Chapter 12
The Determinants of Migration: In Search of Turning Points

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12.1 Introduction

The number of international migrants, persons outside their country of birth a year or more, doubled between 1980 and 2010, from 103 to 214 million (UN DESA 2011). However, the share of the world's people who are international migrants has remained at about three percent over the past half century despite factors that might have been expected to increase migration, including persisting demographic and economic inequalities between countries at a time when globalization is making it easier for people to learn about opportunities abroad and cheaper to travel and take advantage of them.

International migration is the exception, not the rule. The number one form of migration control is inertia—most people do not want to move away from family and friends. Second, governments have significant capacity to regulate migration, and they do, with passports, visas, and border and interior controls. One item considered by many established governments when deciding whether to recognize a new entity that declares itself a nation-state is whether it is able to regulate who crosses and remains within its borders.

The number of international migrants is likely to increase for reasons that range from persisting demographic and economic inequalities to revolutions in communications and transportation that increase mobility. There are also more borders to cross. There were 193 generally recognized nation-states in 2000, four times more than the 43 in 1900 (Lemert 2005, p. 176).[1] Each nation-state distinguishes citizens and foreigners, has border controls to inspect those seeking entry, and determines what foreigners can do while inside the country, whether they are tourists, students, guest workers, or immigrants.

The first step to make migration a manageable challenge is to understand how globalization in a world of persisting differences encourages more migration. The

[1] Lemert (2005, p. 176) says there were fewer than 50 generally recognized nation states in 1900.

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challenge is to manage international labor migration in ways that reduce the differences that encourage people to cross borders over time.

12.2 Labor Migration and Economic Development

There are millions of workers in developing countries who would like to move to higher-wage countries to earn in 1 h what they earn in a day or a week at home. Should higher-wage countries open their doors wider to workers from lower-wage countries? Would the result of more international migration be a so-called triple win: migrants would get higher wages, receiving country employers and societies would get jobs filled at lower wages than the alternatives, and sending countries would benefit from the spending of remittances and the return of workers with skills and motivations acquired abroad?

The World Bank and many economists who want to promote economic development answer these questions with a resounding yes, arguing that migration can reduce poverty and speed up development in migrant-sending countries (Pritchett 2006; World Bank 2006; UNDP 2009). These organizations and authors believe that more migration from lower to higher income countries is inevitable for many reasons, ranging from globalization to shrinking populations in richer countries while poorer countries have huge cohorts of youth seeking jobs. They call for speeding up the onset of the third wave of globalization—migration, to accompany the free movement of goods (trade) and money (finance), and believe that migration and remittances will act like a rising tide that lifts all boats.

There is no international organization devoted to promoting more migration. One UN organization, the United Nations High Commissioner for Refugees (UNHCR), aims to minimize the number of refugees who need protection from persecution in their countries of citizenship, while another, the International Labor Organization (ILO), seeks to protect migrant and other workers by promoting decent work and labor standards. The absence of an international organization analogous to the World Trade Organization has been lamented by those who wish there were a World Migration Organization to promote more labor migration, since they believe that there will be “too little” migration if it remains the purview of national governments (Ghosh 2000). Some groups of nations, notably the European Union, have added free-movement of labor to free flows of goods and capital within the now 28-nation group and 500 million + residents, but EU member states continue to determine how many and which non-EU foreigners can enter and stay.

There are many advocates of more international migration. Pritchett (2006) argues that more migration would increase global economic output in the same way that freer trade creates more wealth, viz, by allowing countries to specialize in what they can produce relatively cheaper than other countries. Pritchett begins with five forces that promise more international migration, including persisting economic and demographic inequalities, uneven globalization, and the existence of hard-to-trade services such as care of children and the elderly. With globalization reducing barriers to the movement of goods and services, and revolutions in communications and transportation lowering the cost of information and travel, Pritchett sees liberalizing labor migration as the last frontier in globalization.

It is widely agreed that an ideal world would have few barriers to international migration, and very little unwanted migration. Indeed, it is precisely the fact that there will be very little unwanted migration that allows countries to remove barriers to migration, as within the EU. This is why managing international migration in ways that protect migrants and contribute to development in both countries of origin and destination is an increasingly important global challenge (Abella et al. 2004). If employers recruit workers in another country who would otherwise be unemployed, if these guest workers send home remittances, and if returning migrants use skills learned abroad to raise productivity at home, migration can speed up development. However, if recruitment takes needed workers out of the country, if remittances are few or are spent in ways that generate few new jobs, and if migrants settle abroad or return only to rest and retire, migration may increase over time.

The fact that there is no automatic link between migration and development makes "turning points" in migration a subject of empirical study. A special issue of the *Asian and Pacific Migration Journal* in 1994 examined migration turning points generally and in particular countries. Fields (1994) attributed the relatively quick transition from sending workers abroad to importing labor in Korea and Taiwan to a combination of export-led growth policies and well-integrated labor markets. Local and foreign investments created manufacturing jobs that paid wages slightly higher than wages in agriculture, attracting rural-urban migrants to factories, and this rural-urban migration transmitted the benefits of export-led growth to those who remained in farming, where wages rose as the farm workforce shrank.

Starting points matter. Fields emphasized that in Asian Tiger economies, nonfarm wages were only 20 % higher than in farming, not the 100 % or more in some African and Latin American countries with dual or segmented labor markets. Eng Fong (1994) used a migration hump approach to show labor migration first increasing with development and later decreasing as population growth slowed. Country studies emphasized unique features, but all highlighted the importance of export-led growth to create factory jobs that attracted rural workers.

If migration opens a window of opportunity for the poorer countries that send migrants abroad, why does international migration seem to speed economic development in some countries but not in others? Governments have since 2006 debated this question at the Global Forum on Migration and Development, but have done more to clarify the questions rather than provide answers (Martin and Abella 2009).

The 3 Rs summarize the impacts that migrants can have on the development of their countries of origin:

- Recruitment deals with who migrates. Are migrants persons who would have been unemployed or underemployed at home, or key employees of business and government whose departure leads to layoffs, reduced services, and more emigration pressures?
- Remittances to developing countries exceeded US$ 1 billion a day in 2012. Can the volume of remittances be increased if more migrants cross borders? How can the cost of transferring small sums between countries be reduced, so that more

money is received in migrant-sending countries? Once remittances arrive, are they spent to improve the education and health of children in migrant families or do they fuel competition for fixed assets, as when land or dowry prices rise?
- Returns refer to migrants who come back to their countries of origin. Do returning migrants bring back new technologies and ideas and stay? Do they circulate between home and abroad, or do they return to rest and retire?

The effects of the 3 Rs on the economic differences between countries that prompt economically motivated migration are not uniform, one reason why the link between migration and development is often described as uncertain or unsettled (Skeldon 1997, 2008; Papademetriou and Martin 1991). Economically motivated migration can set in motion virtuous circles that reduce migration in the future, as when young workers who would have been unemployed at home find jobs that pay higher-than-average wages 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 between sending and receiving areas as predicted by the factor-price equalization theorem, which holds that trade in goods or migration of workers can reduce economic differences between countries.[2]

The alternative vicious circle between more migration and slower or stalled development, and thus ever more emigration pressure, can unfold if employed nurses, teachers or engineers are recruited for overseas jobs, so that the quality and accessibility of health care and schooling declines in migrant-sending areas or factories lay off workers for lack of key managers. In the vicious circle, migrants abroad do not send home significant remittances, or send home remittances that have adverse effects such as pushing up the value of the currency and choking off exports or fuelling inflation rather than creating new jobs. Migrants abroad do not return, or return only to rest and retire, so that there is only a limited transfer of new ideas, energies, and entrepreneurial abilities from richer to poorer countries. In the vicious circle, more migration can slow development and increase emigration pressure.

12.3 Recruitment

Migration is not random: young people are most likely to move over borders because they have "invested" the least in jobs and careers at home and have the longest period to recoup their "investment in migration" abroad. However, even among young people, exactly who migrates is heavily shaped by the recruitment efforts

[2] The factor-price equalization theorem assumes that there are two countries, C1 and C2, with two goods, G1 and G2, produced by two inputs, capital and labor (Mundell 1957). If G1 is capital intensive and G2 is labor intensive, and the price of capital relative to labor, R/W, is lower in C1 than in C2, C1 is the capital–intensive country and C-2 is the labor-intensive country. Countries export primarily commodities that require intensive use of the relatively cheaper factor, so that C1 should export mostly G1 to C2, while C2 exports G2 to C1, narrowing the costs of capital and labor in the two trading countries. With wage differences narrowing, there is less economic incentive to migrate from the lower to the higher-wage country, that is, trade is a substitute for migration.

of foreign employers and recruiting agents and governments in sending areas or networks that link migrants settled abroad with friends or relatives at home. For example, if foreign employers are hiring IT professionals and nurses, institutions may evolve to train computer specialists and nurses to the specifications of foreign employers and help them to move abroad to fill jobs. Alternatively, if foreign employers recruit domestic helpers and farm workers, institutions will evolve to move low-skilled migrants over borders.

The recruitment of migrants has been concentrated at the top and bottom of the education ladder, that is, as employers sought workers with college degrees and low-skilled migrants. The recruitment of well-educated professional workers is generally done openly, as employers and their agents recruit nurses, IT specialists, and teachers.

Indian IT is an example of a virtuous circle migration and development circle. India had only 7000 IT specialists in the mid-1980s, according to the Indian software association, NASSCOM (www.nasscom.in), but multinationals recognized their skills and recruited more for their operations outside India. Institutions developed to train more Indians for IT work, and brokers to find them foreign jobs. Some Indians who had been abroad returned with contracts to provide computer services to the firms that had employed them abroad. The Indian government supported the nascent IT-outsourcing industry by reducing barriers to imports of computers, upgraded the communications infrastructure, and allowed the state-supported Indian Institutes of Technologies to set quality benchmarks for IT education in India.

Employing Indians in India to do computer work for clients abroad had important spillover effects in India. The expanding outsourcing industry pressured the government to improve India's electricity and telecommunications infrastructure, promoted the use of merit-based selection systems in higher education and employment, and hastened the improvement of IT services in India, since Indian firms that served clients abroad could offer the same world-class services at home. The virtuous circle was completed with a sharp jump in enrollment in science and engineering schools, making India a leading provider of IT specialists and services (Heeks 1996).

By contrast, the recruitment of African doctors and nurses by hospitals in former colonial powers may have set in motion a vicious circle of poorer health care that slows development in migrant-sending countries. Many African countries retain colonial-era education systems, so that doctors and nurses are trained to colonial-power standards. Financially strained health care systems often find it hard to lure doctors and nurses to poorer rural areas, and some require medical graduates who received government support for their education to serve a year or two in underserved rural areas before receiving their medical licenses. The result may be a bad experience that prompts many newly licensed health care professionals to leave Africa.

Health care is a peculiar sector. Governments strongly influence the demand for health care professionals via the building of hospitals and setting charges for patients and drugs, and influence the supply of health care workers by subsiding the training of medical professionals, regulating the issuance of credentials, and setting or influencing the salaries and working conditions of health care workers.

Many health care workers trained in African countries leave for higher wages and more opportunities elsewhere. For example, half or more of the doctors and nurses who were trained in Ghana, Liberia, Mozambique were abroad in 2005 (Clemons and Pettersson 2008).

How should governments respond to the exit of health care workers that can set in motion vicious circles between migration and development? Governmental efforts to limit the emigration of health care professionals may not be the proper response to an inadequate wage and lack of decent work in underserved rural areas, since barriers to out-migration interfere with personal rights and may be evaded. They may also aim at the wrong target, since the number of trained nurses in the country but not employed in nursing exceeds estimates of nursing shortages in many African countries (Clemons and Pettersson 2008).

One response is ethical recruitment codes. The World Health Organization, which estimated a shortage of 4.3 million health care workers in 40 sub-Saharan African countries in 2008, developed a best-practice code to regulate the recruitment of African health care professionals by health care institutions in richer countries that calls for recruitment MOUs between the governments of countries sending and receiving health care workers. These MOUs encourage richer-country governments to subsidize training of more health care workers in emigration countries (Connell 2010).

Demanding compensation is another response. Jamaica has one of the world's highest rates of outmigration among professionals, including health care professionals. Three-fourths of Jamaican university graduates have emigrated, and "migration fever" is reportedly common among university students who assume that they will earn higher wages and have better working conditions abroad.[3] Minister of Foreign Trade Anthony Hylton called for "bilateral and multilateral arrangements with countries like England and the United States, so that they pay at least a part of the training cost to the government for recruiting people that we have trained and will not necessarily benefit from their service,"[4] but has not won compensation from the countries in which Jamaicans work.

On the other hand, some governments encourage their professionals to emigrate, as when the Filipino government opens new markets for its health care workers abroad. There are several key differences between the Philippines and countries seeking compensation for their professionals employed abroad, including the fact that nursing education in the Philippines is often financed privately, so that individuals rather than governments invest in education for foreign employment. Some 6500–7000 nurses a year graduate from Filipino nursing schools, and many plan to go abroad for better pay, more professional opportunities, and to be near relatives.[5]

[3] Jamaica has replaced some of its emigrant health care workers with Cubans.

[4] Quoted in Migration News (2001). Latin America. 8(10), October. http://migration.ucdavis.edu/mn/more.php?id=2468_0_2_0.

[5] The Philippines Nurses Association Inc. (PNA) estimated in 2002 that 150,885 Filipino nurses were abroad, and noted that experienced nurses with specialty training were most in demand overseas.

Pay for Filipino nurses abroad was reported to be US$ 3000–4000 a month in 2003, versus US$ 170 a month in urban areas and US$ 75–95 a month in rural areas of the Philippines,[6] prompting private recruiters to compete to match Filipino nurses with foreign jobs.[7] The government professes little concern. Then-Labor Secretary Patricia Sto. Tomas in 2002 said that nurses are "the new growth area for overseas employment," and that Filipinos have a comparative advantage in health care because of their care-giving skills and English. She said: "we won't lose nurses. The older ones, those in their mid-40 s, are not likely to leave. Besides, the student population reacts to markets quickly. Enrollment is high. We won't lack nurses."[8]

Instead of heath care professionals emigrating to provide services, some countries are attracting foreign patients to hospitals that provide high-quality care at lower-than-home-country prices. Health tourism, what the General Agreement on Trade in Services (GATS) deems Mode 2 provision of services,[9] brings patients to health care workers rather than moving health care workers over borders to patients, putting the emphasis on decent work in what could otherwise be migrant-sending countries. India, in January 2004, created a task force to "assess the opportunities for promoting India as a health destination,"[10] while the Malaysian government called "health tourism" a growth industry and supports its expansion.[11]

IT and health care migrants raise issues at the top of the job ladder, while domestic workers, laborers, and most other migrant workers are nearer the bottom of the job ladder. Most lower-skilled workers find foreign jobs with the help of for-profit recruiters who often charge workers for their job-matching services (Martin 2012). Migrants, employers, and governments want low recruitment costs and good worker-job matches so that migrant workers are in the "right" jobs abroad, satisfying employers and achieving savings targets without overstaying or taking second jobs. However, recruiters may not have the same low-recruitment costs and good worker-job matching incentives.

ILO conventions call for employers to pay all of the recruitment costs of the migrant workers they hire and for governments to operate no-fee labor exchanges. C181 (1997) on private employment agencies allows governments to create

[6] Since it is easiest to go abroad as a nurse, some Filipino doctors, who earn US$ 300–800 a month, are reportedly retraining as nurses so they can emigrate.

[7] For example, one agency promises Filipino nurses that their US hospital employers will sponsor them for immigrant visas (www.nursestousa.com/).

[8] Quoted in Migration News (2002). Southeast Asia. 9 (6), June. http://migration.ucdavis.edu/mn/more.php?id=2650_0_3_0.

[9] Trade in services, which are often produced and consumed simultaneously, as with haircuts, and sometimes change the consumer, totaled US$ 4.1 trillion in 2011. There are four major modes or ways to provide services across national borders: cross-border supply, consumption abroad, foreign direct investment (FDI) or commercial presence, and Mode 4 migration, which the GATS refers to as the temporary movement of "natural persons." Mode 4 remittances are about US$ 200 billion a year, less than six percent of total trade in services.

[10] "Govt Sets Up Task Force On Health Tourism," Financial Express, 11 January 2004.

[11] About 60% of foreigners who seek treatment in Malaysia are from Indonesia. In October 2003, the Health Ministry set fees for three packages priced between RM450 and RM1,150, and recommended floor and ceiling prices for 18 procedures. ("Robust growth in revenue for health tourism sector," Business Times (Malaysia), 4 February 2004.)

exceptions to Article 7's statement that "Private employment agencies shall not charge directly or indirectly, in whole or in part, any fees or costs to workers." Some governments set maximum recruitment charges that are a fraction of foreign earnings, such as setting maximum recruitment charges at a month's foreign earnings, which is 4.2 % of earnings under a two-year contract and 2.8 % under a three-year contract.

Many migrants report paying far more in recruitment costs, up to a third of what they will earn abroad, or $ 2000 for a three-year contract paying US$ 200 a month or US$ 7200 while abroad. However, layers of agents and intermediaries between official recruiters and migrant workers make it hard to measure recruitment costs accurately, including financial costs for passports, visas, and health checks. There are also opportunity costs when migrants must travel to capital cities to complete exit procedures or participate in pre-departure orientation and training, since workers cannot earn wages while preparing to go abroad. Measuring migration or recruitment costs accurately is the first step to reduce them.

12.4 Remittances

Remittances to developing countries were US$ 406 billion in 2012. Remittances are projected to increase by US$ 40 billion a year to reach US$ 534 billion by 2014. Remittances to developing countries have risen with the number of migrants, and surpassed official development assistance in the mid-1990s. Unlike foreign direct investment and private capital flows, remittances were stable during the 2008–2009 recession, while FDI and private capital flows to developing countries fell sharply (Sirkeci et al. 2012).

Remittances have two major components: workers' remittances, the wages and salaries that are sent home by migrants abroad 12 months or more, and compensation of employees (called labor income until 1995), the wages and benefits of migrants abroad less than 12 months.[12] Many countries do not know how long the migrants who remit funds have been abroad, so most analyses combine workers remittances and compensation of employees. For example, Mexico reports most money inflows under worker remittances, while the Philippines reports most under compensation of employees. The volume of remittances depends on the number of migrants, their earnings abroad, and their willingness to send money home.

A handful of developing countries receive most remittances (World Bank 2012). India received an estimated US$ 69 billion in 2012, China US$ 60 billion, the Philippines US$ 24 billion, Mexico US$ 23 billion, and Nigeria and Egypt, US$ 21 billion each. Bangladesh and Pakistan received US$ 14 billion each, followed by Vietnam with US$ 10 billion and Lebanon with US$ 7 billion. Remittances are the

[12] A third item not generally included in discussions of remittances are migrants' transfers, the net worth of migrants who move from one country to another.For example, if a person with stock migrates from one country to another, the value of the stock owned moves from one country to another in international accounts.

largest share of the economy in a diverse group of countries, including ex-USSR countries whose Soviet industries collapsed, such as Tajikistan (remittances equivalent to 47% of GDP) and Moldova (23% ; island countries such as Tonga and Samoa; and Central American countries with large diasporas in the United States, including Honduras and El Salvador.

Studies agree that the best way to maximize the volume of remittances is to have an appropriate exchange rate and economic policies that promise growth. Since the 11 September 2001 terrorism attacks, many governments have tried to shift remittances from informal to formal channels, that is, to encourage migrants to remit via regulated financial institutions such as banks. Migrants have demonstrated a willingness to transfer money via formal channels, especially if it is easy and cheap to do so, but this usually requires banking outlets in migrant communities at home and abroad and competition to lower transfer costs.

The cost of sending small sums over borders can be 10% of the amount transferred, or US$ 20 to send US$ 200. The G8 and G20 countries pledged to promote cooperation between migrant-sending and –receiving countries to reduce remittance costs, and the 5 × 5 program aims to reduce remittance costs by five percentage points within 5 years. However, remittance costs are still considered too high, averaging 7.5% in 2012 in the 20 largest bilateral remittance corridors (World Bank 2012).

The US-Mexico remittance market is unregulated, in the sense that Mexicans in the US decide how much to remit. Several Asian countries, by contrast, tried to specify both the amount of remittances and how migrants remitted. For example, many Korean migrants in the Middle East in the late 1970s were considered employees of their Korean construction company for which they worked in Korea and abroad. Most of their wages were paid in Korean currency to their families in Korea, while the migrants received only a small stipend in local currency.

Korea no longer sends workers abroad, but some of the Chinese and Vietnamese who work abroad remain employees of Chinese and Vietnamese firms at home. Their wages are paid in the same way that Korean migrants were paid, viz, most go to the migrant's family or bank account in the home currency. The Philippines attempted to specify how much should be remitted in the 1980s, but abandoned this forced-remittance policy for most migrants after protests. However, seafarers must remit 80% of their earnings via the employment or manning agencies that place them on board ships.

Forced-remittance programs are unpopular with migrants. Migrants from Jamaica, Barbados, Saint Lucia and Dominica have worked on US farms since 1943 under the auspices of the British West Indies Central Labor Organization (BWICLO), which charged migrants 5% of what they earned for liaison and other services. BWICLO also required departing migrants to sign contracts that required US employers to deposit 20% of each worker's earnings in a Jamaican savings bank. Returned migrants complained of difficulty accessing these forced savings, and initially received them with no interest, although protests prompted the Jamaican bank to begin paying interest.

Between 1942 and 1946, Mexican Braceros had 10% of their earnings sent by US employers directly to the Bank of Mexico. Many of the war-time Braceros say they never received these forced savings after returning to Mexico, and the Mexican government says it has no records of what happened to the money. Suits filed in the US against Wells Fargo Bank, the US bank that transmitted the funds to Mexico, and the Mexican government led to the creation in 2005 of a fund to pay former Braceros and relatives of late Braceros living in Mexico up to US$ 3500 each.[13]

Governments sometimes use the volume of remittances as a short-hand indicator of migration's effects on development. Remittances can improve the lives of migrants and their families, and their spending can speed growth and job creation, even for non-migrants. Most remittances are used for consumption, helping to explain their stability[14] even as exchange rates and investment outlooks change.

The governments of many migrant-sending countries, including Mexico and the Philippines, acknowledge the important contributions that remittances make to their country's financial stability and development. Mexico has a much touted 3×1 program, with federal, state, and local governments matching each dollar donated by migrants abroad to improve infrastructure in migrant areas of origin (Orozco and Rouse 2007). However, there may be conflicts between migrants abroad who want churches or plazas improved for weddings and celebrations when they return and stay-behind residents who put higher priority on running water or paved streets.

The spending of remittances can generate jobs. Most studies suggest that each US$ 1 in remittances generates a US$ 2–3 increase in economic output as recipients buy locally produced goods or invest in housing, education, or health care, improving the lives of non-migrants via the multiplier effects of remittance spending (Taylor and Martin 2001). The exit of men and women in the prime of their working lives initially reduces output in migrant-sending agricultural areas, but the arrival of remittances can lead to adjustments that maintain or even increase the output of local farms and other businesses. For example, families who lose workers to migration can shift from growing crops to raising less labor-intensive livestock and rent their crop land to other farmers, who may be able to achieve economies of scale on larger production units.

In addition to remittances, migrants can steer FDI to their countries of origin and persuade their foreign employers to buy products from their countries of origin. Having migrants abroad increases travel and tourism between countries, as well as trade in ethnic foods and other home-country items. Migrants abroad may undertake many other activities, including organizing themselves to provide funds for political parties and candidates. Many of these activities are informally organized, making it difficult to ascertain their volume and impacts.

[13] The Mexican government, without admitting it lost the 10% of Bracero wages withheld by employers and sent via banks to Mexico, agreed in 2005 to pay US$ 3,500 in compensation to Braceros living in Mexico. However, only 49,000 of the 212,000 Mexican applicants could provide the required documentation to receive payments. Rural Migration News (2009). H-2 A Re-Engineering, Braceros. Volume 15 Number 1 January. http://migration.ucdavis.edu/rmn/more.php?id=1408_0_4_0.

[14] Automatic stabilizers in developed countries, such as unemployment insurance, help to stabilize the flow of remittances to developing countries that have the same economic cycles as the countries in which their migrants work.

12.5 Returns

The third R in the migration and development equation is returns. There is no automatic relationship to ensure that more migration generates faster development. In virtuous circles, returning migrants provide the energy, ideas, and entrepreneurial vigor to start or expand businesses at home. Alternatively, returned migrants can work at home, using the skills and discipline acquired abroad to raise productivity in sending country factories and businesses. Migrants are generally drawn from the ranks of the risk takers at home, and if their new capital is combined with risk-taking behavior upon their return, the result can be a new impetus for economic development.

On the other hand, if migrants settle abroad and cut ties to their countries of origin, remittances may decline and migrant human capital may be "lost" to the country of origin. Migrants may return only to rest and retire, which could limit the effect of returned migrants on development. The third possibility is for migrants to circulate between sending and receiving areas. Under some circumstances, back-and-forth movement can increase trade and other links between countries and contribute to economic growth in both.

It is often hard to isolate the effect of migration in a country that switches from being a labor sender to a labor-receiver. Taiwan provides an example. The government invested most of its educational resources in primary and secondary education in the 1970s, so Taiwanese seeking higher education often went abroad for advanced study, and over 90% of those who earned PhDs remained overseas despite rapid economic growth in Taiwan.[15] During the 1980s, even before the end of martial law, some of these Taiwanese PhDs abroad began to return, while others maintained "homes" in North America and spent so much time commuting to Taiwan that they were called "astronauts."

The government provided incentives to attract Taiwanese scientists and engineers abroad, including subsidized Western-style housing. For example, the Hinschu Science-based Industrial Park was created in 1980 to develop a Taiwanese rival to Silicon Valley. Hinschu was soon a major success, employing over 100,000 workers in 300 companies with sales of US$ 28 billion by 2000 (Luo and Wang 2002), when 40% of Hinschu's companies were headed by returned overseas migrants. The targeting of PhD holders was also successful: 10% of the 4,100 returned migrants employed in the park had PhD degrees.

Taiwan's experience suggests that investing heavily in the type of education appropriate to the stage of economic development, and tapping the "brain reserve overseas" when the country's economy demands more brainpower, can be a successful development strategy. Then-Chinese leader Premier Zhao Ziyang called Chinese abroad "stored brainpower overseas," and encouraged Chinese cities to offer financial subsidies to encourage them to return home. Many cities responded with "Returning Student Entrepreneur Buildings"[16] to attract Chinese professionals home.

[15] These students were highly motivated to pursue advanced studies.Before they could go abroad, they had to complete two years of military service and obtain private or overseas financing.

[16] Shanghai reportedly has 30,000 returned professionals, 90% with MS or PhD degrees earned abroad, who are employed or starting businesses (Kaufman, Jonathan, "China Reforms Bring

The poorest countries pose the largest challenge to encouraging returns. Several international organizations, including the International Organization for Migration and the United Nations Development Program, operate return-of-talent programs that subsidize the transportation and living costs of professionals abroad who agree to return and work in government or academic institutions. Many of the professionals involved in these return-of-talent programs have an immigrant or long-term secure status abroad and remain in their country of origin only a year or two. Sussex University's Richard Black called subsidized return-of-talent programs "expensive failures" because they do not result in the "investment that [return] should bring."[17] However, in later analyses, Black has softened this conclusion to "there is much uncertainty about the impacts of migration and return on development (Ammassari and Black 2001, p. 40). It is clear that the subsidized return of professionals can help to spur inclusive development, but the evidence is mixed.

Even if migrants do not return, they could contribute to development in their countries of origin. Many analysts point to the potential of "circular migration" to speed development, or hope that migrants settled abroad can initiate or speed diaspora-led development at home by promoting trade links with and investments in their countries of origin. Migrant-sending governments can foster what Bhagwati (2003) called a diaspora model of development by forging links to their citizens abroad via dual nationality or dual citizenship to "integrate past and present citizens into a web of rights and obligations in the extended community defined with the home country as the center." Bhagwati is well-known for urging migrant-receiving countries to share some of the taxes paid by migrants with migrant countries of origin.

Migrants abroad can also send home "political" remittances, such as ideas that help to speed up development by breaking down gender and other stereotypes that limit the education of girls or restrict women in the workplace (Levitt 1998). Migration exposes people to new opportunities as well as new ideas. Levitt and other researchers focus on how migrants moving from poorer to richer countries transmit ideas that increase the emphasis in their countries on the importance of hard work, education, and savings and investment.

There are also limitations of diaspora-led development. There are many proposals but few concrete examples of migrants and diasporas formally advising or serving in the governments of their countries of origin. For example, some of the Mexicans who migrated to the US were later elected to office in Mexico, but their plans to speed up development were not always well received.[18] Similarly, diasporas may

Back Executives Schooled in US,"Wall Street Journal, 6 March 2003; Tempest, Rone, "China Tries to Woo Its Tech Talent Back Home," Los Angeles Times, 25 November 2002).

[17] Quoted in Beattie, Alan, "Seeking Consensus on the Benefits of Immigration," Financial Times, 22 July 2002, p. 9.

[18] Andres Bermudez, California's so-called Tomato King, was elected mayor of his 60,000 resident hometown, Jerez, in the state of Zacatecas. He first won the election in 2001, but that victory was set aside because he had not lived in the town for 12 months. The residency requirement was reduced to six months and he was hailed as a binational symbol when he was elected mayor in 2004. He served as mayor for two years before making a failed bid for Mexico's federal congress.

support and fund one side in civil wars and conflicts, as in Sri Lanka, prolonging conflicts that slow development (Orjuela 2008). Governments' fears that the diaspora could favor one side in an internal dispute or conflict is one reason why some governments are reluctant to engage their diasporas.

12.6 Development and Migration: The Migration Hump

Economic theory normally assumes that trade and migration are substitutes, so that freer trade between countries with different wage levels should reduce economic incentives for migration over time as wages in the trading countries converge. As wage differences narrow, low-wage workers have especially fewer incentives to migrate from poorer to richer trading partners. However, trade and the migration of professionals can be complements, meaning that the temporary movement of professionals often increases with more trade and investment. There are several reasons for this, including trade in complex goods and the spread of multinationals that move managers and technical experts to the countries in which they invest and trade.

This distinction between low- and high-skilled workers suggests that freer trade and investment can be a long-run substitute for the migration of low-skilled workers, albeit with a short-run migration hump under some circumstances, while freer trade and investment can be complementary for highly skilled workers. Economic theory and experience thus suggest different policies toward low- and high-skilled migration linked to free-trade agreements, being wary of a migration hump for the low-skilled while facilitating the movement of temporary professionals.

Converging wages or factor-price equalization embodies a number of assumptions that may not hold in particular trading relationships, explaining why "factor-price equalization is a real-world rarity" between low- and high-wage trading partners.[19] A quick look at several of these assumptions in the context of trade and migration between Mexico and the US after NAFTA went into effect in 1994 demonstrates that there can be a migration hump with freer trade (Martin 1993). Canada and the US entered into a free-trade agreement in 1989, so the addition of Mexico with NAFTA in 1994 primarily reduced trade and investment barriers between Mexico and the US at a time when Mexican wages were about an eighth of US wages.

One critical assumption of the standard trade-as-a-substitute-for-migration model is that countries freeing up trade share the same production functions or technologies. However, if the basis for trade is a difference in technologies between countries instead of each country's endowment of capital and labor, migration and

(Quinones, Sam,"Andres Bermudez Dies at 58; 'Tomato King' and Mexican Officeholder," Los Angeles Times, 8 February 2009)

[19] The Economist, 17 November 2012. www.economist.com/news/finance-and-economics/21566629-liberalising-migration-could-deliver-huge-boost-global-output-border-follies.

trade may be complements, as with the increased Mexico-US migration that accompanied freer trade in corn over the past 2 decades. If tractors plow corn fields in the United States and oxen pull plows in Mexico, traditional trade theory assumes that the reason for this difference is that Mexico has more labor and lower wages, not that tractor technology is unavailable in Mexico. US farmers have higher capital-labor ratios than Mexican farmers in this scenario because capital is cheaper in the US, not because Mexico's rural poor lack access to tractors.

When NAFTA went into effect in 1994, about 30 % of Mexicans were employed in agriculture, and corn was the major crop of over half of Mexico's farmers. Iowa, the leading US corn-producing state, produced twice as much corn as Mexico at about half the price. The Mexican government had tried to reduce rural poverty by offering a higher-than-world price for corn, but this subsidized corn policy benefited primarily larger farmers who produced a surplus to sell, not the small corn farmers who dominated the ranks of Mexico's rural poor.

NAFTA's free-trade provisions required Mexico to reduce protections for its labor-intensive corn-farming sector. Free-trade in corn opened new export markets for capital-intensive US corn farmers, but hastened the demise of labor-intensive Mexican corn farmers, some of whom had migration links to the US at a time when US unemployment was low. One result was the so-called Mexico-US migration hump in the late 1990s, during which trade with Mexico and the migration of low-skilled Mexicans to the US increased together (Martin 1993; Migration News 1995).[20]

As a result of the economic restructuring in especially rural Mexico induced by NAFTA, Fig. 12.1 shows that more Mexicans migrated to the US. This additional migration due to freer trade is shown as the area A, the extra migration due to freer trade that would not have occurred in the absence of NAFTA. However, freer trade and more investment also spur economic growth throughout Mexico, and many of the children of displaced farmers who received more education than their parents found jobs in the factories and businesses that were created due to freer trade and investment. The additional Mexico-US migration associated with freer trade begins to fill after about 15 years, and then falls even further, so that freer trade spurs economic growth in migrant-sending areas and results in less (unauthorized) migration over time.

The migration hump was used as an argument for and against approval of NAFTA. The unions opposing NAFTA pointed to the prospect of more unauthorized migration as a reason to vote against NAFTA, while trade specialists and President Clinton argued that freer trade and investment was the only policy that would stimulate the economic growth needed to reduce unwanted Mexico-US migration over time.

There are about 12 million Mexican-born US residents in 2012, including eight million Mexican-born workers in the US labor force, but net Mexico-US migration fell to zero between 2005 and 2010, as the number of Mexicans returning to Mexico matched new Mexican entries to the US, according to the Mexican census. These data suggest that Mexico-US migration has reached point B in the figure, and at roughly the 15-year mark projected by Martin (1993).

[20] A million Mexicans lost jobs in 1995, and two-thirds of the Mexican farmers questioned in one survey reported that their incomes had been reduced by a NAFTA-induced influx of corn, processed meat and milk products that lowered the prices they received for farm products in Mexico. An estimated 800,000 Mexicans entered the US, mostly illegally, in 1995.

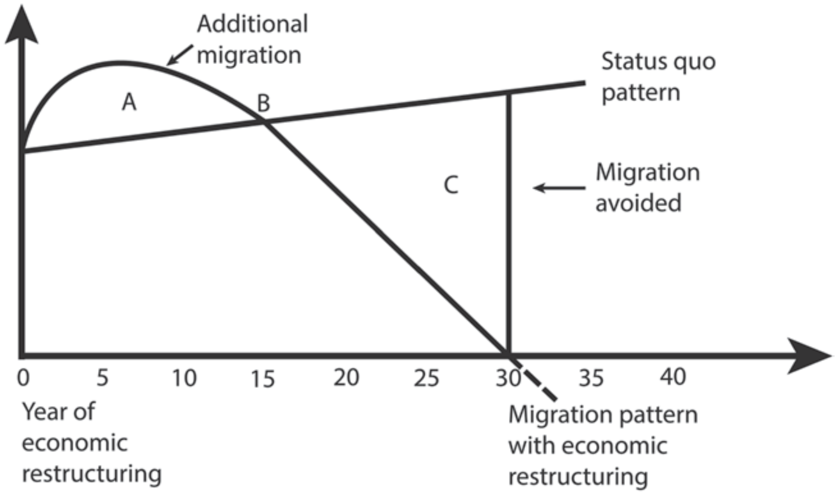

Fig. 12.1 Mexico-US migration hump under NAFTA

A second reason why trade may not be a substitute for migration between low- and high-wage countries is because the differences in factor productivity that lie at the core of comparative advantage may arise from infrastructure and other public goods rather than factor endowments. In an extreme case, a labor-intensive country such as Mexico may not have a comparative advantage in producing some labor-intensive goods despite low wages because a lagging infrastructure makes it too expensive to get inputs to available workers and finished products out of the country.

In such cases, it can be more efficient for US producers of labor-intensive goods to import low-wage Mexican workers and take advantage of the superior US infrastructure, so that migration increases alongside trade. This happened in the 1980s, when Mexican shoe workers moved to Los Angeles, US shoe production increased, and Mexican shoe exports fell despite a peso devaluation that should have increased Mexican exports. Migration turned into a continuing complement to freer trade in this case because of economies of scale, as increased shoe production in Los Angeles lowered costs of production and encouraged expansion.

Increasing the productivity of workers in lower wage countries by moving them into higher-wage countries to take advantage of more private capital and better public infrastructure is the basis of estimates that removing barriers to migration would raise world GDP significantly (Winters et al. 2002; Klein and Ventura 2007). For example, one estimate concluded that moving more of the 2.7 billion workers in developing countries to industrial countries, which currently have 600 million workers, would raise the average wage of migrants by US$ 7000 and increase global GDP by 30 % or US$ 21 trillion.[21]

[21] Estimate of Sharon Mutant of the University of Warwick noted in The Economist, 17 November 2012. www.economist.com/news/finance-and-economics/21566629-liberalising-migration-could-deliver-huge-boost-global-output-border-follies.

There are several other reasons why low-skilled migration and trade can be complements, including non-instantaneous adjustments, imperfect markets, and migration networks. Trade models normally assume that adjustments to the dislocations that can accompany freer trade are instantaneous and costless. In the case of NAFTA, the displacement of corn farmers associated with freer trade occurred in western and southern Mexico, while freer trade with the US created jobs in northern Mexican factories that often imported components, assembled finished goods, and re-exported them. The Mexican farmers displaced by freer trade in agricultural commodities were older men with little education, while the border-area maquiladora factories that expanded in the wake of NAFTA hired mostly young Mexican women who had just completed secondary school. Displaced farmers who could not easily find jobs in these expanding Mexican factories contributed to rising Mexico-US migration during the past 2 decades.

Standard trade models also assume that there are complete markets with perfect information and no transactions costs. Rural areas in Mexico and other low-wage countries often lack well-functioning banking and insurance markets, making it hard for farmers wanting to take advantage of new opportunities that are opened by freer trade to obtain capital to expand or experiment with new crops that may become more profitable with the opening of new markets. In such cases, migration to a higher-wage country may provide the fastest way to obtain additional capital or to cope with natural and other disasters. Surveys of Mexican migrants in the US typically find that a significant share of young men migrated north in order to earn the money needed to repay loans that were incurred by their families to deal with health and similar emergencies.

Trade and migration can be complements for other reasons as well, including transactions costs. Transactions costs include information and transportation costs, which can fall faster if increased trade and migration lowers them faster at a faster pace. For example, closer economic integration can lower the cost of communication between two countries by increasing the density of communication networks and number of translators and bilingual residents. More trade and investment can also add transport links that lower transportation costs for ever larger flows of goods and people.

The so-called new economics of labor migration has developed other reasons why migration may increase alongside more trade and rising incomes in the poorer country (Taylor and Martin 2001). One such reason is relative deprivation, as occurs when a successful migrant returns from work abroad and uses savings to buy a television or household appliances, encouraging other families to encourage household youth to go abroad and send home remittances so that they too can afford these items.

The literature on freer trade and low-skilled trade imagines workers moving from one country to another and settling, potentially raising the cost of providing social safety net services in receiving countries. US studies conclude that immigrants with less than a high-school education upon arrival have a negative present value when computing the value of the taxes they and their children and grandchildren pay compared to the cost of the tax-supported benefits they are likely to receive over their lifetimes, even assuming that the children and grandchildren of immigrants have the same earnings and benefit behavior as other US-born children (Smith and Edmonston 1997).[22]

There is a positive correlation between the volume of trade with a country and the number of business-related admissions to the United States, especially of foreigners arriving with the E, H, L, or TN visas that are often held by professionals. For example, in 2004, Canada and Mexico, the top two trading partners of the United States that together accounted for 31 % of US trade worth US$ 2.3 trillion in 2004, also together accounted for 22 % of the 1.2 million entries of foreigners with E, H, L, or TN visas in 2004 (Wasem 2007, Table 12.1). Note that a visa holder admitted several times within 1 year generates multiple entries or admissions in these admissions data.[23]

There are three major reasons why freer trade and investment are associated with more high-skilled professionals: complex goods, movements linked to multinational corporations, and foreign investment. First, increased trade in complex goods, those that require specialized and customized inputs and are often tailored to the needs of particular buyers, usually require the seller to educate the buyer before the sale and to provide services after the sale. Complex goods are often in service for years or decades, and the manufacturer often has an ongoing relationship with the buyer to monitor the complex good. Sales of complex goods are often accompanied by professional migrants who educate buyers and service the good after sale, making trade in complex goods and the migration of professionals complements.

The second reason that trade and professional migration can increase together is the spread of multinational corporations, which by definition operate in more than one country. Most multinationals want to move managers and skilled professionals to their subsidiaries abroad so that the techniques that ensured success in one country can be transferred to another. Introducing home-country management and production techniques in foreign subsidiaries, such as just-in-time inventories in manufacturing, usually requires the movement of managers who have experience with the technique in their home market. Over time, foreign professionals may be replaced by locally trained managers, but some multinationals continue to rotate managers and professionals between their operations in various countries in order to ensure productivity and continuity and to provide future leaders with experience in all of the firm's operations.

[22] The present value of an average immigrant was US$ 89,000 in 1996, but was US$ 197,000 for immigrants with a high-school diploma or more and -US$ 13,000 for an immigrant with less than a high-school diploma.

[23] Total trade between Korea and the US was US$ 72 billion in 2004, the US ran a US$ 20 billion trade deficit, there were 28,900 Korean E, H, L, or TN admissions, and 829,000 total Korean admissions. Total trade with Australia was US$ 22 billion in 2004, the US ran a trade surplus of US$ 6.7 billion, there were 23,400 Australian E, H, L, or TN admissions, and 645,000 total Australian admissions. (Wasem 2007, Appendix A, CRS-22).

Table 12.1 Migration humps: Trade and low-skill migration as complements. (Source: *See* text)

Theoretical rationale	Complementarity between trade and migration in the short run	Substitutability between trade and migration in the long run	Reason for larger migration hump
Technologies differ	Labor-intensive production in South cannot compete with capital-intensive production in North	Production of goods in which South has a comparative advantage generates jobs	Poor infrastructure and public services may retard new job creation
Factor productivity differences	Wage differences are insufficient to create comparative advantage in labor-intensive production in South	Public investment in education and infrastructure closes the productivity gap	Failure of public policies to close productivity gap over time
Economies of scale	Industries using migrant labor in the North expand, lowering costs of production and South cannot compete	Public investment in education and infrastructure in South closes the productivity gap	Failure of public policies to counteract scale economies in Northern migrant-intensive industries
Adjustment lags and costs	Lags between economic integration and job creation Factor specificity: displaced corn farmers not hired as factory workers, so loss of subsidies prompts emigration	Economic integration create jobs in South, especially for better educated younger workers most prone to migrate	Poor public services, discourage investment, extend the investment-employment lag and fail to overcome factor specificity problems
Market Failures	New jobs in South provide the funds to undertake risky migration	New jobs and factor market development offer alternatives for migration	Limited employment expansion to provide attractive alternatives to migration, due to above
Migration networks	By minimizing migration costs and risks, networks increase the likelihood that short-run deterioration of employment and wages in the South become manifested as new migration. Given a short-run increase in migration, networks accelerate migration effects	Diminishing returns to migration networks, combined with increasing opportunities from trade reform in the migrant-sending country	Absence of diminishing returns to networks and/or slow employment and income growth in sending country
Relative deprivation	Short-run increases in income disparities caused by trade reforms stimulate migration as a means to reduce relative deprivation	Broadened access to market opportunities and/or migration eventually reduces relative deprivation and associated migration pressures	Persistence of unequal access to income opportunities in migrant-sending country

The third reason that freer trade and the migration of professionals can be complementary involves investors, who normally want to play a role in managing especially new investments abroad. Investors may want to go to the country in which they are investing or send professionals to begin the operation abroad, making an easy-entry visa a key part of an investor's decisions about whether and how much to invest. Not all investors have an operation in their own country, which is why some countries have investor visas that issue probationary and eventually settler visas to foreigners who invest at least a certain amount and create or preserve a certain number of jobs.

12.7 Conclusions

About 3 % of the world's seven billion people are international migrants, persons outside their country of birth for a year or more. Most people become international migrants for economic reasons, seeking opportunities and higher earnings abroad. Persisting demographic and economic inequalities, just as globalization is making it easier to learn about opportunities abroad and cheaper to travel and take advantage of them, promise more international migration. Indeed, many people in richer countries that attract migrants fear being "overrun" by migrants.

Fears of "too much" migration may be exaggerated, since migration can speed up development in migrant countries of origin so that they turn from emigration countries to destinations for immigrants in a decade or two. If migration is self-stopping, then there is no reason to fear that migration from any particular country will increase over time.

The major links between international labor migration and development flow via the 3 Rs of recruitment, remittances, and returns, or who leaves, how much money do they send home, and what are the economic impacts of returned migrants? However, there is no economic law to assure that these 3 Rs operate in ways that promote stay-at-home development. Instead, international migration opens a window of opportunity for faster development, and walking through the window to ensure that migration in fact speeds development requires good economic policies at home. Good economic policies make it less likely that local workers cannot find jobs and that key managers or health care workers whose absence slows development stay at home. Good economic policies are also likely to increase remittances and the share of foreign earnings invested by migrants who return from foreign jobs.

What if migrants leave areas with poor economic policies and little hope? Under these circumstances, there is more likely to be too little or inappropriate training so that migrants who go abroad are employed at low wages or fill jobs that do not utilize their skills. Recruitment systems can permit local agents to collect some of the wage gap or wedge that motivates migration, and workers can go into debt to pay migration costs, making them more vulnerable abroad. Once abroad, poorly paid workers and those working below their qualifications earn and remit less and, when they return, are more likely to rest and retire rather than apply new-found skills and entrepreneurial vigor in their home economies.

The fact that the link between migration and development is not fixed means that policy can make a difference. However, many international debates focus on symptoms rather than underlying fundamental issues, as when they promote ethical recruitment or campaigns against trafficking rather than providing workers with local alternatives. The best protection for workers who may be abused by recruiters or traffickers is the power to say no, which requires having decent work options at home. Similarly, appropriate exchange rates and prospects for growth may do more for migration- and diaspora-led development than remittance-matching programs.

The chicken-and-egg question is how to get economic policies correct in a country that is already sending workers abroad and being transformed by migration. In some cases, emigration acts as a safety valve that can maintain the status quo, allowing flawed policies and politics to continue because those who might have protested at home go abroad. In other cases, emigration acts as an additional spark for sustainable development, providing the skills and capital needed for faster growth. The seemingly endless plans for poverty reduction and economic development highlight the difficulty of getting economic policies correct, but without the right fundamentals, migration is as likely to set in motion vicious circles between migration and development as virtuous.

An ideal world would be one with few barriers to migration. This ideal will be reached sooner if migration always speeds development in migrant-sending areas, so that the push factors that contribute to fears of unwanted migration diminish. For both migrant-sending and -receiving countries, migration is a process to be managed, not a problem to solve, so that constant attention to the workers, employers, and institutions is required to protect migrants and ensure that labor migration that speeds development.

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