly shows.

- Thirdly, international migration responds to real labour needs in receiving countries by fulfilling unmet labour requirements in many lower pay, lower skill level jobs such as those associated with domestic and agricultural work. Many other jobs, including high skill jobs in the services sectors, cannot be met by national workers alone due to demographic changes.
- Fourthly, migrants bring new scientific, technological and cultural resources to receiving countries that contribute to diversifying and enriching a host country's economic and cultural base.
- As a result of these clearly visible and tangible benefits, interest among receiving countries has grown to put more coherent migration policy frameworks in place to facilitate the movement of migrant workers.

Impacts of the financial and economic crisis on international migration

- As a result of the widespread and deepening economic downturn, global unemployment is projected to increase by up to 59 million workers compared to 2007 pre-crisis levels, from 180 million to 239 million by the end of 2009. This increase is estimated to include between 11 and 17 million workers in developed countries and between 19 and 42 million workers in developing countries.
- As a result of worsening economic conditions and more restrictive policies for labour movement, reported in several countries, labour migration flows are falling globally. The World Bank estimates that in 2009 remittance flows to developing countries will fall by between 7 to 10% from its 2008 record level of $328 billion. Decreases in FDI inflows are also expected to fall by up to 25% to developing countries and up to 40% in transition economies, magnifying the relative importance of remittance inflows to developing countries. Moreover, FDI tends to be a key source of demand for foreign higher-skill workers in low income countries, and for foreign lower-skill workers in high income countries, suggesting that falling global FDI flows

will translate into a reduction in employment opportunities for migrant workers at all skill levels.

- The current crisis continues to be most pronounced in sectors employing a large number of migrant workers, such as financial, distribution, construction and tourism services, as well as in manufacturing. Globally, tourism and construction services are acutely affected by the crisis, and in East Asia, the manufacturing sector has been hard hit. Clearly, the impact of reduced activity in tourism and construction services, as well as other sectors more broadly, on migrant employment and remittances must be carefully monitored so that emerging problems can be effectively addressed.

Policy responses to the crisis

- Several countries have reacted to the crisis, and in particular its effects on domestic employment, by taking measures to manage migration inflows: some governments, including Spain, the UK and Japan have introduced financial incentives to encourage migrant workers to return home; in the United States, the employment of migrant workers has become more restrictive for firms receiving crisis-related support; and recently, restrictions on entries of new foreign workers have been put into place in the Republic of Korea and Malaysia.
- The crisis will take time to run its course before a global recovery can begin, but in the meantime many migrant receiving countries might question if more restrictive migration policies are actually beneficial. Speaking at the Global Forum on Migration and Development in Manila, UN Secretary-General Ban Ki-moon emphasized that migration can, and should, be a tool to help lift us out of the crisis. Human mobility makes our economies more efficient, not only in times of global economic prosperity, but also in times of economic crisis, by ensuring that the right skills can reach the right places at the right time. It is thus imperative that governments cooperate across borders to identify and capture the greatest possible development benefits from migration.

- Strengthening the contribution of migrants to development by enhancing migration's positive trade, investment and development links has become an increasingly important and timely endeavor, requiring informed policies that enhance the positive economic and social impacts of migration.
- Progress is needed not only at the national policy level in both developed and developing countries, but also at the international level, including through the WTO GATS; in regional cooperation, trade and economic integration agreements; and through bilateral accords to improve the development yields of these agreements vis-à-vis the movement of labour. Indeed, in some existing agreements such as the GATS, the modalities on the movement of labour represent a degree of policy space and bargaining power for sending countries vis à vis either developed or developing countries.
- However, international agreements should be designed in a way that ensures the migration of highly-skilled workers occurs in a managed way, including through circular migration schemes, to help prevent the effect of brain drain in developing countries.

Let me conclude by wishing you a stimulating and useful series of discussions today, as we explore practical approaches to enhance the development benefits from migration. This is made even more relevant by the current global economic crisis, which, as I mentioned above, is putting pressure on several governments to restrict migration and is having a pernicious effect on remittances. It is my expectation that at the end of the day we will have made progress in clarifying ways that all stakeholders in international migration can cooperate together to enhance the development outcomes of the migration process - for both sending and receiving countries - and most importantly for migrant workers themselves.