

INTERNATIONAL MIGRATION
PAPERS

17

Global nations
The impact of globalization
on international migration

Peter Stalker

Consultant on international
development and migration

Employment and Training Department
International Labour Office Geneva

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Foreword

This is a paper of the ILO's Migration Branch. The objectives of the Branch are to contribute to (i) the evaluation, formulation and application of international migration policies suited to the economic and social aims of governments, employers' and workers' organizations, (ii) the increase of equality of opportunity and treatment of migrants and the protection of their rights and dignity. Its means of action are research, technical cooperation and advisory services, meetings and work concerned with international labour standards. The Branch also collects, analyses and disseminates relevant information and acts as the information source for ILO constituents, ILO units and other interested parties.

One aspect of contemporary globalization that has received scant attention to date is international migration. If by "globalization" is meant the liberalization of movements of production factors, indeed one may wonder whether globalization does extend to the movements of economically motivated persons. If by "globalization" is meant an increase or an intensification of links between countries, there are indications that international migration movements are part of this phenomenon. In the following study Peter Stalker first sifts through the various notions of globalization and then examines how trade, foreign investment and migration are linked and how they impact on each other in general and on international wage disparities in particular.

W.R. Böhning
Chief
Migration Branch

1. Globalization in perspective

The farther and more deeply we penetrate into matter, by means of increasingly powerful methods, the more we are confounded by the interdependence of its parts... All around us, as far as the eye can see, the universe holds together, and only one way of considering it is really possible, that is, to take it as a whole, in one piece. (Pierre Teilhard de Chardin, 1955.)

Globalization has long been an alluring vision. Philosophers and politicians have often welcomed the prospect of a universal, peaceful unity. Certainly the world seems to be binding itself ever more tightly into seamless webs and networks. Computers are jetting from Malaysia to the United States, apples from Chile to Europe, and gold and wine are flowing from South Africa all over the world. At the same time, trillions of dollars are flashing out as electronic impulses daily from the world's major financial centres in London, New York and Tokyo. And permeating all this traffic is a blizzard of cultural and commercial images that make thousands of personalities and brand names instantly recognizable the world over.

But all this has had surprisingly little to do with the movement of people. Discussions of globalization rarely consider international migration at all, or if they do they deal with it as a residual category, an afterthought. This could be a matter of relative scale. Trade and finance are moving in much more impressive quantities: global exports of goods represent around 19% of world GDP, and even for developing countries the inflow of foreign direct investment in 1993 accounted for around 6% of gross capital formation (Bergsman, J. and Shen, X. 1995, p. 6). Global labour migration, on the other hand, is more limited, involving only around 35 million economically active people, plus 40-50 million dependants. This is equivalent to only 1.2% -1.5% of the world's population and of its labour force (Böhning, W.R. and Oishi, N. 1995, p. 798).

Yet migration, or the fear of it, is closely connected with other processes of globalization and is influencing many international debates. The purpose of this report is to redress the balance somewhat, looking more closely at the movement of people – and seeing how they link up with other aspects of globalization.

1.1. What is globalization?

Such is preoccupation with globalization that, whether welcomed or feared, it is being accepted as something new and startling – and out of human control. This is far from true. In many respects what we are currently going through is merely the latest, and not necessarily the most dramatic, phase of a centuries-long process. And far from being something remote and unmanageable, it is actually the outcome of deliberate choice. This is not to deny the significance of what is happening to the global economy, but it is important to be realistic about the scale and character of the changes.

A logical first task is to establish what 'globalization' is – no simple matter since the term is applied to so many different processes that its meaning is becoming steadily more elusive. In its weakest sense, it may merely refer to an increasing number of events taking place simultaneously in more than one country – from the emergence of soccer as a global sport to the resurgence of

Islam as a global religion. But globalization should imply something beyond similarity or equivalence in each country – that these events are connected, and that there is a steady multiplication and intensification of links and flows between discrete national entities.

However even this, strictly speaking, is only ‘internationalization’. In its strongest sense, globalization goes beyond internationalization. It implies a higher plane of organization – one at which discrete national entities are themselves dissolving so that all major political and economic decisions will ultimately be transmitted globally. This new world sees the ‘death of geography’ and in particular the demise of the nation state.

In practice, however, the word is generally used more loosely. Almost all international processes are considered as aspects of globalization. And this umbrella term is subsuming many processes that are essentially national. It thus includes many aspects of economic liberalization, such as privatization, that are clearly under the control of national governments.

Mixed up with all this is a dash of ideological rhetoric. Globalization has embedded within the concept both a description and a prescription. The description is of a world ever more closely bound by flows of trade and finance. The prescription is that this is how the world ought to be – that such developments are in everyone’s interest.

1.2. Globalization in history

Globalization in the sense of widespread international trade is usually regarded as a phenomenon of the past decade or so. This is strange, since the internationalization of commerce is scarcely novel. Private corporations have operated across national borders for at least 500 years. In the middle ages in Europe, for example, numerous trading companies established offices and representatives in cities across the continent. The merchants of the German ‘Hanseatic League’, for example, had myriad interests: they helped develop agriculture in Poland, iron production in Sweden, and general industry in Belgium. In the 14th century, the Medici formed one of the first multinational banks – with trading and banking houses scattered throughout Europe. In later centuries, enterprises like the East India Company and the Hudson’s Bay Company, extended the concept – expanding their operations along with the British Empire and becoming the progenitors of the modern multinational enterprise (Dunning, J. 1993, p. 97).

The internationalization of business also owed a great deal to the industrial revolution. The industrializing countries looked overseas for raw materials and foodstuffs, and also for new markets for their output. And they invested heavily. By the First World War, foreign direct investment had reached an estimated \$14 billion (*ibid.*, p. 116). The 1930s saw something of a lull. But multinational growth took off again after the Second World War, initially driven by American companies, but later also by those of Europe and Japan.

The historical growth in multinational investment was accompanied by a similar expansion of trade. Between 1870 and 1913, international trade expanded at around 3.4% per year. Between 1913 and 1950, there was then a long hiatus, as a result of wars and various types of trade restriction, during which growth plummeted to less than 1% annually. Then it recovered – between 1950 and 1973, trade grew at over 9% per year (Hirst, P and Thompson, G. 1996, p. 21).

Along with an internationalization of investment and trade there have also been significant movements of people. The most brutal transfers resulted from the slave trade. Prior to 1850, an

estimated 15 million slaves were transported from Africa to the Americas, and during the century following the abolition of slavery, over 30 million people were moved as indentured workers (Appleyard, R. 1991, p 11). However, millions more people would also travel voluntarily. Over the period 1846 to 1939, some 59 million people were to leave Europe, mostly heading for the Americas, but also for Australia, New Zealand and South Africa (Stalker, P. 1994, p. 74).

1.2.1. Capital in perspective

One might assume that as a result of this long history of transfers of goods and people the world today is now more international than that any time in history. But this is questionable. Indeed it can be argued that the world was much more 'globalized' during earlier periods. This is evident even when considering movements of capital. One 1980 study that measured financial openness in terms of the ratio of national current account balances to GDP found that a number of European and North-American countries were no more open than they had been a century earlier. In fact, for six of the major countries (Great Britain, Italy, Sweden, Norway, Denmark, and the United States) there was a relative decline in capital movements (Grassman, S. 1980, p. 51).

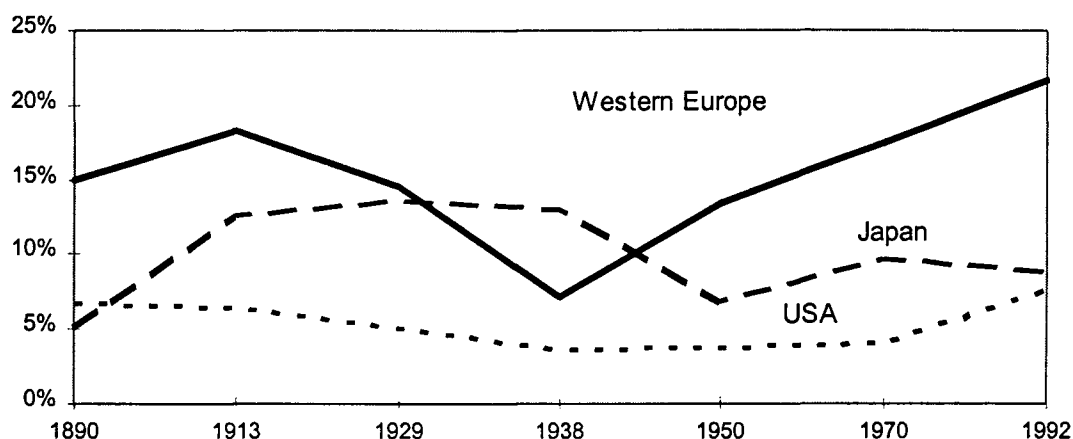
Another aspect of global integration is the trading of currencies and securities – and the strength of links between one financial centre and another. In recent years, there have been concerns about systemic collapses as a result of the ease with which currency traders can move funds around the world in response to economic weaknesses or changes in interest rates. However, a number of investigations have suggested that, in terms of the interlinking of global interest rates, the period of greatest correlation in short-term rates between different countries was actually during the period of the Gold Standard from 1879 to 1914 (Hirst, P and Thompson, G. 1996, p. 35). Similar conclusions have been drawn about the extent of transnational securities trading – that markets were actually more integrated in the late 19th and early 20th centuries than they are today (*ibid.*).

1.2.2. Trade in perspective

Nor does trade seem to be much more significant now than in earlier periods. Figure 1-1 shows merchandise exports as a proportion of GDP. This shows that the percentage for Western Europe is consistently higher than for the United States, since smaller countries generally depend more on external trade than larger ones. Even so, on this criterion economies large or small seem to be little more open to trade than they were at the beginning of this century.

However, these aggregate figures say nothing about the composition of GDP – and this could help account for this apparent paradox. Nowadays many more people are employed in the service sectors, and particularly the public sector. This on its own would depress the ratio of trade to GDP and mask a rise in trade volume. Another factor will be the change in the composition of exports and particularly their prices. For the United States, at the beginning of this century, for example, less than one third of trade was of manufactured goods rather than commodities, while today the proportion is around 75% (Bairoch, P. 1996, p. 180).

One of the most surprising elements of the above chart is the position of Japan which, on this measure, is less trade-dependent than it was before the Second World War (*ibid.* p. 179). It should be pointed out again, however, that merchandise here is being measured in terms of prices. This will make its relative importance sensitive to a change in relative prices between exports and domestic consumption. Thus, while the volume of Japanese exports has risen, the prices of exports have fallen relative to domestic consumption. Nevertheless, even after taking these

Figure 1-1. Merchandise exports as per cent of GDP

Note: Data are three-year averages, except 1950

Source: Bairoch, P. 1996

considerations into account, it does seem that economies are not dramatically more open nowadays than previously.

1.2.3. Migration in perspective

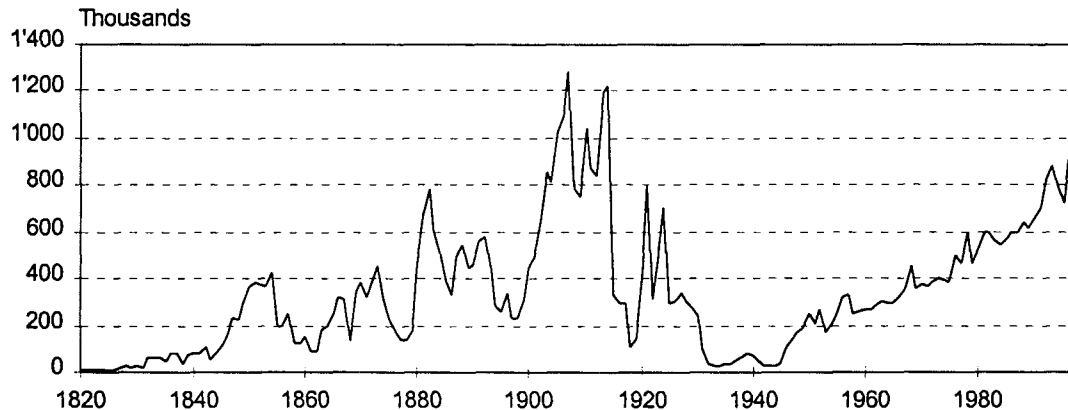
One could add similar caveats about the international flows of people. While many people are concerned about the large numbers of international migrants, in fact historically the largest flows were in the century after 1815. This can be illustrated by the case of the largest receiving country, the United States. The number of immigrants today is considered high, but as Figure 1-2 shows, it is actually less than at the beginning of this century. Moreover, as a proportion of the recipient population they are even less significant. In 1914 (the peak year) the total number of immigrants was 1.2 million, which was 1.5% of the total American population, while in 1996 they came to 911,000, which was only 0.35% of the population (Immigration and Naturalization Service, 1996a).

1.3. A global consciousness

If the basic data suggest that the world is no more internationalized than it was at the beginning of this century, why is it that the world seems much more global? One reason may be that indicators of globalization appear to be rising in recent years. So the 'inexorable' process of globalization may be based on extrapolations of trends which historically have shown themselves capable of reversal.

But it can also be argued that international flows have not just been increasing in volume, they have also been changing in character. This can be seen, for example, in the much deeper integration achieved by transnational corporations, which can disperse production of parts across many different production sites – a process helped by the speed of communications and the cheapness of transportation. By 1990, for example, air transport costs per passenger mile were less than 20% of their level in 1930, and international phone charges less than 5% of their cost in 1940 (World Bank, 1995, p. 51).

Figure 1-2. Immigration into the United States, 1820-1996



Source: Immigration and Naturalization Service, 1996b

The character of international migration has also changed. Migrants can move back and forth much more readily and rapidly – and can keep in regular contact with their homes, even if these are on the other side of the globe. As a result, the flows are more diverse and complex. The ILO has looked at the current pattern for 152 countries, considering their proportions of immigrants and emigrants, as well as the volumes of remittances. It finds that, between 1970 and 1990, the number of countries that qualified as major receivers went up from 39 to 67 and those that qualified as major senders went up from 29 to 55. But one of the most interesting conclusions was the increase in the number of countries that were both major senders and receivers – up from 4 to 15 (Böhning, W.R. and Oishi, N. 1995, p. 795).

These developments have also affected the way we see the world. As one of the leading sociologist commentators of globalization has expressed it: “Globalization refers both to the compression of the world and the intensification of consciousness of the world as a whole” (Robertson, R. 1992, p. 8). Again it could be argued that even this is nothing new. Many ‘universal’ theoretical frameworks have been applied to international relations, from Marxist analysis of global capitalism to more recent presentations in terms of ‘world systems theory’. But these have essentially referred to relationships between states, economies, or cultures – i.e. between relatively independent entities (Waters, M. 1996, p. 25). The essence of globalization is that the barriers between these entities are dissolving – and opening up the possibility of some kind of global consciousness.

1.4. The modern era

Where has this consciousness come from? What seems like the fusion of different systems may just be an extension of the process of modernization. The latest communications technologies, for example, are another step in the development of calendars and mapping. These were the basis of establishing the universal date and time zones that allow for extensive co-ordination and synchronization (Rifkin, J. 1987, p. 85). Time and space have thus become objects to be manipulated. Many other aspects of life have been ‘codified’ to make them uniform and exchangeable – in particular the universal media of financial exchange – from cash to credit cards (Giddens A. 1991, p. 20).

Some would argue, however, that the emergence of a global consciousness is less the integration of the remotest parts of the world into one single reflexive organism and more the spread and domination of one particular way of life – liberal capitalism and the technology it has developed. Rather than integrating many systems into one large synthesis, modernism seems to be sweeping everything else aside in favour of one pervasive and uniform system. However, this probably gives too much weight to the efficacy of ‘cultural imperialism’ and underestimates the resilience of many other cultures both to resist deep penetration and to continually transform themselves on their own terms. The most deliberate high-profile opposition has appeared in the form of Islamic fundamentalism, which has at times resisted both democracy and modernization. And many of the emerging Asian countries are very selective about which aspects of Western culture they wish to take on board. They have succeeded, they say, because of the strength of their own values; not because they became like the West, but because they have remained different from the West (Huntingdon, S. 1996, p. 38).

1.5. The retreat of the state

Throughout history, the commercial aspects of globalization have also been intimately connected with the rise – and fall – of the nation state. Initially the emergence of the nation-state relied very much on modern media and uniform systems of education that helped create and sustain national identity and state power. Now, however, it seems that the modern era of globalization is eroding the authority of the state and the significance of national borders.

This erosion is a matter of deliberate choice. Governments, the guardians of national identity, have been retreating from areas previously considered their exclusive prerogative – removing many forms of welfare protection and services and passing over to the private sector many activities previously the domain of state-owned corporations. But at the same time they have been taking decisions that have reduced the significance of national borders – notably promoting free trade and removing restrictions of the international movement of capital.

The retreat of the state has opened up much more room for private enterprise at national and international levels. This process has, of course, been accelerated by the collapse of communism and the further spread of the principles of liberal democracy. But in practice most governments, whatever ideology they profess, are moving roughly in the same direction. States are therefore deliberately choosing to reduce their own significance. This has profound implications for global governance and regulation, since at present the global institutions that might take over some of the functions ceded by national governments are still relatively weak.

However, one should not assume that every change has global implications. In many cases, what has been happening has been more a process of regionalisation – as countries, and parts of countries, realign themselves according to the logic of production and markets rather than of national borders. Some of these regions may actually lie within national borders such as northern Italy, Pusan at the southern tip of the Korean Peninsula, or the Shukoten region of Japan (whose GNP would rank it third world-wide after the United States and Germany). But many others straddle national borders, such as the Growth Triangle which consists of Singapore, Johore (a state in Malaysia), and the Riau Islands of Indonesia. They are uniting because they form natural economic zones (Ohmae, K. 1996, p. 80).

These political developments have again been amplified by dramatic developments in technology – notably the spread of digital communications. Even the most repressive regimes can be

undermined by an unstoppable flow of information and criticism. But governments are also faced with many new forms of production and wealth that glide around cyberspace beyond most forms of control – or taxation.

1.6. Conclusion

Globalization is more realistically viewed as the latest phase in a long historical process – and in some respects not the most significant. The evolution of globalization is summarized in Box 1-1. This analysis by sociologist Roland Robertson divides globalization into a number of broad periods. Currently he says we are moving through the ‘Era of uncertainty’.

Globalization is not a monolithic unstoppable juggernaut, but rather a complex web of interrelated processes – some of which are subject to greater control than others. Of these, international migration is the one most likely to provoke intervention. Governments are less willing nowadays to block flows of trade or finance but take much more resolute action when it comes to people.

But why should they need to do this? In theory, globalization should eventually make countries economically more equivalent so people should not need to move around the world searching for work. The next chapter looks at prospects for this kind of ‘convergence’.

2. Convergence and divergence

According to neo-classical economic theory, one of the effects of globalization should be ‘factor price equalization’. Goods, people, and capital moving across national borders should tend to equalize prices between countries. Labour should travel from low-wage to high-wage countries and capital should move in the other direction. This would tend to depress wages in the migrant-destination countries, while raising them in the sending countries. Eventually, some kind of equilibrium should be reached when the remaining wage gap represents just the cost of migration between the two countries. As a result, migration should stop.

Does this equalization happen in practice? This is difficult to judge at present. Although capital and goods can move fairly freely, labour cannot. Today, all states exert, or try to exert, very strict control over their borders and want to avoid any mass influx of new people.

In the past things were very different: for centuries people were free to move as they wished without passports or visas. To look at the effect of migration on international wages, therefore, it is easier to look at the historical record. Economic historian Jeffrey Williamson has done this by examining data over the past 150 years for 15 countries. In the ‘New World’, these countries were: Australia, Argentina, Canada and the United States. In the ‘Old World’ they were: Belgium, Denmark, France, Germany, Great Britain, Ireland, Italy, Netherlands, Norway, Spain and Sweden.

Box 1-1. Phases of globalization

The process of moving towards a greater degree of global density and complexity can be divided historically into a sequence of broad phases that include some of the following elements.

I – Germinal – Early 15th to 1750s, in Europe

- Growth of national communities
- Accentuation of concepts of the individual
- Beginnings of modern geography
- Spread of Gregorian calendar

II – Incipient – 1750s to 1870s, mainly in Europe

- Shift to the idea of the homogenous unitary state
- Concept of international relations
- Ideas of citizenship
- Conventions concerned with international communications

II – Take-off – 1870s to mid-1920s

- Sharp increase in the forms and speeds of global communication
- Development of global competitions – Nobel prizes, Olympic Games
- Implementation of world time
- Near universal adoption of Gregorian calendar
- First conflict considered as a world war
- League of Nations

III – The struggle for hegemony – early 1920s to mid-1960s

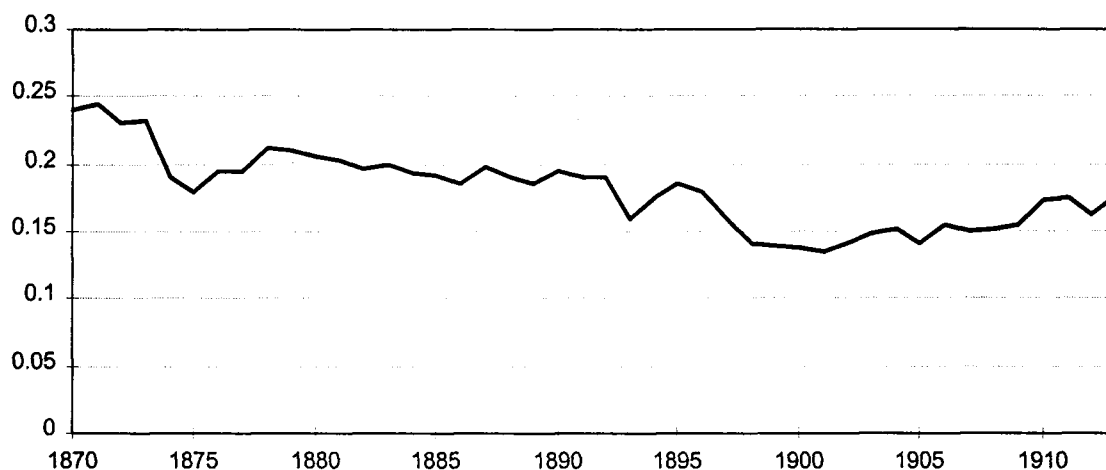
- Disputes and wars about the terms of globalization
- Prospects for humanity focused by atomic bomb and Holocaust
- United Nations
- Cold War

IV – The era of uncertainty – 1960s to present day

- Inclusion of Third World to international system
- Heightening of global consciousness
- Moon landing
- Spread of nuclear weapons
- Societies increasingly multicultural and multi-ethnic
- Environmental movement
- End of Cold War, international system more fluid
- Consolidation of global media system

Source: Robertson, 1990

Figure 2-1. International real wage dispersion, 1870-1913



Source: Williamson, J. 1995

2.1. The first era of convergence – Europe catches up

These data point to two distinct eras of convergence. The first covers the period 1870-1913, and the process of convergence is illustrated in Figure 2-1. This indicates changes in urban unskilled wage rates adjusted for the local cost of living. The extent to which wages differ across countries is expressed by a 'coefficient of dispersion'. As Figure 2-1 indicates, from 1870 to around 1900, the trend is a steady process of convergence, with the coefficient almost halved – from 0.24 to 0.14.

Most of the convergence represents European wages catching up with those in the Americas, and wages in Argentina and Canada in the process of catching up with Australia and the United States. Even so, the United States remained comfortably ahead of most other countries – in 1900, real wages in the United States were still 62 per cent higher than in Great Britain. There had also been considerable convergence between the countries of Northern Europe. In Sweden in 1854, real wages were only 48 per cent of those in Great Britain, but by 1913 they were at a par. Ireland too made significant progress over the same period – the ratio rising from 60 to 92 per cent. However, there remained a persistent wage gap in Europe between the richer countries of the North and the poorer countries of the South.

What led to this convergence? The fact that it took place in a relatively open period suggests that globalization played an important part. This was an era of free trade when currencies were linked through the gold standard. And migration was relatively free – between 1846 and 1924 an estimated 50 million Europeans migrated to the traditional receiving countries in North America and Australia (Appleyard, R. 1991, p. 11).

Williamson concludes that the main factors were trade and migration. The trade factor was largely the result of rapidly falling transport costs between North America and Europe. This dramatically lowered commodity prices in Europe. Thus the price of grain in Liverpool, which was 60 per cent higher than in Chicago in 1870, was only 15 per cent higher by 1912 – and there was also

substantial price convergence in most other commodities, from beef, to coal, to copper. As a result, the cost of living in European countries fell, and real wages rose. Looking specifically at the gap between Great Britain and the United States, Williamson concludes that, in the years 1870-95, commodity price convergence was responsible for more than one-third of the fall in the real wage gap between the two countries (Williamson, J. 1996, p. 286).

The second factor he identifies is mass migration. Following the neo-classical model of factor-price equalization, this should have depressed real wages in the United States and raised them in Europe. However, the effect of immigration on wages has always been controversial. One difficulty is that while the arrival of immigrants certainly increases the size of the labour force it also creates employment. For one thing, immigrants increase demand: they are consumers who will need, among other things, extra housing, food, and infrastructure whose provision will itself create more jobs. For another, they also offer a fresh and vigorous labour pool that also attracts new capital. This clearly happened during this period. Capital was chasing labour: in the 19th century, most capital flows were from the Old World to the New, seeking opportunities for profit in the Americas.

So immigration might be expected to depress wages. But not necessarily. Indeed, some contemporary studies argued that immigration could not have retarded wage growth over this period since during the 1880s real wages in the United States actually rose. Other investigators, however, who compared wage growth during the immigration period with that during the migration-restricted 1920s, suggested that, although real wages had not fallen in the earlier period, they had certainly grown more slowly. Williamson concurs. Using a computable general equilibrium model, he estimates that migration did have a dampening effect on wages. Even allowing for capital movement, he concludes that without mass immigration, urban real wages in 1910 would have been more than 9 per cent higher (Williamson, J. 1996, p. 291).

Meanwhile wages should correspondingly have been rising in the sending countries. With emigration siphoning off excess labour, the demand for workers ought to have been increasing. In a number of countries this involved a substantial proportion of the population. Between 1846 and 1924, 22 per cent of the population of Sweden, for example, and 41 per cent of the population of the British Isles had emigrated. Indeed on average, emigrants from Europe over this period represented 12.3 per cent of the population (Massey, D., 1988, p. 386). Emigration on this scale must have had an impact on wages, and there were in fact substantial wage rises in Sweden and Ireland.

Of course, quite apart from emigration there are other reasons why real wages might have risen. The diffusion of technology from the more advanced to the less advanced countries would have helped increase productivity, as would rising standards of education. However, in the late 19th century most industrial technologies were well known, and already available around the globe, and did not require a particularly educated workforce. Williamson's overall conclusion is that around 70 per cent of real wage convergence between 1870 and 1910 was due to mass migration, leaving the rest due to other forces such as trade.

The First World War brought this period of convergence to a halt, not just in trade and investment, but also in migration. Before the war, there had been very few restrictions on international travel. People were free to move throughout Europe (and sometimes overseas) without a passport, and if they wanted to settle in a new country there were few bureaucratic obstacles. After the war, however, severe restrictions were introduced, particularly in the United

States. Arrivals that had been running at over a million per year were cut to around 162,000. This process of 'deglobalization' was accompanied by a divergence in real wage rates. The dispersion coefficient started to rise again and, by the end of the Second World, was still as high as 2.0.

2.2. The second era of convergence – barriers fall in Europe

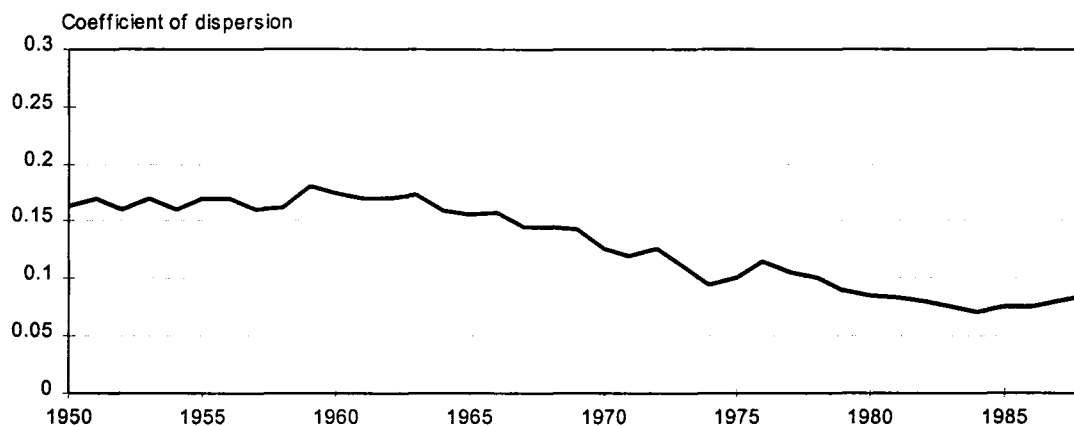
The second major period of convergence took place from the beginning of the 1960s, as indicated in Figure 2-2. This has two main components. The first consists of Europe catching up with the New World. In 1960, real wages in the Federal Republic of Germany, for example, were only 39 per cent of those in the United States while by 1988 they were up to 89 per cent. Similarly in Denmark, the ratio rose from 54 per cent to 100 per cent. At the same time, there was also considerable convergence within Europe: Italy, Spain and France were catching up with many of the countries of Northern Europe. Thus, Italy where wages in 1960 were only 38 per cent of Great Britain's had by 1980 moved ahead with a ratio of 115 per cent (Williamson, J. 1995, p. 161).

What had caused convergence during the second period? Conditions were certainly very different. Migration from Europe to North America had been considerably reduced. In the decade 1901-1910, more than eight million Europeans had left for North America, but by the decade 1961-70 the flow had fallen to 1.1 million, and by 1981-90 to 0.8 million. For some countries the falls were dramatic, and continued through the period of convergence. Thus departures from the Federal Republic of Germany during 1951-60 were more than half a million, but by 1981-90 had fallen to 91,000 (Immigration and Naturalization Service 1996a).

Convergence thus had little to do with emigration. Instead it was more a result of economic growth in Europe. In the countries of the European Community, per capita GDP in the 1960s was rising on average by 4.8 per cent per year, compared with 3.0 per cent in North America. And although growth slowed in subsequent decades, it was still faster in Europe than in North America. The same period also saw convergence in wages. Between 1970 and 1991, real wages grew by over 50 per cent in the European Community compared with only 10 per cent in the United States – though this was offset to some extent by a rise in unemployment (OECD. 1994, p. 60).

While Europe as a whole had been catching up, there had also been considerable convergence within Europe – particularly between the countries of the European Community where cross-border investment and trade were helping to reduce disparities. Between 1960 and 1992, trade between the founder states increased from 35 per cent to 60 per cent of all their trade. This growth in trade brought a much greater degree of economic convergence. In addition, the EC had various regional and other funds that helped iron out imbalances (Salt, J. 1996, p. 77).

These developments also affected flows of migrants between European countries. In the 1950s, the poorer countries of the south, notably Spain, Portugal and Italy had dispatched large numbers of workers to the richer countries such as France and the Federal Republic of Germany. But as economic growth proceeded, and all the countries became richer, so intra-European migration slowed – even though it was much easier for nationals of the various member states of the EC to work in other member countries. This came as something of a relief. In the 1960s, there had been fears of an Italian 'flood' to the richer countries. Instead, more Italians started to stay at home.

Figure 2-2. International real wage dispersion, 1956-1988

Source: Williamson, J. 1995

During the period 1966-70 Italy had a net loss of over 250,000 people but by 1976-80 the flows had started to reverse (Federici, N. 1989, p. 59.)

In fact, Europe as a whole had started to become a net importer of labour – attracting workers from North Africa, Eastern Europe and Turkey. As a result, countries like Italy and Spain, which had been exporters of labour, now found themselves net importers.

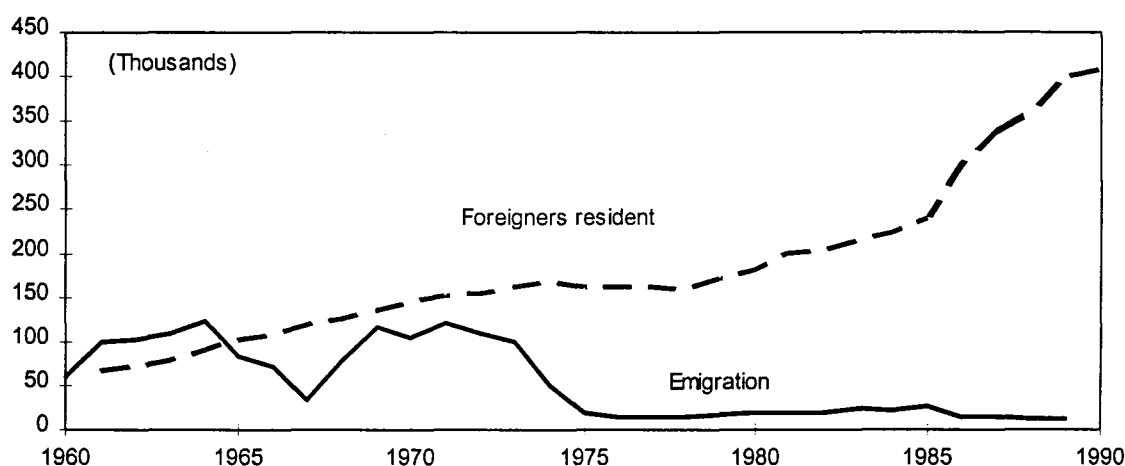
Figure 2-3 illustrates this process for Spain. From 1969 to 1973, emigration was over 100,000 per year but from 1974 onwards it fell dramatically, stabilizing at around 20,000 per year (Blanco Fdez. De Valderrama, C. 1993, p. 169).

The evidence for OECD countries suggests, therefore, that movements of all the factors of production contributed to convergence, but the relative contributions varied in different periods. In the first period, one of the major factors was mass migration which, together with commodity trading, helped even out real wage imbalances. In the second period, convergence was much more the consequence of investment, trade, and economic development that served to reduce the incentives for migration between OECD countries.

2.3. Divergence between OECD countries and the rest of the world

Almost all of the above evidence on convergence refers to industrial countries. When it comes to the world as a whole, the picture is very different. Here, there seems to have been considerable divergence between the richest and poorest countries. A World Bank study estimated the extent of this divergence using purchasing power parity in 1985 dollars. It concluded that, between 1870 and 1960, the per capita income of the richest country (the United States) rose from \$2,181 to \$16,779. Meanwhile over the same period, the income of the poorest countries, such as Ethiopia, only rose from \$250 to \$325. As a result, the ratio between the two rose from around 9:1 to over 50:1. This divergence has continued. Between 1960 and 1990, income in the OECD countries grew on average by 2.6 per cent per year, but in other countries it grew only by 1.8 per cent. Over

Figure 2-3. Spain, emigration and foreign residents



Source: Blanco Fdez. De Valderrama, C. 1993

these three decades, the ratio of the incomes of the richest to the poorest countries rose by 45 per cent (Pritchett, L. 1996, p. 40).

UNDP has come to similar conclusions, though it divides the world up differently. The 1996 *Human Development Report* estimated that, between 1960 and 1991, the share of global income of the richest 20 per cent of the world's people rose from 70 to 85 per cent while that of the poorest declined from 2.3 to 1.4 per cent. By 1993, of the \$23 trillion of global GDP, \$18 trillion was in industrial countries and only \$5 trillion in developing countries (UNDP 1996, p. 12).

If developing countries are to narrow the gap with industrial countries they will need much higher growth rates. Unfortunately, even during the healthier period of growth in the 1960s, average annual per capita growth in real GDP for the developing countries as a whole was only 3.3 per cent. In the 1970s, this fell to 3.1 per cent and in the 1980s to 1.2 per cent. There were notable exceptions. Growth in East Asia averaged 6.3 per cent in the 1980s. But given their low starting position and unimpressive growth rates, the developing countries as a whole were falling even further behind (ILO, 1995, p. 29).

Why have OECD countries been converging between themselves, while diverging with the rest of the world. This is partly a reflection of the fairly narrow base of 'globalization'. In fact the majority of world investment and trade takes place between the industrial countries. Of the total global stock of \$1.9 trillion of foreign direct investment in 1992, just \$420 billion (22 per cent) was in developing countries (*ibid.*, p. 42). There was a similar concentration in flows of trade – with most of world exports coming from Europe, North America and Japan.

While most developing countries were only weakly integrated into the global economy, the centrally planned economies of Eastern Europe and the Soviet Union had even less contact. In the early years, this did not seem much of a disadvantage. Back in the 1930s, the Soviet Union had avoided the slump; indeed it had grown faster than every other country apart from Japan. And up to about 1960, the economies of the socialist countries as a whole grew much faster than those of the West, due largely to the expansion of heavy industry (Hobsbawm, E. 1994, p.377). But

during the 1960s and 1970s, the centrally planned economies started to lag behind the consumer-driven economies of the West. Even so, there was still relatively little poverty. Before economic reforms started in 1990, there was virtually zero unemployment and very low levels of absolute poverty. This degree of equity had, however, been achieved at the cost of economic efficiency - as state-owned enterprises hoarded large numbers of underemployed workers. The reforms - and the opening up to the West - had been designed to increase efficiency and output, even at the expense of equity. Instead, there was a drastic fall in output - over 10 per cent per year.

2.4. Conclusion

Countries can converge economically for a number of different reasons - as a result of the flow of goods, or capital, or people. In the past the flow of people did help economies move closer together. But in recent years political resistance to migration has stifled this process - and contributed to a widening of international disparities. This has not stopped migration but rather has changed the pattern and direction of flows. The next chapter looks at the current disparities in earning potential between rich and poor countries and at the migration flows these differences are generating.

3. The new age of migration

Divergence between the richer countries of the West and those of many developing countries has produced a tempting disparity in wages - and is prompting new kinds of migration flows. While many people migrate to other countries to advance their careers, or just out of a sense of adventure, for most people the main reason is the prospect of earning more money.

3.1. International wage disparities

The crudest way of assessing the difference in earnings potential between countries is in terms of average income per capita. On this measure, the border between the United States and Mexico is one of the longest between two countries with sharp income differentials: in terms of GDP per capita, the ratio between the two is 6 :1 (World Bank, 1996). However, the steepest long cross-border differential is probably between Germany and Poland. Germany's per capita GDP is much the same as that of the United States but Poland is so much poorer than Mexico in that the income ratio across the border is 11:1.

The average GDP says nothing about how income is distributed in either country - or about wage levels. A more realistic picture of the potential for migration is the difference in wage rates for occupations which are open to immigrants. These contrasts may be greater or smaller.

- *Mexico-United States* - A survey was carried out in 1996 of 465 Mexicans who had been apprehended and removed from the United States. They reported that they earned an average \$31 per week in their last Mexican job compared with \$278 per week in the US, which would make the ratio somewhat higher than that of the average per capita GDPs - 9:1 (United Press International, 1996).

- *Poland-Germany* – Hourly wages for Polish construction workers in Germany in 1996 were around DM7 compared with DM2 they might earn in Poland (Migration News. Vol. 3, No. 8).
- *Philippines-Taiwan (China)* – Construction workers in Taiwan (China) have to be paid at least the minimum wage – which in 1995 was about four times what they would earn in the Philippines or Thailand (Baum, J. 1995, p. 56).
- *China-Hong Kong*. An illegal construction worker from China could get \$650 per month in 1995 in Hong Kong – double what he would get in China (Thornton, E.. 1995, p. 59).

A broader range of comparisons is illustrated in Table 3-1, which shows hourly wage costs in manufacturing around the world. Apart from showing the sharp differences in wages between industrial and developing countries, this also shows how wages in countries like the Republic of Korea and Singapore increased dramatically, making them magnets for their poorer neighbours (Morgan Stanley, 1996, p. 12).

However, the decision to migrate will not be determined entirely by wage differentials. Migrants will also have to consider issues such as the likelihood of finding work in the new country, the chances of being deported if they are entering illegally, and the costs of migration, both financial and psychological. This can be formulated as an identity that expresses the ‘net return to migration’ (Box 3-1).

Where there is a free and rapid exchange of information across national borders, as between Mexico and the United States, migrant flows can be very sensitive to changes in relative wage rates. A study in the United States by the Public Policy Institute examined the flows of illegal immigrants to California from Mexico between 1980 and 1993. It found that when California's economy boomed in the mid- to late-1980s, the state experienced brisk job growth and illegal immigration peaked. On the other hand, when California suffered from a severe recession in the

Box 3-1. Calculating the net return to migration

The decision-making process for a potential migrant deciding whether to leave home can be expressed in the following identity:

$$ER(0) = \int_0^n [P_1(t)P_2(t)Y_d(t) - P_3(t)Y_o(t)]e^{-rt} dt - C(0)$$

ER(0) = Expected net return to migration calculated at time 0.

t = time.

P₁(t) = Probability of avoiding deportation (from 0 to 1)

P₂(t) = Probability of employment at destination.

Y_d(t) = Earnings if employed at destination.

P₃(t) = Probability of employment at community of origin

r = Discount factor to reflect the greater utility of present money.

C(0) = Total costs of movement (financial and psychological)

If ER(0) is positive, the rational actor will migrate.

On the basis of this identity, governments who wished to influence migration would attempt to affect earnings, the comparative probabilities of employment and the costs of migration.

Source: Massey, D. et al. 1993

early 1990s, illegal immigration fell (Migration News. Vol. 3, No. 11). Migration decisions are also affected by conditions in the sending country: when the Mexican economy is in crisis illegal migration rises. One study has concluded that a 10 per cent decrease in real wages in Mexico is associated with an 8 per cent increase in apprehensions of illegal immigrants at the border (Hanson, G. and Spilimbergo, A. 1996, p. 1).

At first glance, the model in Box 3-1 suggests that the highest migration rates should be from the poorest countries to the richest. This has not been the case in the past. In the 19th century, the intercontinental migrations actually started from the wealthier sending countries – first England, and subsequently Germany. The poorer countries of southern Europe only sent people later. Indeed, historically there is a fairly high correlation between the onset of large-scale emigration and the beginning of industrialization (Massey, D. 1988).

Why should this be so? Some researchers point to the importance of personal wealth – which generally increases after industrialization starts. The very poorest, struggling to cover their subsistence needs, may wish to migrate but are unlikely to have the money to travel internationally. With a little increase in income, however, families will be able to save or borrow the initial cost of sending someone overseas. In the Philippines, for example, more than 90 per cent of departing contract workers have been found to be employed before going overseas (Goss, J. and Lindquist, B. 1995, p. 321). As incomes rise further, however the need for migration decreases and the economic and social costs of migration rise, making it more attractive to stay at home. That it is not the poorest who emigrate is evident even in the case of migration from Puerto Rico to the United States, on which there are no restrictions. Very few Puerto Ricans with limited schooling migrate to the United States, perhaps because of no language skills or the lack of information about jobs (Freeman, R. 1993b, p. 444).

A further implication of this model is that migration should decline as wage differentials between receiving and sending countries fall. But this too is uncertain. Much will depend on the employment situation. Even if wages fall in the richer country, there could still be a greater likelihood of finding a job there, so migration could continue to increase (Stahl, C. 1995, p. 211).

Another way of looking at this issue is to consider what is the minimum ratio of incomes between sending and receiving countries in order to halt immigration. Based on experience between the richer and poorer countries of Europe, it would seem that wage and job opportunity ratios do not have to be 1:1 (equal in the origin and destination areas) to stop labour migration. After wage ratios between the richer northern countries like France and Germany and the poorer countries of the South fell to around 4:1 relatively few people thought it worthwhile to migrate (Werner, H. 1996, p. 166).

3.2. Modern migration patterns

This large – and widening – gap between the industrial countries on one side, and the former socialist countries and the poorer developing countries on the other, reshaped international migration in the 1970s and 1980s – though the changes often occurred for different reasons.

3.2.1. Traditional receiving countries

Flows into the largest receiving countries – the United States, Canada, Australia – which previously had been dominated by Europeans were now overwhelmingly originating in the developing countries.

Table 3-1. Hourly labour costs in manufacturing (\$), 1980-95

	1980	1985	1995
United States	9.87	13.01	17.2
Canada	8.67	10.94	16.03
Australia	8.47	8.2	14.4
New Zealand	5.33	4.47	10.11
France	8.94	5.72	19.34
Germany	12.33	9.6	31.88
Italy	8.15	7.63	16.48
UK	7.56	6.27	13.77
Austria	8.88	7.58	25.33
Belgium	13.11	8.97	26.88
Denmark	10.83	8.13	24.19
Finland	8.24	8.16	24.78
Netherlands	12.06	8.75	24.18
Norway	11.59	10.37	24.38
Spain	5.89	4.66	12.79
Sweden	12.51	9.66	21.36
Switzerland	11.09	9.66	29.28
Czech Republic	N/A	N/A	1.3
Hungary	N/A	N/A	1.7
Poland	N/A	N/A	2.09
Russia	N/A	N/A	0.6
Japan	5.52	6.34	23.66
Singapore	1.49	2.47	7.28
Hong Kong	1.51	1.73	4.82
China	0.25	0.19	0.25
Taiwan (China)	1	1.5	5.82
Rep. of Korea	0.96	1.23	7.4
Malaysia	0.73	1.08	1.59
Thailand	0.31	0.49	0.46
Philippines	0.53	0.64	0.71
Indonesia	0.16	0.22	0.3
India	0.44	0.35	0.25
Mexico	2.21	1.59	1.51
Argentina	0.5	0.67	1.67
Brazil	1.71	1.3	4.28
Chile	1.75	1.87	3.63
Colombia	0.1	0.33	0.45
Peru	0.64	0.3	1.24
Venezuela	3.7	2.3	1.7

Source: Morgan Stanley, 1996

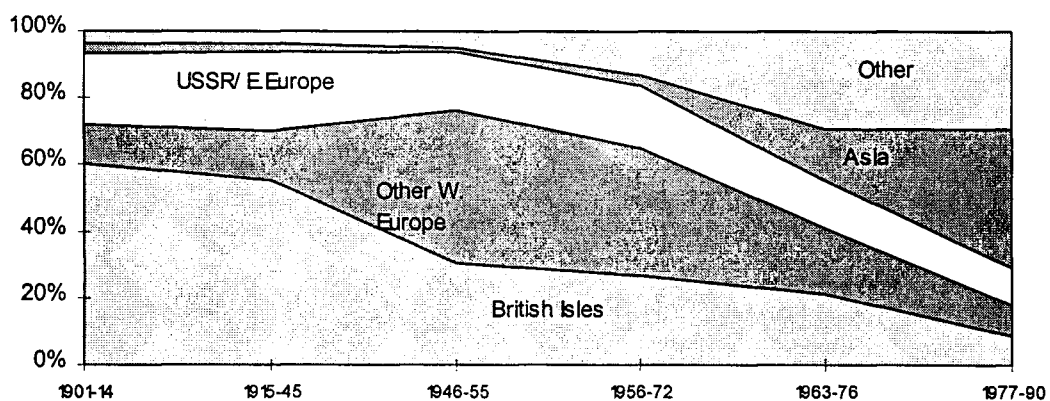
Table 3-2. Sources of legal immigration to the United States, 1995

Country of birth	Arrivals	%
Mexico	89,932	12.5
Philippines	50,984	7.1
Viet Nam	41,752	5.8
Dominican Rep.	38,512	5.3
China	35,463	4.9
India	34,748	4.8
Cuba	17,937	2.5
Ukraine	17,432	2.4
Jamaica	16,398	2.3
Republic of Korea	16,047	2.2

Source: Immigration and Naturalization Service, 1996b

These new patterns were largely the result of political changes. In the United States until the 1960s, national immigration quotas for countries outside the Western hemisphere were set according to the actual immigration flows of the 1920s (when immigrants had come predominantly from Europe). However, the mood of civil rights sweeping the country in the 1960s was opposed to the implicitly racist basis of such controls, and first the Kennedy and then the Johnson administrations changed the system with the 1965 Immigration and Nationality Act to give greater preference to those who already had relatives in the country. At the time it was thought that this would cause few changes (since there were so many people with European ancestry), but in fact Asians and Latin Americans were to take up the option in much greater numbers (Cose, E. 1992, p. 105). As a result of this and other legislative changes, between 1951-60 and 1981-90, the proportion of immigrants coming from developing countries rose from 12 to 88 per cent. Table 3-1 shows the sources of immigration to the United States

Figure 3-1. Canada, sources of immigrants, 1901-90



Source: Economic Council of Canada, 1991

for 1995 (Immigration and Naturalization Service, 1996b). In addition to these there are large flows of illegals: in 1996, there were an estimated five million illegal immigrants – more than half of whom were from Mexico (Schmitt, E. 1997).

Canada, too, made important changes to immigration policy in the 1960s. Previously, the system had shown a strong preference for white immigrants. Asians and blacks were not welcomed; indeed they had at times been systematically excluded. Following legislative changes in 1962 and 1967, however, the system was changed to remove such discrimination and was based instead on the needs of the Canadian labour market. As Figure 3-1 illustrates, this had a dramatic effect on the ethnic origins of immigrants (Economic Council of Canada, 1991, p. 4). Australia similarly, until 1965 had a ‘white Australia’ policy. Abolition of this policy also caused a radical shift. In the period 1959-65, just 3 per cent of settler arrivals were from Asia, but by 1994-5 this had risen to 37 per cent (Bureau of Immigration Research, 1996. *Immigration update, March quarter*, Canberra, p. 23).

3.2.2. Western Europe

Migration into Europe, from the 1950s onwards, was in many cases initiated as a result of labour shortages. In the United Kingdom, for example, the flows of West Indians up until 1961 showed a close correlation with the number of unfilled vacancies (Hiro, D. 1992, p. 17). France too found itself short of workers and the Government took the lead in foreign recruitment. In the 1950s, it encouraged the arrival (for long term settlement) of workers from the Catholic countries of Southern Europe. When these supplies were exhausted it filled the vacancies with Muslims from North Africa. In the 1960s, the Federal Republic of Germany followed France’s lead – concerned that the economy would not be able to sustain a high rate of growth at full employment without inflation. The Germans set up recruitment offices in the major sending countries – Italy, Greece Turkey and Yugoslavia – initially looking for seasonal workers and then “gastarbeiter” to work on short-term contracts (Hollifield, J. 1992). By 1973, France and the Federal Republic of Germany each had about 2.5 million foreign workers – accounting for 10-12 per cent of their labour forces (Stalker, P. 1994, p. 17). After the first oil shock in 1973, however, the demand for immigrants fell and European governments started to apply restrictions. But the tap once turned on proved difficult to turn off. Many of those who had arrived as temporary guest workers decided to stay – and brought their families to join them – and millions of others settled illegally.

3.2.3. The Persian Gulf

The hike in oil prices was a blow to immigrants heading for Europe, but it opened fresh opportunities in the Persian Gulf. While there had always been traditional migratory movements between Arab States, the oil price rises triggered an explosion in the demand for labour, particularly for construction. At first, the region’s States met this demand by drawing in more workers from neighbouring countries, but they soon had to look further afield, particularly to Asia. Between 1975 and 1990, the number of immigrant workers in the seven members of the Gulf Co-operation Council had increased from 1.1 million to 5.2 million and made up 68 per cent of the labour force (Economic and Social Commission for Western Asia (ESCWA) 1993). Immigration continued after the oil price started to decline in the period 1985-90, though rather more slowly, with more workers arriving for the service industries than for construction. The Gulf War of 1990-91 was a traumatic time for immigrant workers and millions had to leave. Gradually many of them returned, and although governments have declared that they do not wish to rely so much on foreign labour they seem to be as dependent as ever. In Kuwait in 1996, of a total labour force of 1.1 million, only 176,000 were Kuwaiti citizens (Jehl, Douglas, 1996).

3.2.4. East and Southeast Asia

While countries in Europe and the Persian Gulf were turning to migrant workers to meet their labour needs, a similar situation was developing further east. Japan's remarkable post-war transformation had been achieved with relatively few foreign workers. This was primarily because Japan had been a relatively closed country concerned about the social impact that immigrants might have in a relatively homogenous society (Mahmood, R. 1996, p. 98). So rather than meet labour gaps with immigrants, Japan increased levels of technology to reduce the labour content of manufacturing, and also invested heavily in production overseas. But this was only a partial solution and during the late 1980s the shortages became very acute.

Many of these vacancies were filled by immigrants on short-term contracts, so that by 1995 the number of foreign residents registered in Japan reached a record high of 1.36 million (Migration News. Vol. 3, No. 8). This represented nearly 1.1 per cent of the population – though around half of these people were Koreans, many of whom had been in Japan for generations. In addition, there have also been large numbers of illegal arrivals – generally people entering as tourists and overstaying their visas. Between 1990 and 1993, the number of overstayers, according to official figures, increased from 106,000 to 297,000 (SOPEMI/OECD, 1995, p. 100). Three-quarters of the overstayers come from six countries: Thailand, the Republic of Korea, Malaysia, Philippines, Iran and China.

Rapid economic growth elsewhere in East and Southeast Asia has also stimulated many new migration flows. The newly industrialized economies of Singapore, Hong Kong, the Republic of Korea, and Taiwan (China) have all attracted immigrant workers. Like Japan, they have been determined to increase levels of technology to avoid labour shortages, but have nevertheless had to permit immigration, particularly for industries such as construction which demand large numbers of unskilled workers. All have tried to control the inflow. Singapore has the tightest system. The country in 1996 had about 350,000 foreign workers – making up 20 per cent of the labour force – and imposed severe sanctions on employers of illegal immigrants. But even here there are reports of increasing numbers of illegal workers (Migration News. Vol. 3, No. 10).

Following in their footsteps are the next generation of NIEs, notably Thailand, and Malaysia. Here, however, the flows are even more complex – these countries are both sources and destinations for migrant workers. Thailand is host to 600,000 migrants, but also has 372,000 Thai workers spread around Asia (Silverman, Gary. 1996). In 1996 there were 120,000 Thai workers in Taiwan (China), for example, many building expressways in Taipei, while in northern Thailand there were thousands of Burmese workers helping build a stadium to host the Asian Games (Janchitfah, S. 1996). Given the complexity and extent of these flows, the number of migrants in East Asia in total has been estimated at 2.6 million (Silverman, Gary, 1996).

3.2.5. Other flows

Labour migration is truly a global phenomenon and other regions are also seeing constantly shifting patterns of migration.

- *Africa* has traditionally seen people moving across national frontiers – indeed often ignoring them – to work in mines and plantations. One of the most consistent patterns is of people moving from the remoter inland regions and countries to those closer to the coast. Some of the highest concentrations are in West Africa moving to the richer countries such as Côte

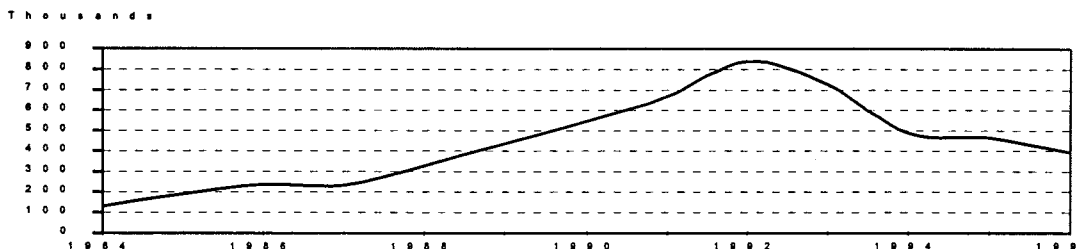
d'Ivoire and Nigeria (Adepoju, A, 1995, p. 93). In Southern Africa, South Africa has always been a magnet but the flows of illegal workers have increased markedly in the post-apartheid era. As in most countries, the numbers of illegal immigrants are a matter of some dispute. The Department of Home Affairs estimated in 1995 that the number of illegal immigrants in the country was about three million, but other estimates go as high as eight million (20 per cent of the population) – most of whom come from Mozambique, Zimbabwe and Lesotho (Reitzes, M. 1995, p. 2).

- *Former Soviet Union and Eastern Europe* – The political upheavals in this region also generated large flows of migrants. More than nine million former Soviet citizens have been on the move since the collapse of the Soviet system. Many of these have been fleeing fighting, or were Russians who had moved to what are now other republics and found themselves unwelcome – some 2.7 million of these are believed to have moved to Russia between 1993 and 1996 (Bennett Jones, O. 1996). But others have moved in search of work. In 1996 there were reportedly 350,000 legal foreign workers in Russia. Around 60,000 of these are in Moscow – of whom one-third are from Ukraine. However, in addition to these, Moscow was also thought to have 400,000 illegal foreign workers (Migration News. Vol. 3, No. 9). In addition to migration within Eastern Europe these countries have also become staging posts for migrants seeking what they believe will be an easier entry to Western Europe.
- *Latin America* – The dominant migration flows are northward to the United States. But there is also a slower flow to Argentina, Brazil and Mexico from neighbouring countries. Argentina, for example, has an estimated 200,000 illegal immigrants from Peru, Bolivia, and Paraguay. Mexico draws in Central Americans, many of whom are heading further north, but in the southern states Mexico's higher wages also attracts immigrants from Guatemala to work on coffee plantations, or in construction, or in domestic service.

3.2.6. Refugees

International labour flows have always been mixed with those of refugees. This is partly because the same conflicts that produce political refugees also create economic disruption and poverty, but also because many people in recent years have been claiming refugee status as a way of bypassing immigration controls. Following the break up of the Soviet Union, and the war in former Yugoslavia, the annual number of asylum seekers, which in the 1970s had only been about 30,000, had by 1992 risen to 800,000. A few of these people succeed. But even those who fail often become immigrant workers. It may take months or years to process the claims of asylum seekers, and in the meantime many asylum seekers are allowed to work. It is, moreover, difficult to deport those who are refused asylum. In Europe in 1994, of a total of 481,000 applications adjudicated, only 10 per cent were accepted, but a further 12 per cent were ultimately allowed to remain for humanitarian reasons. As a result of these pressures, European countries have steadily been raising barriers to asylum, including imposing visa requirements and sanctions on airlines, as well as refusing to accept people who have transited through a third country judged to be 'safe' (UNHCR, 1995). This tighter environment has deterred many potential applicants.

As Figure 3-2 indicates, the number of applications to Europe, North America and Australia, has dropped sharply.

Figure 3-2. Asylum applications to ICG States

Source: ICG, 1997

3.3. Conclusion

Current patterns of international migration are now very diverse. They respond to wide wage disparities between rich and poor countries, but these disparities are not static; in recent decades countries like Pakistan and the Republic of Korea which previously used to be economically equivalent, are moving ever further apart.

While migration flows are generated primarily by wage differences they are also distorted by social and political pressures as host communities become more resistant to new arrivals. As a result, some of the traditional migration channels, particularly from Europe, have dried up, while many new ones are being created, notably in Southeast Asia. What effect will globalization have on these new patterns? The next chapter examines the possibility that the flow of goods may eventually substitute for the flow of people.

4. Sending goods instead of people

One of the most significant aspects of globalization has been a steady increase in international trade. Could this serve to reduce the need for people to travel overseas in search of work? Could they not stay at home and send products instead? Instead of Bangladeshi textile workers travelling to Tokyo to work illegally in Japanese factories, they could stay in Dhaka and send the shirts to Japan.

The standard neo-classical trade theory (the Heckscher-Ohlin model) says that this is what ought to happen. Countries should produce and export those goods in which they have a comparative advantage. This advantage will be determined by how well endowed they are with capital, labour, natural resources, or technology. Bangladesh is well endowed with the cheap labour required for the relatively low-tech activity of stitching shirts. Japan, on the other hand, has plenty of the capital required to produce automobiles, which explains the large number of Toyotas on the streets of Dhaka. In the end, trade should substitute for migration.

4.1. The real world

As with most predictions of neo-classical economics this involves a number of assumptions distant from conditions in the real world. The most significant is that adjustment will take some

time. Even if governments are keen to make changes, they will come up against vested interests – employers and workers who may resist, or at least slow down, the removal of trade barriers. The textile and garment industries are the most striking examples. Even if employers are willing it can be a slow process. Entrepreneurs in rich countries will need time to stop producing labour-intensive goods and move to more capital-intensive production. Entrepreneurs in poor countries will need time to switch from producing capital-intensive goods that previously had been protected and move over to labour-intensive goods for which there is now a greater market overseas.

But in addition to the time lag, there are other reasons why the gains may not be as rapid or as great as hoped. Though developing countries have plenty of cheap labour, they are deficient in other areas that will reduce their productivity and their international competitiveness. Labour-rich countries typically suffer from poor infrastructure, such as roads and telecommunications, that hamper the speed with which they can respond to international markets. Their workforce is also poorly educated and trained, making them less productive and less flexible.

And even when the process of adjustment gets underway it will not necessarily reduce migration. Indeed initially it may increase it. First, because old industries get destroyed by international competition more quickly than new ones can be created, and this time lag between the loss of old jobs and the creation of new ones, may force people to emigrate. Then when new jobs are created, and wages increase, this will make workers more flexible and give them the funds to travel overseas. Only when development has been underway for some time will people have faith that staying at home is the better long-term option.

The result of these processes is what has been called a ‘migration hump’ as emigration initially rises and later falls. This syndrome, which is covered in greater detail in Chapter 6, is not a consequence of trade alone, but trade will certainly play a part. The rest of this chapter is devoted to changes in trade patterns in the short and medium term, and their likely implications for migration.

4.2. The new, new economic order

In the long term, trade liberalization should enable greater employment in developing countries. Indeed the prospect that this might happen is already creating considerable anxiety in the industrial countries. The European Commission in its 1994 White Paper *Growth, Competitiveness and Employment*, in giving a list of reasons why Europe still had 12 million people unemployed at a time when the economy was going strong concluded: “Finally, and more especially, the countries of the south are stirring and competing with us – even in our own markets – at cost levels which we simply cannot match.” (European Commission, 1994, p. 11). In the United States, the same concerns have been expressed with respect to the North American Free Trade Agreement. Presidential candidate Ross Perot warned of a “giant sucking sound” as jobs rushed south across the Rio Grande. Trade unions too have warned of major job losses – of around half a million in the first decade.

This is something of a turnaround from the fears being expressed a couple of decades ago. Then it was thought that the integration of world markets would widen the gaps between rich and poor countries, leaving the poorer countries even further behind. Hence the calls for a ‘New International Economic Order’ that would include greater flows of aid and commodity

agreements to protect the poorer, raw material-exporting countries from the vagaries of the international markets. Many economists also argue that poor countries should raise trade barriers to protect their economies from exploitation by richer countries.

Since then the mood has swung dramatically in the opposite direction. This shift in opinion may be put down to a change in development fashion, or more charitably to the lessons of experience. However, it has also been suggested that these fears may also correspond to different stages of global integration. Harvard economist Paul Krugman, for example, has illustrated how this might happen. He uses a simple model with two regions, North and South (Krugman, P. and Venables, A., 1994, p. 5). Each produces two kinds of goods: 'agricultural' goods, for which there are no substantial economies of scale, and 'manufactured' goods for which there are. If initially the cost of transport between the two regions is very high then both regions will essentially be self-sufficient and there will be very little trade. But as transport costs fall, the situation changes and trade will increase. If, for whatever reason, one region already has a larger manufacturing sector it will be able to exploit this advantage. Not only will it have economies of scale but it will also offer a larger market for the production of intermediate goods – making it a more attractive place to locate their production. As local production of intermediate goods increases, so better access to them will reduce manufacturing costs. Because of these linkages, this simple world will organize itself into an industrial core and a de-industrialized periphery. This differentiation of roles will cause labour markets to diverge. In the core area, the demand for labour will increase, and in the periphery the demand will fall. Global integration will thus produce uneven development.

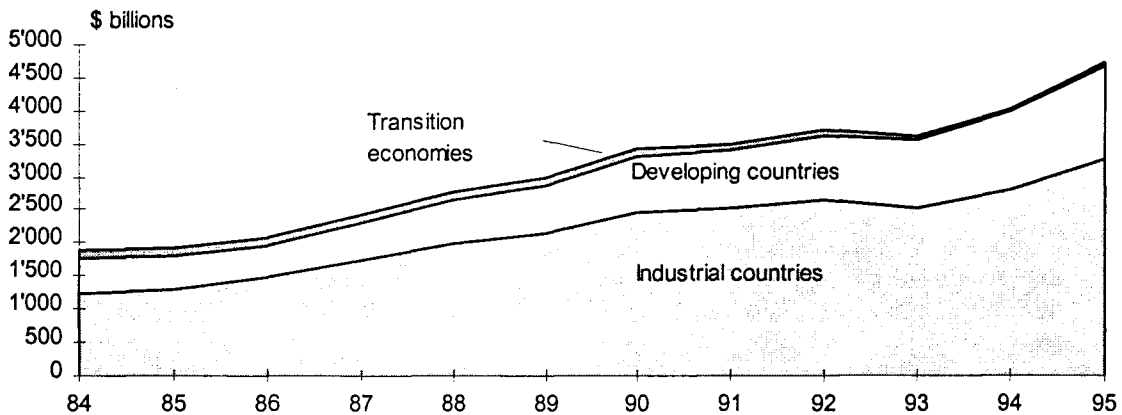
But if transport costs fall still further then the situation will change again – in two ways. First, having intermediate goods produced close to manufactured goods becomes less of an advantage. Second, the peripheral region, with the advantage of lower wages rates, will look attractive to producers. At some point, the lower wage rate in the periphery will be sufficient to offset the disadvantage of distance from markets. Manufacturing can thus move from the core to the periphery – and wage rates between the two will start to converge.

This simplified model differs of course from the real world in quite a few ways. Most developing countries have always trailed behind industrial countries. And even where their industry was undermined by the richer nations, this was often achieved more by colonial fiat than by market forces – as happened when Britain destroyed India's textile industry. Nevertheless, it is a plausible description of how nascent industrial development in poorer countries might have been stifled. Thus both historical and contemporary fears could be justified – the earlier fears developing countries would be the victims of capital-intensive production and the current fears of the industrial countries of being undermined by cheap labour.

4.3. The effect of trade with developing countries on overall employment in industrial countries

Will trade in fact cause a massive shift of jobs from industrial to developing countries? At present, this does not seem to be happening to any great extent. Industrial countries may be facing increasing global competition, but it is not all coming from developing countries. Figure 4-1 shows how trade has risen globally in the past decade. Exports of from developing

Figure 4-1. World trade, 1984-95 (current \$ billion)



Source: World Economic and Social Survey, 1994, 1996

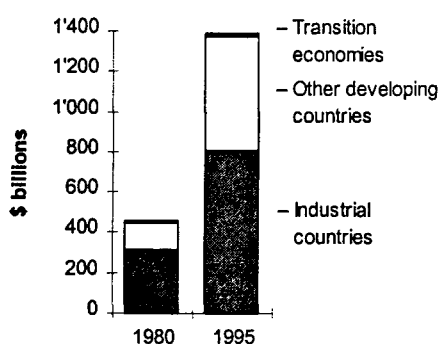
countries have increased, but this has not given them a significantly greater share. In 1984 they had 27.6 per cent of world exports, but by 1995 their share had only reached 28.8 per cent.

However, for developing country exports this disguises a fundamental shift in composition. As late as 1980, only 15 per cent of developing country exports were manufactures, but by 1989 this proportion had risen to 53 per cent (Wood, A., 1994, p.2). The old pattern of trade in which the South largely exported primary products to the North – and imported manufactured goods – has been replaced by one where the North and the South each specialize in different kinds of manufactured goods. At the same time, as indicated in Figure 4-2, developing countries have been trading much more between themselves. In 1980, 68 per cent of developing country exports went to the industrial countries, but by 1985 this proportion had fallen to 57 per cent (United Nations, 1996).

The effect of this in industrial countries is a matter of some debate. The rise in imports from developing countries, initially at least, has been concentrated in labour-intensive production that will have displaced low-skilled and unskilled workers in industrial countries. The most dramatic estimate suggests that the rise in imports from developing countries between 1960 and 1990 reduced the demand for unskilled labour in the industrial countries by between 12 and 28 per cent, with around 70 per cent of this change occurring in the 1980s (Wood, A., 1994, p.11). Other analysts are more conservative. They point out that, in the early 1990s, imports of manufactures from developing countries were only around two per cent of the industrial countries' GDP and that the impact must have been more limited (World Bank, 1995, p. 56).

The relatively small effect is partly because in industrial countries many more people now work in the service sector and the production of tradable goods – agricultural and industrial products – involves a declining proportion of the workforce. In the OECD countries as a whole, agriculture or industry now account for only one job in three. And the proportion has been falling almost everywhere: between 1960 and 1990, it fell in France, for example, from 59 to 35 per cent; in Germany from 62 to 43 per cent; and in the United States from 39 to 28 per cent (OECD, 1994, p.4).

Figure 4-2. Destination of developing country exports



Source: United Nations, 1996

Thus, economies may have become more open, but those people steadily smaller proportion of the workforce. In the United States, as a proportion of GDP, the combined exports and imports rose from around 10 per cent in the 1950s to over 20 per cent by the late 1980s. But the proportion of people working in such industries fell.

Though the number of workers potentially affected is being reduced, nevertheless many people – particularly the lower skilled – are facing increased competition from lower wage countries. Even so, the outcome will depend on the structure of the labour market. In the United States, where labour markets are more flexible, the effect is more likely to be seen in a fall in wages, while in Europe the end result is more likely to be unemployment.

The plight of unskilled workers has certainly worsened in the OECD countries in recent decades. In all countries, unemployment rates for ‘blue-collar’ workers have typically remained around twice as high as those for white collar workers, with the ratio rising further during recessionary periods (OECD, 1994, p. 38). But it is difficult to say how much of this has been due to imports and how much to technological change. In the United States, the rise in wage inequality between the skilled and the unskilled and the increasing ratio of skilled to unskilled employment has taken place across all sectors, not just in manufacturing, and not just in those industries affected by imports. This suggests that there must be some other common factor, and a number of studies conclude that the most significant cause is higher levels of technology (ILO, 1995, p. 52).

In Europe, some of the most vigorous debate about the loss of employment to lower-wage countries has been in France. In 1993, some 12 per cent of the workforce was unemployed, and reports presented to parliamentary committees placed the blame on “délocalisation” – French companies relocating overseas. One report said that, as a result, three affected industries – textiles/clothing, electronics, and footwear - had reduced their employment by half during the previous decade. But a number of other investigators have pointed out that such changes were also connected with both technological change and economic recession, and concluded that, even though some French transnational corporations had been investing overseas, less than 5 per cent of this corresponded to the closure of production units in France (UNCTAD, 1994, p. 188).

Overall estimates for the OECD suggest that the employment effect of imports from developing to industrial countries has been relatively minor. Estimates of the employment displaced by trade range from 1 to 9 million person-years (*ibid.*). The most recent study of the effects of NAFTA on employment in the United States concluded that the net effect was negligible, or even positive. A study at the University of California at the end of 1996 concluded that increased imports killed 28,168 jobs while increased exports had supported the creation of 31,158 jobs (Stevenson, R., 1996).

4.4. The effect of trade on immigrant employment in industrial countries

Trade is thus a contributor, even if not the major one, to a fall in the demand for unskilled workers in industrial countries. But this impact will be absorbed by the whole workforce, of which immigrants make up only a small proportion – on average 9.2 per cent in 1992.

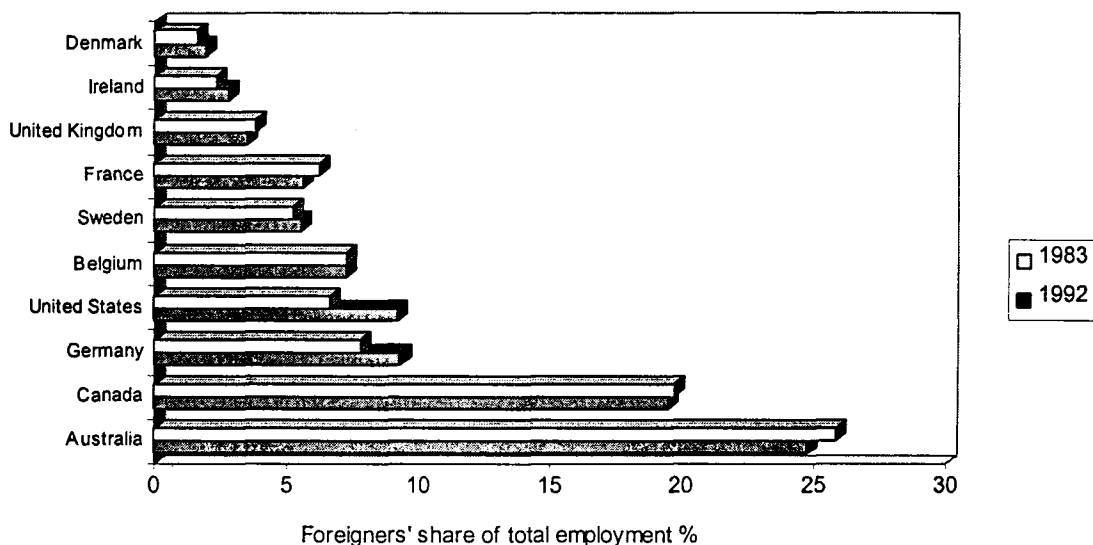
The proportion of immigrants in the workforce is indicated in Figure 4-3 for a selection of OECD countries (SOPEMI/OECD, 1994, p. 38). These data refer to those who are not nationals of the country concerned. So those immigrants who have become citizens of their new countries are not counted as foreigners. This will tend to reduce the proportion of ‘foreigners’ in France, for example, where naturalization has been easier, compared with Germany where it has been more difficult. These figures also exclude the illegal workforce. Nevertheless, in broad terms this chart shows the proportion of immigrant workers. It also shows how the immigrant workforce has been increasing. For more than half the countries, over the period 1983-1992, foreign employment was growing faster than native employment. The greatest difference was for the United States where native employment was growing by 1.4 per cent annually over this period, while foreign employment grew at 5.2 per cent. In Australia on the other hand, native employment grew 2.1 per cent annually while foreign employment grew by only 1.5 per cent.

The question then resolves into what proportion of these immigrant workforces are employed in sectors that compete with imports. This too will vary considerably from country to country. Almost everywhere, immigrants tend to be more highly concentrated in certain sectors, but these sectors differ from one country to another. In the United States the sector in which the share of immigrants is highest is agriculture; in Belgium and the Netherlands it is the extraction and processing of minerals; in Denmark, Germany, Australia, and Canada, it is manufacturing; in France and Luxembourg it is construction and civil engineering; and in the United Kingdom it is services (SOPEMI/OECD, 1994, p. 40).

4.4.1. The United States

The effects of imports on the employment of immigrants will therefore vary considerably from one place to another. In the United States a study for the National Bureau of Economic Research analyzed the participation of immigrants in the production of traded goods. (Abowd, J. and Freeman, R., 1991, p. 17.) This found first that, while as a whole immigrants made up 6.5 per cent of the 1980 workforce, they were more likely to be found in traded goods (7.8 per cent of the workforce) than in non-traded (6.1 per cent). The analysis further divided the traded goods sectors according to their export or import intensity – measured by taking exports or imports as a proportion of total shipments (those in the top quintile of export intensity were considered ‘high-export’ goods; those in the top quintile of import intensity were considered ‘high-import’ goods). For high-export goods, immigrants made up 7.5 per cent of the workforce, while for high-import goods they made up 10.4 per cent of the workforce.

Immigrants are thus significantly more exposed to foreign competition than nationals. However, the analysis equally showed that black and female members of the workforce were also dis-

Figure 4-3. Employment of foreigners in OECD countries

Source: SOPEMI/OECD, 1995

proportionately exposed. This is most evident in Los Angeles in the non-durable manufacturing sector, such as garments, where despite the recession, employment increased between 1979 and 1991. These industries were overwhelmingly dependent on immigrant, and particularly Mexican, labour. Mexican immigrants are thus over-represented in industries that are at greatest risk from import penetration (Hinojosa Ojeda, R., 1994, p. 232).

4.4.2. Europe

The evidence on the concentration of immigrants in the traded goods sector is less comprehensive in Europe, but it seems to point in the same direction. Europe as a whole is more dependent on international trade than the United States. In 1989, exports were 27 per cent of GDP compared with 9 per cent for the United States, and 10.8 per cent for Japan (Zimmerman, 1993, p. 31). So one might expect a higher proportion of the population to be affected by imports. In Germany, immigrants tend to be even more concentrated in specific sectors than in the United States. An analysis of the labour force in 1982 found, for example, that 38 per cent of German workers were in manufacturing, but in the case of immigrants the proportion was 56 per cent and that these immigrants were much less likely to be employed in the dynamic export sectors (*ibid.*). In France too, evidence from across 29 sectors shows that immigrants are more likely to be found in import-competing industries (the sector with the highest proportion of the foreign workers, 13 per cent, is textiles and clothing). Similar results, though less conclusive, hold for Spain (Faini, R. and Venturini, A., 1993, p. 438).

4.4.3. Agriculture

Many of the industries that have demanded protection from foreign competition are also those which employ large numbers of immigrants. During the 1960s, it was thought that there would be no more migrant farm workers in the United States, either because technology would advance sufficiently to render manual labour obsolete, or because production would simply shift elsewhere. But the combination of protection and an influx of migrants kept many agricultural enterprises alive. By 1991, the United States Department of Labor estimated that 73 per cent of all workers employed in United States crop production were foreign born (Cornelius, W. and Martin,

P., 1993, p. 9) . A high proportion of these work illegally. Half of California's 700,000 farm workers are estimated to be undocumented. The need for such workers is at least tacitly accepted by the Immigration and Naturalization Service (INS). According to the California Institute of Rural Studies, between 1989 and 1991, INS agents visited just 32 of the state's 32,000 farms (Sandoval, Moises. 1996).

One of the most bizarre examples of immigrant dependence in the United States is the sugar industry. Over half of American sugar cane is grown in Florida, mostly by 10,000 temporary workers from Jamaica. Imports of sugar to the United States are restricted – keeping out imports from Jamaica whose production might otherwise have kept workers at home (Martin, P. 1993, p. 30). But there are similar, if less striking, situations for other products. Tomatoes, for example, are protected to some extent from competition from Mexico and elsewhere by a tariff of 4.6¢ per kilogram, as well as by non-tariff barriers such as prohibitions on the sale of small tomatoes. Yet tomatoes in Florida are primarily picked by Mexican labour (Cornelius, W. and Martin, P., 1993, p. 7). Avocados are another example. Since 1914, the United States has banned the import of avocados from Mexico, which is responsible for about 45 percent of the world's production. One of the major states of origin for Mexican migrants headed to the United States is Michoacan where 100,000 workers are employed on 8,000 avocado farms (Migration News, Vol. 3, No. 8). Little wonder that former Mexican President Salinas pleaded that his country be allowed to export goods rather than workers.

The steady lowering of tariff barriers as a result of NAFTA should eventually shift more production of fruit and vegetable across the border to Mexico. But it is unlikely ever to displace migrant workers completely, and not for a very long time. This is partly because Mexican production to a certain extent complements that in the United States – enabling table grapes, for example, to be available all the year round. Indeed Mexico's major comparative advantage is that it can produce fruits and vegetables during the winter months when production in the United States (except Florida) has ceased. The United States General Accounting Office has estimated that one-third (by value) of Mexican horticultural exports do not compete directly with American production, and another 12 per cent consists of products which complement American production seasonally (Cornelius, W. and Martin, P., 1993, p. 7). About three-quarters of American labour-intensive fruit and vegetable output occurs when Mexican farms are not producing – so American farms will always have an advantage (Martin, P., 1993, p. 103).

Nevertheless some production is already migrating across the border. One of the most affected crops so far seems to be broccoli – even though, through NAFTA, tariffs are to be removed only over a ten-year period. Fifteen years ago Watsonville, California, was dubbed 'the frozen vegetable capital of the world', employing more than 5,000 people in packing houses. Today the frozen vegetable business has almost disappeared. This is partly due to a shift in consumer taste, but it is also because of a large increase in frozen broccoli and cauliflower imports from Mexico. Between 1980 and 1995, as a proportion of the American broccoli market, imports of frozen product grew from 3 percent to 60 percent (Tirschwell, P., 1996).

Thus there is some opportunity for agricultural trade to substitute for migration. Even so, the number of jobs likely to move may not be that significant, and some commentators suggest that it may take five to ten years for American and Mexican investors to create significant numbers of new jobs in Mexico.

4.4.4. Textiles and clothing

In the manufacturing sector, the industries classically vulnerable to cheap imports are textiles and garments. These tend to be the first manufactured products that an industrializing economy produces. This pattern was established with textiles at the outset of the Industrial Revolution in 18th century Britain, and in the 19th century in the United States, Germany, France and the Netherlands. A similar pattern emerged later in these countries in the development of the garment industry. In the 1950s, the modern NIEs also started out relying heavily on textiles and garments – and they are now being followed by other countries in ASEAN as well as those in South Asia and Latin America. As a result, textiles and garments are the most geographically dispersed of all industries – across both industrial and developing countries (Dicken, P., 1992, p. 232).

They are also very robust industries with good prospects – people will always want clothes, and the more money they have, the more clothes they buy. This has led to a dramatic increase in world trade. Between 1970 and 1994, global trade in textiles and clothing rose from \$18 billion to \$276 billion. Over the same period, developing countries' share in this rapidly expanding trade rose from 21 to 54 per cent. Developing countries have made particular inroads in the more labour-intensive garment trade where they are responsible for 62 per cent of exports (Yang, Y. and Zhong, C., 1996, p. 3). However, the distribution across countries has changed substantially over the years. As indicated in Figure 4-4, the trade is rapidly being taken over by China and other Asian nations.

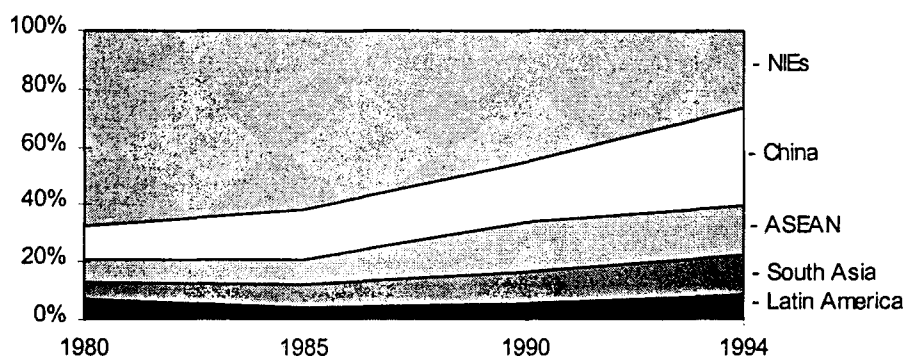
Enterprises that survive in industrial countries pay extremely low wages. About 70 percent of American garment workers are women, and their average hourly earnings in 1996 of \$7.94 were well under the average manufacturing wage of \$12.71. More than half of the 22,000 registered sewing shops in the United States were believed to be paying their workers below the \$4.25 minimum (Migration News, Vol. 3, No. 8). Many of the garment sweatshops employ immigrants, and often illegal ones. One of the most striking cases came to light in August 1995 when 74 Thai women were found imprisoned in an apartment block in Los Angeles, forced to work 17 hours a day, seven days a week – and being paid \$1.60 an hour (Economist, 1995).

Faced with this kind of competition within their own borders, it is not surprising that garment manufacturers are choosing to locate production elsewhere. A typical case is Pendleton Woollen Mills. Two of Pendleton's six apparel plants, one in Portland and one in Council Bluffs, Iowa, where the average base wage was about \$8.30 per hour, were scheduled to be closed in September 1996 – with a loss of 163 jobs. Most of the production was to go to Mexico. The United States Labor Department certified that all the workers being laid off were, however, eligible for the NAFTA Transitional Adjustment Assistance Program – which includes career counselling, retraining, and job-placement assistance (Bulman, R., 1996).

Currently around 65 per cent of all garments bought in the United States are either imported or manufactured from imported materials. And it seems likely that most production will move in the same direction. However, there may be limits to this. One of the reasons for the persistence of the sweatshops is thought to be that the higher fashion end of the industry depends on rapid changes in styles and needs to be close to the market.

Trends in the garment industry in Europe have followed a similar pattern though some countries have done better than others. One of the most dramatic changes has been in Sweden which has virtually eliminated protection from the clothing industry. As a result, over the last 30 years

Figure 4-4. Distribution of developing country garment exports, 1980-94



Source: Yang and Zhong, 1996

output has dropped by 90 per cent (UNCTAD, 1996, p. 149). At the other end of the scale, Italy is one of the largest producers yet has so far been affected very little by imports. Indeed at the beginning of the 1990s, it was the world's largest exporter of garments after Hong Kong. Italy's unique system of subcontractors seems to have helped sustain its industry. This was a remarkable achievement since its labour cost per hour has been the highest of the major industrial country producers – 70 per cent higher than in the United States. Employment that in 1980 stood at 169,000 fell by 1985 to around 140,000, then by 1990 fluctuated at around 150,000. Despite higher costs, the garment makers managed to maintain their competitive edge by improving quality and subcontracting to smaller producers – often to those employing illegal workers. Most foreign investment by Italian producers was in other industrial countries to be closer to markets. When during the 1990s they came under cost pressure they invested first in Eastern Europe and the Mediterranean countries (Navaretti, G., and Perosino, G., 1992).

In later years even Hong Kong, the largest garments producer, was also coming under pressure and moving garment factory jobs to south-western China. In 1995, unemployment among garment workers was almost 10 per cent (Migration News, Vol. 2, No. 7). Taiwan (China) too has had difficulty recruiting and keeping garment workers at competitive wages – turnover in garment factories is 20 to 40 per cent – and as a result many Taiwanese producers have moved to mainland China (Migration News, Vol. 12, No. 5).

In Latin America, production also relies on low-wage workers supplemented by immigrants. In Argentina, for example, there are an estimated 200,000 illegal Bolivians, many of whom are working in Buenos Aires in Korean-owned textile factories that hire illegal Bolivian and Paraguayan workers for as little as \$300 a month for a 60-hour week (Migration News, Vol. 3, No. 10).

4.5. The impact of free trade on emigration

What impact will the jobs 'exported' from the North have on the labour markets of the South? In particular, will they offer employment to those who otherwise might have emigrated? In the long run, trade might maximize employment. A simple calculation suggests what might be achieved. The sending country might, for example, be exporting goods in which labour accounts for 70 per cent of value added, and importing goods where labour accounts for only 30 per cent.

If this country were exporting 20 per cent of its GNP on these terms, then the balance of trade would be equivalent to the out-migration of 8 per cent of the labour force (Layard, R. et al. 1992, p. 55). This is clearly a substantial amount, but would not in itself be sufficient to stem migration completely. After all, countries like the Philippines already have people working overseas which are equivalent to 16 per cent of the labour force (Karp, J., 1995, p. 43).

4.5.1. Employment losses due to free trade

Free trade will cost developing countries some jobs in local industries that cannot compete. In 1990, 20 per cent of industrial country exports went to developing countries, by 1995 this proportion had reached 25 per cent, and could reach 30 per cent by the turn of the century (United Nations, 1996, p. 318). In markets previously protected, and where there is no increase in local demand, this can lead to greater unemployment

Manufacturing industry

Countries that have tried to build up local manufacturing capacity, through protecting local industries, will find them exposed to much stiffer competition. Mexico has already been through much of this process, even prior to NAFTA. After Mexico joined GATT in 1987, its average tariff on imports dropped from 45 to 9 per cent and between 1986 and 1991 merchandise imports increased by 20 per cent per year. As a result 500 engineering firms in Mexico City alone went bankrupt (Stalker, P., 1994, p. 158). While these job losses are serious for those involved, such enterprises are likely to involve fairly skilled workers who should readily find work elsewhere.

Agriculture

Rather more serious in its implications for emigration is the fate of agriculture. A number of developing countries are high-cost food producers, particularly of staples like maize that are grown on small family farms with little by way of irrigation or technical input. One country for which liberalization has ominous emigration implications is the Philippines. Following the Uruguay round, the Philippines is replacing quotas on food imports by tariffs that will be steadily reduced. By the end of the decade, imports from the United States will be available at 20 per cent below the current domestic price. By the year 2004, the gap will have widened to 39 per cent. The Government estimates that imports of cheap food could destroy 45,000 livelihoods. Others are more pessimistic. Oxfam, for example, describes this as an underestimate of 'epic proportions' and says that the withdrawal of import protection will put in jeopardy the livelihoods of half a million households – 2.5 million people. This is partly because American producers are technically more efficient, but they do get a lot of help. Agriculture in the United States and Europe is heavily subsidized. For OECD countries as a whole in 1995, subsidies of various kinds were equivalent to around 40 per cent of the value of their agricultural output. In 1995, the average per capita transfer to each American farmer was \$29,000 – one hundred times the income of a corn farmer in the Philippines. It might be presumed that the Uruguay round would have frowned on such subsidies. But not so. Agriculture remains one sector in which dumping is regarded as a legitimate trade practice. The implications for 1.2 million Filipino corn farmers are ominous (Oxfam, 1996). However it may not be they themselves who migrate internationally. Most people who leave rural areas in the Philippines go from poorer to richer regions where they start at the bottom of the employment ladder, while most international migration actually comes from the richer regions who are higher up the ladder and have developed the necessary skills and contacts (Saith, A., 1997).

Mexican farmers face a similar onslaught. Most Mexican agriculture is based on the production of corn and beans and operates very inefficiently. In 1991, 23 per cent of economically active

Mexicans worked in agriculture, yet they contributed only 7 per cent of GDP – a proportion which has been falling steadily (Economist, 1993a, p. 10). In the late 1970s, the government raised the prices guaranteed to producers (to about double the world price) and also the subsidies on imports, and then sold the products at low prices to urban consumers. After the debt crises, this policy was unsustainable, and since then there have been a series of reforms. In 1989, the Government freed up restrictions on land ownership – re-establishing property rights for example. But the reforms required under NAFTA are even more far-reaching. Mexico will have to dismantle its subsidies and move to international prices. This means that peasant farmers whose yields on rain-fed lands are only around one-eighth of those on the United States prairies will also have to struggle against the products of United States agricultural subsidies. The prospects for small farmers growing maize are gloomy. Even when they were getting subsidies, Mexican peasant farmers were poverty stricken and for decades had been migrating to the cities and to the United States. But the removal of subsidies to around 2.4 million corn producers will drive hundreds of thousands more from the countryside. The higher estimates suggest that over 800,000 workers would leave the rural sector, of whom 600,000 would migrate to the United States (Cornelius, W. and Martin, P. 1993, p. 6). By mid-1996 it was estimated that 500,000 to 750,000 subsistence farmers had already left agriculture (Migration News, Vol. 3, No. 10).

4.5.2. Employment gains due to free trade

On the positive side of the ledger, migrant sending countries will also gain from free trade in areas where cheap labour gives them an advantage.

Agriculture

In agriculture, for example, one of Mexico's opportunities as a result of NAFTA should be the export of more fruits and vegetables to the United States. This is an industry that is already fairly well established in Northern Mexico. Even so, it may not expand sufficiently rapidly to employ many potential emigrants. One reason is that the capital requirements can be very high. This is certainly the case for strawberries. California accounts for about one-quarter of the world's commercial strawberries: annual sales now exceed half a billion dollars after a surge in production prompted in part by new growing techniques, new plant varieties, and cheap immigrant labour. Around half the total production costs consist of labour – strawberries are too soft for machine harvesting and need 2,000 man-hours per acre, mostly immigrant labour which is paid about \$200 per week. The rapid expansion has been described as 'not mechanization but Mexicanization' of agriculture (Economist, 1993b). Nevertheless, the strawberry business demands a lot of capital – putting an acre of strawberries into production costs anywhere from \$12,000 to \$30,000 an acre: a fifty-acre strawberry farm producing high-quality berries requires an annual investment of at least \$1 million. At the same time, this is a risky business. Wholesale prices for fresh strawberries fluctuate wildly, from \$4.00 to \$22.00 a box, depending on the quality of the fruit and on supply and demand. So, although profits can be high (up to \$20,000 an acre) there can also be heavy losses, and growers who are to survive need deep pockets (Schlosser, P., 1995). Tariffs on fresh strawberries have been removed as a result of NAFTA but, given that interest rates in Mexico are higher, and that there are as yet fewer facilities for rapid shipment of perishable goods, it will be some time before Mexico can take full advantage of cheaper labour.

Even if this investment is made, the number of workers required may not be that great. One estimate suggests that a 25 per cent increase in the Mexican acreage in fruits and vegetables in the 1990s would involve at most 67,000 workers (Cornelius, W., and Martin, P. 1993, p. 491). This can be compared with the number of immigrant farm workers in the United States: a United

States Department of Labor Survey in the early 1990s concluded that there were around 670,000 migrant farm workers in the United States, of whom 85 per cent were immigrants (Gabbard, S., Mines, R. and Boccalandro, B. 1994). In 1990, total jobs in Mexico based on trade with the United States were slightly more than 2.5 million out of a total Mexican labour force of 30 million (8.3 per cent) (Hinojosa Ojeda, R., 1994, p. 230).

Labour-intensive industry

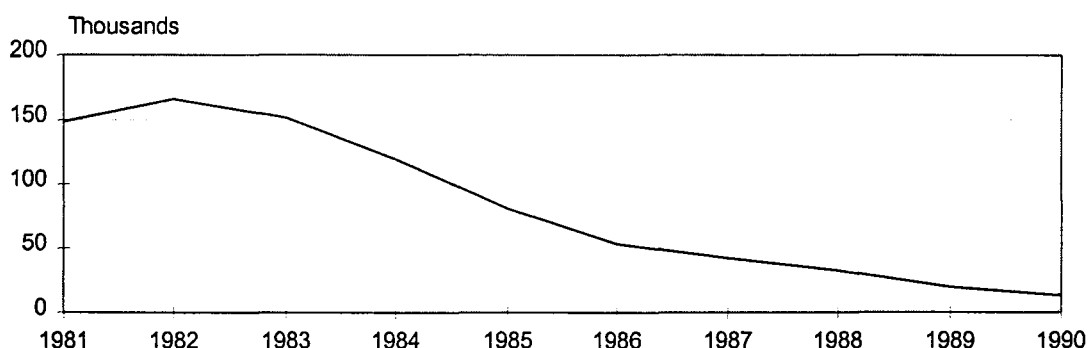
Garments again provides the classic upgrade path for the poorest countries. One country which has benefited in export expansion in recent years has been Bangladesh. Between 1982/83 and 1992/93, exports of ready-made garments rose from \$7 million to \$1.2 billion – going from 2 per cent of total exports to 52 per cent. The original impetus for this development was Korean investors exploiting Bangladesh's export concessions in European markets (World Bank, 1994, p. 77). Garment making in 1993 was thought to employ around 800,000 people, of whom 90 per cent were female, mostly young and unmarried and earning around \$400 per month (UNDP, 1994). However, the effect on emigration here is likely to be small. Though the industry is responsible for 50 per cent of exports, it employs only two per cent of the labour force. Moreover, this is not the group of people most prone to migrate. While some young Bangladeshi women do work overseas as maids, most emigrants are men. So the impact on emigration is likely to be more indirect. And the direction is not clear. Either it will increase family income sufficiently that brothers will not need to leave the country – or it will give them the wherewithal to do so.

One problem for Bangladesh is that it has not been able to establish strong 'backward linkages' between garments and the rest of the economy – there is not even much of a textile industry to supply the garment makers with raw materials. There are a number of reasons for this. But years of political instability have not been conducive to building up the country's infrastructure, and the banking system is weak. This highlights a serious risk for Bangladesh and other poor countries. The garments industry arrived quickly and could well depart just as quickly – especially since as a result of the Uruguay round it will lose its quota concessions and will have to compete with other, more efficient operators such as China.

The deflection of trade from one developing country to another is already being felt in the Caribbean as a result of NAFTA. While Mexico's exports of duty-free garments to the United States have been booming, the industry in the Caribbean has been shrinking. At the end of 1996, for example, a plant in Jamaica that had been sending T-shirts to the United States lost the contract to a Mexican company that could put in a lower bid. More than 600 people (95 per cent of them women) lost their jobs, and the Korean-owned company shipped the equipment to Bangladesh. A 1996 World Bank study suggests that the Caribbean could lose one-third of its American exports as a result of NAFTA (Rohter, L. 1997).

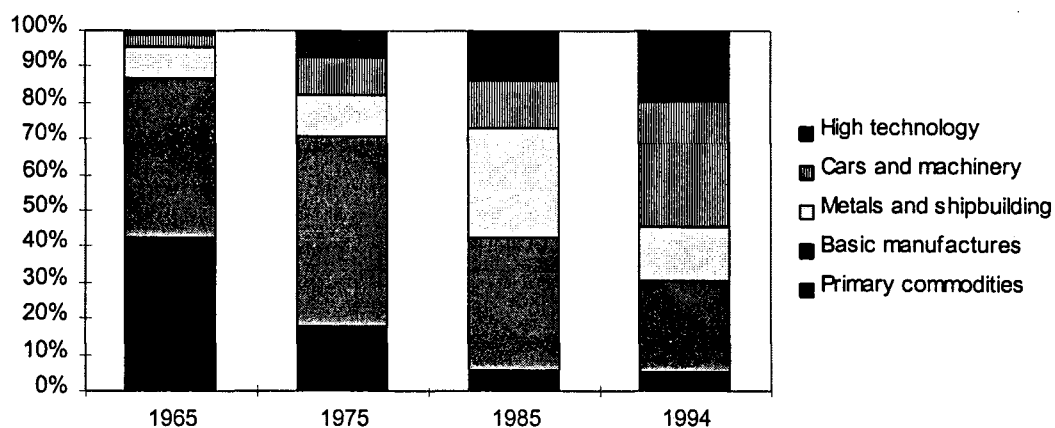
4.6. Export-led growth to keep immigrants at home

For countries like Bangladesh the most attractive trading path would be to follow the trail blazed by the NIEs in South-east Asia. After all the Republic of Korea was until fairly recently a major exporter of labour. The exodus peaked in 1981, at which point there were over 150,000 Korean workers in the Middle East. However as wages and employment expanded at home, labour exports declined steeply (Figure 4-5). By 1990 the total in the Middle East had dropped to only 8,000 (Park, Y.-b., 1991).

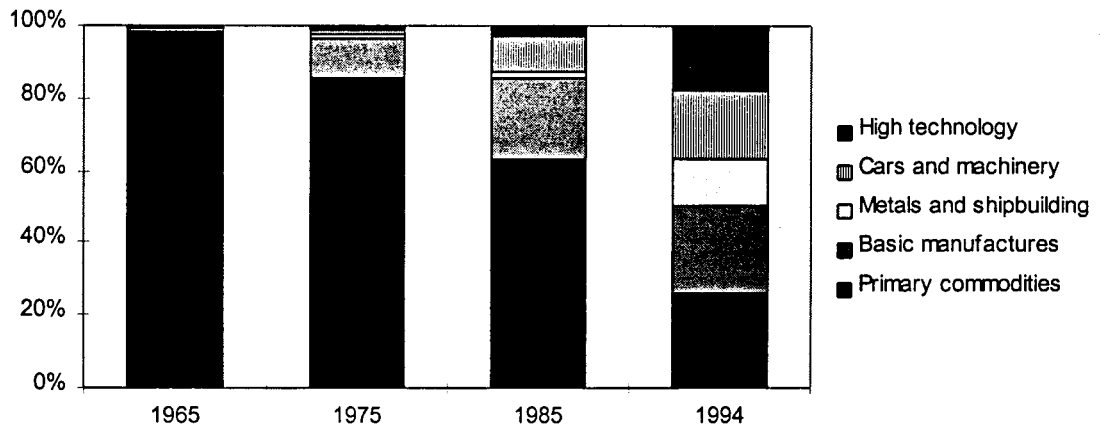
Figure 4-5. Emigration from the Republic of Korea

Source: Park, 1991

This decline was the result of a rising demand for labour at home. The Republic of Korea and Taiwan (China) had, since the 1950s, been diversifying away from crude agricultural and mineral exports and rapidly expanding exports of labour-intensive manufactures, especially of clothing and textiles, and of wood and paper products. By the early 1980s, in both economies, labour-intensive production made up more than 60 per cent of exports. But over time, as wages rose with economic growth, their comparative advantage in low-cost labour was steadily eroded. This is illustrated in Figure 4-6, which shows the evolution from primary commodities (including food) to basic manufactures such as wood and paper products, garments and footwear, then to steel and shipbuilding, electrical machinery and cars, and finally to high-tech products such as chemicals, pharmaceuticals, computers and communications equipment (UNCTAD, 1996, p. 33). The other first-tier NIEs followed much the same upgrade path.

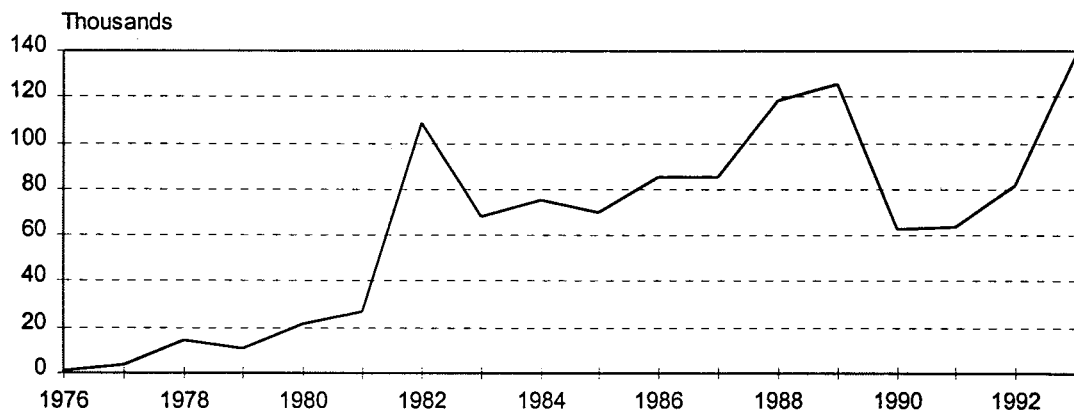
Figure 4-6. Evolution of exports from the Republic of Korea

Source: UNCTAD, 1996

Figure 4-7. Evolution of exports from Thailand

Source: UNCTAD, 1996

Now the second tier of NIEs - Indonesia, Malaysia and Thailand - are moving in a similar direction. Indonesia, for example, between 1967 and 1994 has increased textiles, clothing and footwear from 0.2 per cent of exports to 24.7 per cent. The evolution of Thai exports is shown

Figure 4-8. Emigration from Thailand, 1976-93

Source: Scalabrini, 1996.

in Figure 4-7. Thailand had been even more dependent on primary commodities (food was the largest item) than the Republic of Korea. Thai exports have not “transited” through metals and shipbuilding and instead included high technology goods more rapidly. Malaysia has a similar pattern, though with a higher proportion, 32 per cent, of high technology goods.

The second-tier NIEs thus seem to have a slightly different pattern from the first tier. First, their exports are bunched more at the top and bottom of the skill ranges. Second, though these countries are engaged in high technology production, their participation is narrower, since a much higher proportion of the value of their exports is based on the import of previously manufactured parts. In the case of automatic data processing equipment for the Republic of Korea, the import of parts represents only 24 per cent of export value, while for Thailand the proportion is 79 per cent (UNCTAD, 1996, p. 120). To a certain extent, this reflects a new division of labour, with the second-tier NIEs assuming the more labour-intensive assembly elements of high technology. As explored in the next chapter, this is partly because their industries have been based less on building up local enterprises and more on attracting affiliates of foreign multinationals.

While the Thai economy has been booming until recently, this has still not been sufficient to cut emigration by any significant amount. As Figure 4-8 indicates, the numbers leaving are still substantial – similar to those for the Republic of Korea in earlier years. These are the official figures and probably a considerable underestimate. Many people are sent illegally by unregistered employment agencies, or exit the country as tourists and stay away to work. But as well as being a major exporter of labour (chiefly to Saudi Arabia, Brunei and Singapore), Thailand is also an importer of unskilled labour (from Myanmar). The official figures for arrivals (175,300 in 1991) are very similar to those of departures, though again there are probably at least as many people working illegally. In terms of net migration, however, Thailand is probably in balance (Sussangkarn, C. 1996).

The second tier of NIEs may be able to shadow some of the experience of the original “tigers” in using export-led growth to stem migration. But this could take some time, and for the present they are in a very fluid position – with many countries both exporting and importing workers. Like Thailand, Malaysia is also both a major importer and exporter, though generally it imports unskilled labour and exports skilled workers. Indonesia exports unskilled labour (to the Middle East, Malaysia and Singapore) and imports skilled workers (mostly from India and the Philippines).

These and other countries that might want to follow the export-led growth path are faced with a world very different from the one that faced the original NIEs. In particular, the structure of industrial production has been changing in recent decades to reduce the demand for low-skilled labour in manufacturing. In many globally competitive industries, the share of low-skilled labour in total production costs has fallen from an average of 25 per cent in the 1970s to between 5 and 10 per cent in the mid-1990s (Oman, C., 1994, p. 17). In the case of semiconductors for example, labour costs only account for 3 per cent of total costs, and in colour TVs only 5 per cent, and in the case of cars 10-15 per cent. The traditional labour-intensive options of clothing and footwear remain at around 30 per cent, but competition in this sector is becoming increasingly fierce (Economist, 1994). The reduced labour component can, however, be offset by an increase in trade volume.

The new arrivals will also find themselves in a very different trading environment. With many more, and larger, countries trying to trade themselves into growth there is a danger of flooding

the market with excess production. This is certainly a danger for some products, but in the case of garments there is still some way to go. So far, developing countries only have around one-third of the market in North America, the European Community and Japan – so if trade barriers fall there should still be room for expansion without undermining prices (UNCTAD, 1996, p. 150). Nor do they have to rely on industrial countries, since rapid growth in Asia is also a source of new markets.

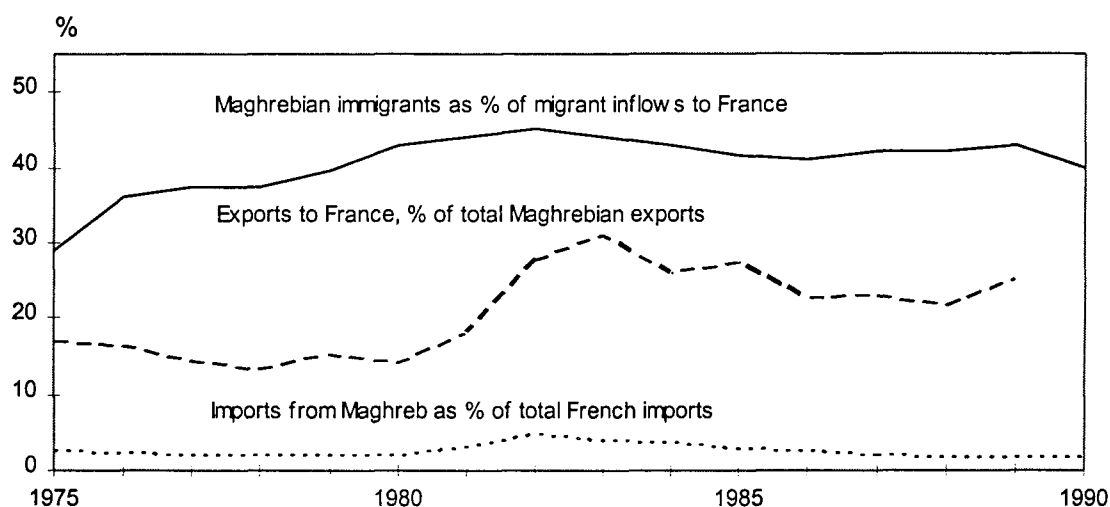
What is less certain, however is that the later comers can maintain their competitiveness and eventually upgrade to higher levels of production. An analysis by UNCTAD looked at the proportion of developing country exports that are based on fast-growing dynamic import sectors. For the first-tier NIEs, this was above 80 per cent, but the second tier were still some way behind, with around 60 per cent, and many other developing countries were making even less progress. Even Chile, which is regarded as something of an export success story, only has about 12 per cent of its exports in such sectors. Indeed of the developing countries in Latin America, only Mexico and Brazil seem to have an export structure comparable to that of the second-tier NIEs. As in the second-tier NIEs, this is based more on penetration by multinational enterprises than the expansion of purely domestic industry (UNCTAD, 1996, p. 125).

4.7. Links between industrial country exports and immigration

Countries that have close ties through migration also tend to be linked through trade – both are influenced by geographical proximity and historical connections. The OECD has looked at the flows of goods and people in the 1980s between three groups of countries: France and the Maghrebian countries (Algeria, Morocco and Tunisia); Germany and Turkey; and the United States and Mexico (OECD/SOPEMI, 1993, p. 42). The data for France are shown in Figure 4-9. In all three countries, the share of imports from the immigrant source countries grew over the period – though in France they started to tail off. However, there did not seem to be any correlation between the flow of goods and the flow of people. Not too surprising, since they are determined by different factors.

There is also a considerable flow of trade in the other direction –with immigrants drawing in products from their own countries. Stores in the Mexican neighbourhoods of New York and Los Angeles are packed with Mexican products – from mango juice to corn flower. The 32 million immigrants or people of Mexican descent in the United States represent a huge market. The Mexican company Grupo Modelo, for example, which targets its Modelo Especial beer at expatriate Mexicans, derived 35 per cent of its 1995 income from exports to the United States (Millman, J., 1996, p. 38).

A further possibility, is that immigrants may expand trade with their country of origin due to their superior knowledge of, or preferential access to, market opportunities. This proposition has been tested for Canada for the years 1980-92. It was found that a 10 per cent increase in immigrants from a particular country was associated with a 1 per cent increase in Canadian exports to that country, and a 3 per cent increase in imports. Among the primary categories of immigrants, the greatest influence on trade came from independents rather than via the entrepreneur immigration class (Head, K., 1997).

Figure 4-9. France, immigration and import of goods from the Maghreb

Source: OECD/SOPEMI, 1993

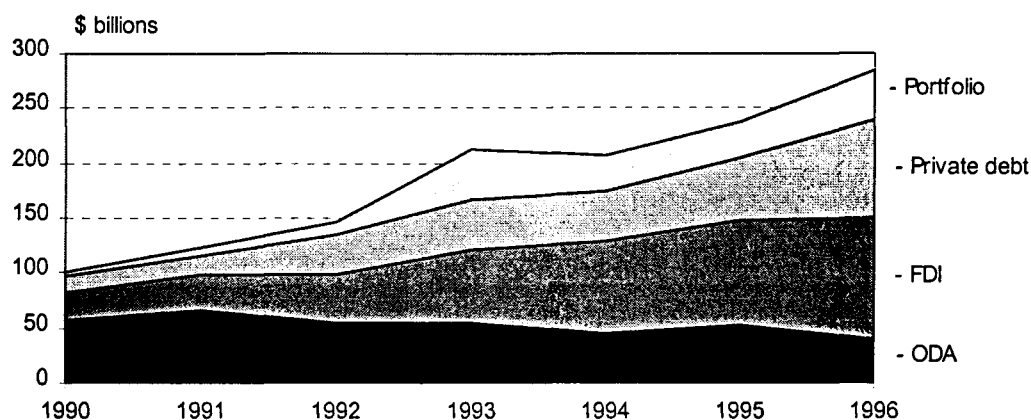
4.8. Conclusion

Given the currently fluid situation in international trade, it is difficult to project future trends with any great confidence. But it does seem that, in the short term at least, trade is destined to play a relatively minor role in reducing emigration. In the industrial countries, freer trade would only cut the demand for immigrant labour slightly, since only a small proportion of immigrants – 10 to 20 per cent in most industrial countries – would be displaced by more imports from the sending countries (Martin, P. and Taylor, E., 1995, p. 9). At the same time, free trade may actually add to unemployment in some sectors in sending countries – particularly in agriculture – and thus stimulate further emigration. Moreover, the opportunities for expansion of exports to the industrial countries may not be that great.

5. Capital to workers, not workers to capital

The previous chapter explored the possibility that expansion of trade could reduce the potential for international migration. Much the same question can be asked about flows of capital. Could flows of capital not only help expand production for trade but also stimulate local development that would increase employment and wages – and thus encourage workers to stay at home.

Most capital is usually generated locally. The tiger economies of East Asia were able to expand rapidly because they had high rates of national savings that could be channelled into productive investment. Other developing countries find this difficult to match, and lag way behind industrial countries when it comes to investment. In industrial countries, average capital per worker is \$150,000 while in developing countries it is only \$13,000 (World Bank, 1995, p. 61).

Figure 5-1. Financial flows to developing countries

Source: World Bank, 1996

However, local capital can be supplemented by foreign investment. And in the last few years more capital has headed for the developing world. Figure 5-1 illustrates recent trends in capital flows (World Bank, 1996). In earlier decades more than half the capital arrived in the form of official development assistance (ODA). The 1990s, however, have seen a steep rise in private capital flows, which by 1995 accounted for 76 per cent of total flows – whether in the more volatile form of portfolio investment, or as private debt, or as longer term foreign direct investment (FDI). This increasing globalization of capital flows could contribute to a dampening of migration flows – with capital migrating to workers rather than workers migrating to capital.

5.1. Equity and debt

Since the early 1990s, many financial institutions and private investors have been attracted to the higher, if riskier, returns promised by 'emerging markets'. By 1994, portfolio investment in developing countries, which barely existed in the early 1980s, had reached \$40 billion.

While this may provide a welcome injection of funds into the bond or equity markets, it can just as easily flow out again if investors lose confidence. The most dramatic example in recent years, and the one with the most direct repercussions on migration, was the crisis in Mexico early in 1995. Mexico's economic boom in the 1990s was dependent largely on foreign savings. Domestic savings amounted to only 14 per cent of GDP and the current account deficit which was 8 per cent of GDP was financed by foreign creditors (Summers, L. 1995). Foreign investors held around 70 per cent of peso-denominated bonds and 80 per cent of dollar-denominated bonds (Economist, 1995a). In addition, in the four years to 1994 Mexico had attracted \$64 billion in portfolio investment (Economist, 1995b). Unfortunately, not enough of these funds went into productive investment, instead Mexican consumers took advantage of the opportunity to stock up on imports.

As a result, the peso was considerably overvalued. For political reasons an orderly process of devaluation was postponed, allowing local and foreign investors to speculate on when the devaluation would come. Faced with massive capital flight and dwindling reserves in December 1994 the government finally devalued by 13 per cent, but this was too little, too late, and

foreigners and Mexicans continued to convert their pesos to dollars. The Government had no choice but to float the currency – as a result of which the peso lost about 50 per cent of its value. The subsequent economic downturn hit Mexican workers hard – in terms of both lower wages and unemployment. Displaced workers started to make their travel plans – spurred by the knowledge that, as a result of the devaluation, the American-Mexican wage gap had risen from 8 to 1 to about 12 to 1. In January and February 1995, the number of aliens apprehended at the border rose 30 per cent above the figures for the previous year (Migration News, Vol. 2, No. 4).

The United States was understandably nervous, not just about accelerated immigration but also about the prospect of losses in American jobs as Mexico cut back on imports. If, as predicted by one American bank, exports to Mexico were to fall by \$10 billion this could cost as many as 100,000 American jobs (it has been estimated that \$50,000 in exports supports one American job) (Migration News, Vol. 2, No. 3).

As a result the Clinton administration rushed to organize a loan package of \$20 billion – of which the Mexicans eventually borrowed \$12.5 billion. This seemed to do the trick. After a drop in output of over 6 per cent in 1995, real GDP in 1996 looked set to grow by 4 per cent. Foreign investment was also flowing back – in 1996 \$6 billion had arrived by October (Economist, 1996c). This recovery is evident in the continuing success of the *maquiladora* plants along the border. By the middle of 1996, there were 3,233 plants, employing in total 800,000 people – and they continued to open at the rate of two per day. However while the ‘dollar economy’ was doing well there are more doubts about the internal ‘peso economy’ which continues to contract – and which is where most potential emigrants work (Whalen, C., 1997).

Mexico’s revival was reassuring for investors, but it served as a warning for other countries that were becoming more closely enmeshed within the international capital markets of the dangers attendant on ‘hot money’. Fears of the collapse spreading to Argentina and Brazil proved unfounded. In any case a collapse in these countries would have had less of an impact on migration. However another migrant-sender, the Philippines has also seen significant inflows of portfolio investment in recent years – and remains a potential target for speculative attack, as does Thailand.

5.2. Foreign direct investment

As a result of the Mexican crisis many of the more speculative investors took fright in 1995 and portfolio investment dropped sharply. Foreign direct investment (FDI), however, continued to climb. Those investing for productive purposes tend to be less swayed by short-term market downturns and put more emphasis on long-term growth rates and the opportunities offered by the globalization of production. This stability makes FDI a much more attractive option for developing countries.

With respect to migration, the potential impact of foreign direct investment is best divided into the long and short-term effects. In the long term, the issue is the extent to which FDI contributes to economic growth and thus makes the country as a whole a more desirable place in which to live. In the short term, the issue is whether incoming investment is directly creating employment for potential emigrants.

5.2.1. The long-term growth impact of FDI

The longer term growth effects in turn can be considered in terms of the FDI contribution to capital, to technological development, to human resource development and to trade (Sauvant, K., Mallampally, P., and Economou, P., 1993).

Capital

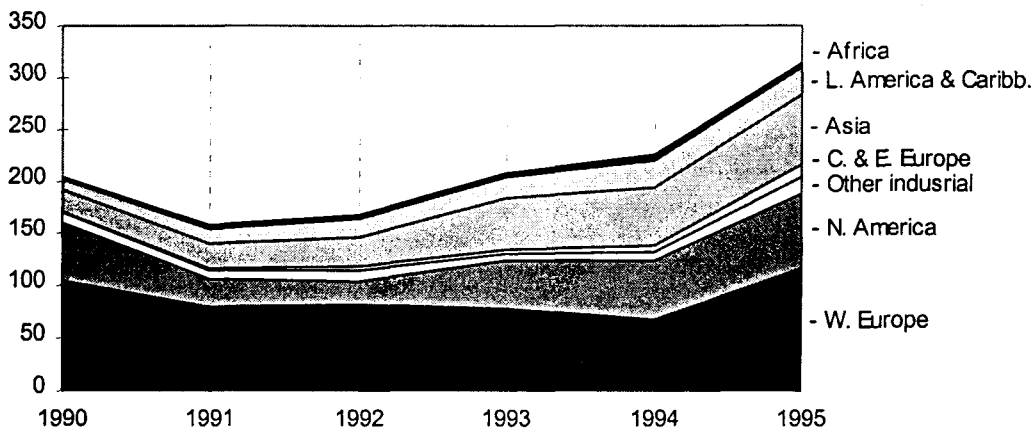
The additional capital from transnationals certainly contributes to growth. But on the whole FDI tends to follow growth rather than lead it (Bergsman, J. and Shen, X., 1995, p. 7). TNCs are becoming increasingly choosy about where they will invest, and are generally going to countries that have already opened up their economies to international trade – and that also have the human and physical infrastructure to take advantage of investment. This is why the bulk of investment remains in the industrial countries. In 1995, of the \$2.6 trillion global inward stock of foreign direct investment, 73 per cent went to industrial countries.

But in search of higher returns TNCs have been heading for more adventurous destinations in the developing world. Between 1984 and 1989 developing countries received on average only 19 per cent of FDI flows but by 1995 this had reached 38 per cent. Figure 5-2 indicates where FDI flows have gone.

As this chart indicates, most investment to the developing world has gone to Asia and Latin America. What it does not show, however, is the extent to which these flows have been concentrated in certain countries. Of the flows into Latin America and the Caribbean in 1992, for example, 26 per cent went to Mexico and 18 per cent to Brazil. Of the flows into Asia, 55 per cent went to China alone, followed some way behind by Malaysia with 9 per cent, and Singapore with 8 per cent. And total flows into each of these last two countries were greater than into the whole of Africa (UNCTAD, 1996, p. 227). Transnationals tend to choose places with sound transport infrastructure and good local and international links. And the standards they demand are rising all the time.

The precise contribution to growth that this represents will depend very much on local circumstances. In countries which at present have little investment of any kind, FDI represents a very high proportion of fixed capital formation. In 1994, for example this was 56 per cent in Angola and 72 per cent in Equatorial Guinea. However even in countries where it is a very low proportion it can make an important contribution in key areas of the economy. In the Republic of Korea, for example, in the period 1984-89 inward investment averaged only 1.4 per cent of fixed capital formation. But this was concentrated in key sectors: foreign affiliates accounted for one-quarter of all manufacturing exports – and in the electrical machinery and electronics sectors their share was around 70 per cent (*ibid.*, p. 122). Moreover, the presence of TNCs also stimulates the growth of local industries that are sufficiently developed to serve as suppliers.

Is this capital going to countries with the highest potential for out-migration? Historically this does not seem to have been the case. Most investment actually goes to net immigration countries. A number of significant migrant-sending countries such as Bangladesh, Pakistan, and the Philippines have not in the past been very popular destinations for FDI. Indeed, a much greater source of foreign exchange for these countries has been remittances from emigrants. One study calculated for a number of Asian migrant-sending countries how much capital would be required to produce the same contribution to GDP as migrant workers do through remittances. For 1989, this was estimated to be 1,020 times the actual FDI for that year in Bangladesh, and 25 times that in the Philippines (Abella, M., 1991, p. 11).

Figure 5-2. Inflows of foreign direct investment, 1990-95

Source: UNCTAD, 1996

Nevertheless, there are other cases where FDI may be attracted to places by a combination of low labour costs, good transport infrastructure, and proximity to a richer country – characteristics which are also likely to provoke out-migration. This would apply to Mexico, for example, and other countries of Central America, to Eastern Europe, and probably in the future to the coastal provinces of China.

Technology

Beyond their contribution to capital, TNCs also bring with them the latest technologies. On the whole TNCs do not transfer much of their research and development (R & D) functions to foreign affiliates. This is true even of investments in industrial countries. American and Japanese transnationals investing in Europe are often criticized for only transferring such R & D as is required to adapt products and processes for domestic markets. Nevertheless, simply by introducing a new product or process some technology and 'know-how' are inevitably transferred. The technological convergence between Europe and North America in the 1960s that helped reduce the incentive for transatlantic migration was due in part to the establishment of foreign branch plants of American corporations (Dicken, P., 1992, p. 392).

In the case of migrant-sending developing countries, the transfer of technology has been considerably less. At present, developing countries account for only 6 per cent of global R & D (and without China only 4 per cent) (UNCTAD, 1996, p. 186). In many cases, this has been because in the poorest countries transnational investment has been concentrated in export processing zones isolated from the national economy. But even the 'wired island' of Singapore only managed to spend a little over 1 per cent of GDP on R&D in 1993 – compared with 3 per cent in Japan. Some of the Asian NIEs have been determined to step up their R&D. And the Chinese government wants TNCs to bring more technology with them. In 1996, for example, Motorola opened a \$76 million computer chip plant and the Chinese government has been leaning on them to transfer more technology (Economist, 1996a).

The later developing economies are probably going to lose out in the technology stakes. A 1993 survey by the International Finance Corporation concluded that the pace of product and process

technologies makes it less likely nowadays that more sophisticated production will be transferred to developing countries. As technology becomes more complex, so do the needs to have sufficient support skills locally. These are likely to be available in only a few countries so, given the potential for an ever finer division of labour, the prospects are that there will be a greater disparity between the faster and slower growing developing countries (Miller, R., 1993, p. 17).

Human resource development

In addition to providing capital and technology, TNCs contribute to economic growth by increasing the opportunities for the use of education and skills, and by training their employees. Often they spend more on training than domestic companies – though this depends very much on local circumstances. When the Ford Motor Company established a new plant in Northern Mexico, all new workers received nearly 700 intensive classroom hours before starting work (UNCTAD, 1994, p. 223). The training element will be particularly high for TNC service companies, such as banking, financial services, and advertising, which try to reproduce in host countries the same level of service as in their home countries. In this case, short of using large numbers of expatriates, there is no alternative to training local staff. However beyond the formal training on offer there is also a transfer of working culture.

Trade

Transnationals improve the long-term trading capacity of host countries in many ways. Those that invest in order to exploit natural resources, for example, will add directly to the host country's exports. In 1992, American transnationals, for example, were responsible for 11 per cent of raw material exports from developing countries (UNCTAD, 1996, p. 86). Transnationals can also site production overseas to profit from the comparative advantages of specific locations. Originally this was based on exploiting cheaper labour, but with recent developments in technology and methods of production, many processes are being 'sliced up' in a number of different ways. This contributes to a large flow of trade within transnationals. Currently this kind of intra-firm trade accounts for around one-quarter of total world exports – though this may be decreasing as TNCs increasingly resort to using sub-contractors.

Transnationals also contribute to a host country's balance of trade by reducing imports. This kind of 'market-seeking' investment aims to substitute for exports from the home country. This has become increasingly important. By 1993, total sales by TNCs of products made outside their home country had reached \$6.0 trillion – considerably more than total global exports (\$4.7 trillion).

5.2.2. The short-term employment effects of FDI

The most direct effect on migration should come from the employment of potential emigrants. But, as indicated in Table 5-1, the direct effect is likely to be small. In 1993, total employment by transnationals was 73 million – only 2-3 per cent of the world's workforce (*ibid.*, p. 29). Nor do TNCs appear to be expanding employment very rapidly. While total FDI stock increased almost seven times between 1975 and 1993, total employment did not even double.

Table 5-1. Employment by transnational corporations

Total employment (millions)	40	65	70	73
In parent company at home	n.a	43	44	44
In foreign affiliates	n.a	22	26	29
in industrial countries	n.a	15	17	17
in developing countries	n.a	7	9	12
Outward FDI stock (\$ millions)	282	674	1649	1932

Source: UNCTAD (1994, 1996)

The relatively small contribution of transnationals to employment is partly because they have generally operated at higher levels of technology and productivity than smaller firms. The largest TNCs have increasingly sought labour-saving technologies, and have been out-sourcing many of their requirements to subcontractors – particularly for activities that employ unskilled or semi-skilled workers. The American footwear company Nike, for example, subcontracts all of its production to independent contractors in different countries. The company itself only employs 9,000 people in such areas as design and sales, but indirectly it employs 75,000 people (UNCTAD, 1994, p. 193). Indeed an analysis of the 300 largest TNCs concluded that they are probably directly employing fewer people than they were at the beginning of the 1980s (Parisotto, A., 1993, p. 46).

Nevertheless, TNCs have an effect on employment beyond those people who work for them directly. In addition to subcontractors, there are other forward and backward linkages within the domestic economy that generate many other jobs. These indirect effects will be greater in some industries than others – higher in automobiles, lower in textiles – but on average the ILO estimates that TNCs employ indirectly at least as many people as they employ directly (*ibid.*, 1993, p. 64). Even so, this would amount only to around 5 per cent of the global workforce, a fairly modest contribution considering that they control over one-third of the world's productive assets (UNRISD, 1994, p. 154).

From the migration point of view, the major concern is their impact on employment in developing countries. Here, when considered as a proportion of the workforce, it seems to be even less significant – though more encouraging when viewed as a proportion of total manufacturing industry. Thus in Mexico in 1988, affiliates of foreign firms employed 756,000 people – only 2 per cent of the economically active population. But some 516,000 of these were working in manufacturing industry – which amounted to 21 per cent of Mexico's paid employment in manufacturing. In Indonesia, the corresponding proportions were 1 per cent and 24 per cent. Indeed TNCs account for more than 20 per cent of manufacturing employment in a number of other developing countries, including Argentina, Barbados, Botswana, Malaysia, Mauritius, the Philippines, Singapore and Sri Lanka (UNCTAD, 1994, p. 186).

5.3. Export-processing zones

At first sight, the most direct connection between FDI and potential emigration would appear to be through export-processing zones (EPZs) – which can employ just the kind of young and mobile workers who are prone to emigrate. In 1990, there were over 230 EPZs in 70 developing

countries employing more than 4 million people – 45 per cent of total employment by TNCs in the developing world. Production in these designated duty free areas continues to increase. Not all EPZs are the result of FDI. Many are set up with local capital. Indeed, since the largest numbers of EPZ employees are in China (more than 2 million) and are working under subcontracts to firms in Hong Kong, the change in Hong Kong's status will mean that the majority will be owned by 'local' capital (Parisotto, A., 1993, p. 58). (In addition in China there are 14 to 40 million more workers in Chinese Special Economic Zones) (Migration News, Vol. 3, No. 6).

5.3.1. Mexican *maquiladoras*

After China, the next biggest concentration of EPZs is in Mexico in the *maquiladoras* – a concentration of more than 3,000 duty-free assembly plants, mostly stretched along the border with the United States. These plants have a direct historical connection with Mexico-United States migration. Until 1964, the United States permitted seasonal Mexican agricultural labourers to work in the south-west under the *bracero* programme. When this programme was discontinued, the Mexican government in 1965 set out to provide work for the displaced workers by encouraging the establishment of *maquiladora* ('making up') plants along a 20-kilometre strip of the northern border. These take advantage of a provision in the American tax code which refers to a product whose components originate in the United States but which is assembled abroad. The product can be re-imported with import duty due only on the value added outside the country.

This proved remarkably attractive to investors. From 16 plants in 1966, there were more than 450 by 1970, and by 1996 there were over 3,000 employing more than 800,000 people. Originally, the investors came from the United States, but by the early 1970s Asian businesses started to arrive and the Mexican Government widened the permitted area of operation so that firms could also locate in the Mexican interior. This rapidly made the *maquiladora* industry the largest offshore production operation in the world. Originally the plants concentrated on simple labour-intensive tasks for the manufacture of garments, toys and dolls. But the product mix has shifted over the years – first into TVs and other electronic goods, and more recently into chemicals and other types of manufacturing. *Maquiladoras* are responsible for just under half of Mexico's manufacturing output. The chief attraction for investors over other locations is the labour cost which undercuts Asian offshore operations by up to 50 per cent (Fuentes, N. et al, 1993, p. 166). Mexico's devaluation in 1995 reinforced their competitiveness – wages and benefits in mid-1995 were \$1.85 per hour. The job losses caused by the devaluation also provoked a fresh flood of workers to the border areas, most of whom seemed to find employment.

While the *maquiladoras* certainly provided fresh employment, they probably did not do much to employ the *ex-bracero* workers. These had mostly been men, while the *maquiladora* workers have primarily been women. However, the proportion of men has been rising over the years from 21 per cent in 1975 to around 40 per cent in 1996, and the skill levels seem to be rising. Strictly speaking, one should also include those employed indirectly, but this is not likely to involve significant numbers since these plants import most of their inputs from the United States and have few linkages with the local economy. One estimate suggests that for every 200 *maquiladora* jobs only 3 other manufacturing jobs were created, though there were 30 others in the service sector (Fuentes, N. et al, 1993, pl. 176). Employment can also be compared with the rest of Mexico's manufacturing industry, which has roughly the same output but employs 2.9 million people – around four times as many (Migration News, Vol. 3, No. 10).

5.3.2. Employment of women

As in the *maquiladoras*, EPZs elsewhere have shown a preference for women aged 16 to 25. In the Philippines in 1995, of the 200,000 people employed in such zones, three-quarters were women – though the proportion of women tends to fall over the years, as the zones become more capital intensive (Migration News, Vol. 2, No. 8). EPZ employers prefer women because they seem more prepared to subject themselves to the monotony of the production line, and are more malleable and trainable – and will work for low wages (Lim, L., 1993, p. 12). In 1990, for example, a business group in El Salvador placed an advertisement in *Bobbin*, the trade magazine of the American spinning industry, singing the praises of ‘Rosa Martinez’. “You can hire her for 57 cents an hour. Rosa is more than just colourful. She and her co-workers are known for their industriousness, reliability, and quick learning” (Barnet, J. and Cavanagh, J., 1994, p. 325). EPZs have played an important part in incorporating women into the labour force. Most of these young women come from rural areas, attracted by the prospect of a cash income, though they get paid the minimum wage or less and work and live in very poor conditions.

5.3.3. Export processing zones and migration

The link between EPZs and migration is complex. First there is the issue of internal migration. Certainly the zones do seem to employ a large proportion of people who have migrated to that part of the country – though they may not be recent arrivals. Migration is more likely if the zones are in relatively remote areas – as in the zones on Bataan island in the Philippines. However, these new workers do not stay long. Working conditions are often harsh and hours are long. These conditions contribute to an early burn-out and relatively few women stay beyond the age of 25 (UNCTAD, 1994, p. 203). Labour turnover at EPZs is very high – eight per cent per month in Mexico – and hiring and firing practises are harsh.

A frequent observation about EPZs is that since they largely employ women, and most emigrants are men, that they will not have much impact on emigration. While this may be true in Latin America, it is not so in Asia where in a number of countries the majority of migrants are women – generally working as domestic servants in the Middle East, Singapore and Hong Kong. In the case of Sri Lanka, for example, about 69 per cent of migrants are women, for Indonesia the proportion is 65 per cent, and for Thailand, 55 per cent (Migration News, Vol. 2, No. 8). For these women, work in EPZs, or other transnational enterprises, might offer an alternative to migration.

In the more traditional countries, women who lose their jobs in such factories find it difficult to return home. One report from a zone near the airport in Sri Lanka, for example, found that women’s chances of marriage were damaged because women who went on their own to the city were deemed to be sexually promiscuous (Barnet, J. and Cavanagh, J., 1994, p. 327). Those who find themselves out of work may thus consider looking overseas for employment. Having worked in Western-owned factories they might reasonably consider they could work overseas for much higher wages (Sassen, S., 1988). Nevertheless, in the case of the Philippines and Sri Lanka, where the majority of emigrants are women, there does not seem to be any evidence that they previously worked in factories.

The fact that EPZs employ women can contribute to the emigration of men. With most factory work in EPZs going to women, men who find themselves competing unsuccessfully with women can be attracted to jobs overseas. In the 1970s in Malaysia and Thailand, for example, out-migration from the rural areas was increasingly linked to women’s employment in EPZs and the emigration of men to construction sites overseas (Lim, L., 1993, p. 12).

The potential for EPZs as 'stepping stones' to international migration is probably greatest in the Mexican *maquiladoras*. These certainly do attract thousands of internal migrants from other parts of Mexico. But evidence based on interviews with workers suggests that *maquiladora* workers have little interest in emigration. One study in Nogales, for example, found that only 1 per cent of workers who had migrated there had done so in order eventually to move to the United States (Kopinak, Kathryn, 1996, p. 223). International migrants generally come from further afield and bypass the border region entirely.

5.4. Conclusion

Just as with trade, the effects of capital flows on migration are likely to be very diverse. In the long term, even if investment does generate more employment, the jobs created directly are unlikely to have a major impact on emigration. Probably more significant will be the contribution to overall economic growth. In the medium term, which might last 10 years or more, emigration will probably increase. Investment may so accelerate social change that it provokes more people to leave – and gives them the means to do so.

6. Reducing international wage disparities through migration

The previous two chapters have explored the possibility that flows of goods and capital would reduce international disparities - and thus reduce the potential for international migration. A third possibility is that in a globalizing world the movement of people might also have a self limiting effect. Drawing off surplus labour from the sending countries could reduce unemployment in poorer economies and perhaps cause wages to rise. And the arrival of new workers in the receiving countries could correspondingly cause wages to fall. As indicated in Chapter 2, the early period of convergence between Europe and North America was to a large extent due to migration. To what extent will future migration lead to this kind of convergence?

6.1. The effect of emigration on the sending countries

Emigration from developing countries, if on a sufficient scale, could ultimately remove excess labour supply, reducing unemployment and increasing wages. One study for the Republic of Korea, for example estimated that emigration in the period 1978-91 reduced unemployment from 6.8 to 5.5 per cent (Ghosh, B., 1996, p. 89). Unfortunately there have been no systematic evaluations as to whether this has happened more generally, though there have been estimates made for individual countries.

- *The Philippines* – The Philippines has one of the highest proportions of its workforce overseas – though the numbers are disputed. In 1995, the Philippines Department of Labour reported on estimates of 4.2 million workers overseas. This figure is supported in outline by a recent estimate that there are about 2.3 million Filipinos permanently overseas together with at least 1.5 million contract workers and an unguessable number of clandestine workers (Saith, A., 1997). In the late 1980s, it was estimated that overseas contract workers represented 2 per cent of the Philippines labour force. If those working abroad illegally are included then the proportion might be as high as 4 per cent (Pang, E., 1993, p. 57). In 1996, unemployment in the Philippines was around 8 per cent, and some estimates suggest that if all the immigrants were to return home then unemployment might rise to around 12 per cent (Economist, 1996).

In practice, however, this mass exodus seems historically to have had only a limited effect on levels of unemployment. Even during the late 1970s and early 1980s, despite more than 400,000 people leaving each year, levels of unemployment continued to rise. Nor did wages increase (Goss, J. and Lindquist, B., 1995, p. 322). However, there does not seem to have been any rigorous assessment of what might have happened in the absence of emigration.

- *Bangladesh* – An estimate of the Bangladesh overseas workforce suggested that in 1986 around a quarter of a million Bangladeshis were working overseas and that these represented 1 per cent of the country's labour force. Bangladesh is a major supplier of contract labour to the Gulf as well as to other Asian countries. Around half of these have been unskilled workers. But given the levels of unemployment and underemployment among unskilled workers during the 1980s, this probably had little impact on the labour market. Even skilled workers were in relatively abundant supply. And most of the skilled were construction workers who tended to acquire their skills on the job and could be replaced over six months. An examination of wages rates for construction workers did not suggest any significant rises (Mahmud, W., 1989). Since then, however, as Table 6-1 indicates, Bangladesh's exports of labour have been rising fairly steeply – from around 70,000 per year in 1986 to 244,000 in 1993, though subsequently they seemed to have dropped back (Scalabrini, 1996). Assuming, as did the earlier calculation, that each spends on average four years away, this would suggest that the number overseas at the end of 1993 was around 700,000. These data only refer to those leaving officially on foreign contracts. There are also thousands of Bangladeshis working illegally. A number will be in India, and many are now heading for Malaysia but most of their destinations are further afield. Taking illegals into account other estimates suggest that in 1996 there were two million Bangladeshis working abroad (Migration News, Vol. 3, No. 12). The latest labour force survey for Bangladesh (1990-91) put the total economically active population at 51.1 million which would put the overseas labour force at around 4 per cent of the total (Bangladesh Bureau of Statistics, 1995). It seems unlikely that this would have much of an impact on employment or wages. Official unemployment in 1990-91 was only around 2 per cent. But underemployment (working less than 35 hours per week) was 23.2 per cent, so even 4 per cent of people overseas will not make much of a contribution.
- *Sri Lanka* – In the late 1980s, the labour force was growing at around 140,000 per year while emigration was around 60,000 workers a year. So emigration may have helped ease the situation. The impact on unemployment is also likely to have been reduced by the fact that emigrants would not otherwise have chosen to work. A 1990 study concluded that two-thirds of Sri Lankan women working in the Middle East had not previously been part of the labour force. Unemployment in 1990 remained at 14 per cent (Ghosh, B., 1996, p. 89).
- *Turkey* – By 1993 there were 3.1 million Turkish citizens living abroad – around 5 per cent of the country's resident population (Fassmann, H. and Münz, R. 1994). But in terms of the labour force, the proportion abroad was even higher – over 6 per cent. Almost all of these were in the European Union with two-thirds in Germany alone (SOPEMI/OECD, 1995, p. 124). The precise impact of emigration is hard to judge because data on employment and unemployment are difficult to analyse precisely. But during the period of mass emigration, around 10 per cent of the population was jobless and a further 10-20 per cent was underemployed. In 1973, at the height of labour emigration, 6 per cent of the labour force was working overseas, and most analyses suggest that emigration will have relieved unemployment pressures. However, as in the Philippines, it was not the unemployed who were emigrating. Most Turkish emigrants had jobs before they left, and around one-third of these were skilled workers such as bricklayers

Table 6-1. Asian overseas contract workers 1976-93 (flows, thousands)

	Bangladesh	India	Pakistan	Sri Lanka	Indonesia	Philippines	Thailand
1976	6.1	4.2	41.7	1.2	1.9	47.8	1.3
1977	15.7	22.9	140.5	12.5	2.9	70.4	3.9
1978	22.8	69	130.5	17.7	8.2	88.2	14.7
1979	24.5	171.8	125.5	25.9	10.4	137.3	10.6
1980	30.6	236.2	129.8	28.6	16.2	214.6	21.5
1981	55.8	276	168.4	57.4	17.9	266.2	26.7
1982	62.2	239.5	142.9	22.5	21.1	314.3	108.5
1983	59.2	225	128.2	18.1	29.3	434.3	68.5
1984	56.8	206	100.4	15.7	46	351	75
1985	77.7	163	88.5	12.4	54.3	372.8	69.7
1986	68.7	113.6	62.6	15.8	68.4	378.2	85.7
1987	74	125.4	69.6	12.4	61.1	449.3	85.5
1988	68.1	169.9	84.8	15.8	61.4	471	118.6
1989	101.7	126.8	95.8	24.7	84.1	458.6	125.3
1990	103.8	143.6	113.7	42.6	86.2	446.1	63
1991	147.1	117.5	142.8	65	149.8	615	63.8
1992	188.1		191.5	55.6	172.2	686.4	82
1993	244.5		154.5	48.7		696.6	138
1994	186.9					719.6	

Source: Scalabrini, 1996

and carpenters, so their emigration should have opened vacancies for others. In terms of wages, the data is not very extensive, but there does not seem to be any evidence that wages rose. The minimum wage (for those covered by social security) did rise in the 1970s but the sharpest increases actually occurred after recruitment for work abroad stopped in 1973. And wages in industries such as mining which would be less affected by emigration rose faster than those in construction (Martin, P., 1991, p. 52)

- *Mexico* – By 1990 it was estimated that at least 5 per cent of all people born in Mexico were living in the United States. In the 1990s, much of this emigration has been a response to the economic crisis in Mexico. But in the late 1970s, emigration had also been rising before the crisis and there was a steady increase in real wages (Massey, D. et al. 1994, p. 710).
- *Egypt* – Emigration from Egypt has at times had a significant impact on the labour market. After 1973, large numbers of farm workers and construction workers started to head for the booming economies in the Persian Gulf. One estimate suggests that by 1984 the farm labour

force had been reduced by 12.5 per cent, and by 1985 the construction labour force had been reduced by 21 per cent. As a result, wages started to rise. Between 1976 and 1979, real wages in private construction were rising by 22 per cent annually and in private agriculture by 31 per cent annually (Abella, M., 1994, p. 173).

6.2. Loss of skills and the brain drain

As well as emigration siphoning off excess workers, it is also likely that the sending countries lose people they do actually need. This would be detrimental to economic growth and could also increase unemployment among unskilled workers as a result of a contraction in production. It is difficult to estimate the damage which this causes. It can, for example, be measured according to the loss in investment in education. For the almost 90,000 highly skilled migrants who migrated from developing countries to the United States in 1990, it has been calculated that this represents a net loss in tertiary education of nearly \$7,400 each, or \$642 million in total (Griffin, K. and McKinley, T., 1994, p. 50).

Apart from the lost investment, what is the impact on production? This will depend on whether their services were in short supply in their home countries. In a number of countries, this does not seem to have been the case. Universities in the Indian sub-continent have often produced an oversupply of graduates. In 1990, out of India's 3.8 million pool of scientific-technical talent, 1.2 million were registered as unemployed (McDonald, H., 1992, p. 46). The Philippines is another prolific supplier of educated manpower which its own economy cannot absorb. However other countries, particularly those in the Caribbean and Africa, are losing people they could make good use of. It has been estimated that between 1960 and 1987 Africa lost 70,000 of its highly skilled people (30 per cent of the stock), mostly to the European Union (Adepoju, A., 1995, p. 99).

As well as losing professionals, developing countries are also losing skilled manual workers such as carpenters and bricklayers. The Persian Gulf countries have attracted vast numbers of these. In India in the mid-1980s around 40 per cent of migrants were skilled, and around half of these were in the construction sector, however this exodus is not thought to have led to notable shortages (Nayyar, D., 1989). Similarly in Bangladesh, these skilled workers can be replaced in six months or so by recruiting from the pool of unemployed unskilled labour and training people on the job. However, in other countries there do appear to have been problems. Pakistan in the 1970s and 1980s, was sending over 100,000 workers a year overseas, of whom around 45 per cent were skilled (Kazi, S., 1989). This produced serious skill shortages and a steep rise in wages in the construction industry, along with this there was a decline in productivity (Stahl, C. and Habib, A. 1991, p. 167). Even today, Pakistan has an estimated 2 million nationals working abroad – about 2 per cent of the total labour force (Abella, M., 1995, p. 4).

It does seem, therefore, that in some countries emigration has an effect on unemployment and wages, but given the size of the labour markets this may not be noticeable.

6.3. Effect of remittances on the sending countries

Another way in which migration can increase incomes in the sending countries is through remittances. Apart from their benefits to the migrants and their families, these could serve as a stimulus to economic development and thus inhibit further emigration. The total value of global remittances rose rapidly in the 1980s, from \$43 billion in 1980 to \$65 billion in 1989. Estimating these flows is difficult and there is not universal agreement as to how it should be done. The

figures here are derived by adding up three categories in the IMF balance of payments statistics – ‘worker remittances’, ‘migrant transfers’, and ‘labour income’. However the interpretation of these categories can differ from one country to another, and commercial banks may not report the data consistently. As an indication of the difficulties, total inflows and outflows of remittances, which should be identical, are far apart. In 1989, while the total measured outflow was \$65 billion the measure inflow was only \$38 billion. This may be due to the lag between different years, or problems with exchange rates, or just incomplete reporting (Stanton Russell, S. and Teitelbaum, M. 1992, p. 31).

Not all of these flows go to developing countries. Out of the \$65 billion in 1989, \$33 billion went to the developing world (Stanton Russell, S., 1992). Moreover, many migrants move from one developing country to another and a number of the poorer developing countries, such as Angola and Côte d’Ivoire, pay more out in remittances than they receive. The Malaysian Government says it is losing about US \$960 million a year in foreign exchange because of remittances by foreign workers – each of the nearly one million foreign workers sends home about US \$80 per month (Migration News, Vol. 2, No. 8). For comparison, Spain and Italy in 1989 received net remittances of US \$2.9 billion – more than all the 51 poorest countries combined. Table 6-2 shows the flow of remittances to 126 countries with per capita incomes of less than US \$10,000. The middle group of countries receive the largest amount, although these were concentrated in a small group of countries – Morocco, Egypt, Pakistan, Yemen, and the Philippines accounted for 76 per cent of the total (Griffin, K. and McKinley, T. 1994).

One major weakness of these figures is that they fail to capture transfers that take place through informal channels. This may happen because the banking system in the recipient country, as in Bangladesh, is weak or inefficient. Or it may be that emigrants want to avoid changing money at the official, often overvalued, rate. In some cases, the migrants will avoid official channels simply by carrying a bag of cash, or they may import expensive consumer goods. But the commonest way is to use parallel foreign exchange markets, such as the ‘hundi’ system in the Indian subcontinent, or the ‘money courier’ industry in the Philippines. Micro-studies in a number of countries have indicated that only around half of remittances may travel through official channels: in Pakistan (1987), 57 per cent; in the Philippines (1992), 50 per cent. Similar results have been obtained in the South Pacific where unrecorded remittances amounted to 57 per cent for Tonga and Western Samoa (Brown, R., 1995).

While for developing countries in general, remittances might seem relatively insignificant, for a number of countries they are a major source of income and foreign exchange. Egypt in 1995 received \$4.7 billion in remittances – almost equalling the \$6 billion earned from Suez Canal receipts, oil exports, and tourism combined (Migration News, Vol. 2, No. 5). Albania in 1993 received from the 600,000 Albanians working abroad three times as much as it did from foreign investment (*ibid.*, Vol. 2, No. 1). Mexico, according to Banco de Mexico, received \$3.67 billion in remittances in 1995 (*ibid.*, Vol. 3, No. 10). The Philippines, according to the Central Bank, received \$7 billion in remittances in 1996 (up 42 per cent on 1995) (Agence-France-Presse, 1996). Jordan received \$1.3 billion in 1995, up from \$1.1 billion in 1994 (Migration News, Vol. 3, No. 9). Morocco expected to receive about \$1.2 billion in remittances in 1996 (*ibid.*, Vol. 3, No. 7). In these circumstances, it is not surprising that many governments are grateful. In the Philippines, President Ramos has gone to the airport to greet thousands of workers arriving for their Christmas holiday visits – hailing them as “modern day heroes” (Far Eastern Economic Review, 1994, p. 5).

Table 6-2. Flow of remittances, 1990

Per capita income	\$4,000-\$10,000	\$1,500-\$4,000	>\$1,500
No. of countries	31	44	51
Gross receipts \$bn	15.3	16.3	3.8
Gross payments \$bn	4.1	0.7	1.2
Net receipts \$bn	11.2	15.6	2.6
Net receipts per cent GDP	0.35	0.37	0.17

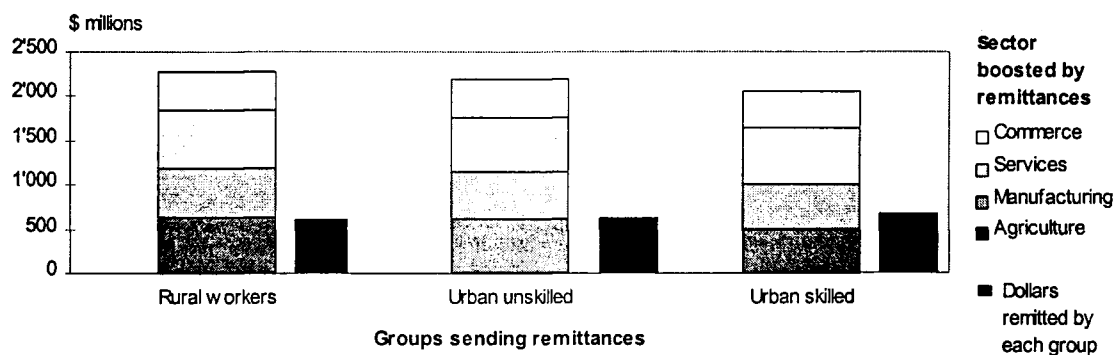
Source: Griffin and McKinley (1994)

The income from remittances has certainly been a boon to many poor countries as a source of foreign exchange. But what effect does it have on the economy as a whole, and on future migration? A criticism frequently levelled is that remittances are used primarily for consumption rather than for investment – and are thus unlikely to have a positive effect on their home communities. Studies in the Caribbean, for example, found that remittances were largely spent on food, clothes and housing. In Lesotho remittances have been spent mostly on consumption items, consumer durables, livestock, and housing (Arnold, F., 1992, p. 210). A review of remittances in the South Pacific found that remittances were used in seven main areas: first, to pay debts (many connected with the expense of migration); second, for the purchase of consumer goods, particularly food; third, the construction or improvement of housing; fourth, for savings or financial investment; fifth, for investment in businesses such as stores or transport; sixth on community organizations (primarily churches); seventh for social purposes such as weddings (Connell, J. and Brown, R., 1995, p. 20).

Given the immediate needs of migrants and their families it is hardly surprising that so much is directed to immediate consumption. The low level of education of many migrants will also reduce their opportunities to make more productive use of their funds. But even better educated migrants will often find that there is a lack of viable investment opportunities.

In any case, it can be argued that many forms of consumption, particularly on housing, better food, education and health care, are a good form of investment that will result in higher productivity. But even when remittances are used for what might be considered pure consumption, they can also bring economic benefits. A study in Bangladesh, for example, estimated that remittances of \$610 million produced a demand of \$351 million for Bangladeshi goods and services and generated at least 577,000 jobs (Arnold, F., 1992, p. 210).

An assessment has also been made of the effect of remittances on the Mexican economy (Durand, J., Parrado, E. and Massey, D., 1996, p. 423). This started from an estimate of 2 million 'migradollars', brought into, or sent to, Mexico annually in the early 1990s. This was allocated between different occupational groups: landless rural workers, small farmers, unskilled urban workers, and skilled urban workers. In total, the \$2 billion of remittances were thought to be responsible for \$6.5 billion of production in agriculture, manufacturing (including petroleum), services, and commerce. Figure 6-1 shows how these remittances were split between three of these different remitting groups, and the estimated multiplier effects that the remittances from

Figure 6-1. Multiplier effects of migradollars on the Mexican economy

Source: Durand, J. *et al.*, 1996

each group had on four sectors of the Mexican economy. Thus, the \$554 million remitted by those who had been landless rural workers in Mexico increased output in the agricultural sector at home by \$567 million. This was because the remittances enabled families to invest directly in farm production, buying tool, fertilizers and other items that they could not otherwise have afforded. But in addition their remittances also increased rural consumption and boosted manufacturing and services (particularly transport). Commerce also gets a substantial boost from remittances: some stores only open during the winter months when migrants return, while others stock up in anticipation of a surge in demand.

The multiplier effects of remittances may thus be felt throughout the economy, and can make a significant contribution to economic development that in the long term might reduce emigration. But it is doubtful that an increase in local income serves immediately to reduce future migration. More likely is that visible signs of success in new housing and consumer goods stimulate others to follow the same path. Moreover, the increase in wealth in the community also makes it easier for potential emigrants to get the loans they need to travel.

6.4. The effect of immigration on labour markets in the receiving countries

The corollary to raising incomes in the sending countries should be reducing the general level of wages in the receiving countries – or at least slowing any increase in wage growth such that incomes in sending and receiving countries eventually converge. However, there are two main reasons why this might not happen. First, immigrants may not do the same jobs as the host population – but rather complement local labour. Second, immigrants are also consumers who themselves add to total demand – and being generally younger and more vigorous than the host society could serve as a stimulus for the whole economy. Thus, as well as taking some jobs they also create others.

6.4.1. Immigration during periods of fast growth

The effects of immigration on the host country – and on the labour market – will depend on the state of the economy. Generally, fewer doubts are expressed about immigration during periods of vigorous economic growth. Germany from 1960-73 is one of the most striking examples. Without the employment of young, motivated ‘guest workers’ in the 1960s and 1970s, economic growth would not have been possible at the same pace – at least not without much higher rates

of inflation, or moving production abroad. Initially, there was little objection from German workers. This was partly because of the general optimism from a booming economy, but also because the Federation of German Trade Unions (the DGB) was closely involved in formulating policy on the import of labour and managed to incorporate provisions that foreigners were to be paid wages equivalent to their German counterparts, and that hiring preference would always be given to German workers (Hollifield, J., 1992, p. 60). While less skilled German workers had their jobs protected, many others actually gained higher wages – a number of studies have shown that, as a result of immigration, many German workers have achieved higher professional positions (Mehrländer, U., 1994, p. 11). Even for the years when active recruitment was halted, it has been argued that an increase in employment in Germany of about three million from 1983 to 1991 would not have been possible without immigration, and that the GDP would have risen far less (*ibid.*, p. 12).

However, during the 1980s and 1990s, many other countries, also faced with booming economies, have adopted very different policies. Even with high rates of growth and severe labour shortages they have set themselves against the large-scale import of foreign labour. Partly this has been for cultural reasons – they have pointed to some of the social consequences of immigration that have become evident in Europe. Certainly in Japan the objection to importing foreign labour has been as much cultural as economic.

But countries like Singapore and the Republic of Korea argue that their best hope in a competitive global economy is to achieve higher levels of technology and that the ‘easy’ option of importing cheap foreign labour would delay this process. Singapore, for example, which has averaged 9 per cent annual economic growth for the past 30 years, in 1981 announced it would continue to permit the entry of skilled workers but said that by 1991 it would have phased out all unskilled foreign workers except domestic servants and those working in shipbuilding and construction. This ambitious objective was abandoned in 1987 when it was realised that a carefully regulated pool of foreign workers could serve as a buffer against recession, providing they could, when not needed, be sent home. Singapore now has one of the most tightly controlled immigration systems – imposing stiff penalties on illegal workers and their employers. And to reduce the incentive to use imported labour, the Government imposes a monthly levy on employers – in 1996 this came to \$312 per month for unskilled and \$142 for skilled workers (Pang, E., 1993, p. 49). Even so immigrants in 1996 were still around 20 per cent of the labour force.

The Republic of Korea has also attempted to take the high-technology road – but has been more resistant than Singapore to the import of foreign workers. Yet it still faces severe shortages which in 1994 were estimated as high as four per cent. This would translate into 250,000 vacancies – the stock of illegal immigrants. Some of the worst shortages are in the smaller firms. A survey in 1993 by the Korea Labor Institute and the ILO of 250 small and medium-sized enterprises found a vacancy rate there of 9 per cent. Many firms complained of not being able to attract Korean workers, yet they were reluctant to raise wages for jobs at the bottom of the wage ladder since this would cause all wages to rise. Instead many chose to employ legal or illegal foreign workers at a little over half the wages of Korean workers. The Government would prefer to increase national participation rates – in particular to draw more older workers and women into the labour force. But around two-thirds of the firms in this survey said that older workers and housewives would not be able to undertake the intense physical labour. And even when employers had attempted to recruit them, the workers were not willing to work for the wages offered. The other alternative is to replace workers through greater automation. However, most

of the smaller firms shied away from this because of the cost and the risk (Abella, M. and Park, Y.-b., 1994).

Other countries following in the path of the NIEs have adopted much the same objective. The Malaysian government's 'Vision 2020' is that of becoming a developed country in 2020. This involves the promotion of key activities such as the micro-electronic, automotive, aerospace, automated manufacturing, bio-tech and information technology industries (Migration News, Vol. 3, No. 9). The employment of immigrant workers is seen as a necessary but temporary expedient. Malaysia in 1995 had an unemployment rate of less than three per cent. Even so Malaysia is still short of workers: a 1995 poll of 150 local, foreign and joint-venture companies reported that 62 per cent of foreign firms in Malaysia faced labour shortages. And one estimate suggests that if economic and job growth continue at current rates – the Government projects economic growth of seven per cent per year to 2020 – Malaysia will need 23 million workers in 2020, but will have only 13 million (*ibid.*, Vol. 2, No. 6).

As a result of these tensions, employers are often tempted to employ workers illegally. Most Asian countries have significant numbers of illegal workers. But it seems doubtful that they are exerting any significant downward pressure on the wages of other workers since in most cases, even when there is unemployment, they are taking jobs which local people refuse. Thus Taiwan (China) in 1996 had 200,000 illegal foreign workers, mostly from China, while the unemployment rate was 2.7 per cent – which means that 241,000 workers were unemployed.

6.4.2. Immigration during periods of slow growth

Most immigration from poorer to richer countries nowadays, however, takes place during less buoyant circumstances, in countries which have much higher levels of unemployment and lower growth – and where there are understandable fears that immigrants are taking jobs from native workers, or at least are depressing wages.

In principle, this need not happen, since migrants are themselves consumers whose employment will create demand for goods and services to be met by other nationals. However, the costs of immigration are social and political as well as economic (Freeman, R., 1993b, p. 449).

The United States

Some indication of the impact of immigration can be gained by looking at the effects of internal migration from one region to another in a large country like the United States. Here there is statistical evidence that inter-regional migrants create jobs. One study concluded that for two-thirds of the major metropolitan areas, each new in-migrant creates an average of 1.26 jobs – one for the migrant and 0.26 for others in the locality. It could be argued that the situation for international immigrants will be different since they may be low-skilled and bring little capital with them. On the other hand, the benefits for the whole country could actually be larger for international immigrants since they will be also be increasing the consumption of goods produced by people elsewhere in the country, whereas for the inter-regional migrant net consumption would be unchanged (Taylor, J., 1996, p. 50).

The United States is also the source of most investigations of the employment impact of international migrants. Many of these studies in the 1980s concluded that immigrants did not reduce opportunities for native workers and in some cases may have improved them. These were based on comparing areas where migrants formed a substantial proportion of the population, such as New York or Los Angeles, with places like Nashville or Pittsburgh where they formed a

relatively small proportion. Generally the studies compared the wages and employment of three main groups – whites, hispanics and blacks. The conclusions were strikingly similar: in most cases the effect was slight – even a doubling of the immigrant workforce reduced the wages of nationals by only 2-3 per cent (Tapinos, G., 1994, p. 157). The only groups that lost out were the previous cohort of immigrants. A couple of studies concluded that a 10 per cent increase of the number of immigrants reduced other immigrants' wages by 9 to 10 per cent (Fix, M. and Passel, J., 1994, p. 51).

Confirmation of this finding was obtained from studies that looked at individual labour markets before and after a large influx of immigrants. The most striking was that of the impact of the sudden arrival on April 20, 1980 of 125,000 Cubans who had been granted permission to leave Cuba. Overnight, this 'Mariel' exodus (Mariel is the port from which they departed) increased the labour force in Miami by around seven per cent, yet neither the employment or wages of the labour force as a whole, even unskilled blacks, seemed to be affected (Butcher, K. and Card, D., 1991).

Most of the above studies have concentrated on individual labour markets. What they may not have taken into account is the fact that national workers seeking employment may have been avoiding areas which had attracted large numbers of immigrants. California, for example, has been drawing in large numbers of immigrants and well as educated Americans from other states, but has been losing lower-income white workers (Frey, William H., 1994). And more recent studies have concluded that, for other states of immigrant concentration, workers on the lowest wages have been leaving. Looking at the economy of the United States as a whole, these studies have concluded that even if wages in aggregate were not affected by immigration, workers at the bottom of the income ladder did seem to be losing out. One study concluded that there was a 10 percentage point decline in the wages of high-school dropouts and that about one-third of this can be attributed to the immigration of unskilled workers (Borjas, George J., 1994, p. 1,699). Other studies have also suggested that low-wage workers have lost out – though not to the same extent.

On the other hand, many professional groups will have benefited from immigration. This is partly because immigrants create a demand for all sorts of services, such as legal or administrative activities, that are dominated by national workers. But they also permit the retention of jobs that might otherwise have moved overseas: it has been estimated, for example, that had there been no Mexican immigration to Los Angeles County between 1970 and 1980 about 90,000 jobs in industries such as textiles would have been lost (Fix, M. and Passel, J., 1994, p. 53). Moreover, the availability of nannies and domestic servants releases many highly educated women to use their skills in the labour market.

Immigration could thus contribute to the increase in inequality that has been noted in the United States – though, as the President's Council of Economic Advisers reported in 1994, there were many other causes of the increase in inequality and it seems unlikely that immigration could explain more than a few per cent of the total change (Fix, M. and Passel, J., 1994, p. 50).

Canada

The evidence from other migrant-receiving countries seems to confirm that immigration did not have a severe impact on national wages. The potential impact of immigration on employment has long been a concern in Canada. Here in 1991, the foreign-born made up 16 per cent of the labour force. And in 1996, it was expected that there would be 220,000 immigrants, which as a proportion of its 30 million population is more than twice as high as in the United States.

However a number of studies emerged in the 1980s concluding that, when immigrants were considered together as a group, and looking at the labour market as a whole, they were not competing with the foreign born – though when individual groups of immigrants were considered there was some competition (one of the most significant competing groups was immigrants from the United States). Another study, which considered workers by industry, also concluded that overall there was no competition, though in industries with a high concentration of foreign labour there was minor job displacement (Samuel, J., 1995, p. 11).

Australia

An historical review in Australia came to much the same conclusion. During the post-war period, regardless of economic conditions, immigrants seem to have created at least as much employment as they have taken. Looking at the recessions of 1974-75, 1982-83 and 1990-92, a study from the Bureau of Immigration Research confirmed previous research, showing that even during recessions there was no relationship between immigration and unemployment. Immigrants appeared to create as many jobs as they took; and the Australian-born benefited more from the jobs that were created (Castles, S., Iredale, R. and Vasta, E., 1994, p. 370).

Europe

In Europe, there has been rather less research on the impact of immigration on wages and employment. One study from France concluded that all categories of immigrants are complementary to nationals and that a 10 per cent increase in one migrant group or another would have very little effect on wages (Tapinos, G., 1994, p. 164). A study in Germany, similar to the comparisons between American cities, also concluded that there was little correlation between the native wages and the proportion of immigrants in the workforce (Borjas, George J., 1994, p. 1,699). Indeed there are also examples where they have expanded opportunities for others. A study in 1991 produced by the *Land* (state) of Rheinland-Westfalen concluded that, between 1988 and 1991, immigrants had contributed substantially to the state's affluence by enabling German firms to exploit their productive capacity. Far from crowding Germans out of the labour market, immigrants had created extra employment for them (Findlay, A., 1994, p. 186). However, other studies in Germany come to a conclusion paralleling some of the more recent work in the United States, suggesting that there may be a small but significant effect on the wages of those blue-collar workers for whom many immigrants are a direct substitute (Zimmerman, K., 1994, p. 60).

For Europe, there have also been studies comparable to the Mariel flow from Cuba. The first was an analysis of the effect of the 1962 repatriation of the French from Algeria. But more recently there has been a study of the *retornados* to Portugal – the 600,000 people who in the mid-1970s returned from Angola, increasing the Portuguese labour force by 10 per cent in just three years. A disproportionate number of the *retornados* went to the urban areas of Lisbon, Porto and Setubal. This study looked at the impact in two ways. One compared construction industry wages between 18 political districts. This indicated that there had been a strong effect – however the timing and the persistence of this difference suggested to the authors that there must have been some other factor at work. They were more convinced by their second analysis – an inter-country comparison with the experience of France and Spain over the period of the influx. This indicated that if there was an effect, it was a very modest one. Interestingly, this runs counter to the American analysis which finds that there seems to be little impact on areas with high densities of immigrants but a but a noticeable impact on wages at the bottom for the country as a whole (Carrington, W. and De Lima, P., 1996, p. 330).

South Africa

The effect of illegal immigrants on employment has now become a significant issue in post-apartheid South Africa. Previously South African mines had relied heavily on labour from neighbouring countries. But since then the proportion of foreigners in the mines has dropped: from 78 per cent in 1973 to 47 per cent by 1992. A more significant problem since then has been the arrival of illegal workers, particularly from Mozambique. In a country where unemployment is 40 per cent this has fuelled considerable resentment – particularly in the informal sector where immigrants are more likely to compete with local workers. The African Chamber of Hawkers and Independent Businessmen claims that there are 500,000 illegals plying their trade in South Africa – representing up to 40 per cent of the country's informal traders. Many others are taking jobs on farms where they are prepared to work for much less than local labourers. In some cases they have been paid as little as R1.20 (about 30¢) per day (Minaar, A. and Hough, M., 1996, p. 186).

6.4.3. The effect of immigration on economic growth

Even if the arrival of large numbers of immigrants does not appear to have an immediate effect on income for national workers, there is also the possibility that they will affect long term growth. As suggested earlier, this may well be positive if immigrants are meeting acute labour shortages. When they fill gaps at the top or bottom of the labour market they enable local people to make best use of their own skills and thus increase productivity. However, it could also be argued that an alternative to immigration, particularly of the low-skilled, is to increase levels of technology and make production more capital intensive. Immigration could inhibit this process, effectively 'diluting' the capital-to-labour ratio leading to a drop in productivity. On the other hand, if immigration of low-paid workers leads to increased profits this could facilitate greater capital investment. The latter seems to have happened in western Germany between 1962 and 1972 when, despite high levels of immigration, there was an acceleration in the process of substituting capital for labour. In France too, industries such as automobiles which hire large numbers of foreign workers also have a higher rate of capital-labour substitution than other sectors (Tapinos, G., 1994, p. 166).

Most historical research seems to suggest in fact that immigration has improved total growth, even if the contribution is slight. A 1991 study by the Economic Council of Canada concluded that immigration enhances total economic efficiency within the host community – almost all of which is the result of economies of scale. But the effects are small (Swan, N. et al., 1991, p. 36). This link between economic efficiency and population size has also been emphasized in the United States. Studies in Europe on the other hand, have suggested that, even if total production goes up, this can be at the expense of productivity. But it is difficult to disentangle these effects from the structure of the labour market. If there is a shortage of labour for jobs that local people persistently refuse to take, then using immigrants to do this low-skilled work may reduce productivity, but without them the income of nationals could still have been reduced.

6.5. Conclusion

The question of whether international migration has an equilibrating effect that leads to a degree of convergence between sending and receiving countries thus remains fairly open. In the case of most sending countries emigration is unlikely to be on such a scale as to create labour shortages that drive up wages – nor is there any evidence that remittances are so stimulating development as to reduce the need to emigrate. In the receiving countries, this is a highly charged issue, but here too the evidence is inconclusive, and the effects if any are slight. In any case, it would seem that social and political objections to further immigration will arise long before it reached such a scale that immigration could have any major impact on the labour market.

7. The shock of the new

The fundamental cause of international migration is a gap in living standards between one country and another. But it takes more than this to make people actually move. They may, for example, be pushed by some sudden change in local circumstances, or they may be exposed to hitherto undreamed of alternatives in other countries. Globalization contributes to both of these processes by shaking up settled communities, and offering new horizons that stretch way beyond the borders of the village or the nation.

The link between the disruptive effects of economic development and migration is well established. Mass emigration from Europe to North America and Australia from the mid-nineteenth century onwards can be fairly closely correlated with social and economic transformations – changes in agricultural productivity, a growth in rural population, and the onset in each country of the industrial revolution. People unable to find work in the countryside were driven to find work in the cities. Most of them succeeded, and remained in their own countries. But the process was very uneven, and many who found themselves shaken loose from the countryside, but unable to find work in the cities, had to try their luck overseas.

The correlation between emigration and the industrial revolution has been extensively researched. One study takes as a marker date for the industrial revolution in each country the year when railway tracks first exceeded 1,000 kilometres. On this basis, the wave of industrialization in Europe started in the 1830s in the British Isles; in the 1840s it reached France and Germany; in the 1850s, Russia-Poland, Austria-Hungary and Italy; in the 1860s, Spain, Switzerland and Sweden; and in the 1870s, the rest of Southern Europe. On average, the peak year of emigration from these countries was 28 years after this marker date (Massey, D., 1988, p. 383). A similar process occurred in Japan. The period from 1891 to the 1920s corresponds to Japan's period of industrialization – and also large-scale emigration to the United States and to Australia. Even up to the early 1960s, Japan was the most important source of Asian immigration to the United States – a flow that only abated after 1965 with the onset of rapid economic growth (Albuero, Florian A., 1994, p. 50).

Pressures for emigration from developing countries can be linked to the same processes of uneven and disruptive development that are displacing people from the rural areas and drawing them to the cities. Here though, as a result of technological spillover from the industrial countries, the process seems to have been accelerated. Agricultural innovations, improvements in health, and the prospect of work in urban areas have provoked very rapid upheavals. The most obvious symptom is the explosive growth of cities – 20-30 million of the world's poorest people migrate annually to towns and cities (UNFPA, 1993, p. 11). As a result, the proportion of the population of the developing world living in urban areas is growing dramatically: in 1960 it was 22 per cent, by 1994 it had reached 37 per cent, and by 2025 it is expected to reach 57 per cent. By 1990, the world had some 20 cities with populations of more than 8 million, of which all but six were in developing countries. Mexico City is currently the largest but others are not far behind (United Nations, 1994). This echoes the experience of the industrial countries around 100 years previously. But the process in the developing world is altogether more rapid. London was the first industrial city to top one million, but London took 130 years to grow from there to 8 million. Mexico City has grown from one million to 15 million in just 50 years (Camp, S., 1990).

Almost all these people are travelling, temporarily or permanently, in search of work. In most cases they do find it, or create it, if only in the informal sector at desperately low wages. In Dhaka, for example, 65 per cent of all employment is in the informal sector, and in Bangladesh as a whole, 30 per cent of the population are considered to be living on the edge of starvation (Stalker, P., 1994, p. 41). Migrants to cities generally trade one kind of poverty for another. Most will drift into squatter settlements where living conditions are miserable. Recent studies in ten major cities in low-income countries found the average family to have only 6.1 square metres of floor space, and 44 per cent of households lack access to drinking water in their plot (Gilbert, A., p. 22). Once uprooted from rural communities, migration to another country is a logical next step.

This can also be traced historically. Mexican emigration to the United States, for example, has proceeded in a series of waves that corresponded to different stages in Mexico's disruptive transition from an agrarian to a more industrial society. The first peak was in the 1920s after the devastation caused by the Mexican Revolution (1910-19). Over the period 1841-1930, some 744,000 Mexicans emigrated to the United States – representing 4.5 per cent of its 1930 population. By European standards this was relatively modest – between 1864 and 1924, the British Isles, for example, sent 17 million people overseas – equivalent to 41 per cent of its 1900 population. The second Mexican wave began in 1942 and peaked in the 1950s, corresponding to a series of droughts and a lack of capital in the rural areas. The third wave began in the 1960s, and continues today, closely connected with mechanization in the rural areas that has reduced the demand for labour, and more recently by changes in land tenure. However, in each of these waves the number of emigrants has never exceeded 15 per cent of the population. Given the pace of economic development, emigration from Mexico has, in historical terms, been surprisingly modest (Massey, D., 1988, p. 383).

Economic development has always been associated with emigration. To what extent has the modern phase of globalization changed the picture? Partly this is a question of scale and speed. Many of the processes that have provoked emigration in the past have been accelerated. This can be seen from three different aspects: political, economic, and social.

7.1. Political disruption

The political changes linked with globalization correspond to a weakening of national government control over many aspects of life. In general this has accompanied the spread of liberal democracy which, though it permits greater public participation, also raises the prospect of instability. Between two-thirds and three-quarters of the world's people now live under relatively pluralistic and democratic regimes (UNDP, 1996, p. 23).

The most dramatic changes have been in the former communist countries – with the collapse of some states and the formation of many new ones. This in itself has increased international migration, particularly between states that formed part of the former Soviet Union. Between 1990 and 1996, more than nine million people in the former Soviet Union were on the move – one in 30 of the population. Many of these were fleeing fighting, but others feared discrimination – particularly Russians who had moved to other republics and now found that they could not speak the national language. Between 1993 and 1996, some 2.7 million people returned to Russia (Bennett Jones, O., 1996).

At one point, it was thought that the fraying of borders in eastern Europe would release a flood of migrants to the West. In practice this has not happened on anything like the threatened scale.

There are a number of reasons for this. First, because most people would not know where to go since there are no established networks for them to plug into; second because the cost of travel is more than many could afford; and third because Western European countries have tightened up their borders.

The most significant exodus has been of people who do have somewhere to go, and know they will be accepted – the *Aussiedler*, or ethnic Germans. From the end of the Cold War to the beginning of 1996, about two million ethnic Germans emigrated to their homeland. The scale of the flow was such that in 1993, the German Government set a limit of 220,000 per year for ethnic Germans – and pumped huge sums into the former Soviet republics hoping to improve conditions sufficiently to encourage people to stay. About 1.5 million ethnic Germans remain in what was the Soviet Union (Atkinson, R., 1996).

Even if there has not been a mass exodus to the West, the loosening of state control on migration in Eastern Europe has resulted in a considerable circulation of workers between Eastern European states. Russia has become an area of net immigration. Moscow has a large immigrant labour force, with workers from Ukraine, Turkey, Georgia, Moldova and Belarus. Many eastern European countries are now both importers and exporters of labour. Hungarians go to work, often illegally, in Austria, while Ukrainian and Romanian migrants fill jobs in Hungary. The Hungarian Central Statistical Office reported in 1994 that some 120,000 Hungarians were living abroad, while 200,000 foreigners were living legally in Hungary – including 105,000 Romanians. Similarly in the Czech Republic, rapid economic growth is fuelling demand for construction labourers. While Czechs head for Austria and Germany, foreign construction workers are streaming into the Czech Republic, mostly from Slovakia and the Ukraine. In June 1996, there were an estimated 100,000 Ukrainian workers employed in Prague (Migration News, Vol.3, No.9).

The more porous borders in Eastern Europe, with chaotic controls and lax visa requirements, have also opened up the potential for using Eastern European countries as staging posts into Western Europe for immigrants from further afield. The Centre for Migration Policy Development in Vienna has estimated that 300,000 people are smuggled through Eastern Europe into Western Europe every year. Traffickers charge anywhere between \$500 and \$5,000 per person – earning an estimated \$1.1 billion per year (Economist, 1995e).

At any one time there are a number of regular smuggling routes – though these change rapidly as standards of enforcement, and levels of bribes, rise and fall. For Central Asians, one established route has been through Russia to the Baltic states – often ending with a perilous voyage to the Nordic countries (Iglebaek, O., 1995). Africans and people from East Asia have been travelling via Turkey and Hungary. Poland is also used as a transit point – in 1995 the Polish government estimated that there were 100,000 foreigners waiting to smuggle themselves into Germany. Gangs from Vietnam and China also use Hungary and the Czech Republic as staging posts. This is made easier because thousands of East Asians came to eastern Europe as guest workers during the communist era and have established restaurants which they use as fronts – police in Prague in 1995 raided a small Chinese restaurant that had 800 ‘registered employees’ (Brzezinski, M., 1995). Moscow is also a regular staging post, with Asians flying in on forged documents that co-operative officials choose not to inspect too closely. For those wanting to get to Italy, Albania is a favoured transit point – they complete their journey across the Adriatic by speedboat – a route which has accommodated up to 50,000 travellers per year (Hopper, J., 1995).

Other parts of the world have also been going through political upheavals with implications for migration. In Africa, borders have always been very porous, with people passing from one country to another paying little heed to national frontiers. Here the changes linked with globalization have had more to do with the spread of democratic ideas that are creating even more fluid environments. In Africa in 1996, more than half the states were undertaking democratic reforms (UNDP, 1996, p. 22). There are also links with the collapse of communism, since a number of African states were bolstered by outside aid from superpowers fighting the cold war by proxy. These changes have undermined the centralized 'developmentalist' state, allowing other divisions to emerge. At one extreme this has forced millions of people to flee as refugees from war and genocide. But wars and emigration are both also tied up with economic collapse – and people searching for work.

One of the most direct migration effects has been to accelerate the flood of people heading for South Africa. The apartheid regime always had a fierce attitude to illegal immigrants – with a high-voltage electrified fence along its eastern border. The democratic government is now facing a fresh flow of immigrants. This is partly because the fences are not that difficult to negotiate. In one demonstration in 1995, an illegal immigrant crossed in only one minute 17 seconds using forked sticks to straddle a barrier consisting of an eight-foot-high game fence and razor wire stacked three layers high. The South Africa Defence Forces estimate that they catch only one person in four who crosses. And even these will try again until they succeed – one person was caught 28 times in six months (Minnaar, A. et al, 1995). No one knows how many illegal immigrants are in South Africa: estimates vary from 2.5 million to 8 million (one-tenth of the population). These are largely guesswork, but the figures on expulsions are more solid: in 1990, the year Nelson Mandela was freed, 53,418 people were expelled. In 1995, the first full year of democratic rule, South Africa expelled 157,084 people, mostly to Mozambique (Drogin, B., 1996).

7.2. Economic disruption

While modernization and capitalist development in general have always been disruptive, a number of recent processes integral to globalization have intensified the effects. The sequence of events since 1973 onwards has shaken the economies of many countries. After the first oil shock, the recession in the industrial countries, along with the sharp rise in oil prices, hit many developing countries hard. Between 1972 and 1981, the debts of developing countries rose from less than \$100 billion to more than \$600 billion (UNRISD, 1995, p. 32)

The struggle to resolve the debt crisis drew many countries into an uncomfortably close relationship with the IMF and the World Bank. The World Bank gave loans to most countries in Latin America and Sub-Saharan Africa on the strict condition that they re-structure their economies along free market lines. These measures had a profound impact, often negative, on employment and livelihoods. The lowering of trade barriers, for example, exposed both agriculture and industry to the cold winds of international competition, often reducing employment and wages. And cuts in government expenditure reduced public sector employment and curtailed many vital social services and subsidies on which the poor depended.

The experience of the developing countries was far from uniform, however, and the impact on employment, and the implications for migration, are easier to relate in regional terms.

- *Latin America and the Caribbean* — The economic collapse of the early 1980s wiped out many of the gains of earlier decades. Between 1980 and 1990, per capita GDP fell by 9.6 per cent and consumption by 6.0 per cent (ILO, 1992, p. 44). As formal employment opportunities declined, so more people moved to the informal sector: between 1980 and 1992 the proportion of those in non-agricultural work who gained their livelihoods in the informal sector rose from 25 per cent to 32 per cent (ILO, 1994, p. 18). This brought total underutilization of the labour force (unemployment plus underemployment) to 42 per cent. At the same time, wages in the region were falling. The decline varied across sectors, ranging from 5 per cent in industry to 20 per cent in agriculture. In the informal sector, average wages declined even more sharply — by 42 per cent (ILO, 1995, p. 66). Unsurprisingly, the 1980s were regarded as a ‘lost decade’ in Latin America. Since then, there have been signs of recovery. Most countries have achieved greater macro-economic stability and growth rates of over 3 per cent. But this has yet to translate into significant improvements in employment and income (ILO, 1994, p. 18).
- *Sub-Saharan Africa* — The recession had a disastrous effect on livelihoods in Sub-Saharan Africa — the only region of the world where standards of living have been on a steady downward path. Since 1973, per capita output has declined by 10 per cent. Over the past two decades, total agricultural income has dropped by 15 per cent, and encouraged 6 to 8 per cent of the population to leave the countryside each year for the cities. This has compounded the already deteriorating position in the urban areas — in both formal and informal sectors. Urban unemployment which was around 10 per cent in the mid-1970s now ranges between 15 per cent and 20 per cent. The informal sector in most African towns and cities became the employer of last resort — it is now believed to employ over 60 per cent of the urban labour force.
- *South Asia* — The countries of South Asia avoided the extreme experiences of Latin America and Africa. Less exposed to international financial and commodity markets, they largely missed the debt crisis of the 1980s. Most employment is in agriculture, and here increases in production as a result of the Green Revolution helped absorb much of the increase in the labour force. Industrialization in South Asia had been based on import substitution which has increased output, but not very efficiently, and without absorbing much of the urban labour force. Manufacturing employment during the 1980s grew at less than 1 per cent per year. As elsewhere, the burden has been passed to the informal sector which in India and Pakistan in 1990 accounted for over 70 per cent of total manufacturing employment.
- *North Africa and the Middle East* — This is a very heterogeneous group, including rich oil exporters and labour importers in the Persian Gulf, as well as poorer labour exporters such as Egypt and Yemen. Most of these countries gained from the oil price rises, either as oil exporters or through remittances from migrant workers. The fall in oil prices in the mid-1980s provoked something of a crisis in the region, and since then a number of countries have undertaken adjustment programmes. In most countries, unemployment was around 7 per cent in the 1970s but in the post recession period it is now 10 per cent or more (Khan, A., 1994, p. 62).
- *East and South East Asia* — This has been the world’s fastest growing region, and growth has been transmitted very effectively into employment. Only the Philippines of the larger countries has high unemployment at 9 per cent (ILO, 1994, p. 21). In 1990, only 15 per

cent of the region's population lived below the poverty line — compared with 28 per cent in Latin America and the Caribbean. This is not just because of economic growth but also because of much greater equality (ILO, 1995, p. 64). China has followed a somewhat different path. Its steady progression towards a market economy has been accompanied by a further boost in economic growth. Inequality has certainly increased, but most people in China are better off, and the number of people living in absolute poverty has fallen steeply over the last two decades.

The pressures of recession and structural adjustment have thus had very different effects around the world. Nevertheless, the general effect has been a crisis of economic security. People moving from the rural areas to the cities find they have to take two or three jobs in the informal sector just to survive. It is just this lack of security that drives many individuals to migrate overseas.

However, in many cases this is not an individual decision. Most emigrants are playing their part in a family survival strategy. Thus a rural family might spread its risks by having some families work in agriculture but send others to work in the city or overseas as a way of spreading the risks of failure. The emigrant thus takes out a kind of 'co-insurance' with the rest of the family. The head of the family will pay the emigrant's initial expenses of travel and subsistence while he or she is looking for work, and the emigrant promises to send regular remittances — increasing them at times when the family at home is in particular difficulty (Stark, O., 1992, p. 32). One form of this system has been observed in families divided across the United States-Mexico border. Those who work in the United States tend to be young or middle-aged men, who can earn higher wages — though the risks and the costs of unemployment are high. Meanwhile those under 18, the women, and the old, stay in Mexico, where the wages might be low but there is greater security and there are fewer out-of-pocket expenses (Zabin, C. and Hughes, S., 1995, p. 412).

7.3. Social disruption

Beyond unsettling people who lose their jobs, globalization is also altering the character of society. This can be seen partly as a continuation of the process of modernization, as traditional communities and extended families give way to nuclear families, and as subsistence economies are penetrated by capitalism and consumer culture.

Globalization has certainly intensified this process of opening up and atomizing communities — and challenging people in every society to see themselves in relation not just to their immediate neighbours but to the rest of the world. This is evident in the spread of global media. Even in the least developed countries, there is now approximately one radio for every ten people, and one television set for every hundred (UNDP, 1996, p. 167). And within the urban areas that are the stepping off points for most emigrants the proportions are much higher — the most miserable slums in Latin America often have a forest of TV aerials. Added to these are myriad other forms of communication — from cinema, to magazines, to popular music.

Much of this material is imported. Every country has 24 hours in the day, and each national TV broadcaster tries to fill up the airtime. The cheapest way to do this is by buying in programmes from abroad. Similarly, the most spectacular movies will generally come from wealthier countries. China is only the latest country to find itself swamped by the products of Hollywood: Chinese movie-goers are increasingly ignoring the government-produced films and, despite official disapproval, are flocking to see the latest movies from Hong Kong or the United States

(Faison, S., 1997). Added to this is the information beamed in directly by satellite. At the end of 1996, there were an estimated 700 live satellites orbiting the earth (Stansell, J., 1996).

Nevertheless, the flows are becoming increasingly dispersed. UNESCO has looked at the sources of the trade in cultural goods of all kinds – from literature, to TV, to music. It found that the share of the industrial countries dropped between 1975 and 1990 from over 90 to less than 70 per cent (World Commission on Culture and Development, 1995, p. 27). American TV may still have the biggest audiences, but movies from India and Hong Kong, soap operas from Mexico and Argentina, and pop music from Africa, are finding a worldwide audience. This is not to say that people will inevitably prefer the foreign product. When a choice exists, well produced local programmes tend to score higher in the ratings. Nevertheless, people are getting the option to judge their culture in relation to foreign alternatives. Of the migrant-sending countries the Philippines is probably the most penetrated by foreign, almost entirely American, media. A 1994 report on TV patterns found that foreign programmes made up 32 per cent of airtime and accounted for 37 per cent of programmes watched (UNESCO, 1994, P. 79).

Beyond the penetration of foreign media, there is also the distribution of products that contribute to a sense of belonging to a global consumer culture. The leading global brand in 1996 was judged to be McDonalds, with 19,000 hamburger restaurants scattered around the world, followed by Coca-Cola, Disney, Kodak and Sony (Kochan, N., 1996, p. 83). Just as much as the consular offices of the migrant receiving countries, the global brands serve as focal points of a new and increasingly hybrid consumption culture. They do not necessarily displace local alternatives, or come from industrial countries. A number of fast-food chains such as the Philippines company Jollibee have their origins in other developing countries. And advertising developed in one country may soon be seen elsewhere. One highly successful campaign for Nescafé, for example, originated in Chile and in 1996 was being seen in many other countries (Wentsz, L., 1996, p. 121). Some would argue that all this has made the world a more peaceful place. At the end of 1996, the *New York Times* was able to report that no two countries with a branch of McDonalds had ever gone to war against each other (Friedman, T., 1996).

The increasing complexity of the global cultural environment has led sociologist Arju Appadurai to suggest that this new environment can be understood through a new series of 'scapes'. The *Ethnoscape* is the landscape of people – tourists, immigrants, refugees and others who move around the world affecting the countries where they arrive. The *Technoscape* is the fluid configuration of technology that allows products in one place to arrive from almost anywhere – a steel plant in Libya, for example, might involve interests from India, China, Russia and Japan. The *Finanscape* consists of the flood of capital that rushes at breathtaking speed through international networks. The *Mediascape* refers both to multinational media distribution networks and to the images they portray, which through complex narratives and mixtures are creating new 'imagined worlds'. The *Ideoscape* consists of ideologies and counter ideologies and ideas like 'freedom', 'welfare', 'rights'. Appadurai argues that modern culture is increasingly shaped by the growing disjuncture between all these 'scapes' (Appadurai, A., 1990, p. 295).

One of the most important disjunctions is to draw people into the cash economy – and yet offer them little by way of reward. In Mexico, for example, Mixtec Indians are increasing being drawn out of their own areas in the south to employment on huge farms in the north that export cash crops to the United States. They go to Sinaloa to work on winter vegetable production and to Baja California to grow tomatoes and other vegetables. Once there, and earning money, it soon becomes clear that they could do better by travelling further north. One survey found that 77 per

cent of Mixtecs in California and Oregon had previously worked either in Baja or Sinaloa, or both, before migrating to the United States. After people had moved from remote rural areas they were exposed to new networks of contacts that opened up a new range of possibilities – especially since work in both places was much the same, making it easier for the migrants to find employment (Zabin, C. and Hughes, S., 1995, p. 415).

Another important reason why deeper involvement in the cash economy can encourage migration is that it allows people pay the costs of emigration – particularly when the trip is illegal. Even so, they will still have to save up. North Africans in Morocco, who might be earning around \$4 per day would have to work the best part of a year to be able to afford the cost of the perilous ten-mile crossing from Tangier to Tarifa on the southern tip of Spain. In 1996 this illegal trip cost \$600 (Simons, M., 1996). Even legal migration is very expensive. In the Philippines, recruiters are officially permitted to charge migrants around \$200, but in fact charge up to \$4,000 for jobs in Japan or Taiwan (China) (Silverman, G., 1996, p. 60). South Asian and Chinese migrants to the United States have been charged much more. A group of immigrants apprehended in 1996 told officials that they had paid a \$28,000 fee in three disbursements made to handlers in Asia, Nicaragua and Mexico – having been lodged along the way at safe houses in Moscow, Havana, Managua, Guatemala and Mexico City (Dillon, S., 1996).

Many migrants do not pay up front. Rural families frequently borrow sums at exorbitant interest rates to finance emigration. And recruiters and contractors often find that it is more profitable to take money out of the migrants' future earnings – even keeping them locked in the work places to ensure that they do not escape. Nevertheless, the process of economic development that enables emigrants to save up at least a part of the cost is an important contribution towards emigration.

7.4. The migration hump

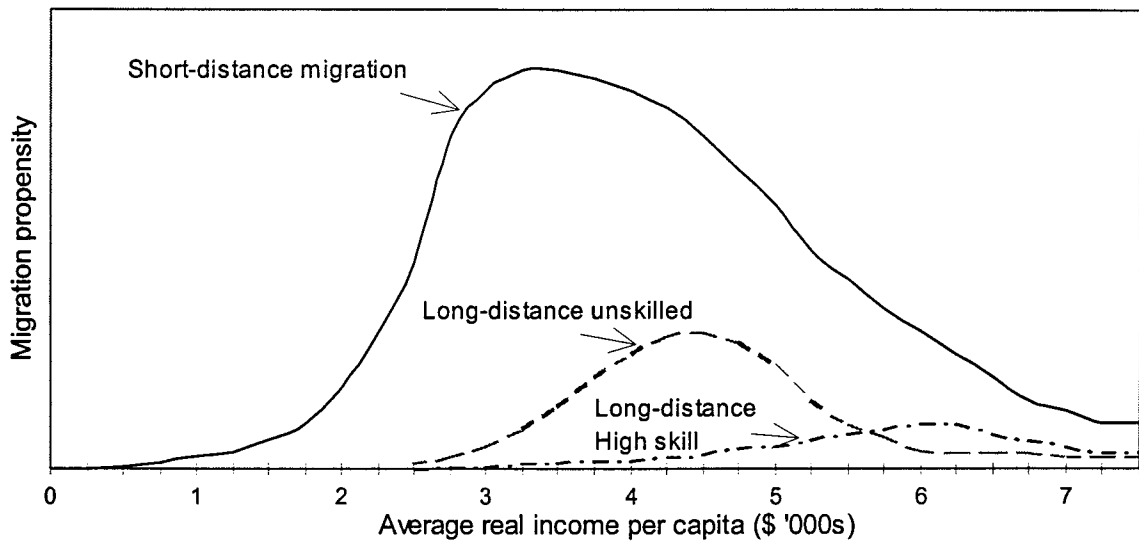
The disturbing effect of development – both in terms of shaking people loose from their communities, raising new possibilities, and providing them with the funds to travel, means that as countries achieve a minimum standard of economic development then migration is likely to increase rather than decrease.

This can be expressed graphically as a 'migration hump': emigration first rises as GDP per capita rises, but after a while starts to fall again (Martin, P. and Taylor, J., 1996, p. 43). On the basis of emigration patterns in Southern Europe from the 1960s to the 1980s the GDP per capita turning point for a sample of countries was estimated to average \$3,615 – ranging from \$3,400 for Turkey to \$4,100 for Greece (in 1985 international dollar prices) (Faini, R. and Venturini, A., 1994, p. 15).

However, it has also been suggested that the watershed level is different depending on the level of skill of the potential migrant and the cost and distance of migration. This is illustrated in Figure 7-1 which shows the stylized phases of mobility patterns.

7.5. Conclusion

For almost everyone caught up in the modern phase of globalization one of the most significant effects has been an increase in uncertainty. With communities all over the world more closely linked, the global economic environment has become steadily more dynamic – and in many respects more unstable – as competition intensifies and economic shocks are transmitted instantly

Figure 7-1. The migration hump

Source: Fischer and Straubhaar, 1996

around the globe. Among those most sharply affected by this new environment are people in the poorest countries which find themselves drawn ever further into a global economy. In the short term, even if the poor benefit from these links, this will probably make them more likely to emigrate – though in the long term the same processes could provide them with greater incentives to stay at home.

8. The international skill exchange

Worries about international migration generally focus on unskilled workers. Skilled workers or professionals are regarded in quite a different light. Indeed, most countries so far have been happy to accept, or go out of their way to attract, such people. Globalization is adding to this cadre: for them, mobility is a vital asset, enabling them to capitalize on their skills by moving to a new employer or, if they are employees of transnational corporations, by transferring between affiliates.

8.1. The brain drain

Most professionals travel between the rich countries, or from poor countries to rich. As with unskilled workers, one of the main motivations for professional migrants will be to increase their income (Ong, P., Cheng, L. and Evans, L., 1992, p. 557). In 1991, a staff nurse in Manila would get only \$146 per month, while she or he could earn around \$500 in the Gulf and \$3,000 in the United States (Asiaweek, 1991). As a result, the Philippines in recent decades has been exporting nurses at a rate of 3,000 or more per year (World Bank, 1993, p. 141). But migration of professionals is prompted not only by salary differentials but also by the opportunities to develop their careers and keep abreast of their chosen field of knowledge.

While this may be advantageous for the individuals, this 'brain drain' represents a considerable loss to countries that have invested in the workers' training and skill. Today, it is thought that there are about one and a half million skilled expatriates from developing countries in Western Europe, the United States, Japan and Australia. Africa has probably been worst hit. Between 1985 and 1990, it is said to have lost 60,000 professionals and to have been losing 20,000 per year ever since (ACP-EU Courier, 1996, p. 59). Ghana, for example, lost 60 per cent of doctors trained in the early 1980s. In recent years, Eastern European countries have been facing many of the same problems. Bulgaria has been one of the countries hardest hit. In 1995, it lost more than 7,000 professors and researchers. This is not too surprising, since they had been earning only around \$50 per month. One survey in 1996 found that 40 per cent of Bulgaria's scientists were planning to emigrate (Migration News, Vol. 4, No. 1).

Migration of professionals is often driven by considerations of personal or professional advancement, but it is also facilitated by the policies of receiving countries – which skew their immigration systems in favour of professional immigrants. Canada, for example, has had a very methodical system that awards points for education and skill. It also admits virtually anyone who will invest at least \$250,000 in a Canadian business. Of the 205,000 planned admissions for 1997, 123,000 came under the skilled or business categories (Citizenship and Immigration Canada, 1996). Australia, too has been moving more in this direction – more than 20 per cent of immigrants in 1995-96 came in under the skill category (Bureau of Immigration Research, 1996, p. 9).

The United States has also been trying to increase the proportion of immigrants who are skilled – though it has had rather less success. Indeed many people have expressed concern about educational qualifications of immigrants to the United States in general. This is usually gauged in terms of their earnings relative to the rest of the population. Between 1970 and 1990, average earnings of immigrant men fell from 99 to 89 per cent of native-born workers. However, there were considerable disparities between national groups. Europeans and Canadians held their own with wages 10 to 20 percent higher than natives. And Chinese, Japanese and Korean immigrants have actually seen their relative earnings rise – from 88 to 110 per cent. Most of the fall results from the large numbers of Mexicans whose earnings fell on average from 66 to 56 percent (Vernez, G. and McCarthy, K., 1996).

Moreover, in recent years the American visa category corresponding to skilled workers – the employment visa – has not been filled. Between 1993 and 1995, the number of employment-based visas dropped from 147,000 to 85,000 and currently represents only 12 per cent of legal immigrants. Nowadays, more than half of these come from Asia: China alone provided 16 per cent of employment-based immigrants, followed by the Philippines, 12 per cent, and India, 8 per cent (Immigration and Naturalization Service, 1996b).

8.2. The globalization of education

The flow of professionals around the world has been intensified by the globalization of higher education. Many people who leave developing countries for higher education abroad fail to return. This is certainly not a new phenomenon, but has risen sharply in recent years. The highest numbers are coming from Asia – and most of these are heading for the United States. Between the mid-1950s and the mid-1980s, the number of overseas students from South and East Asia increased from 10,000 to over 140,000 (Ong, P., Cheng, L. and Evans, L., 1992, p. 55). In 1990, 62 per cent of engineering doctorates in the United States were given to foreign students, mainly

Asian. And the proportion was almost as high in a number of other fields, such as mathematics, computer science, and the physical sciences.

Many of these professionals head for richer countries after completing training at home, but others are lost when they fail to return after completing their studies overseas. Over 70 per cent of foreign-born Ph.D.s remain in the United States, many of them becoming citizens (Bhagwati, J. and Rao, M., 1996, p. 50). Chinese officials estimated in 1995 that of the 220,000 Chinese students who had gone abroad since 1979, only 75,000 had returned (Migration News, Vol. 2, No. 5).

8.3. Transnational employers

The majority of professionals travel under their own steam, but some are also being transferred within transnational corporations – from one affiliate to another. Most transnationals now employ relatively few expatriates. For American transnationals for which figures were available in 1989, expatriates accounted for only 0.3 per cent of total employment in their foreign affiliates – mostly concentrated in senior management positions. The proportion tends to be higher for affiliates in developing countries. For a sample of American companies in the late 1980s, while 40 per cent of European affiliates had expatriate senior management the figure for Latin American affiliates was 53 per cent (UNCTAD, 1994, p. 238). However, the proportion tends to be very high when affiliates are being established – as is currently happening on a vast scale in China, where in 1995 there were an estimated 450,000 expatriate managers (Economist, 1995c).

The proportion of expatriates tends to be higher for Japanese companies – but still only 4 per cent of total employment in their foreign affiliates. Again, the proportion is much higher for senior management. A sample of employees in Japanese companies found that senior management was 77 per cent expatriate in European affiliates but 83 per cent in Latin American affiliates. The higher proportion for Japanese management may be due to communications concerns – with the need for top management to be in touch with the home country. This is partly a matter of language since Japanese is not widely spoken outside Japan, but also because the management style of Japanese companies is based more on informal networks (UNCTAD, 1994, P. 239).

The Republic of Korea, the latest addition to the list of TNC host countries, still has a fairly shallow pool of international experience on which to draw. At times this has caused them labour relations problems. In China, for example, a Korean supervisor in Qingdao had rocks thrown through his windows after he explained to local staff that Koreans “overcame poverty with hard work and discipline.” And in Indonesia, the alleged mistreatment of workers by Korean managers has sparked strikes and labour unrest. Korean companies investing in Europe are therefore making a greater effort to recruit local managers. Samsung Electronics, for example has, has recruited British managers for its home-appliance factory in North-east England (Hoon, Shim Jai, 1995).

Originally expatriate staff were needed to exert control over affiliates and also to meet gaps in skills that were not available locally. Later these objectives seem to have been widened, in attempts to build a more ‘internationalized’ cadre of management capable of operating in many different countries. Frequently, this has meant the employment of ‘third country’ nationals – around 7 per cent of the senior management of affiliates of American companies consists of third country nationals.

Expatriate employment is unlikely to rise greatly in the years ahead and certainly not in proportion to the rise in foreign direct investment. The main reason is cost. Pay for expatriates is high: apart from a premium of 10-20 per cent of base salary, there are numerous other allowances for housing and schooling, as well as the expense of relocation. It might cost double the regular base salary to employ someone overseas. A recent estimate suggests that the average net overseas cost per executive was \$131,000. For the UK alone, which annually has around 48,000 corporate transferees in or out, this suggests that TNCs are spending about \$6.3 billion per year moving their highly skilled staff in and out of the country (Salt, J., 1996, p. 86). In any case, technology is now offering cheaper ways of keeping an eye on affiliates. Increasingly effective systems of communication – from E-mail to video conferencing – are reducing the needs for physical presence. In 1995 the managers at DaimlerBenz's new factory in Alabama, for example, were holding daily two-hour teleconferences with the head office in Stuttgart (Economist, 1995d, p. 25).

8.3.1. Local professionals

Beyond cost, employing host country nationals offers considerable advantages since they are more likely to be familiar with the language and customs – and can deal better with local officials and exploit market opportunities. American companies in Malaysia, for example, have been making determined efforts to employ Malaysians. In 1991, of the 180 American companies with registered offices in the country, 66 had Malaysian managing directors and the process seems to have accelerated since then (Vatikiotis, M., 1994).

As educational standards rise around the world, employing local people also permits companies to make better use of local talent. Citibank, for example, uses workers in India, Hong Kong, and Singapore to develop financial services for use globally. Hewlett-Packard too has moved on rapidly from employing cheap labour in affiliates to using them for advanced R&D. In Singapore, a plant the company opened in 1970 to assemble keyboards is now the global R&D and production centre for portable ink-jet printers, as well as being the base for personal digital assistants and calculators. Cost is also a significant incentive. In the United States, a skilled electronics engineer can earn up to \$100,000 per year while in Taiwan (China) they are available for \$25,000, and in India or China for less than \$10,000 (Engardio, P., 1994).

8.3.2. The reverse brain drain

So keen are TNCs to employ people with local language skills or knowledge that they are stimulating a reverse brain drain – tempting people who have migrated to industrial countries to move to developing countries. The United States, as a major immigration country, has the advantage here, since it has a large pool of cross-cultural personnel on which to draw. A survey of American TNCs in Taiwan (China) found that no less than 35 per cent of expatriate staff were of Chinese extraction. Many of these had gone to the United States from Taiwan as students, stayed on to work, and became naturalized citizens. Later they were recruited by the TNCs and sent back to Taiwan (China). Others might be called 'quasi-expatriates' – students from Taiwan recruited while still on American campuses. After gaining experience in Taiwan such people may then be sent on to mainland China (Tzeng, R., 1995, p. 139). However American companies can also make good use of the offspring of immigrants who usually speak some Chinese. These ABCs (American-born Chinese) are now in high demand in Hong Kong and China generally. European countries with fewer Asian immigrants and students, do not have many of these options and most of their TNC expatriates tend to be Europeans.

8.4. Return migration

For many of the ethnic Chinese recruited to work for TNCs in Asia, this amounts to 'return migration'. But independent return migration is now taking place on quite a significant scale. For all American immigrants, it has been estimated that as many as 20 per cent leave the United States within ten years of arrival, and one-third leave again over their lifetime (Bratsberg, B. and Terrell, D., 1996, p. 789). In the mid-1990s, around 200,000 foreign-born Americans were leaving each year. Not all of these people are professionals of course, but previous immigrants from a number of Asian countries are returning to take advantage of the new prosperity – particularly in the Republic of Korea and Taiwan (China).

The Republic of Korea was for long a country of emigration. Between 1970 and 1990, some 750,000 people left the country – the annual figure peaked in 1976 at 46,533, and by 1994 had tailed off to 14,604. People are still emigrating to some extent, but the balance has shifted dramatically. During the peak years, Korean emigrants outnumbered returnees by a 19 to 1 ratio. In 1994, it was only about 2 to 1 (Kim, Ju-Yeon, 1995).

In some cases, people have been leaving the United States during periods of economic downturn. Some Koreans, who have found the English language difficult, have faced racial discrimination and are worried about violence and crime. But the Republic of Korea itself is proving more attractive – and visibly so (the numbers of those returning increased sharply after the 1988 Seoul Olympics). Many of those who went to the United States and opened grocery stores and delicatessens, for example, are finding it hard to keep going and those professionals who had to downgrade their skills to become shopkeepers will find returning particularly attractive – especially those with English language skills. A professor at Cornell University who became chairman of the life sciences department at a Korean university staffed his entire department with Korean-American professors (Belluck, P., 1995). In order to take advantage of similar pools of talent, the Government is planning to recruit many more ethnic Koreans as teachers, lawyers and scientists.

In Taiwan (China) this reverse flow is called the *rencai hui liu* – the 'return flow of human talent'. Many are being attracted back to aerospace and other industries in the high-technology city of Hsinchu. And even if this means taking a pay cut of 30 to 40 per cent, they seem happy to make the move, seeing the prospect of a better future in Taiwan. The transition is not always smooth. Those who have adopted America's more free-wheeling attitudes in business, with robust give and take between executives at all levels, face re-adaptation to the more sedate Chinese ways of doing business. And there can be resentment at the returnees taking the best jobs. But more and more former emigrants are concluding that the future lies with Asia (Dunn, A., 1995).

8.5. The new skill exchange

Apart from expatriates brought in by multinationals, Asia's economic boom is also attracting many other non-Asians. Many young people from Western countries who have had difficulty finding work at home are discovering better prospects in Asia. Hong Kong in the years leading up to 1997 proved a particular magnet. These are not all the traditionally highly paid expatriates, but a much more heterogeneous mixture: some are working in pizza parlours or as domestic servants – known locally as FILTH (Failed In London, Try Hong Kong) and are employed at local wages. In Singapore, young European graduates recruited to work in the financial services sector have been employed at local wages. In Malaysia, young out-of-work British architects have

been employed in the booming construction industry. And there is also a more even playing field when it comes to promotion – with companies now much more keen on encouraging local talent.

Westerners are not just heading for Asia. Young business graduates are increasingly choosing a wider range of destinations. The other target areas tend to be Eastern Europe and Latin America (especially Mexico in the wake of NAFTA). Some estimates suggest that the number of young Americans heading abroad increased by between 10 and 25 per cent in the early 1990s. At Stanford Business School, 14 per cent of the class of '94 elected to seek jobs abroad, compared with 6 per cent in 1989 (Gray, P., 1994).

At the same time, there is also a much more diverse pool of talent swirling around between developing countries. Again, Asia is the focus of much of this – with demand for technical and professional staff regularly outstripping supply. Chinese Malaysians, for example, with fluency in both Chinese and English, are in great demand. Many Malaysians are working on short-term contracts for banks and other companies in Indonesia. Singaporeans can be found working here too, as well as in Hong Kong, Taiwan (China) and southern China. Filipino professionals are also moving around the region. Accountants are particularly sought after – Filipinos occupy key positions in Indonesia's top ten commercial banks (McBeth, J., 1994). Even Japanese managers, faced for the first time with redundancy at home, have started to head for other Asian countries.

In a further twist to the story, some of these professionals are also being drawn on a contract basis to the United States where they can undercut local wage rates. This is particularly evident in the computer industry. In 1995, a large New York insurance company, for example, laid off 250 computer programmers and replaced them with lower-wage temporary workers from India. Even the White House has resorted to cheap technical help, using a company that imports most of its workers from India to upgrade the President's correspondence-tracking computer system. Each year, tens of thousands of such workers from around the world are brought into the United States under the H-1B visa program, which admits computer programmers, engineers, scientists, health care workers and others under 'non-immigrant' status. Many are imported by job-contracting firms known as 'body shops', which recruit foreign professionals and hire them out to major American companies. Critics of the programme describe these imported professionals, who are effectively indentured to their employers, as 'techno-braceros', the high-tech equivalent of migrant farm workers (Branigan, W., 1995).

8.6. Conclusion

As globalization proceeds, the flows of professionals may not increase in volume, but are likely to become ever more complex. At present, there is relatively little resistance to these flows, since so far they have largely filled gaps at the top of the top of the employment ladder. But with employment agencies developing cadres of mobile, educated and skilled people that can be employed on short-term contracts there could be stronger response from local professionals who feel they are being undercut by cheaper foreign-based workers.

9. Lubricating the flow

As Adam Smith observed, 'of all kinds of luggage, man is the most difficult to transport'. That is as true today as ever, though the nature of the difficulty has changed. Today the major hurdle

is likely to be political. Governments in industrial countries are more protective of national frontiers and are determined to keep out those people they believe might cause economic, social, or political problems. Nevertheless, a number of other developments in recent years have encouraged the flow of migrants – particularly the expansion in global communications and transport, and the development of an international migration industry.

9.1. Messages from the media

Thanks largely to TV, most potential emigrants will have attractive images of the wealth of their destination countries. These media flows have no direct connection with migrant flows, but they do nevertheless sustain the idea of an increasingly globalized society. Indeed it can be argued that we are moving towards a ‘global culture’ (Smith, A., 1990, p. 171). At its simplest, this raises the prospect of greater wealth elsewhere. Spanish TV channels carrying game shows, for example, can be picked up in some parts of North Africa. As one Civil Guard commander has commented: “They see that and they think Spain is a paradise” (Stalker, P., 1994, p. 31). But at a more general level, the flow of news and multinational dramas creates and sustains the impression that it does not much matter where you live – you could be at home anywhere.

This idea is sustained when immigrants arrive and are welcomed into the arms of the new ethnic media. Most sizeable immigrant communities have their own newspapers and even TV channels. Vancouver, for example, has one of the fastest growing Chinese-speaking communities in the world and now has three Chinese daily papers, three mainly Chinese radio stations, and two TV stations (Migration News, Vol. 4, No. 1). These media are good sources of news from the home country – and of international news in general. In the United States the huge Hispanic community is well served by Spanish-language TV stations. As Federico Subervi of the University of Texas puts it, the Spanish-language networks along with the Spanish language itself are the ‘glue of Latino identity across the country’.

And specifically on immigration issues, they offer a different perspective to the rest of the press and TV. In the United States in 1993, for example, when the Attorney-General was found to have employed an illegal immigrant as a nanny, the English-language papers used this as an opportunity to explore the plight of middle-class women who wanted to go out to work. The Spanish-language media, however, sought out Hispanic women working as housekeepers and nannies and told their stories of abuse and exploitation (Rohter, L., 1996).

These stations are also increasingly important as sources of information about the United States to Latin America. Univisión or its competitor Telemundo are available on almost all cable systems in Latin America. And in poorer countries the smaller TV systems often tape items from their American bulletins for use in their own news programmes.

9.2. Telecommunications and transport

The mass media represent one part of the global flow of information that eases the passage of immigrants. Just as important as a means of reducing the emotional distance between one country and another has been the rapid increase in, and declining costs of, global communications. In 1994, international telephone traffic amounted to some 53 billion minutes – up threefold over the previous decade (International Telecommunications Union, 1995, p. 12). While this expansion has been driven by the demands of global business, migrants have been able to take advantage of the opportunities to keep in touch with their home communities. Indeed, they often do so at

various stages along the route. This is easier for those with families in urban areas since developing countries lag far behind the industrial ones in telephone connections. Even so, the gap is narrowing, between 1969 and 1988, developing countries almost doubled their share of the world's telephone lines, from 7% to 12%. And the potential for satellite communications to even the remotest villages will see the costs drop further.

Telephone companies have not been slow to exploit the immigrant market. In the United States, long-distance carriers make a point of mailing new arrivals and offering special rates to each community for their national holidays. And in Japan immigrants can be seen clustered round public telephones queuing to make their calls home. In Tel Aviv in the many shops advertising cut-rate telephone services, clocks display the local time in India, Ecuador and the Philippines (MacFarqhar, N., 1996).

According to one investigator in El Salvador, the main social gathering place in any town is no longer the church or the plaza, and the most important people are no longer the priest or the mayor. The centre of social activity now is Antel (the local telephone office). And the most important people are telephone operators who are the gatekeepers to contact with the United States. The Antel operator in San José de la Paz Arriba, a town of 3,000, places 350 to 400 calls to the United States each month, all of them collect – and lasting 20 to 90 minutes (Robberson, T., 1995).

Communication is not limited to the telephone. One Guatemalan group in Houston, for example, reportedly used faxes to organize an elaborate birthday celebration for a family member in the home *municipio* of San Cristóbal Totonicapán. Among other things, the fax traffic was used to recruit participants, select traditional motifs, and schedule payments for ceremonial materials and food supplies (Rodriguez, N., 1996).

At an even higher level of sophistication, for immigrants with access to the Internet there is also an increasing number of Web sites. The immigration services of all the major receiving countries now have sites offering the latest information and regulations. There are also sites that enable cultural connections between members of different ethnic groups. And many 'immigration lawyers', an increasingly lucrative professional specialization in the United States, also have their own web sites (ERCOMER, 1997).

Another communications development that has lubricated international migration is the steep drop in the costs of transport. International travel and tourism are currently growing at 4.5% per year – and now account for 10.7% of global GDP (Daneshku, S., 1997). Many migrants enter the richer countries as tourists and overstay their visas. Until a few years ago, for example, immigrants to Japan from many poor countries, including Pakistan and Bangladesh, did not even need visas. Any capital city in the world is now only hours away from Tokyo or Paris. And even for an unskilled worker, the expense of flying represents no more than a month's earnings in an industrial country.

9.3. Migrant networks

The increased scale and diversity of global communications systems have certainly made international migration easier. But just as important as communications networks are the human networks – the links between sending and receiving countries established by previous generations of migrants. Relatively few migrants, legal or otherwise, will travel without some contacts in their

destination country – people who can arrange for their compatriots everything from employment to housing. One of the most important functions of the network is to provide information. Regular home visits, as well as telephone calls, keep home communities abreast of the latest situation. A study of Filipino immigrants to the United States in the mid- 1980s, for example, found that the primary source of information about visas, and all the other immigration procedures, was not the embassy or travel agents but personal contacts (Dumon, 1989, p. 256).

These networks can also be crucial when it comes to getting a legal visa. Most countries have been tightening up on immigration and reducing the entry channels so that for many people joining other family members is virtually the only way of getting in legally. In the United States in 1995, family reunification accounted for 64 per cent of immigration and in Australia the 1996-99 immigration plan assumes that 60 per cent of immigrants will come in as family members. Family reunification is also one of the most significant categories in Europe – accounting for one-third of immigration to the United Kingdom, for example. The presence of family members is also a temptation for illegal immigration. Though Turkish labour immigration to the Netherlands has now halted, many people have continued to enter as tourists in the hope that relatives would be able to find them a job (Böcker, A., 1995, p. 163). The high proportion of family immigrants is one of the main reasons for the rapid change in the ethnic balance of immigrants – since some nationalities have a greater enthusiasm for bringing in family members than others. In the United States, for example, the settled immigrants from Asia are much more likely to sponsor relatives than are immigrants from Europe (Jasso, G. and Rosenzweig, 1994).

Links with family and friends are also of primary importance when settling in the new communities. Most immigrants nowadays will have somewhere to stay when they arrive. A 1990 study of Brazilian immigrants to Canada asked where they stayed when they first arrived – it found that 39 per cent stayed with friends who were already in Canada, while a further 20 per cent stayed with relatives (Goza, F., 1994, p. 144).

But human networks are probably of greatest value when it comes to finding work. Once immigrants become established in a particular worksite or location they generate further job opportunities for those who follow. These human chains often start with one person. Thus in the mid-1980s when an immigrant from Santiago in the Mexican state of Jalisco became union representative in a lamp factory in Los Angeles he then drew many other people from the same town. A similar set of links have established between the town of Gómez Farías and the strawberry fields in Watsonville, California: around 90 per cent of migrants from Gómez Farías work there because early arrivals had developed connections with particular growers (Durand, J. and Massey, D., 1992, p. 24). Interestingly, some of the same kinds of links are also evident for migration into Mexico. Coffee cultivation in the southern state of Chiapas, for example, is heavily dependent on families migrating in for 6-8 months from the Western Highlands of Guatemala. Employees typically work at the same place each year and pass the relationship along to friends and relatives (Casillas, R., 1996, p. 164). Similar links have been established between communities in many other countries. In Germany, for example, investigators found a cluster of several hundred Turkish villagers from East Anatolia and the Black Sea coast living and working closely together in Berlin (Wilpert, C., 1992).

In certain cases, these unofficial employment exchanges have become so powerful that immigrant communities have come to dominate employment niches. This is noticeable in the United States where many jobs that might equally well be filled by unskilled black or white employees have been taken over by latino immigrants. Hotels and restaurants in Los Angeles, for example, recruit

a high proportion of their staff through referrals from other employees. As a result, kitchen worker jobs are often thus filled by the 'Mexican Mafia'. Employers are happy with this arrangement since it is an efficient way of providing staff with the right qualifications for the work, and it also ensures better performance since the recruiters are under pressure to make sure their protégés perform (Waldinger, R., 1996b, p. 271). But the same is often true even in larger enterprises. In 1990, Mexican immigrants were heavily over-represented in 53 of Los Angeles' 82 largest manufacturing industries. Immigrant workers know which of their friends is thinking about leaving so they will actually know of potential vacancies before the employer. A supervisor in a printing plant quoted in the *New York Times* said: "The referrals occur before the vacancy appears. Everybody out there knows about it before we do" (Waldinger, R., 1996a).

Most investigations of employment through immigrant networks have concerned men. But many of the same processes apply to women. A study of Filipino women in Hawaii, for example, found that women tended to find their first jobs through relatives and friends. In some cases, these would provide contacts at private employment agencies – and even offer informal training. However, one of the difficulties for women immigrants is that the networks tend to concentrate on low-level 'women's' jobs. As a result, women who might have been secretaries or teachers in their home countries find themselves taking low-wage service jobs as domestics or as nurse's aides (Mattei, L., 1996, p. 42).

9.4. The migration industry

While unofficial immigrant networks are responsible for a high proportion of immigration and employment, the scale of flows has also created something of a commercial 'immigration industry' that provides many of the same services. This is certainly not a new phenomenon. From slavery onwards, workers have been shipped to where they are needed. At times of rapid economic growth, European countries have set up recruitment offices to boost the supply of volunteers.

9.4.1. State-organized emigration

Nowadays, however, most of the organizing is done in the sending countries. In some cases governments themselves have taken a hand. A number of Asian governments, aware of the potential benefits of immigration both in relieving unemployment and as a source of income through remittances, have been actively promoting emigration. In 1995, for example, the 7 million Asian contract workers sent home around \$14 billion in remittances (Abella, M., 1995, p. 4). Governments can gather some of this income from taxes but they also gain from various other fees, including passport fees and travel taxes (*ibid.*, p. 9).

Of the Asian sending countries, Viet Nam has in the past exerted the tightest control. Before the collapse of communism in Eastern Europe, Vietnamese public corporations entered into labour-supply agreements with Eastern European governments. At one point in the late 1980s, this involved over 60,000 workers. Many of these have now been repatriated and the Vietnamese Government is looking for alternative markets. China too has organized emigration through state-owned corporations. In 1994, the Ministry of Foreign Trade and Economic Cooperation reported that there were 200,000 migrant workers abroad, mostly on labour service agreements or employed by one of the 56 national government corporations that had overseas construction contracts – an estimated 30,000 were reportedly employed in 1995 building Hong Kong's new airport (*Migration News*, Vol. 2, No. 2). The Republic of Korea during the 1980s also used its national workforce to complete construction contracts abroad, but also recruited workers for

foreign employers through the state-owned Korean Overseas Development Corporation (Hyun, Oh-Seck, 1989, p. 151).

In other countries, state involvement has been more through co-operation with, and regulation of, the private sector. The Philippines, for example, attempted to follow the Korean recruitment model but eventually settled for licensing and supervising recruitment agencies through the Philippine Overseas Employment Agency. Licensed agencies have to fulfil minimum capital requirements, pay annual licensing fees, and follow a complex set of regulations. The Government has also established a procedure for remittances, and requires that migrants send a certain proportion of their income through the official system – from 50 to 70 per cent for land-based workers (Goss, J. and Linqvist, B., 1995, p. 340). Other governments, by contrast, play a relatively small part in sending workers overseas. In Bangladesh, Pakistan, and Sri Lanka in 1993 less than 2 per cent of workers depended on public agencies (Ghosh, B., 1996, p. 86).

9.4.2. Labour brokers

Many workers travel independently, but an increasing proportion nowadays use labour brokers. The check-in queues at Dhaka airport in Bangladesh are regularly thronged by long lines of expectant immigrants neatly kitted out in the uniforms of labour contractors who have recruited them en masse for jobs in Malaysia or the Gulf. Over recent decades, the development of the international labour market has created a whole new recruitment industry in both sending and receiving countries which – for a fee – will offer to find work and arrange many of the details such as passports, visas, transport and accommodation.

This can soak up a high proportion of the emigrants' income. In the Philippines, for example, recruiters are legally allowed to charge migrants 5,000 pesos (\$192). In practice, they often charge up to 120,000 pesos for employment in Japan, or 100,000 pesos for Taiwan (China) (Silverman, G., 1996). The situation is similar in Thailand. The Thai Ministry of Labour stipulates that the maximum fee payable to brokers is 56,000 baht (\$2,240) but hundreds of Thai workers in Taiwan interviewed in 1995 by the *Bangkok Post* said they had paid much more (Janchitfah, S., 1995). Generally, migrants pay three to four months salary up front – though in some cases much more – money they usually have to borrow, by mortgaging their houses or land. In Bangladesh, for example, workers can pay up to \$2,000 to get to Saudi Arabia as an unskilled labourer – more than 80 per cent of their expected annual earnings (Abella, M., 1995, p. 15). Similar fees are demanded by brokers elsewhere. In the Czech Republic, for example, which in 1996 had around 250,000 foreign workers, mostly from Eastern Europe, one Ukrainian worker employed for \$2.50 per hour reported that he had to pay half his wages to a broker (Migration News, Vol. 4, No. 1).

9.4.3. Migrant trafficking

Some brokers do little more than put employers and workers in contact, but others are involved in illegal trafficking – often transporting people over vast distances, and arranging to bribe many officials en route, from airline workers to immigration officers. At the destination they may also arrange accommodation. In Europe in 1993, some 15-30 per cent of illegal immigrants are thought to have used the services of traffickers. And in the case of asylum applicants, the proportion is even higher – 20 to 40 per cent make use of traffickers for all or part of their journeys.

This is a lucrative business. An organized trip over an East European border, or a boat trip from Morocco to Spain, would be worth about \$500 but a sophisticated travel package from China to

the United States can cost up to \$30,000. Globally, trafficking is thought to bring in \$5-7 billion per year (Widgren, J., 1994). As governments discover the routes, they try to crack down on this trade, but the traffickers usually manage to keep one step ahead. As one route closes, another opens. In the early 1990s, for example, thousands of Chinese were discovered arriving in the United States by ship. Now they seem to have switched to more complex routes. In 1996, the United States Immigration and Naturalization Service announced that it had broken up an organization that smuggled hundreds of undocumented Asians into the United States through a route that included Russia, Cuba and Central America. Chinese, Indian and Pakistani migrants paid up to \$28,000 each for a gruelling clandestine journey that reached its climax in the Mexican town of Reynosa, from which teenagers ferried them in inner tubes across the Rio Grande to McAllen, Texas (Dillon, S., 1996).

This illegal flow of workers has created a large market for forged documents. Bangkok has developed into a major production centre – particularly for emigrants from China. Passports, mainly Korean and Japanese, are sent from many parts of the world, where they are suitably amended. These forgeries demand very sophisticated technology (the latest Japanese passport has the picture of the holder imprinted on the cover) and sell for up to \$2,000 each (Gooi, K., 1996). This service is readily available from travel agencies who advertise in Bangkok's Chinese-language newspapers. The traffickers also provide false work contracts. In Spain, for example, traffickers have set up ghost companies to issue work contracts that enables would-be immigrants from the Dominican Republic to obtain legal visas (IOM, 1994).

Many people also lubricate the flow of migrants by offering finance. In many cases this will be a long-term loan to set against earnings. But shorter-term finance is also available. Bolivian peasants who want to enter Argentina as 'tourists', for example, are required to demonstrate their bona fides by showing to immigration officials that they have the equivalent of \$1,500 in spending money. This has created a new form of financial intermediary, demanding what must be a world record interest rate. For the hour or so it takes to cross the border bus companies and other will lend migrants the necessary cash – for a 10 per cent fee (Escobar, G., 1996).

9.4.4. Transnational communities

Immigrants often maintain strong ties with their homes – and in so doing are creating new kinds of transnational community. Often migrants from a particular town or village will establish an organization to fund projects back home. The hamlet of San José de la Paz Arriba, 20 miles south of San Salvador, for example, lives almost entirely off money sent from relatives in the United States. Expatriates have set up a committee in Los Angeles to help pay for community projects: the streets have been paved and a new clinic constructed using the donations (Robberson, T., 1995). In France, immigrants from Mali come predominantly from the Kayes region and the majority of these are members of the 40 or so development associations that have contributed among other things to the development of hydraulic networks to improve agricultural production (Libercier, M. and Schneider, H., 1996, p. 38). Many similar organizations have been established between Mexico and the United States – indigenous Mixtec migrants who have migrated to California and Oregon have established associations to promote self-help and raise money for community development projects for their villages (Smith, M., 1994, p. 27).

In other cases, immigrants have established businesses that arise directly out of their transnational existence. Many small business in the Dominican Republic are run by returned emigrants who have maintained their contacts in the United States – and frequently travel abroad. Sometimes their return visits are to look for new investors, often with the help of Dominican-owned financial

and real-estate agencies in New York. But on other occasions they can just be on sales trips. What may look like migrants loaded up with gifts may actually be garment-makers carrying finished clothes in one direction and textiles and other materials back again.

Particularly well travelled are the Otovalan Indians from Ecuador whose transnational communities have penetrated the major cities of Europe and North America where they sell colourful clothing imported from their home community. Many men have taken European wives, who eventually return to Ecuador with them – where they may be seen in Ecuadorian towns wearing the traditional costume (Portes, A., 1996, p. 25).

These transnational links are also of interest to governments in the sending countries. In the past they have often been discouraged by autocratic governments which saw emigrants as a potential focus of opposition. Before democratisation the government of Cape Verde, for example, was so suspicious of emigrant groups that it had overseas embassy staff monitor their activities and intervene in immigrant organizations (Libercier, M. and Schneider, H., 1996, p. 45). So valuable have these transnational links become that governments of sending countries are anxious to institutionalize and nurture the relationships with emigrants. At various times, and to varying degrees, these have included Colombia, Haiti, India, the Republic of Korea, Mexico, Portugal, Paraguay, and a number of West Indian states.

Portugal, for example, has around 2,000 Portuguese associations in different countries around the world and the Portuguese Government supports these with financial support and equipment, particularly for young people to sustain Portuguese language and culture. Every four years it convenes a world congress of representatives of these communities, usually attended by the Prime Minister (Abella, M., 1997, p. 88).

The 'Programme for Mexican Communities Abroad' was established in 1990. This represented something of a sea-change for the Mexican Government and was partly a response to the surprisingly large numbers of Mexicans who applied for legal residence in the United States as a result of the 1996 United States Immigration Reform and Control Act. Among other things, the programme has been used for lobbying during NAFTA, and for setting up more cultural links to home communities. Previously, the Mexican elite had looked down on emigrants to the United States, referring to them as *pochos* – a derogatory term that implies they have separated from their roots, and lost themselves in a country without history or tradition. Now the idea is more to consider them as part of a wider Mexican nation (Smith, R., 1993).

India's Non-Resident Indian (NRI) programme, which started in the early 1980s, was more an attempt to tap emigrants' wallets. After India started to liberalize its economy and welcome inward investment, the country's 10 million people abroad (650,000 of them in the United States), were seen as a source of finance because many were active entrepreneurs and maintained close contacts with India. Indians too in the past have rejected those who have gone overseas (in the 19th century Indians who went abroad were obliged to undergo elaborate purification rituals when they returned). The NRI programme still has to deal with some of these suspicions – as well as some new ones. There is resentment, for example, at the construction of elaborate new hospitals to cater for NRIs when they are in India (Lessinger, J., 1992, p. 53).

The intensification of communications links is likely to promote further transnational communities of these kinds. Migrants nowadays are able to develop and maintain many kinds of link, constructing social networks and life-worlds that join them to two or more locations and

nation states. This is a reality which is increasingly being explored in fiction (Connell, J., 1995). For these communities, concepts of culture and society can no longer be linked simply to territory or geography.

9.5. Conclusion

Once set in train, international migration develops a momentum all of its own and is supported by a complex web of networks – private, commercial, and governmental. Now that both mass and personal communications are so widely available at a global level, international migration has become a less expensive and less traumatic option. Globalization, by reducing both the financial and the emotional costs of moving will ensure that such networks are strengthened and extended.

10. The demand for immigrants

The logic of standard economic theory dictates that, if international economic disparities flatten out, in the long term the demand for mass migration should tail off. But there may also be other reasons why international migration could persist for some time to come. To examine these it is useful to look more closely at the reasons why people move. A number of explanatory models have been proposed for international migration. Some emphasize ‘push’ factors from the sending countries, others the ‘pull’ factors from the receiving ones. Some look at individual motivation, others look at the structures within which people make their migration decisions. The main theories (Massey, D. et al, 1993, p. 431) include:

Neo-classical economic theory – This looks at differences in the supply and demand for labour in sending and receiving countries, and sees workers moving in response to higher wage rates. Neo-classical theory can also be applied at the individual level – workers are seen as moving to maximize the returns on their ‘human capital’. As explored in earlier chapters, it is largely this theory which suggests that globalization, by causing economies to converge, will eventually reduce migration.

New economics of migration – This argues that migration arises not from individual choice but decision making by groups, usually families or households. Sending one or more members overseas not only increases the immediate group income, it also diversify its sources of earnings thus offering some kind of insurance. If globalization, and particularly liberalization, further reduces the stability of employment it may make households feel even less secure – and increase the need to spread their risks.

Dual labour market theory – This argues that migration is not some intermediate phase, but has become a permanent and necessary feature of modern industrial societies. Capitalism, it is argued, will always need people who are willing to work in unpleasant conditions and who will accept precarious employment. This enables firms to operate flexibly – laying people off or re-employing them as required. Nationals have become increasingly educated and have rising aspirations and are often unwilling to accept these conditions – even preferring to live off welfare payments. Immigrants on the other hand, especially those who do not intend to stay, are less choosy and take what they can get. Theoretically this problem could be solved by improving wages conditions for ‘inferior’ jobs, but this would be socially so disruptive, and potentially

inflationary, that employers prefer the easier (and cheaper) option of employing immigrant labour.

In addition to these theories, which suggest why migration is likely to commence, numerous other mechanisms have been proposed to explain the volume and character of flows. As described in previous chapters these include the creation of migrant networks, and the intervention of recruitment agencies and other institutions that promote migration.

World systems theory – All of the above theories and mechanisms have also been incorporated into what is called ‘world systems theory’. This is not really a separate model, but rather a description of how flows of capital, goods and labour fit together, and are interlinked. Instead of seeing migration as the result of the demands of individual economies, this ascribes it to capitalist penetration of rich economies into poor, creating a world system. In the poor countries, such penetration destroys traditional sources of income and simultaneously creates a pool of mobile labour, part of which is driven to migrate internationally. Capitalist expansion facilitates such flows by developing communication and transport links.

Most of these explanations are complementary – even if they operate at different levels. One can, for example, see a Mexican labourer moving to the United States making an individual decision encouraged by friends or family. But he or she can also be seen responding to structural forces – the collapse of agrarian employment in Mexico, on one side, and a shortage fruit-pickers in California, on the other.

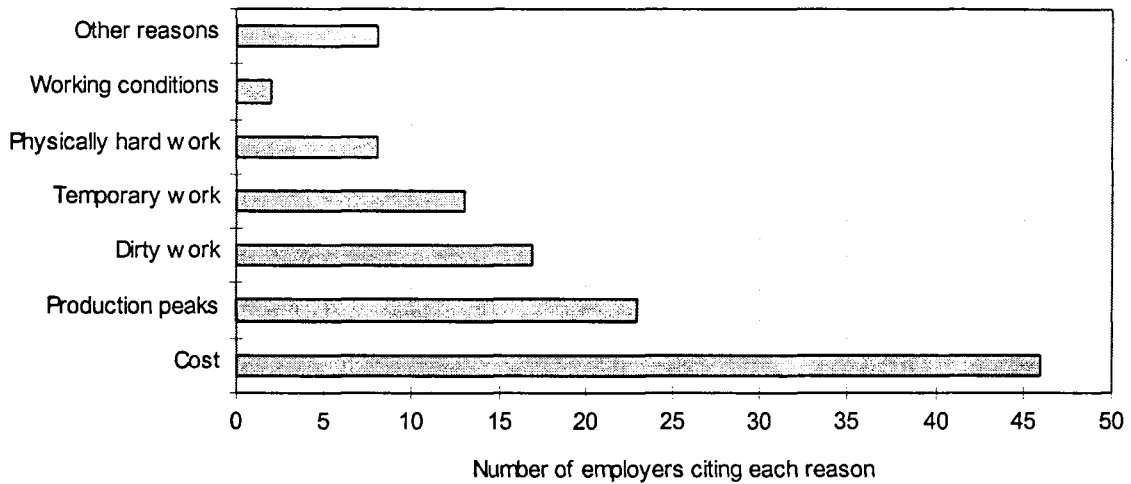
10.1. The persistence of the dual labour market

Of these theories, the least optimistic in terms of reducing international migration through globalization is the dual labour market theory. It does indeed appear that the demand for immigrants is structurally embedded into many societies. In many respects globalization seems likely to increase the number of less desirable or precarious jobs. This is the result of a degree of polarization. Although there are many new highly paid jobs being created at the top of the labour market, many of the old white and blue-collar jobs are being automated out of existence, while many more people are being drawn into lower paid employment in services. This is part of a longer term trend towards informalization and casualization of lower paid employment (Sassen, S., 1996, p. 584).

It is in precisely this area that immigrants have long filled the gap – working for wages that national workers rejects and doing the ‘dirty, dangerous and difficult’ work. Some indication of the relative importance of these factors can be gained from Figure 10-1 which shows the results of a survey of employers in the Netherlands in 1994 (Zandvliet, C. and Gravesteijn-Ligthelm, J., 1994). This shows the reasons which 84 employers from a range of industries gave for employing illegal immigrants. The most important was that legal employees cost too much, particularly in garments and catering. But employers also said it was difficult to find workers prepared to work for short periods to meet production peaks, particularly in agriculture, or to do work which was physically hard or dirty.

One sector which has long relied on casual labour for unpleasant tasks is construction. Rising levels of education in South-East Asia, for example, combined with the availability of more attractive options, make local people unwilling to work on construction sites. The Republic of Korea has made determined efforts to exclude unskilled foreign workers, but still needs them for

Figure 10-1. Reasons for employing workers without authorizations, Netherlands 1994



Source: Zandvliet and Gravesteijn-Ligthelm, 1994

construction: in late 1996 the Ministry of Construction and Transportation admitted that it would have to import more foreign labour to build the country's first high-speed railway line. Similarly in Malaysia, another country that has vowed to reduce its dependence on foreign workers, some 25,000 foreigners from 52 countries are working on the new Kuala Lumpur International Airport. In Argentina, those working on construction sites are often illegal immigrants from Chile or Brazil: a Brazilian worker can often increase his salary tenfold by working in Argentina (Werna, E., 1997, p. 7).

It might be possible to tempt more people to work by raising wages, but it is clear that, given the opportunity of employing foreigners, employers are unwilling to do this. In Germany in 1996, for example, unemployment was above 12 per cent, and there were around 200,000 unemployed German construction workers. Yet at the same time, Germany was employing around 500,000 foreign construction workers – including 100,000 from the United Kingdom. The issue is largely one of salaries. British workers, who might have earned \$12 an hour at home could earn \$25 in eastern Germany. German workers, on the other hand, by the time the legal wage, plus all the benefits, have been paid might cost \$35 per hour. Moreover, as one employer told the *New York Times* the advantage of foreigners is that: "They have no family, no hobbies, so they can work through the weekend" (Andrews, E., 1996).

In some cases it may be possible to eliminate immigrant jobs through mechanization. In Malaysia, for example, where petrol pumps are largely operated by Bangladeshi attendants, the Government decreed that from 1997 all petrol pumps should convert to self-service – even though this was more expensive than having people work around the clock. But many other tasks, particularly in the service industries, are impossible to mechanize.

Moreover the range of jobs that nationals reject seems to be widening. Taxi driving in the United States, for example, was until about 10 years ago a fairly respected blue-collar job that attracted whites and blacks alike. Nowadays, few native workers will drive taxis and this has rapidly become an 'immigrant job'. In Washington, DC, the Taxi Operator's Association estimates that

over the last 25 years the proportion of drivers who are foreign born has risen from 25 to 85 per cent (Glass, S., 1996, p. 21).

But as well as being needed at the bottom of the labour market, immigrants are also needed at the top. Industrial countries, under pressures of international competition, also have a strong demand for highly skilled labour. Having the best and the brightest foreign workers also helps keep the United States at the leading edge of new technology. When proposals were made for an immigration bill to reduce the category of visa that enabled the employment of skilled foreigners one of the loudest protests came from Microsoft chairman, Bill Gates, who said: "If you want to prevent companies like ours from doing work in the United States, this [bill] is a masterpiece" (Mills, M., 1995).

Industrial countries are left, therefore, with a demand for immigrant labour at both the top and bottom of the jobs spectrum. This can be expressed graphically as in Figure 10-2. A similar diagram can be produced for the United States, though the base is much broader since there is a greater demand for unskilled labour (Böhning, W.R., 1995).

10.2. The demographic factor

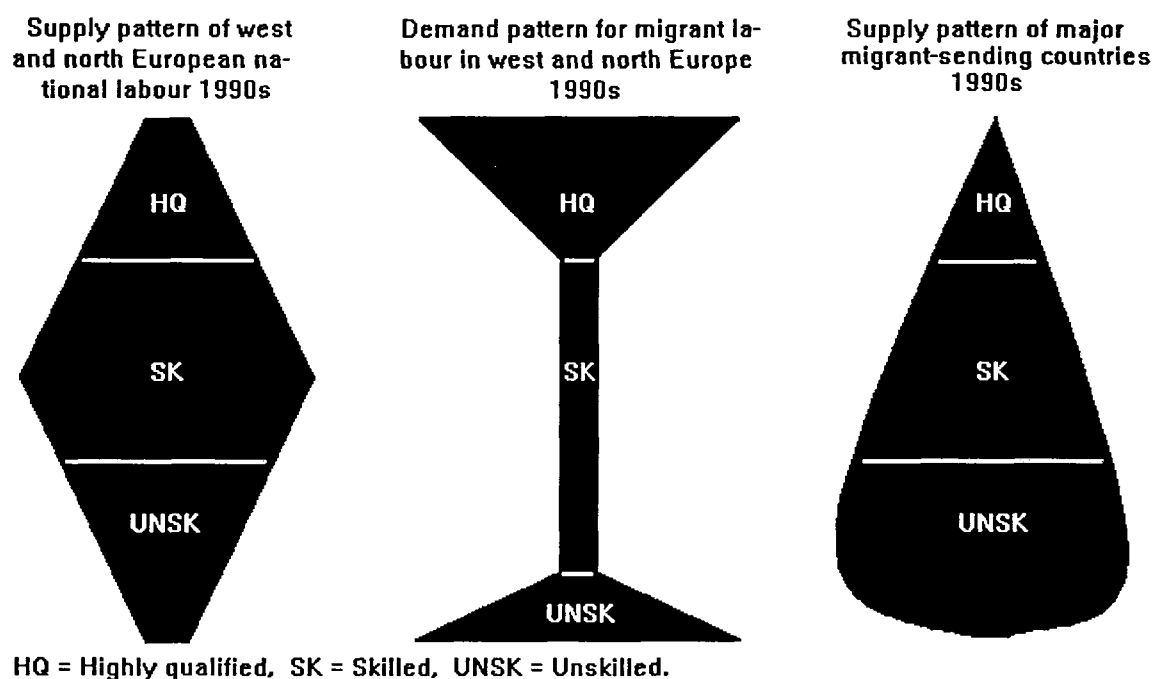
A further factor creating and sustaining immigrant jobs in the years ahead could be demographic change – and specifically the ageing of industrial societies. Families are having fewer children. In 1990-1995, the average total fertility rate of the more developed regions was 1.68 children per woman, well below the 2.1 children per woman required for long-term replacement. Nine countries had average fertility levels of 1.5 or less children per woman, with the lowest fertilities in Italy (1.2), Spain (1.3) and Germany (1.3) (United Nations Population Division, 1996).

This is raising a number of concerns – in particular that dependency ratios will increase, with a shrinking working population supporting an expanding elderly one. For the OECD countries as a whole, over the period 1990-2005, the proportion of the population aged 65 and over has been projected to rise from 18.9 to 22.3 per cent. The highest proportions of the elderly in 2005 will be reached by: Japan, 29.2 per cent; Greece, 28.6 per cent; and Italy, 28.3 per cent (OECD, 1994, p. 24).

Could immigration provide a solution? It certainly does have an impact on population growth. Between 1990 and 1995, for the industrial countries as a whole, net immigration was responsible for 45 per cent of the overall population growth (1.8 out of 4.0 per 1,000) (United Nations Population Division, 1996). What is less certain is that immigration will help make the population more youthful. In the post-war period in the United Kingdom, for example, immigration increased the total population by around 3 million, yet had very little impact on the age structure (Coleman, D., 1995, p. 155). The problem is that although newly arriving immigrant families often have higher fertility rates than natives, they rapidly take on the characteristics of the rest of the population.

In countries with declining fertility, it would take large numbers of immigrants just to maintain stable populations and even more to maintain acceptable dependency ratios. One study looked at the alternatives for four countries: Austria, Belgium, Canada, and Spain. Just to achieve a

Figure 10-2. Patterns of skill supply and demand, western and northern Europe, 1990



Source: Böhning, 1995

numerically stable population, Canada by 2025 would need to be absorbing 120,000 per year, and Belgium 40,000. Spain would need 100,000 per year from 2010. But to guarantee a minimum dependency ratio of 3 working adults to every elderly person would require much greater influxes – over 170,000 for Belgium and Austria, and 700,000 for Canada and Spain (Wattelar, C. and Roumans, G., 1991, p. 62).

In these circumstances, and especially when large numbers of natives are unemployed, a better option would be to try to increase fertility – which some countries such as Sweden have succeeded in doing – and to encourage a higher proportion of the existing population to work (Coleman, D., 1992, p. 455). No country is likely to use immigration on anything like a sufficient scale to offset fertility declines.

Nevertheless the ageing society may still have a direct impact on immigration – by increasing the demand for health care workers. The United States Bureau of Labor Statistics forecasts that, in the period 1994-2005, health care services will account for almost one-fifth of all job growth, with the ageing population as one of the main causes. In fact, the two professions with fastest projected growth over this period are personal and home care aides, and home health aides – both of which will more than double their numbers (Bureau of Labor Statistics, 1996). Since these are professions that typically have a high proportion of immigrant workers, the demand for foreign trained nursing personnel is likely to remain strong.

10.3. Conclusion

Industrial countries will probably have an irreducible requirement in the years ahead for the kind of employment that immigrants are willing to undertake. Indeed if globalization expands the number of jobs at the bottom of the employment scale, particularly in services, it could well increase the demand for their labour. So even if globalization reduces the supply of migrants by improving prospects at home, the structure of industrial economies is such that there will be a permanent inbuilt demand for immigrants.

Epilogue

On the demand side, industrial countries are always likely to have a need for immigrant labour to do the jobs which national workers refuse. On the supply side, however, closer and deeper integration of economies could eventually reduce the pressure to emigrate. Still, this could take some time. The first, and most basic issue is that of scale. Between 1995 and 2025, the labour force of the low-income countries is set to grow from 1.4 billion to 2.2 billion (World Bank, 1996, p. 9). Neither trade nor investment at their current levels will really be at a sufficient level to absorb this growth. Globalization may help indirectly, by exposing poorer economies to competition, spurring productivity, and generally stimulating their economies to grow more rapidly. But in terms of direct impact, neither trade nor investment is a sufficient answer.

Beyond this, there are serious problems of distribution. If globalization is to have a greater impact on immigration it will have to proceed in a much more even and egalitarian fashion. Thus far, it has been very lop-sided – with the greatest benefits going to countries already ahead in the race. Many poor countries have, for example, so far seen very little of the expansion of world trade. The least developed countries, which have 10 per cent of world population, have only 0.3 per cent of world trade – and that is half the proportion of two decades ago. Similar imbalances are evident in the flows of foreign direct investment. These are concentrated in the industrial countries and the faster growing parts of the developing world: 70% of the world's population gets only 10% of global investment. All of this is further skewing international incomes. While global per capita income tripled over the period 1960-94, there are now 100 countries with per capita incomes lower than in the 1980s, or in some cases lower than in the 1970s or 1960s (UNDP, 1997).

Globalization may in the end not flatten international disparities but merely re-sort countries into new categories of rich and poor. Sub-Saharan African countries, for example, have not featured very strongly on inter-continental migration trails, but the exodus towards South Africa, and the flows of Africans moving through the fairly relaxed border controls of Eastern Europe could be a harbinger of things to come.

Moreover, even if globalization does make some countries as a whole richer, it could heighten internal disparities. India, say, or China, which between them have the majority of the world's poor people, might become much more integrated in the global economy. This could still leave vast numbers of people marginalized – but with sufficient resources to travel overseas in search of work. In a number of countries, in Latin America, for example, trade liberalization has been implicated in rising income inequalities during various periods since the 1970s – including Argentina, Chile, Ecuador, Mexico and Uruguay.

Finally, there is the question of time. Even on all the best assumptions, there is little doubt that as development proceeds migration pressure will rise in the decades ahead. Optimists will see this additional flow of emigrants as a temporary hump – as history would suggest. But there is no guarantee that history will repeat itself. Posterity may have other ideas. The poorest developing countries find themselves trying to industrialize in a very different, and more fiercely competitive, environment than their predecessors. In a world of winners and losers, the losers do not simply disappear, they seek somewhere else to go. What could be a temporary hump could develop instead into a relentless upward slope.

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