



ANIMA

Réseau Euroméditerranéen d'Agences de Promotion des Investissements  
Euromediterranean Network of Investment Promotion Agencies



# Re-investment by Native Entrepreneurs in their Home Countries: World & MEDA Context

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# 1. Introduction

The "MEDA Entrepreneurs" initiative has been proposed by ANIMA in partnership with Provence-Promotion, promotion agency Bouches-du-Rhône (France), and uses as a starting point the "Home Sweet Home" concept, developed in Marseille through co-operation with various other players.

An attractive "package", launched mid-2002, was addressed to the French expatriates residing abroad (Silicon Valley, New England, City of London...), to convince them to return to Provence to create technological firms. Ten effective projects with high added-value have been finalised since and about fifty others are under negotiation.

MEDA Entrepreneurs aims at encouraging expatriates returning to their country in order to invest there. The expatriate entrepreneurs represent an interesting target: they have international experience, can take risks and face obstacles, possess in general some capital to invest, often control leading-edge technologies, and acquired know-how and methods of management - very useful for their country of origin. Their knowledge of the local culture and their family networks facilitate their return to the country, even if it must be the subject of a true preparation.

This document is a collection of :

- Comments about the migration issue ;
- Statistical data ;
- Bibliographical references ;
- Some draft recommendations.

## 1.1. The impact of globalisation on migration

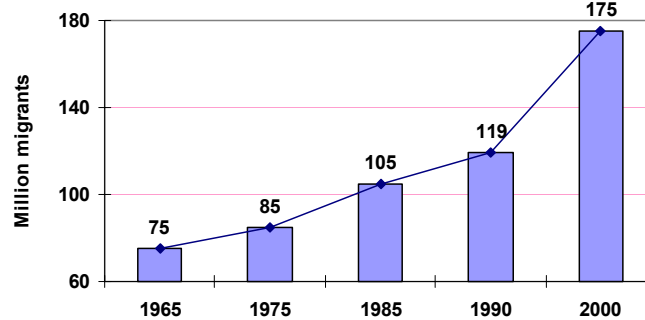
Latest estimates of migration flows calculate that approximately 175 million people currently live in a country different from the one they were born in, which represents close to 3% of world total population (UN, 2002a)<sup>1</sup>. The "Facts and Figures on International Migration" delivered by the International Organisation for Migration (IOM) give even more explicit figures<sup>2</sup>. According to the IOM, one out of every 35 persons in the world is a migrant and taking a close look to the figures available 30 years ago the number of international migrants has more than doubled (Graph n°1).

Among industrialized nations, countries with the largest migrant stock include the United States, Germany, France, Canada, Australia and the United Kingdom. However, the host of major migration flows is not exclusive to the developed world. Indeed, countries such as the Russian Federation, Ukraine, India, Saudi Arabia, Pakistan and Kazakhstan at best portrayed as emerging economies also present impressive migrant stock figures (Graph n°2).

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<sup>1</sup> **UNITED NATIONS POPULATION DIVISION [2002a]**, « International Migration Report », *Department of Economic and Social Affairs*, United Nations publications, New York

<sup>2</sup> **INTERNATIONAL ORGANIZATION FOR MIGRATION [2003a]**, « Facts and Figures on International Migration », *Migration Policy Issues N°2*, March

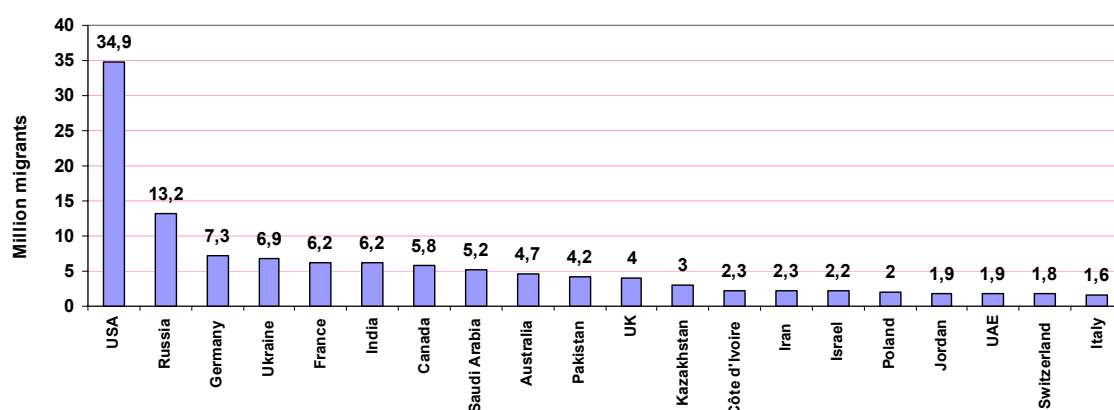
**Graph n°1. The World's Foreign-Population from 1965 to 2000**

**Comment:** The estimated number of international migrants has grown from 75 in 1965 to 175 million in 2000. The rise was most impressive in the 1990s when the number of migrants increased by 47% and is expected to reach 230 million by 2050.

**Definition:** IOM's "Glossary on Migration" specifies that, at the international level, no universally accepted definition of migrant exists. The term migrant is usually understood to cover all cases where the decision to migrate is taken freely by the individual concerned for reasons of "personal convenience" and without intervention of an external compelling factor.

**Source:** United Nations (2002b), Population Reference Bureau & Zlotnik, H.

Considering both the current trends in capital movements and the increasing liberalisation of goods and services, the mobility of migrant is soon expected to gain significance in what has been called the "age of migration" (Castles & Miller, 1998)<sup>3</sup>. World migration flows can be actually seen as an expression and a result of the globalization momentum. Indeed, globalisation supposes the interweaving of several complex factors: international capital transactions, circulation of goods and services, transfers of production etc. More recently, the "brain drain" controversy and the sudden efforts of sovereign governments to seduce foreign ICT workers have also highlighted the worldwide diffusion of modern technologies.

**Graph n°2. Countries with the largest international stock in 2000**

**Comment:** If the international migrants reside mostly in the more developed economies in the world, the less developed regions have also attracted a significant share of international migrant in the past.

<sup>3</sup> CASTLES S. & MILLER M. [1998], « The Age of Migration : International Population Movements in the Modern World », *McMillan*, Second Edition, London



**Definition:** For most countries, the mid-year estimate of the number of people who are born outside the country. For countries lacking data on place of birth, the estimated number of non-citizens is used as a proxy. In both cases, migrant stock also includes refugees, some of whom are not necessarily foreign-born.

**Source:** United Nations Population Division, Department of Economic and Social Affairs

However, the intensity of such inter-related processes would not have been possible without previous movements of people. Besides, experts do not always agree on the amplitude of migration flows. Some of them strongly insist on the proportion of the world's migrant nowadays not significantly different from other ages in history. For instance, figures reported from the 19<sup>th</sup> century clearly express this seemingly contradiction: at the time, as much as 10% of the world population migrated (Gallina, 2004)<sup>4</sup>.

Such doubts should be taken into consideration as much as the likelihood that the increasing movements of capital and goods will involve greater human – notably labour-related-mobility. Assessing the impact of globalisation on international population flows implies a restrictive choice. As formally explained, under the word globalisation lays a multi-dimensional phenomenon. An attentive review of the literature on migration suggests to fix a particular attention on three dominating aspects: the transnational political developments, the economic and demographic imbalances between the North and the South and finally the worldwide revolution in the technologies of information and telecommunication (Nyberg-Sorensen & al., 2002)<sup>5</sup>.

*The political dimension of globalisation: advancements and consequences*

Though the first signs of globalisation can be traced back to the 19<sup>th</sup> century, its recent speeding up has much to do with the implosion of the former Soviet Union. As a matter of fact, the emergence of New Republics following the break-up of the USSR contributed to the boom of migration flows in the 80's. The Population Division of the United Nations (UNPD) estimates that the growth in migrant stocks figures during this period did not specifically relate to concrete population movements but rather to the creation of new frontiers (UN, 2002a).

At the multilateral level, constant efforts to liberalize the movements of goods and services have also provided legal mechanisms to encourage a larger freedom of population mobility (Wickramasekara, 2003)<sup>6</sup>. For instance, according to the International Labour Organization (ILO), the General Agreement on Trade in Services –GATS- theoretically enhances the circulation of workers. The mode 4 provision, movement of natural persons, is defined as "the supply of a service by a service supplier of one WTO Member, through presence of natural persons of a Member in the territory of another Member on a temporary or non-permanent basis" (OECD, 2002)<sup>7</sup>. As a result, developing countries are given the opportunity to redeploy abroad its surplus of service workers while developed economies are insured those movements are exclusively temporary. Though it would be unrealistic to grant the mode 4 provision much effect with the persistence of barriers to circulation of international

<sup>4</sup> **GALLINA A. [2004]**, « Migration, Financial Flows and Development in the Euro-Mediterranean Area », *Department of Social Sciences Roskilde University, Research Report N°5*, Denmark

<sup>5</sup> **NYBERG-SORENSEN N., VAN HEAR N. & ENGBERG-PEDERSEN P. [2002]**, « The Migration-Development Nexus : Evidence and Policy Options », *IOM Migration Research Series*, July

<sup>6</sup> **WICKRAMASEKARA P. [2003]**, « Policy Responses to Skilled Migration : Retention, Return and Circulation », *Perspectives on Labour Migration Series*, ILO, Geneva

<sup>7</sup> **OECD [2002]**, « Service Providers on the Move: a Closer Look at Labour Mobility and the GATS », *Working Party of the Trade Committee*, OECD, Paris



workers and the absence of reliable statistics, the provision is a clear opening towards "circulation-friendly policy package". As a matter of fact, similar flexible approaches to labour mobility exist - Agreement on the European Economic Area (EEA) and Europe Agreements, the Caribbean Community (CARICOM) etc.- those being closely related to regional initiatives.

Indeed, globalisation can be accounted for an intensive reflection on the building of strategic partnership and regional economic alliances such as The European Union (EU), the North American Free Trade Agreement (NAFTA), the Association of Southeast Asian Nations (ASEAN) etc. Those political developments which firstly focused on the liberalisation of privileged zones of commerce tackled the burning issue of labour mobility too. As an example, the EU, through the Schengen Agreement, settled the legal framework in charge of regulating the movement of persons. Initially signed by France, Germany and the Benelux countries in 1985, the agreement was extended to the rest of Europe in the 90's and integrated in the constitution by the Amsterdam treaty in 1997. The freedom of mobility generated has implied various measures from the abolition of border control to the definition of common visa policies (Palomar, 2005)<sup>8</sup>. This new perception of international migrants, sanctioned at the regional as well as at the international level, favours not only the mobility of business people involved in trade or investment activities but also the movement of low-skilled workers attracted by this friendly-policy orientation.

In fact, the regionalisation trend described has yet to include vast peripheral areas left in economic and political uncertainty. In that perspective, the Euro-Mediterranean "partnership" is often heavily criticised for having converted the initial message of "shared prosperity" conveyed by the Barcelona Process into the limited launch of "free-trade measures" and excessive "market-oriented reforms". Some experts associate today's migration flows from developing countries with the rather exclusive success of integrated block. Following such rationale, movements of people from peripheral economies would be "*the results of both push (marginalisation and destabilisation) and pull (economic concentration and wealth in the North) factors*" (Gallina, *op. cit.*).

#### *The economic dimension of globalisation trends and the weight of demography*

The point of view expressed above has the virtue of underlining the economic stakes of globalisation. As the economic and social gap between Northern and Southern economies seems to widen, the need to find the adequate political instruments to facilitate co-development actions has become an urgent concern. The MEDA region gives the utmost expression of such imbalances. The difference in living standards is from 1 to 10 between the two shores of the Mediterranean: in 2001, respectively 2,195 and 21,682 US\$ per capita<sup>9</sup>. ANIMA's "MEDA Entrepreneurs back to Homeland" project seeks precisely to exploit the different components of the migration process -financial, human and social capital transfer- with the aim of defining new areas of economic cooperation.

Indeed, recent international flows of migrants provide another set of figures which support the most alarmist scenarios. The 2002 "Migration Report" of the United Nations Population Division reveals that migrant are dramatically more likely to live in the more industrialized regions of the world. Interestingly enough, 60% of the foreign-born population live in developed countries whilst this proportion comes down to one out of 70 persons in developing economies. The rise in the 90's of migrants occurred in the most advanced

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<sup>8</sup> **PALOMAR T. [2005]**, « Migration Policies of the European Union », *Blaschke Jochen (ed.)*, The Politics of Immigration in the EU series, Berlin

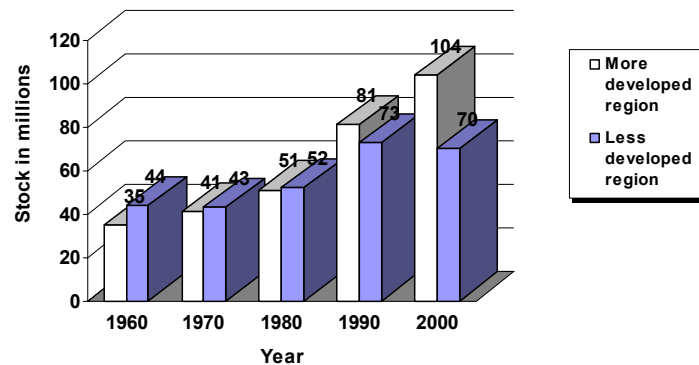
<sup>9</sup> **EUROMEDITERRANEAN NETWORK OF INVESTMENT PROMOTION AGENCIES [2004]**, « Foreign Direct investment (FDI) in the MEDA region in 2003 », *ANIMA Paper & Studies n°6*, May



nations. North America, Australia, Europe but also New Zealand and Japan have experienced a growth of migrant stock of 23 million people close to the population of Venezuela.

In the meantime, the population of migrants living in less advanced regions has dropped by 2,5 million during the last decade. Until the 80's, the less developed areas of the world actually welcomed more international migrants than the well-developed nations as a whole. In this regard, in 1980, the migrant stock of the developing world was estimated at 52 million against 51 for region considered more developed (Graph n°3). Available cumulative figures acknowledge the reversal: the wealthiest regions of the world are the largest recipients of foreign-born flows hosting approximately 12 million migrants from the developing world for the period 1995-2000: "by 2000 three-fifths of the world's migrants were found in the more developed region" (UN, 2003)<sup>10</sup>.

**Graph n°3. Estimates of migrant stock by region from 1960 to 2000**



**Comment:** The developing world used to be as much of an exporter as an importer of international migrants. However, starting in the 80's, its capacity of attracting (retaining?) migrants has dangerously fallen.

**Definition:** For most countries, the mid-year estimate of the number of people who are born outside the country. For countries lacking data on place of birth, the estimated number of non-citizens is used as a proxy. In both cases, migrant stock also includes refugees, some of whom are not necessarily foreign-born.

**Source:** United Nations Population Division (2002a)

Such trend is far from reversing. Along with the appealing concentration of wealth in the industrialized world, the striking contrast between ageing demography in the North and young population surplus in the South is another source of concern. Western economies, notably in Europe, have seen their fertility rate drop so low that births no longer compensate deaths raising anxiety about the long-term productivity of their workforce (UNFP&IMP, 2004)<sup>11</sup>. The population challenge facing the most developed economies has given a new momentum to the migration debate in addition to those provoked by the undocumented migrants issue, the asylum seekers figures, the brain drain dilemma etc. The "Migration

<sup>10</sup> UNITED NATIONS POPULATION DIVISION [2003], «The International Migrant Stock: A Global View», Conference Paper, IOM's Workshop on Approaches to Data Collection and Data Management, 8-9 September, Geneva

<sup>11</sup> UNITED NATIONS POPULATION FUND & THE INTEGRATIONAL POLICY MIGRATION PROGRAM [2004], « Meeting the Challenges of Migration: Progress Since the ICPD », UNFPA publications, October, New York



Replacement" projections of the UNPD even anticipates that it would be necessary for Europe to receive 47,4 million immigrants between 2000-2050 (949,000 immigrants per year) just to keep its estimated population constant.

Recent European initiatives to facilitate the movement of persons are giving additional credit to the demographic calculations of the UNPD. Relatively to this aspect, the European Commission President Prodi in 2001 made Europe's labour shortage official calling for the welcoming of 1,7 million immigrants within the Union (Lowell, 2001)<sup>12</sup>. Considering the ambitious objectives set by the Lisbon European Council in March 2000 to make Europe "the most competitive and dynamic knowledge-based economy in the world by 2010", the demographic deficit expected to hit the "old" European nations and the "Information Technology & Telecommunications" (ICT) revolution banging at the world's doors, the increasing "one-way" migration described might only be in its early stages.

*The ICT revolution in a globalised world: a catalyser for human mobility*

The issue of migration has lately focused on the specifics skills related to the mobility of labour and particularly IT and knowledge competencies.

For one thing, the astonishing developments in new technologies encourage the movements of populations by providing a quick access to information coming from abroad. Workers and potential migrants may rather easily learn about the living and working conditions in a foreign country. The low transportation costs enable also to keep close and regular contact with family members dispersed overseas (UNFP&IMP, *op. cit.*). However, the revolution in modern technologies has not only favoured extensive exchange of information. To ensure its citizens they will be a part of the round-the-world technological race, governmental entities make considerable efforts to recruit overseas ICT engineers.

Nowadays, both developing and developed economies open their labour policies towards the attraction of internationally mobile ICT specialists. The main objective is, through flexible settlement procedures (temporary visas and work permits), to ease recruitment requirements for national employers. The United States, Canada and Australia have for instance recently adapted their immigration policies to capture a significant proportion of highly skilled workers. Studies conducted in the mid 90's have put a great emphasis on such competition: "[...] with the United States tending to win out: each skilled immigrant admitted into the US reduces the share of skilled intake by the other two" (Lowell, *op. cit.*). From that perspective, Europe is not outdone by its American and Australian alter egos unremittingly rethinking the framework of immigration policies to enhance the recruitment of foreign talented scientists and engineers. France, Germany and the United Kingdom have alternatively demonstrated a lively imagination to facilitate movements of international workers (Box n°1).

The technological component of the globalisation phenomenon questions the ability of developed economies to overcome their increasingly probable labour shortage in the ICT field. It thus has become a major driver of migration flows. As industrialized countries rival each other in generosity to attract skilled people, such shift adds fuel to the "brain drain" controversy. Modern technologies of information and telecommunication are giving birth to a degree of internationalism which had never been reached before. Flows of international migrants and high-skilled workers, as much as traditional financial flows (FDI, remittances, foreign aid), can also be accounted for the denationalisation of territories.

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<sup>12</sup> **LOWELL B. [2001]**, « Policy Responses to the International Mobility of Skilled Labour », *International Migration Papers n°45*, International Labour Office (ILO), Geneva



### Box n°1. Some recent initiatives to facilitate movement of natural persons in OECD countries

**Australian** immigration authorities have set up service centres for employers who want to petition skilled foreign workers.

**Canada** has a pilot program related to software development workers under which Human Resources Development Canada pre-identified a general need within the labour market for software development workers. This enables suitably qualified applicants with a job offer from a Canadian employer and any necessary visa (depending upon country of origin) to be automatically validated (i.e. not subject to labour market needs tests). Under a pilot project, spouses of "highly skilled foreign workers" who are admitted to Canada at least 6 months are also permitted employment authorisations without being subject to labour market testing.

**France** published a decree in 1999 permitting companies to hire foreign workers skilled in computer science field if a company is able to demonstrate that it is unable to fill the post with a local candidate.

**Germany** is offering 20 000 employment permits for up to 5 years for computer and information technology specialists recruited outside the European Union.

**Japan** announced a plan in November 2000 to recruit 30 000 skilled IT engineers and researchers from overseas by 2005.

The **United Kingdom** is trialling a program to enable high-volume non-immigrant visa employers with a proven track record to have a streamlined and fast track visa approval. It now applies simplified fast-track procedures for issuing work permits for certain occupations and has extended the list of shortage occupations. The maximum length of a work permit has been extended from 4 to 5 years.

The **United States** raised the annual quota of H-1B visas for professional and skilled workers by nearly 70% in 2000, providing temporary admission for 195000 people over the next fiscal years. The 7% ceiling on the proportion of visas going to nationals of any giving country has also been dropped.

**Source:** OECD (2002)

## 1.2. Remittances: the new development mantra<sup>13</sup>

Usually, the migration process is seen as a development failure. Migrants choose to leave mainly because they have lost faith in the economic conditions and work opportunities offered by their homeland. Recently though, a new school of thought has reversed the migration-development vicious circle highlighting the potential positive effects of migration for economic development.

Eluding for the moment the question of "return migration", it has been argued that foreign-born population can contribute to the growth of their country of origin's economy through the money they remit. Those earnings sent back are known as migrant remittances and more generally speaking refer to private transfer of cash from migrant workers to family

<sup>13</sup> **KAPUR D. [2003]**, « *Remittances: The New Development Mantra?* », *G-24 Discussion Paper Series n°29*, United Nations Conference on Trade and Development (UNCTAD), Geneva, August



members back home. Their prior goal is to provide financial support to relatives left at home, insure repayment of debts or carry through investment activities (Wendell, 2001)<sup>14</sup>.

If the average amount of money transmitted is relatively small, when summed up, migrant remittances represent an increasing share of capital exported from the most developed region of the world to the least advanced economies. While the developing world seems incapable of attracting significant amounts of foreign direct investment (FDI) flows and seeing that Official Development Assistance (ODA) disbursements do not always perfectly match the developing economies' needs, remittances have become an essential if not vital source of revenue for some countries.

#### *Migrant labour remittances: what are we talking about<sup>15</sup>?*

To appreciate the impact of remittances and their central position in global financial flows, a quick conceptual overview is needed. The most common approach of remittances defines the latter as private money transfer sent by international migrants to their family back home. Unlike traditional financial transactions such as debt or equity, the sender is not a potential claimant (Kapur, *op. cit.*). If remittances are more likely to be sent by workers, transfers originating from undocumented migrants or asylum seekers are also incorporated in global financial statistics.

Remittances should be also distinguished from social form of capital transfer namely new ideas, concepts and practises that migrants might also transmit to their homeland but which involve a physical return, even temporary. They should on the other hand be seriously taken into consideration to reassess the migration-development linkage.

Although research projects usually focus on remittances from a sender to a receiving country, remittances are not exclusively international and may be "intra-national". Similar money transfers often occur without implying a cross-border movement. As a matter of fact, the literature on migration often evokes huge differences in living standards found within a given territory; those constitute obvious explanatory factors for intra-national migration.

A final distinction concerns the forms of transfers. First, migrants may remit their portion of earnings on an individual or collective basis (through community and church groups). From a global perspective, the percentage of remittances sent in a collective form is scarce. Most importantly, the question of whether the transfers are carried out through formal (banks or money transfer companies) or informal (handed personally) channels is crucial. The high probability workers abroad privilege informal channels of distribution severely challenges the reliability of statistics. As a consequence, official data often underestimate the real proportion of migrant labour remittances. From 80 billion US\$ in 2002, informal transfers of remittances bring "the estimated total to as much as 200 billion US\$, more than foreign direct investment" (Sander & Maimbo, 2003)<sup>16</sup>.

#### *Position of remittances in global financial flows*

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<sup>14</sup> **WENDELL S. [2001]**, « The Role of Remittances in the Caribbean », International Migration Policy Seminar for the Caribbean Region, Kingston, Jamaica, May

<sup>15</sup> The following analysis is a synthetic reproduction of the conceptual exercise in Sorensen (2004). **NYBERG-SORENSEN N. [2004]**, « The Development Dimension of Migrant Remittances », *IOM Migration Policy Research series*, Geneva, June

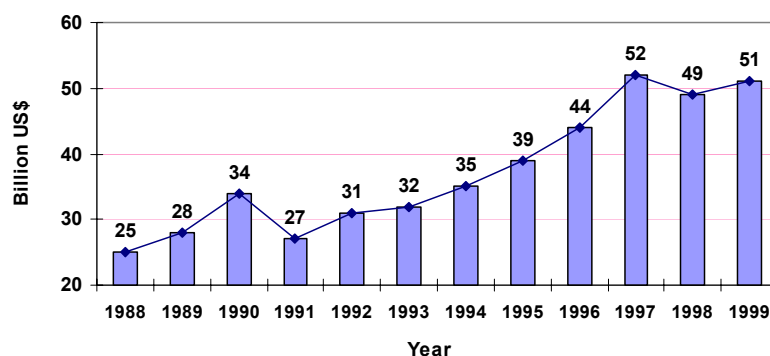
<sup>16</sup> **SANDER C. & MAIMBO S. [2003]**, « Migrant Labour Remittances in Africa: Reducing Obstacles to Developmental Contributions », *World Bank Group Africa Region Working Paper Series No. 64*, Washington, D.C., November



It is difficult to assess the average amount of money remitted by international migrants on an individual basis. As the issue of migration flows between Latin America and the United States continues to stir the interest of politicians and observers, the most extensive studies and research projects conducted concern mainly this region of the world. The annual average amount remitted comes close to 200\$ per worker as far as Latin immigrants in the United States are concerned (Ratha, 2003)<sup>17</sup>. Though similar estimates do not exist for other regions, notably Africa, surveys on a smaller scale provide evidence that immigrants are likely to remit up to 30 or 60% of their total income (Sander & Maimbo, op. cit.). As a logical result, for figures on worldwide migration are steadily increasing so are the global volume of remittances flows.

Indeed, consistent with rise in international movement of persons, remittances flows experience a steady growth over time. According to the IMF, transfers of remittances to the developing world have risen from US\$ 24,597 million in 1988 to 51,211 million in 1999 (Graph n°4). World total estimates confirm such boom: figures rise from US\$ 34,568 million to 62,976 million for the same time period. It should be indeed reminded that if top receiving economies usually belong to the less developed region of the world, industrialized countries endowed with a "culture of emigration" (Spain, Portugal, Greece) are also significant recipients of labour remittances (IOM, 2003b)<sup>18</sup>.

**Graph n°4. Workers' remittances in the developing world from 1988 to 1999**



**Comment:** In spite of declining figures for the years 1991 and 1998, amounts of remittances received by the less developed economies have doubled during the past decade. Those estimates are consistent with the current geographical distribution of international migrants highly concentrated within the wealthiest regions of the world.

**Definition:** Workers' remittances are current transfers by migrants who are employed or intend to remain employed for more than a year in another economy in which they are considered residents.

**Source:** International Monetary Fund, Balance of Payments Statistics Yearbook and data files

The data mentioned above are incredibly enlightening on the financial stakes involved in the migration process. Families, communities, cities, regions and nations have become increasingly dependent on international workers' remittances counting on such source of capital to compensate for economic imbalances. While specialists usually deplore the misuse

<sup>17</sup> **RATHA D. [2003]**, « Worker's Remittances : An Important and Stable Source of External Finance », Chapter 7 in *Global Development Finance 2003*, Washington DC: World Bank

<sup>18</sup> **IOM [2003b]**, «World Migration Report 2003», IOM and United Nations publication, Geneva



of those revenues in basic consumer goods (food, clothes etc.) rather than in productive activities (business enterprises, construction...), other features of remittances have been put forward to explain their potential effect as an instrument to promote development (UNFP&IMP, *op. cit.*):

**Efficiency:** remittances cannot be diverted from the people who truly need them since they do not require any type of administrative coordination. Most importantly, this additional money received cannot be "claimed" in other words it does not imply "liabilities" of any kind as it the case for debt or equity transactions;

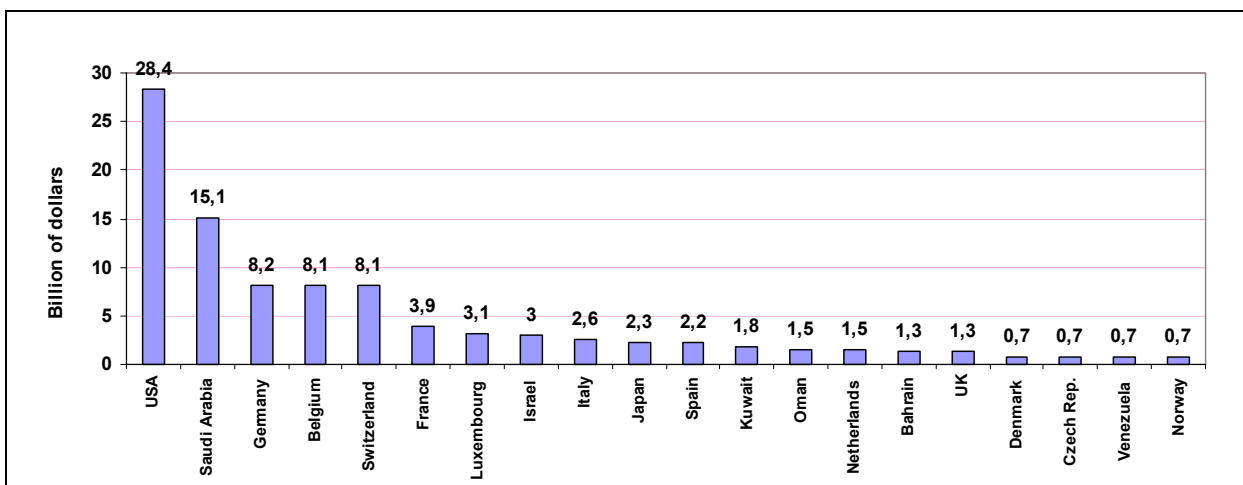
**Growth:** when figures from the IMF and the UNDP are put together, the combination shows the concomitant growth between flows of international migrants and global remittances. As the portion of the world's foreign-born is expected to rise in the next decades so is the total flows of workers' earnings sent back home.

**Stability:** unlike other financial transactions, remittances are not "pro-cyclical" meaning their amount does not specifically vary in accordance with the economic climate. While the literature is more or less explicit about the factors explaining variations through time (levels of wages, inflation etc.), most observers recognize the relative constancy of volume of money remitted from abroad.

*Distribution of remittances worldwide*

Considering previous statements about the "push" and "pull" factors of international migration, remittances payments might be expected to originate essentially from developed economies. As a matter of fact, among top 20 country sources of remittances stand the United States (US\$ 28,4 billion), Germany (US\$ 8,2 billion), Belgium (US\$ 8,1 billion), Switzerland (US\$ 8,1 billion) and France (US\$3,9 billion). Yet interestingly enough, remittances originating from Saudi Arabia (providing more remittances than Switzerland and France combined), Kuwait, Oman and Bahrain tend to underline the complexity of global movements of people (Graph n°5). In that perspective, migration flows in the MEDA region are quite representative of world population movements: a South-North trend (to the European OECD countries) and a South-South one (to the Gulf countries). This Mediterranean digression, which will be detailed later (Part B), is essential to keep in mind that not anymore than 25 years ago, the least advanced regions hosted more migrants than did the developed world.

**Graph n°5. Top 20 country sources of remittance payments, 2001**





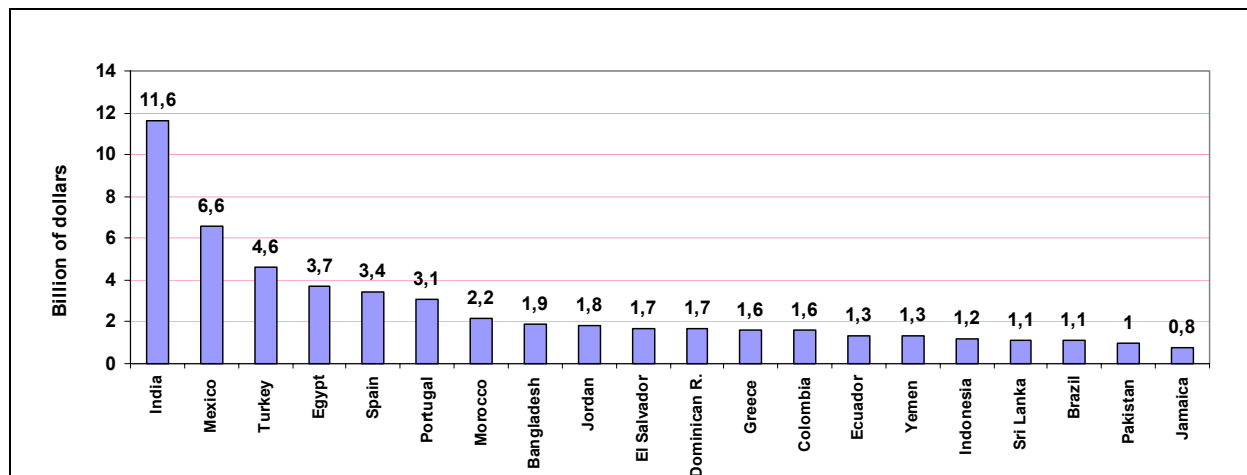
**Comment:** Developed countries account for a large proportion of total remittances flows. Still, economies from the less developed region of the world are also significant exporter of labour remittances confirming once more the complexity of the migration phenomenon.

**Definition:** Remittances are current transfers by migrants who are employed or intend to remain employed for more than a year in another economy in which they are considered residents.

**Source:** IMF, Balance of Payments Yearbook and data files

Besides, as noted earlier, workers' remittances do not only flow from wealthy to poor countries. Some industrialized economies are not only receivers but also senders of migration flows and may consequently welcome large volume of remittances. Being so, European nations such as Spain, Portugal and Greece are listed among the top 20 country recipients of workers' remittances along with India, Mexico, Turkey, Egypt and Morocco (Graph n°6). If those volumes are less important when put in perspective with Global Domestic Product (GDP) figures, they still convey the idea that major migration outflows, as the demographic transition, may constitute logical stages of the development process.

**Graph n°6. Top 20 country recipients of remittance payments, 2000**



**Comment:** The instant picture provided by the list of the top 20 receiving country of migrants' remittances is very much striking. As it mixes industrialized as well as developing countries, it conveys the message that all countries, what ever their stages of development, are both exporters and importers of human labour.

**Definition:** Remittances are current transfers by migrants who are employed or intend to remain employed for more than a year in another economy in which they are considered residents.

**Source:** IOM (2003b)

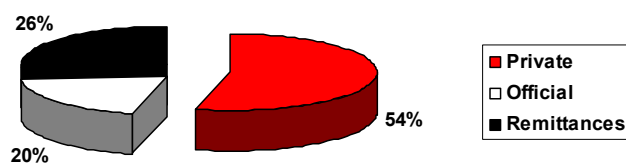
In a nutshell, the specific characteristics of remittances make them look complementary (if not strategic) to other traditional capital flows whether public or private. FDI are not stable through time as such heavy operation require a certain degree of economic certainty in the home as much as in the host economy. The global effectiveness of Official Development Assistance (ODA) disbursements has long been criticised for not enhancing investment in the



receiving countries and for not directly benefiting the poor as development indicators often suggest (Boone, 1996)<sup>19</sup>.

Though it is certainly difficult to assess the potential benefits of remittances to receiving economies, latest estimates of such flows clearly draws the attention of scholars, economists and politicians. In that perspective, the 2003 Global Development Finance of the World Bank discloses that remittance payments to less developed countries were one of the most active financial flows in 2000 beyond global official development assistance or oil transactions and accounting for more than half of FDI transfers (Graph n°7). Hence, when recent data are compiled, it is not unusual to notice that the volume of money remitted clearly exceeds the value of national export earnings (Ammassari & Black, 2001)<sup>20</sup>.

### Graph n°7. Net flows of external finance to developing countries, 2001



**Comment:** In 2001, estimates from the World Bank bring the total of volume of remittances up to US\$ 72,3 billion representing 26% of net flows of external finance to developing countries. Official flows account for US\$ 57,3 billion (20%) and net private flows for US\$ 153 billion (54%). Those figures help understand the strategic dimension of labour remittances.

**Definition:** Remittances are current transfers by migrants who are employed or intend to remain employed for more than a year in another economy in which they are considered residents.

Official flows include lending from multilateral bank, IMF and bilateral loans and grants.

Private flows include equity (FDI and portfolio flows).

<http://www.worldbank.org/data/countrydata/aag.htm>

**Source:** World Bank (2003) & Kapur (2003)

<sup>19</sup> **BOONE P. [1996]**, « Politics and the Effectiveness of Foreign Aid », *European Economic Review*, Vol:40(2), <http://intl.econ.cuhk.edu.hk/topic/index.php?did=6>

<sup>20</sup> **AMMASSARI S. & BLACK R. [2001]**, « Harnessing the Potential of Migration and Return to Promote Development: Applying Concepts to West Africa », *IOM Migration Research Series*, Geneva, August



## 2. The issue of entrepreneurs' return

### 2.1. World migration trends: an overview

#### 2.1.1. The impact of globalisation on migration

The effects of the globalization process facilitate human mobility by providing easy access to information about life and opportunities abroad, low cost travel, and quick communication with diaspora family members. More countries are affected by migration than had been in the past. In addition, migration patterns are more complex.<sup>21</sup>

Human mobility is likely to assume even greater significance in the future. With increased transnational capital movements and the globalisation of trade in goods and services, people too can be expected to move across national boundaries with a greater frequency than ever before in what has been described as the "age of migration" (Castles & Miller, 1998).<sup>22</sup>

International migration stands now at an all time high with around 3 per cent of the world population living and working outside their country of origin <sup>(48).</sup> <sup>23</sup>

Past and present migration may be seen as both a manifestation and a consequence of globalization. Globalization involves a number of related processes, among the most important being the steadily increased circulation of capital, production and goods; the global penetration of new technologies in the form of means of transport, communication and media; and the elaboration of regional and transnational political developments and alliances such as the European Union, NAFTA, the European Court of Human Rights, and grassroots politics (the transition to market oriented economies in most parts of the world, dramatically so in the case of the former Soviet bloc<sup>24</sup>). These processes have exacerbated imbalances among regions, countries and communities, giving further impetus to migration.<sup>25</sup>

The Schengen Agreement was initially signed by France, Germany and the Benelux countries in 1985 to establish a genuine free movement of persons within the so-called 'Schengen area'. This 'freedom of movement' is accompanied by 'compensatory' measures to combat terrorism and organised crime. The agreement provides for improved policy and judicial co-operation between states, as well as the introduction of common visa policies and carrier sanctions. It was implemented in 1990 and finally integrated into the European Union framework by the Amsterdam Treaty in 1997. In 1990, the Schengen Agreement is implemented by the Schengen Convention<sup>3</sup>, which comes into effect in 1995 after the addition of Italy, Spain, Portugal, Greece, Austria and Denmark, Finland and Sweden in 1996. In 1985, Germany, France and the Benelux countries signed on their own initiative an intergovernmental agreement to establish a genuine free movement of persons within the so-called "Schengen area". It was implemented in 1990 and finally integrated into the European Union framework by the Amsterdam Treaty (1997). In order to offset the loss of security suffered as a consequence of the abolition of border controls the following security measures were adopted: a) A joint automated search system, the 'Schengen Information

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<sup>21</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD

<sup>22</sup> Harnessing the Potential of Migration and Return to Promote Development

<sup>23</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD

<sup>24</sup> Policy responses to skilled Migration: Retention, return And circulation

<sup>25</sup> The Migration-Development Nexus: Evidence and Policy Options



System'; b) Close checks on all crossing points on external borders of the Schengen area; c) Increased police cooperation.<sup>26</sup>

**Service providers (GATS Mode 4: movement of natural persons):** The GATS agreement from the Uruguay round represents the first multilateral and legally enforceable agreement on the international trade in services. Its central objective is the progressive liberalization of trade in services. In our view, GATS mode 4 seems to provide the best of both worlds for promoting circulation at least in theory. On the one hand, developing countries have surplus skills in the service sector, and GATS provides an opportunity for them to earn higher rewards in developed countries. On the other hand, the strictly temporary movement of GATS allays developed country concerns about permanent settlement. As OECD (OECD 2002) has pointed out, *"the combination of a range of factors – increased trade and investment, global business networks, skills shortages in developed countries, development of export capacity of skilled labour by developing countries – has meant that interest in greater freedom of mobility is now shared to varying degrees by a wide range of WTO members."* As a result, The GATS Mode 4 on the natural movement of persons which supports the idea of circular and short term work visas is a clear choice in a circulation-friendly policy package. The vast potential of this option is hardly tapped as pointed out above. EU and other receiving regions and countries should make a concerted effort to expand commitments to liberalizing the trade in services to benefit source countries.

<sup>27</sup>

The causes are strongly related to the impact of globalization on the Region with its economic marginalization of the peripheral areas and its political destabilization of countries and regions. **The failure of the Barcelona Process with the following weakening of the European Union influence on the Region has reduced the whole process of Euro-Mediterranean "partnership" for a "shared prosperity" to the implementation of the "free trade area" and neoliberal policies, with social negative impacts to follow.** It is demonstrated that migrations from southern Mediterranean countries are the results of both push (marginalization and destabilization) and pull (economic concentration and wealth in the North) factors.<sup>28</sup>

In the North African countries, the question of how the institutional framework can support the utilization of the migrant's economic, social, and political resources and skills is still left unanswered. **This represents an important window of opportunity for re-launching the decentralized cooperation between the countries of the two shores of the Mediterranean Basin.** The issue of migration and of its connected phenomenon of remittances is so crucial to the relationship between the European Union and the Mediterranean countries that the rejuvenation of the Euro-Mediterranean Partnership can find in the remittances and their potential utilization for development projects a new instrument for co-development.<sup>29</sup>

The current trends towards the implementation of neoliberal policies in the countries of the region can lead to a worsening of the employment problem, and thus a likely increase in the migratory pressure on the EU borders. With this in mind, it is clearly a strategic goal to develop instruments for cooperation between the EU and the Mediterranean countries that will overcome the current logic of cooperation towards instead the goal of co-development.

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<sup>26</sup> Migration Policies of the European Union

<sup>27</sup> Policy responses to skilled Migration: Retention, return And circulation

<sup>28</sup> Migration, financial flows and development in the Euro-Mediterranean area

<sup>29</sup> Migration, financial flows and development in the Euro-Mediterranean area

<sup>30</sup> Migration, financial flows and development in the Euro-Mediterranean area

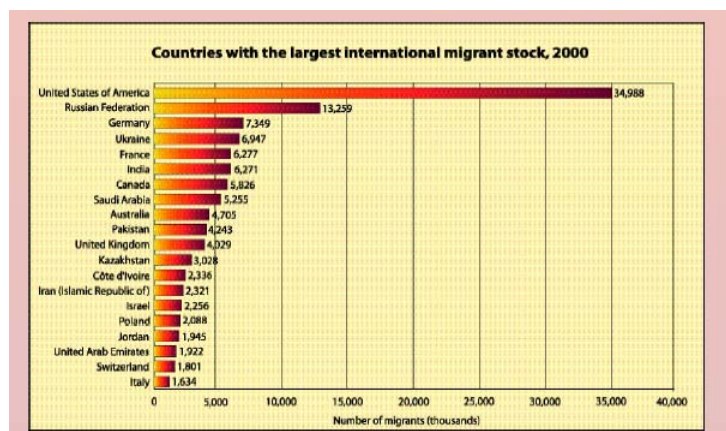


Current estimates calculate that some 150 million people live outside the country of their birth (IOM, 2000). But at about 2.5 percent of the world's population, this proportion is not much different from earlier periods when population movements peaked, and much less compared to 19th century migration when as much as 10 percent of the world population migrated. However, people's movement, though remaining lesser liberalized than that of capital, goods and information, has become increasingly transnational.<sup>31</sup>

**Between 1990 and 2000, the number of migrants in the world increased by 14 per cent, and the 175 million migrants in the world are projected to reach 230 million by 2050.**

While South-South migration persists, more migrants are moving from developing to developed regions with an annual average of 2.4 million migrants moving from the less developed to the more developed areas. **Currently, 60 per cent of migrants live in the more developed regions, where migrants make up almost one in every 10 persons. By contrast, migrants make up nearly one of every 70 persons in developing regions.**<sup>32</sup>

At the start of the 21<sup>st</sup> century, one out of every 35 persons worldwide is an international migrant. The total number of international migrants is estimated at some 175 million persons (2,9% of the world). Some 48% of all international migrants are women. Over the last 35 years, the number of international migrants has more than doubled. The United States (35 million) and the Russian Federation (13,3 million) top the list of the 15 countries with the largest international migrant stocks in 2000. This list includes countries from all world regions: Germany (7,3 million), Ukraine (6,9 million), France (6,3 million), India (6,3 million), Canada (5,8 million), Saudi Arabia (5,3 million), Australia (4,7 million), Pakistan (4,2 million), United Kingdom (4,0 million), Kazakhstan (3,0 million), Côte d'Ivoire (2,3 million), Iran (2,3 million), Israel (2,3 million).<sup>33</sup>



Source: United Nations • Population Division • Department of Economic and Social Affairs

Some of the major findings of the report are as follows: Around 175 million persons currently reside in a country other than where they were born, which is about 3 per cent of world population. The number of migrants has more than doubled since 1970\*. Sixty per cent of the world's migrants currently reside in the more developed regions and 40 per cent in the less developed regions. Most of the world's migrants live in Europe (56 million), Asia (50 million) and Northern America (41 million). Almost one of every 10 persons living in the more developed regions is a migrant. In contrast, nearly one of every 70 persons in developing countries is a migrant. In the ten years from 1990 to 2000, the number of migrants in the world increased by 21 million persons, or 14 per cent (see table 1 below). The total net

<sup>31</sup> Migration, financial flows and development in the Euro-Mediterranean area

<sup>32</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD

<sup>33</sup> Facts and figures on international migration



growth in migrants took place in the more developed regions. Europe, Northern America, Australia, New Zealand and Japan in total registered an increase of migrant stock of 23 million persons, or 28 per cent. The number of migrants in Northern America grew by 13 million (48 per cent) during the last decade, while Europe's migrant population increased by 8 million, or by 16 per cent. In contrast, the migrant population of the less developed regions fell by 2 million during the 1990-2000 period.

The number of migrants residing in Latin America and the Caribbean declined by one million, or by 15 per cent.

In just the five years from 1995-2000, the more developed regions of the world received nearly 12 million migrants from the less developed regions, an estimated 2.3 million migrants per year. The largest gains per year were made by Northern America, which absorbed 1.4 million migrants annually, followed by Europe with an annual net gain of 0.8 million and by Oceania, with a more modest net intake of 90,000 migrants annually.<sup>34</sup>

Furthermore, the migration debate has increasingly been influenced by what is termed the "demographic deficit" due to many countries' fertility rates having dipped so low that deaths exceed births, and resulting in a declining labour force and a threat to long-term economic productivity<sup>(1)</sup>.<sup>35</sup>

### The World's Foreign-Born Population from 1965 to 2000

Year	World Foreign-Born Population (in thousands)
1965	75,214
1975	84,494
1985	105,194
1990	119,761
2000	175,000

Sources:

United Nations (2002b); Population Reference Bureau (2002),

Zlotnik, H. (1998)

Source: *Selection statistics in international migration*

The number of international migrants in the world rose from 79 million in 1960 to 175 million in 2000. The growth was particularly notable during the 1980s, mostly due to the break-up of the former Soviet Union and subsequent independence of the new Republics. It should be noted that much of increases in the foreign migrant stock in the world in 1990 occurred because of creation of new national borders, thus without involving actual moves of people. Two-thirds of the growth of the world migrant stock between 1990 and 2000 took place in Northern America. Despite continuing increases in the number, international migrants comprised only 3 per cent of the world population in 2000. Refugees, accounting for 9 per cent of the world's migrant stock, were an important component of population movements.

The number of international migrants in developed countries as a proportion of the world total migrant stock kept increasing over the last four decades. Before 1980, the less developed regions had attracted a higher share of international migrants than the more developed regions. By 2000, however, three-fifths of the world's migrants were found in the more developed regions. At the regional level, Europe was the largest host of international

<sup>34</sup> International Migration Report 2002

<sup>35</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD



migrants, with 56 million migrants in 2000, followed by Asia, and Northern America. Indeed, these three regions hosted most of the international migrants (84 per cent) in the world.

At the country level, the United States hosts the largest international migrant stock, with nearly 35 million migrants in 2000. It was followed by the Russian Federation (13 million) and Germany (7 million), Ukraine (7 million). The four top countries with the highest percentage of international migrant stock in the total population were the United Arab Emirates (74 per cent), Kuwait (58 per cent), Jordan (40 per cent) and Israel (37 per cent), all located in Western Asia.<sup>36</sup>

Table 3. Estimates of migrant stock by region, proportion in the world migrant stock and proportion of women in migrant stock, 1960, 1970, 1980, 1990 and 2000.

	1960	1970	1980	1990	2000
A. Migrant stock (in 1,000)					
World total	78,842	84,620	103,034	154,005	174,948
More developed regions	35,026	41,376	50,978	81,425	104,119
Less developed regions	43,816	43,244	52,056	72,580	70,829
Africa	8,977	9,863	14,076	16,221	16,277
Asia	29,281	28,104	32,313	49,985	49,948
Europe	16,957	21,798	25,415	48,438	56,100
Former USSR	2,942	3,093	3,251	-	-
Latin America and the Caribbean	6,039	5,750	6,139	7,014	5,944
Northern America	12,513	12,986	18,087	27,597	40,844
Oceania	2,134	3,028	3,755	4,751	5,835

Source: United Nations (2002). *International Migration Report 2002*. Sales No. E.03.XIII.4. New York:

Western European countries are growing more concerned with the challenges of their ageing demographics and the role that international migration might be called upon to play. There is also a realisation that the demography of immigrants is an important element in future population developments in Europe (Haug, Compton and Courbage, 2002). The response to some skill shortages at home is increasing openness to those from abroad.<sup>37</sup>

Europe changed from an area of emigration towards the New World into an area of immigration in the second half of the past century. At the start of the new millennium the European migration debate is about the need for replacement migration given the rapidly ageing and declining populations, about the need for (highly-) skilled workers, about clandestine migration and the abuse of asylum, and about how to fight the trafficking of migrants.<sup>38</sup>

At the beginning of the new millennium the migration debate received another impetus, this time not due to the unexpected arrival of large numbers of asylum seekers, or the detection of new major trafficking routes, but because of a publication from the Population Division of the United Nations (2000). The publication called *Replacement Migration* is a demographic exercise concerning the size of the future migration needed to replace declining and ageing populations. Europe's population will decline and age in the near future. The conclusions of the report on the European Union tell us that if the total population of the European Union is to be kept constant until 2050 it would be necessary to have 47.4 million immigrants between 2000–2050 or 949,000 immigrants per year.<sup>39</sup>

<sup>36</sup> The International Migrant Stock: A Global View

<sup>37</sup> CURRENT TRENDS IN INTERNATIONAL MIGRATION IN EUROPE

<sup>38</sup> INTERNATIONAL MIGRATION AND THE EUROPEAN UNION, TRENDS AND CONSEQUENCES

<sup>39</sup> INTERNATIONAL MIGRATION AND THE EUROPEAN UNION, TRENDS AND CONSEQUENCES



European Commission President Prodi has called for up to 1.7 million immigrants to fill an EU wide labour shortage through a system similar to the US "green card" for "qualified immigrants" (AFX 2001). This, of course, refers to the large problem of the population aging of the Western nations and the implied future shortage of workers. Thus far, most of the policy innovations have targeted temporary workers, despite the misuse of the "green card" analogy that in the United States refers strictly to permanent citizenship-track admissions. For example, Germany's "green card" initiative to attract up to 30,000 ICT workers permits a stay of only up to 5 years in duration.<sup>40</sup>

The brain drain debates have a long history spanning about four decades. We can distinguish two phases: a) the sixties and the seventies when movements of highly skilled persons from the developing countries (South) to the developed world (North) received considerable emphasis; b) the current phase of globalization. In the first phase, there was extensive discussion among academics, researchers, and UN agencies on the consequences of the brain drain and means of compensation (UNCTAD 1975; Bhagwati Jagdish 1976; UNCTAD 1979). The second phase of interest in skilled labour migration starts from the early 1990s with rapid advances in globalisation and phenomenal growth in information and communications technologies (ICT).<sup>41</sup>

The information, communications, and technology (ICT) revolution sparked a worldwide effort by governments to court ICT workers through recruitment of international labour practices. The U.S. seems to have won out thus far. Developing countries too have put in their bid to attract skilled workers. Most of the new spate of policies is for temporary visas that are made easier to get for employers and high-skilled foreign workers. The ICT revolution is not the first, but it is perhaps the most startling example of how an information-age industry can quickly generate global demand for labour. The other traditional countries of immigration, Canada and Australia, have rapidly adjusted their existing open policies to attract ICT workers. Indeed, research demonstrates that the three countries compete for highly skilled workers, with the United States tending to win out: each skilled immigrant admitted into the United States reduces the share of skilled intake by the other two (Cobb-Clark 1997).<sup>42</sup>

Advanced communications and transportation technology bring a level of transnationalism never before experienced. Although some migrants have always been very actively mobile, going back and forth between their homelands and the host countries, the process has generally been successive. Today, however, whenever people become migrants, they are often literally and continuously on the move, going from one country to another. They live in more than one place, and keep close ties with these places. National borders and territories have been exposed to many disorderly migrations as well as orderly ones more than ever.<sup>43</sup>

### 2.1.2. Flows of remittances

Remittances are generally defined as the portion of a migrant's earnings sent back from the migration destination to the place of origin. Although remittances can also be sent in-kind, the term 'remittances' usually refers to cash transfers. In most of the literature, the term is further limited to refer to *migrant worker remittances*, that is to cash transfers transmitted by migrant workers to their families and communities back home (Van Doorn 2001). While migrant worker remittances probably constitute the largest part of total global remittance flows, this briefing adopts a broader definition including transfers from refugees and other

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<sup>40</sup> **POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR**

<sup>41</sup> **Policy responses to skilled Migration: Retention, return And circulation**

<sup>42</sup> **POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR**

<sup>43</sup> **Tides between Mediterranean Shores: Undocumented Migration in the South of Europe**



migrants who do not benefit from the legal status of migrant workers. It must be taken into account that refugee remittances are included in global flow statistics, but not in analyses.<sup>44</sup>

Remittances from migrant workers to their families in developing countries more than doubled over the past decade, from \$33.1 billion in 1991 to \$80 billion in 2002 (Ratha 2003; Sander 2003; annex 1). The 10 percent increase from 2001 to 2002 illustrates how growth in remittances has accelerated. Remittances now constitute the second largest flow of external finance, well behind foreign direct investment but far ahead of official development assistance. Remittances also have proved more stable than other sources of finance, and most experts now believe that remittances create a steady net positive transfer. Informal transfers and formal but unrecorded transfers add another order of magnitude to remittance flows, bringing the estimated total to as much as \$200 billion, more than foreign direct investment (annex 1).<sup>45</sup>

Remittances are financial resource flows arising from the cross-border movement of nationals of a country. The narrowest definition -- "unrequited transfers" -- refers primarily to money sent by migrants to family and friends on which there are no claims by the sender, (unlike other financial flows such as debt or equity flows).<sup>46</sup>

Remittances are an increasingly significant source of external financing for developing countries.<sup>3</sup> Over the past decade they have emerged as the second largest source of net financial flows to developing countries (Fig. 2a, 2b). **Their growth is in contrast to net official flows (aid plus debt), which have stagnated if not declined. The total volume of remittances to developing countries in 2001 was \$72.3 billion, nearly one and half times net ODA in that year (\$52 billion) and net private flows (FDI plus debt flows) of nearly \$153 billion** (Table 2a).<sup>47</sup>

Table 2a. Developing Countries - Net Flows of External Finance, 2001

Region	Private	Official	Remittances	(all figure in billions of dollars)	
				Total Net Flows	Remittances/Net Flows (%)
East Asia	36.4	5.7	10.4	52.5	20%
East Europe and Central Asia	30.9	10.2	8.9	50.0	18%
Latin America	62.8	23.4	22.6	108.8	21%
Mid-East and North Africa	8.3	2.0	13.1	23.4	56%
South Asia	2.9	6.0	14.9	23.8	63%
Sub Saharan Africa	11.6	10.2	2.4	24.2	10%

Official Flow includes lending from multilateral banks, IMF and bilateral loans and grants.  
Private Flows includes equity (FDI and portfolio flows), and both long and short term debt flows.  
Source : Global Development Finance, 2003.

*Source: The New Development Mantra?*

A growing literature on international migration from poorer countries stresses that this can stimulate significant capital flows.<sup>48</sup>

Indeed, it has been argued that, "a logical consequence of the migration of workers is a reverse flow of remittances to support dependent relatives, repayment of loans, investment and other purposes." (52). Broadly speaking, remittances are private transfers of money from migrants to family members in the countries of origin. While the average size of an international remittance may be quite modest, when added up, the hundreds of thousands

<sup>44</sup> Migration, financial flows and development in the Euro-Mediterranean area

<sup>45</sup> Migrant Labour Remittances in Africa: Reducing Obstacles to Developmental Contributions

<sup>46</sup> REMITTANCES: THE NEW DEVELOPMENT MANTRA?

<sup>47</sup> REMITTANCES: THE NEW DEVELOPMENT MANTRA?

<sup>48</sup> Migration, return and small enterprise development in Ghana: a route out of poverty



of transfers occurring every month reflect significant amounts of capital being transferred from developed countries to the developing.<sup>49</sup>

In 2003, the Global Development Finance Annual Report took formal notice of remittances as a source of external development finance for the first time. Estimated at over US\$ 72 billion in 2000, remittances to developing countries represent a large proportion of world financial flows and amount to substantially more than global official development assistance, more than capital market flows and more than half of foreign direct investment flows to these countries. To further underline the development dimension of migrant transfers, remittances seem to be more stable than private capital flows and to be less volatile to changing economic cycles (Ratha, 2003:160).<sup>50</sup>

The Global Development Finance 2003 Annual Report took formal notice of this role for the first time. In 2001 migrant remittances were estimated at over 100 billion USD, i.e. more than global official development assistance, more than capital market flows, and more than half of foreign direct investment flows. About 60 percent of global remittances were sent to developing countries in 2000, which shows how important they are for their economic and financial stability.<sup>51</sup>

**Recent estimates put the global flow of migrant remittances as high as \$100 billion, 20 per cent higher than global development assistance and second only to oil transactions in terms of international flows of capital** (Castles and Miller, 1998: 5; IOM, 2000: 31)<sup>52</sup>

Hermele (1997) compiled fairly recent data showing that the aggregate value of migrant remittances can significantly exceed that of national export earnings. For certain countries, remittances are a more important source of revenue than official development assistance (ODA) disbursements (Livi-Bacci, 1993)<sup>53</sup>.

Improved methods of measurement have shown that remittances are indeed very substantial. Even official data, which severely underestimate remittance flows, show global levels of US\$ 80 billion in 2002, greater than FDI and FDA (*Migration News*, 2003(10): 2).<sup>54</sup>

Overall, international migrants represent a powerful economic constituency. In addition to contributing to the economy of their host countries, **they also sent over 90 billion USD in remittances to their countries of origin in 2003**. To this non-negligible amount should be added migrants' savings channelled through FDI or portfolio investment, holidays' expenses, etc.<sup>55</sup>

**The World Bank recently estimated that the global annual flow of remittances to developing countries in 2002 was 88 billion USD** (<sup>53</sup>). Remittances are estimated to have exceeded 90 billion USD in 2003, although actual figures are much higher when informal transfers are taken into account. **This implies that remittances exceed Official Development Assistance (ODA) and constitute the largest single source of financial flows to developing countries after Foreign Direct Investment (FDI), in some cases even exceeding FDI flows in many countries.**

**In 2002, some of the biggest receivers of remittances were India (11.5 billion USD), Mexico (6.5 billion USD), Philippines (6.4 billion USD), Egypt (3.7 billion USD) and Morocco (3.3 billion USD).** If calculated as a share of gross domestic product (GDP), lower

<sup>49</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD

<sup>50</sup> The Development Dimension of Migrant Remittances

<sup>51</sup> Migration, financial flows and development in the Euro-Mediterranean area

<sup>52</sup> Migration, return and small enterprise development in Ghana: a route out of poverty

<sup>53</sup> Harnessing the Potential of Migration and Return to Promote Development

<sup>54</sup> Migration and Development: A Perspective from Asia

<sup>55</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD



middle-income and low-income countries were the biggest recipients with remittances constituting on average 2 per cent of GDP.<sup>56</sup>

### Top 20 Receiving Countries of Migrants Remittances, 2000

Country	Remittances (US\$ in thousands)
India	11,585,699
Mexico	6,572,599
Turkey	4,560,000
Egypt	3,747,000
Spain	3,414,414
Portugal	3,131,162
Morocco	2,160,999
Bangladesh	1,948,999
Jordan	1,845,133
El Salvador	1,750,770
Dominican Republic	1,688,999
Greece	1,613,100
Colombia	1,553,900
Ecuador	1,316,700
Yemen	1,255,206
Indonesia	1,190,000
Sri Lanka	1,142,329
Brazil	1,112,999
Pakistan	982,899
Jamaica	789,299

Source:  
World Bank (2002)

*Source: Selection of statistics in international migration*

A recent study commissioned by the Multilateral Investment Fund of the Inter-American Development Bank (Orozco, 2003a) estimates the worldwide flows of remittances by region in 2002. The study concludes that Latin America and the Caribbean are the main recipient areas of remittances in the world, receiving about 31 per cent of total flows. South Asia is the second-largest remittance recipient area (20%), followed by the Middle East and North Africa (18%), East Asia and the Pacific (14%), Europe and Central Asia (13%) and Southern Africa (5%).<sup>57</sup>

The Global Development Finance 2003 Annual Report makes a very conservative calculation of remittances based on official IMF balance of payments data. Even so, the report estimates that US\$ 72.3 billion went to developing countries in 2001. Of these, Latin America received US\$ 25 billion (Mexico alone 9.9 billion); South Asia US\$ 16 billion (India alone US\$ 10 billion); and East Asia US\$ 11 billion (the Philippines alone US\$ 7 billion). (For an overview of remittance flows, see Annexes 1 and 2.)<sup>58</sup>

One of the manifestations of the effects of international migration is remittances. Total remittance flows continue to increase over time "with an annual average in the previous decade of US\$700-1000 per worker"<sup>(6)</sup>, and possibly reaching more than one hundred billion

<sup>56</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD

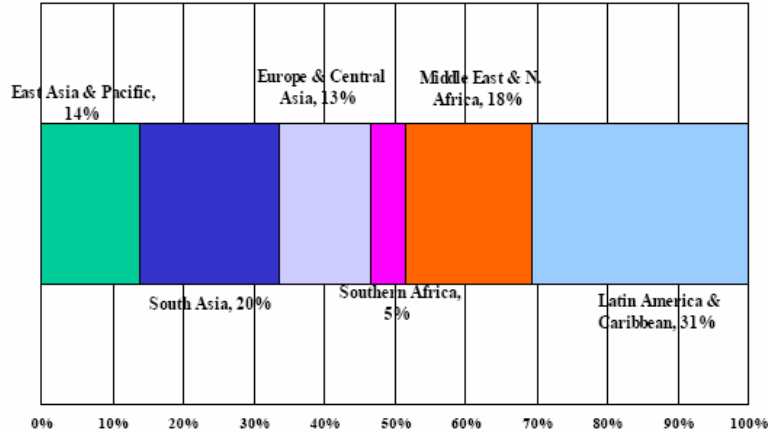
<sup>57</sup> The Development Dimension of Migrant Remittances

<sup>58</sup> The Development Dimension of Migrant Remittances



dollars.<sup>(7)</sup> Estimates of remittances vary significantly. The IMF and World Bank, for example, only reports on eighty countries receiving a total of nearly eighty billion dollars. Despite the lack of significant data, these figures offer a preliminary map of remittances (see Figure 1).<sup>59</sup>

Figure 1. Worldwide flows of worker remittances by region, 2002



Source: *Remittances, the Rural Sector, and Policy options in Latin America*

Most international migrants send between \$100 and \$1,000 per transaction. Intra-regional and domestic remittances are generally significantly lower <sup>(28)</sup>. Ratha (2003) cites \$200 as a global average transaction value, an estimate based on extensive research on remittances between the United States and Latin America. Remittances to African countries are less well researched. Data are sketchy on the percentage of their incomes migrants actually send home. Anecdotal evidence suggests that remitting up to one-third is not uncommon, and some surveys have recorded remittances of between 30 and 60 percent (McDonald). Variations are subject to myriad factors—among them the migrant’s profile, salary level, cost of living in the host country, volatility of the home currency, and differentials in interest on savings between the host and the home country (Nyberg Sørensen 2002).<sup>60</sup>

### 2.1.3. Brain drain & brain gain

Some researchers have posed the brain drain issue in extreme positions such as “curse or boon” (Commander, Kangasniemi et al. 2002) or “winners and losers” (Beine, Docquier et al. 2002). In the real world, the truth is somewhere in-between. Benefits and losses from skilled migration are never one way flows; they tend to be shared in some degree between the sending and receiving countries.<sup>61</sup>

The ability of developed countries to attract skilled workers with promises of higher wages, higher living standards and better prospects poses a problem for developing countries when it results in the flight of large numbers of their “best and brightest,” a phenomenon most commonly referred to as the “brain drain.” Indeed, for many years, developing countries have voiced concerns relating to the adverse economic effects of brain drain and sought to raise awareness of this problem among the advanced economies, as well as enhance inter-State cooperation on this issue. Moreover, the establishment of a highly skilled diaspora may give rise to a vicious cycle of human capital flight by constituting a pole of attraction for other highly skilled workers, motivating them also to migrate.<sup>62</sup>

<sup>59</sup> **Remittances, the Rural Sector, and Policy options in Latin America**

<sup>60</sup> **Migrant Labour Remittances in Africa: Reducing Obstacles to Developmental Contributions**

<sup>61</sup> **Policy responses to skilled Migration: Retention, return And circulation**

<sup>62</sup> **MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD**



The international mobility of highly skilled workers presents developing countries with a serious challenge. Theory and research suggest that the direct impact of a brain drain, that is a sizable loss of highly educated natives abroad, represents a reduction in the accumulation of human capital or knowledge (Straubhaar 2000; Lowell 2001). Such losses are greater than the simple loss of investment in educating the emigrants in the first place and the immediate result is a reduction in economic growth of developing countries.<sup>63</sup>

When faced with significant numbers of highly educated elite leaving for better wages elsewhere, it is natural for warning flags to be raised. At the least, the loss represents losses to past educational investments, or it may signal failing employment conditions in the source country, and it can portend losses to future productivity.<sup>64</sup>

Table 2: Brain Drain Balance Sheet: Sending Countries

Positive effects	Negative effects
<ul style="list-style-type: none"> <li>➤ Provides rewarding opportunities to educated workers not available at home.</li> <li>➤ Inflow of remittances and foreign exchange</li> <li>➤ Induced stimulus to investment in domestic education and individual human capital investments</li> <li>➤ Return of skilled persons increases local human capital, transfer of skills and links to foreign networks</li> <li>➤ Technology transfer, investments and venture capital by diasporas</li> <li>➤ Circulation of brains promotes integration into global markets (India, Taiwan, (China)).</li> <li>➤ Short term movements of service providers (GATS Mode 4) generate benefits for both receiving and sending countries.</li> <li>➤ ICT allows countries to benefit from diasporas.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Net decrease in human capital stock, especially those with valuable professional experience</li> <li>➤ Reduced growth and productivity because of the lower stock of human capital</li> <li>➤ Fiscal loss of heavy investments in subsidized education</li> <li>➤ Remittances from skilled migration may taper off after some time.</li> <li>➤ Reduced quality of essential services of health and education</li> <li>➤ Students educated at government expense or own resources in foreign countries imply further drain</li> <li>➤ Opportunities for short-term movement of natural persons is seriously constrained by immigration policies of developed countries.</li> <li>➤ Causes increasing disparities in incomes in country of origin.</li> </ul>

Source: *Policy responses to skilled Migration: Retention, return and circulation*

### Facts and figures

Migration of the educated and skilled from developing countries to industrial ones in the North has reached significant proportions and there is little evidence that these flows will decrease in the near future notably for African economies (Appleyard, 1998 & Adepoju 1995). These prospects inevitably raise deep concerns among policy makers who continue to call for effective policy measures that can facilitate the return of migrants or to encourage them to maintain links with their home country (Grey-Johnson, 1986; Ndiaye, 2000; Pires 1992).<sup>65</sup>

The United States (1999: 370 000 persons), Japan (2000: 129,000) and Canada (2000: 86 200) experienced the largest annual inflows of highly skilled workers among the world's high income countries. The United Kingdom (2000: 39 000), Australia (1999-2000: 30 000) and Germany (2000-2001: 11 800) followed. Among OECD countries, the highest numbers of foreign workers in 1999 were found in the United States (16,68 million), Germany (3,57 million), Australia (2,37 million), France (1,53 million) and the United Kingdom (1,1 million).<sup>66</sup>

There is though a serious underestimate of the actual numbers involved, since data are not available for all countries, nor does it include the children born to immigrants and undocumented migrants. However, birthplace data are especially relevant in the present

<sup>63</sup> POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR

<sup>64</sup> POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR

<sup>65</sup> Harnessing the Potential of Migration and Return to Promote Development

<sup>66</sup> Facts and figures on international migration



context since it is the first generation of settlers who maintain the strongest links with their home regions.<sup>67</sup>

Seriously affected countries such as Iran, Ghana, El Salvador, or Guyana lost nearly a third of their educated elite to OECD countries in the pre-1990 period.<sup>68</sup>

In China it is estimated that since 1979 around 400,000 have travelled abroad for graduate studies, but less than a quarter returned.<sup>69</sup>

The Indian diaspora is one of the largest, second only to that of China. It is estimated that the approximately 20 million ethnic Indians and Indians abroad together have an annual income of about US\$ 400 billion, equivalent to 80 per cent of the income generated by the 1 billion Indians living in India (*Migration News*, October 2002). It is estimated that the 1 million Indians in the United States are equivalent to 0.1 per cent of the total population living in India, but earned the equivalent of 10 per cent of Indians' national income in 2000 (*Migration News*, November 2002).<sup>70</sup>

It is estimated that about 18 million Indians live in more than 100 countries. (*Migration News*, 7, 12 December 2000), the *Viet Khu*, or overseas Vietnamese, number 2.7 million (Cohen, 2003: 48) and the Pakistan diaspora is estimated at around 3.5 million (*Dawn*, 5 October 2001). Undoubtedly the largest diaspora is that of the Chinese and the overseas ethnic Chinese population, estimated at 34 million, (*Taiwan Economic News*, 2000).<sup>71</sup>

There is lively reporting in the press about the brain drain issue in South Africa. It reports, for instance, that a skilled worker shortage will affect South Africa's ability to fulfil economic growth targets over the next three to five years. A report by Corporate Services shows that the shortage of managerial and technical staff is between 350,000 and 500,000 (*Africa News* 2000). There are reports that foreign investment is not attracted to South Africa because of a shortage of skilled professionals in engineering and medicine that is compounded by the difficulty of getting short-term work permits for skilled foreign workers. One solution is to loosen admission requirements or as one of President Thabo Mbeki ministers recently remarked, "South Africa would like to attract Indian teachers and Russian scientists to work in the country to make up for shortages of skilled labour" (Agence France Presse 2001).<sup>72</sup>

It is estimated that today about one-third of the most highly qualified African nationals live outside their country of origin mainly in Western Europe and North America (World Bank, 2000). Logan (1992) published data on US immigration showing that a larger proportion of Africa's total migrant pool is made up of professionals, compared to the rest of the world and that the rate of growth of the professional migrant flow from Africa generally higher. UNCTAD estimates that, between 1960 and 1987, about 70 000 highly skilled Africans left the continent to access the West (quoted in Russel et al., 1990). This corresponds to approximately 30 percent of the high-level manpower stock available within the continent at that time, an estimate confirmed this year by the World Bank (2000).<sup>73</sup>

The only reliable global estimates on the brain drain are from the 1998 IMF study on the movements of skilled workers for the year 1990 (Carrington and Detragiache 1998). This study estimated the brain drain defined as "the percent of highly educated persons from a

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<sup>67</sup> **Migration and Development: A Perspective from Asia**

<sup>68</sup> **POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR**

<sup>69</sup> **Migration and Development: A Perspective from Asia**

<sup>70</sup> **Migration and Development: A Perspective from Asia**

<sup>71</sup> **Migration and Development: A Perspective from Asia**

<sup>72</sup> **POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR**

<sup>73</sup> **Harnessing the Potential of Migration and Return to Promote Development**



given developing country who emigrated to OECD countries" from Africa, Asia and the Pacific, North, and South America. However, the reference year was 1990 which reflects the pre-globalization period in the 1980s rather than the more relevant period of the 1990s.<sup>74</sup>

The main highlights of the IMF study are:

- The total brain drain from less developed countries to OECD countries stood at 12.9 million persons comprising seven million to the US and 5.9 million to the rest of OECD countries including Europe;
- The very well educated (defined as those with tertiary education) were the most internationally mobile group. The migration rate is highest for tertiary educated people in most developing countries, amounting to about 30 per cent or so;
- According to regions, the cumulative "loss of brains" in 1990 is estimated as follows: Central America –15 per cent; Africa - 6 per cent; South America – 3 per cent; and Asia, 5 per cent;<sup>75</sup>

Africa is hard hit by the brain drain. The following figures have been cited at the UN ECA Regional Conference on Brain Drain and Capacity Building in Africa, Addis Ababa, 22 – 24 February 2000 (Lalla Ben Barka 2000).

- Africa lost 60,000 professionals (doctors, university lecturers, engineers, etc.) between 1985 and 1990;
- There were more than 21,000 Nigerian doctors practising in the United States alone while Nigeria's health system suffers from an acute lack of medical personnel (UN HDR 1993);
- 60 per cent of all Ghanaian doctors trained locally in the 1980s had left the country, while in Sudan, 17 percent of doctors and dentists, 20 per cent of university lecturers, 30 percent of engineers in 1978 alone had gone to work abroad.<sup>76</sup>

Damaging costs

A review of the theoretical literature shows that most economists believe that the direct impact of a sizable brain drain will reduce the economic growth of the sending country (Lowell 2001). What little empirical research exists appears to, as expected, show that the direct impact of a brain drain is to significantly slow GDP growth (Straubhaar 2000). And what little comparative research exists on the demography of the phenomenon also demonstrates that the losses of tertiary (college) educated persons can be truly significant (Carrington and Detragiache 1999).<sup>77</sup>

The cost of losing qualified nationals encompasses not only the lost future productivity of the skilled migrant but also the loss of investment in the education and training of the migrant incurred by the country of origin. Quantifying such a loss is of course speculative. However, it has been calculated that with respect to brain drain from the developing world to Organization for Economic Cooperation and Development (OECD) countries, **it costs developing countries on average 20,000 USD to educate someone to a tertiary level. Consequently, the 3 million highly skilled migrants in OECD countries constitute a total loss to developing countries of 60 billion USD in educational investment alone** (68).<sup>78</sup>

Recent economic thinking on economic development suggests that the human capital assets of a nation are one its most important tools for growth. Indeed, the average level of human

<sup>74</sup> Policy responses to skilled Migration: Retention, return And circulation

<sup>75</sup> Policy responses to skilled Migration: Retention, return And circulation

<sup>76</sup> Policy responses to skilled Migration: Retention, return And circulation

<sup>77</sup> POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR

<sup>78</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD



capital in a society has positive effects on productivity. The greater a country's average level of education, the greater its economic growth (Lee and Barro 1993; Barro and Sala-I-Martin 1995). More skilled workers permit countries to lower their production costs and be more competitive, but they also generate knowledge that drives adaptability and economic growth. One study of 111 countries 1960 to 1990 found that a one-year increase in the average education of a nation's workforce increases the output per worker by between 5 and 15 percent (Topel 1998). When a nation loses significant numbers of its most educated, it stands to lose a critical asset that can damage the earnings of its low-skilled workers, increase poverty, and widen inequality.<sup>79</sup>

The brain waste dilemma or quagmire

A problem related to brain drain is that of "brain waste" which occurs when highly skilled migrants work as unskilled labour in host countries. For instance, it is not uncommon for doctors and engineers from Africa and Latin America to be working as janitors or taxi drivers in Europe and America. Tackling this problem requires more concerted efforts by governments to establish the educational equivalencies of foreign diplomas, as well as efforts to effectively integrate foreign professionals into domestic labour forces so that their full potential is maximized. A recent study conducted in Sweden shows that the unemployment rate for migrants (defined as persons born abroad) with a tertiary level education is twice as high as that of the native born population with similar qualifications. Also, it shows that a considerable number of highly educated migrants consider themselves to have jobs for which they are overqualified (75).<sup>80</sup>

EUROSTAT (2000) published data on the (un)employment of the working population by main groups of citizenship. These figures distinguish nationals in an EU Member State from other EU nationals and non-EU nationals. The available figures show a grim picture of the unemployment rates of non-EU nationals in the EU Member States in Table III. The unemployment rates among non-EU nationals are generally far above the unemployment rates of the nationals, while the unemployment rates of the other-EU nationals tend to be much closer to the unemployment rates of the nationals.<sup>81</sup>

TABLE III

Unemployment rates by main groups of citizenship in selected EU Member States, 1996/1998 (% unemployed persons as a percentage of total working population of each group).

EU Member States	Total	Nationals	Other EU	Non-EU
Denmark (1997)	6.8	6.3	11.3	25.0
Germany (1998)	9.7	9.0	10.4	20.1
Spain <sup>a</sup>	20.8	20.8	15.4	23.9
France (1997)	12.3	11.6	10.1	31.3
Ireland (1997)	10.3	10.2	16.2	5.4
Netherlands (1997)	5.5	5.1	8.4	24.7
Austria (1997)	5.1	4.4	5.6	11.4
Portugal (1997)	6.7	6.6	9.0	11.5
Finland (1997)	19.3	18.9	24.7	53.4
United Kingdom (1998) <sup>b</sup>	6.1	6.0	7.0	11.9

Source: EUROSTAT (2000), Table D-1.2.

<sup>a</sup>Based on working population living in households.

<sup>b</sup>Labour Force Survey.

Source: *International Migration and the European Union Trends and Consequences*

Although the brain drain controversy (necessary harm or not?), some suggestions to solve the problem have been put forward (Obia, 1993). Concrete policy initiatives have also been devised to foster the return of highly educated and skilled migrants and to encourage their support in the development of their home country (Ghosh, 2000b). "Return of talent"

<sup>79</sup> POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR

<sup>80</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD

<sup>81</sup> INTERNATIONAL MIGRATION AND THE EUROPEAN UNION, TRENDS AND CONSEQUENCES



programmes have been implemented in various countries in Asia, Latin America, sub-Saharan Africa and the Caribbean. Some have been sponsored directly by governments, other through multilateral organizations<sup>82</sup>.

## 2.2. Migration trends: the Mediterranean Perspective

The Mediterranean region is part of the momentum, through three aspects: remittances, emigration, brain drain (emigration of high skilled population).

### 2.2.1. An economic-related migration

Economic migrants are the fastest growing category of migrants and an increasingly important economic constituency. States and industries attempt to "manage" economic migration so as to respond to labour market demands. Some regions in the world have made substantial progress towards developing arrangements to facilitate labour mobility of nationals within a given space. Progress in terms of ensuring economic migrants' rights and adopting positive approaches to migrants' integration, whether short-term or long-term, is still needed.<sup>83</sup>

Today, migrants do not necessarily move in order to start a new life elsewhere, but rather to improve the one they have in the country of origin (Kyle, 2000).<sup>84</sup>

Zimmermann (1996) distinguishes between factors that "push" people out of their home countries, and

factors that "pull" them to a new or "receiving" country. Among the former, we can mention adverse

domestic conditions such as inadequate educational capacity, lower living standards, technology

limitations, inadequate coordination between education and labor market, and uncertainty about the

future, political unrest, armed conflict, lack of realistic manpower policies, and economic instability

(Chang, 1999). The "pull" reasons are related to better personal and professional opportunities in the host country, like favorable immigration policies for better-educated people, wage differentials, differences in the quality of life, educational opportunities for children, interaction with other professionals, political stability, and job security (Hillman and Weiss, 1999; Portés, 1991).<sup>85</sup>

Economic migrants constitute the fastest growing category of migrants. ILO estimates that there are 86 million migrants workers worldwide not including family members who move with them or to join them. **Indeed, subtract global refugee figures 105 from the 175 million people living outside their country of birth in 2000, and we are left with approximately 163 million individuals who have "voluntarily" 106 chosen to cross borders, in search of better economic and/or social opportunities.** This figure is growing fast: it is estimated to have increased by 36 million in the last five years, or by 61 million during the last decade.<sup>86</sup>

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<sup>82</sup> **Harnessing the Potential of Migration and Return to Promote Development**

<sup>83</sup> **MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD**

<sup>84</sup> **Migration, financial flows and development in the Euro-Mediterranean area**

<sup>85</sup> **The International Migration of Skilled Human Capital from Developing Countries**

<sup>86</sup> **MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD**



Table 3. Estimates of migrant stock by region, proportion in the world migrant stock and proportion of women in migrant stock, 1960, 1970, 1980, 1990 and 2000.

	1960	1970	1980	1990	2000
A. Migrant stock (in 1,000)					
World total	78,842	84,620	103,034	154,005	174,948
More developed regions	35,026	41,376	50,978	81,425	104,119
Less developed regions	43,816	43,244	52,056	72,580	70,829

Source: *The International Migrant Stock: A Global View*

Defining international migrants as those who reside in countries other than those of their birth for more than one year, the number of such persons has doubled from 75 million in 1965 to an estimated 150 million in 2000 (IOM, 2000a). Of these about 80 to 97 million were migrant workers and members of their families (ILO, 2001), and between 12.1 million (UNHCR, 2001) and 14.5 million (USCR, 2001) were refugees. In addition to the refugees outside their countries of origin, there were some 20-25 million internally displaced persons forced to move within their states.<sup>87</sup>

In summary, it is assumed that economic motives and conditions and the perceptions about these conditions are the primary cause of migration. At all levels analysis (regional, community, household and individual) economic conditions and prospects play a role in both initiating and perpetuating migration. Networks are crucial at all levels as well. At the sub-national or regional levels, the direction of present and future flows is influenced by experiences of network members already living abroad and the development of a "culture of migration" is closely related to the existence of networks. Finally, networks are assumed to lower costs and risks with regard to intentions of future migration to intentions at the household and individual level. At the individual level, perceptions and attitudes (or social norms) form the basis of intentions for future moves. Conditions at the household and individual levels are decisive for intentions to move.<sup>88</sup>

The Mediterranean is no exception to this rule. A survey on Moroccan households' main motives for migration conducted under the project, "Push and Pull Factors of International Migration" of the Commission of the European Communities, makes it clear that their main driver is economic. (oim)<sup>89</sup>

Drawing on sample-based survey data from the internationally comparative study of "Push and Pull Factors of International Migration" (Eurostat-NIDI Project). Eurostat is the statistical bureau of the Commission of the European Communities, and NIDI is the Netherlands Interdisciplinary Demographic Institute.<sup>90</sup>

A very significant exception to this is the NIDI study carried out in 1997 as part of the larger 'push and pull factors of international migration' research sponsored by Eurostat. Of the five countries investigated for this project Egypt was found to be the one where intentions to migrate were lowest. Interviews with 2,000 households served to confirm many patterns and processes suggested by earlier research.<sup>91</sup>

While recent data on the magnitude of the migrants are patchy, the analysis of motives is even less well documented. One of the few attempts to elicit the motivation to migrate to another country was undertaken by Eurostat (2000b). In this study, households in Turkey

<sup>87</sup> **The Migration-Development Nexus: Evidence and Policy Options**

<sup>88</sup> **Moroccan Migration Dynamics, Prospects for the Future**

<sup>89</sup> **EC (European Commission) (2000a), Push and pull factors of international migration, and A comparative report, Luxembourg: Office for Official Publications of the European Communities.**

<sup>90</sup> **Tides between Mediterranean Shores: Undocumented Migration in the South of Europe**

<sup>91</sup> **The Development Impact of Temporary International Labour Migration on Southern Mediterranean Sending Countries: Contrasting Examples of Morocco and Egypt**

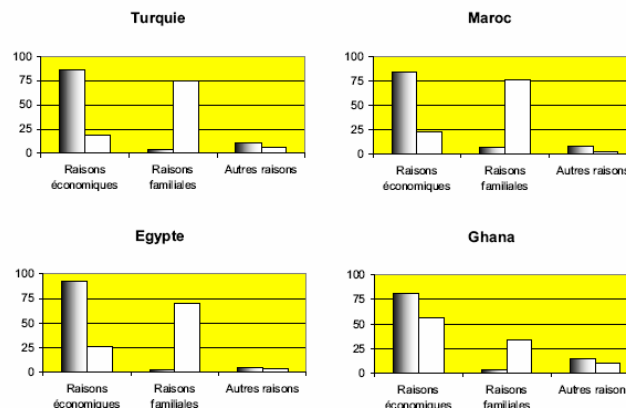


and four African countries (Morocco, Egypt, Senegal, and Ghana) were interviewed before and after moving. Most people in the sending countries have no intention for migrating: they have either no economic need to move abroad, or, for a small group, they lack the necessary means to go abroad (Eurostat, 2001). This is one reason why the view to encourage migration and increase demand for secondary and higher education is being encouraged.<sup>92</sup>

Why do people intend to migrate or why do they prefer to stay in their home country? As expected, and in line with the results for the other countries reviewed for this project, for men the main reason for the intention to migrate is overwhelmingly economic. About 90% of the male non-migrants and 80% of the return migrants give an economic reason, such as unemployment or insufficient income, or more generally the wish to improve one's standard of living (table5.10). Among women, economic reasons are mentioned by slightly more than a third of the respondents, but non-economic motives to migrate may play a role too, especially family-related motives (the wish to join the partner abroad, in particular).<sup>93</sup>

Besides, economic reasons also explain non-migration. Those falls into two opposing categories: respondents either indicate that there is no financial need for them to migrate (the largest group) or say they would like to migrate but lack the resources to do so (see Table 5.11). More than a third of male non-migrants in Morocco indicate that there is no financial need for them to move abroad, as compared to 6 to 15% of the non-migrants in the other countries studied. Other important reasons for male non-migrants to stay are age and health (29%) as well as family reasons (20%).<sup>94</sup>

Figure 6.1 Principales raisons de la dernière émigration du pays d'origine, par sexe et par pays d'origine (%)<sup>\*</sup>



Source: EC (European Commission) (2000a), *Push and pull factors of international migration, and A comparative report, Luxembourg: Office for Official Publications of the European Communities.*

For men, the percentage of « economic reason » given as a main motive for leaving the home country varies between 81 (Ghanaian) to 93 (Egyptian). Recent male migrant rarely leave for family reason (from 2% in Egypt to 7% in Morocco).<sup>95</sup>

<sup>92</sup> The International Migration of Skilled Human Capital from Developing Countries

<sup>93</sup> Moroccan Migration Dynamics, Prospects for the Future

<sup>94</sup> Moroccan Migration Dynamics, Prospects for the Future

<sup>95</sup> EC (European Commission) (2000a), *Push and pull factors of international migration, and A comparative report, Luxembourg: Office for Official Publications of the European Communities.*



## 2.2.2. Remittances to Middle East and North Africa

Compared to other regions in the world, African remittance data are generally scarce or suffer from a lack of reliability. According to a recent World Bank study, this may in part be explained by the relatively low share of migrant remittances flowing into the African continent (15%), and the even lower share flowing into sub-Saharan Africa (5%) (iii). Contrary to remittances to Latin America and Asia, remittances to Africa have grown only little and, as a result, their relative share has declined. But, as the report also states, this is partly due to the large data gaps for African countries in international remittance statistics (for sub-Saharan Africa, IMF remittance data is only available for about one-third of the countries). Another factor is the high prevalence of informal flows (Sander, 2003).<sup>96</sup>

Monetary remittances are transferred in formal and informal ways. *Formal remittances* are sent through banks, post offices, exchange houses and money transfer companies (such as Western Union, Thomas Cook and Money Gram). Formal international remittances can be measured through the IMF Balance of Payments Statistic Yearbook. *Informal remittances* are generally transferred through hand-carriage (when going home to visit) or by family, friends or money couriers. Besides, some countries have extensive and efficient systems to facilitate informal transfers, e.g. Hawala in Pakistan and Bangladesh; Hundi in India. These systems are generally well-organized, effective and inexpensive, and senders do not need to provide identification (Orozco 2003).<sup>97</sup>

In 2001, Morocco, Egypt, Tunisia, Sudan and Uganda were the top five African remittance-receiving countries. In sub-Saharan Africa the single largest receiver was Nigeria, followed by Lesotho, Sudan, Senegal and Mauritius (Sander, 2003: 6). IOM's *World Migration Report 2003* reveals a significant increase in the level of remittances to selected African countries. In the cases of Cape Verde, Ghana, Madagascar, Mali, Morocco and Tunisia the amount of annual official remittances increased by approximately 100 per cent from 1980 to 1995.<sup>98</sup>

IOM concludes that in the African context also, remittances represent considerable financial inflows and therefore are an economic reality not to be neglected. In Benin the average for the years 1980 to 1999 amounts to 4.5 per cent of GDP, in Burkina Faso to 5.8 per cent and in Cape Verde to 13.5 per cent. Moreover, remittances seem to be even more important if informal remittances are taken into account. Evidence from Sudan and Egypt suggests that the informal remittances double, and in some cases even triple the total amount of migrants' financial transfers. Given that the banking systems in many African countries are still inadequately developed, it can be safely assumed that informal remittances are very important in Africa (IOM, 2003: 227).<sup>99</sup>

In quantitative terms and in terms of stability the flow of workers remittances remains the most stable financial flow in the region. In the whole region 14 billion USD were received (Morocco 3.3, Egypt 2.9, Lebanon 2.3, Jordan 2.0, and Yemen 1.5 billion). As comparison, a look to the EU development aid policy towards the region is enlightening. Development aid from the EU -under the MEDA program launched with the Barcelona Process- in 8 of the 12 Mediterranean countries is less than 1 billion USD per year, to which another billion as loans from the European Bank of Investments must be added. These money, about 9 USD per capita, should be providing the engine for the modernization of the economy and prepare the Southern Mediterranean production systems to compete on a complete free market with the EU partners within 2010. Remittances instead are not only larger and more stable, but

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<sup>96</sup> **The Development Dimension of Migrant Remittances**

<sup>97</sup> **Migration, financial flows and development in the Euro-Mediterranean area**

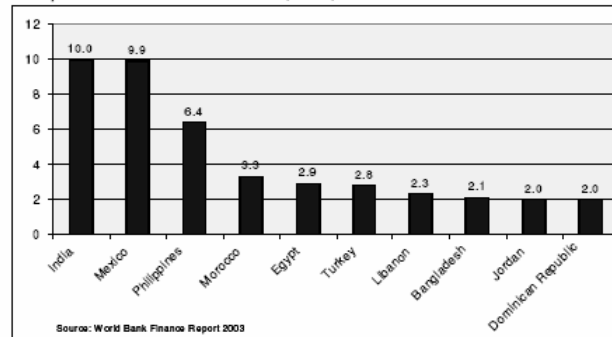
<sup>98</sup> **The Development Dimension of Migrant Remittances**

<sup>99</sup> **The Development Dimension of Migrant Remittances**



contribute directly to the welfare of the low income households located in both rural and urban areas.<sup>100</sup>

Graph 1 - Remittances on a Global Perspective: Top 10 developing-country recipients of workers' remittances, 2001, billions of dollars.



*Source: Migration, financial flows and development in the Euro-Mediterranean area*

The strong and consistent flow of remittances to North Africa reflects patterns of migration to Europe and the Middle East. Most remittances to Africa over the past decade were received in North Africa (72 percent), followed by East Africa (13 percent), and Southern and West Africa (7 and 5 percent). Central Africa records less than one percentage point in remittances (annex 2).<sup>101</sup>

### 2.2.3. The mobility of labour in MEDA

The South-North trend : a growing concern for Europe

The migration problem is to become explosive at the turn of the century for the all Region, and the consequences are what we are dealing with today. The risk represented by the "demographic bomb" is not longer a risk. It has exploded and it is documented by the daily dramatic events along the Italian and Spanish coasts of the Mediterranean Basin.<sup>102</sup>

At the beginning of the XXI century about 3 million people citizens of Arab Mediterranean countries live in the EU. Of these, more than half are resident in France (especially those from the Maghreb countries). Spain and Italy -countries of new immigration- are the destination of almost half million immigrants, while countries of old immigration such as the Netherlands, Germany and Belgium account for about another half million.<sup>103</sup>

In sum, in the context of migration from the Mediterranean towards the European Union, it has been identified three main reasons:

- Demographic Pressure: in the Southern Mediterranean Countries, the demographic transition is proceeding very slow. While mortality rates had fallen significantly, fertility rates remain high. The social status of women blocks the demographic transition. The results of this are: 1) high population growth rate and 2) an extremely young demographic structure
- Narrowness of the labour market: The rapid growth of the Active population overburdens the local labour markets. In some cases the situation, an inefficient economic policies worsen the situation that means instead of favouring labour intensive economic activities, the decision – makers adopt a capital intensive economic strategy.

<sup>100</sup> Migration, financial flows and development in the Euro-Mediterranean area

<sup>101</sup> Migrant Labour Remittances in Africa: Reducing Obstacles to Developmental Contributions

<sup>102</sup> Migration, financial flows and development in the Euro-Mediterranean area

<sup>103</sup> Migration, financial flows and development in the Euro-Mediterranean area



- The asymmetric situation between Northern and Southern Shore of the Mediterranean. The above mentioned reasons are intensified by differences in the income levels and standard of living. The differences of income are of a factor of ten.

This results in a push factor motivating the decision to move in search for higher wages and better living conditions.<sup>104</sup>

Migration from the Maghreb (principally from Algeria, Morocco, and Tunisia) to **European OECD countries** is a long-standing phenomenon (see Nassar, 1993) <sup>(9)</sup>. As of 1970, there were nearly 1.2 million nationals of these three countries resident in six OECD countries (Germany, Belgium, France, Netherlands, Sweden, and Switzerland). By 1989-1990, there were nearly 2.1 million in eight European countries (the aforementioned plus Italy and Spain). Such figures exclude undocumented migrants which are a growing concern for the European governments. For instance, In Italy's regularization campaigns of 1986 and 1990, Maghrebians were by far the largest group, numbering 124247 out of the total regularized (321349).<sup>105</sup>

The latest data available indicate that inflows of foreign population coming from Algeria, Morocco and Tunisia increased from 36.1 thousand migrants to 49.2 thousand migrants in Belgium, France, the Netherlands and Norway between 1989 and 1998. However such increasing trends do not reveal the disaggregated features of the migration flows where for example such net migration inflows from Morocco to the Netherlands have decreased from 8.4 thousand to 5.3 thousand between 1989 and 1998 (SOEPMI, 2000).<sup>106</sup>

Main trends, by individual year, in flows and stocks between the Mediterranean project countries and the EU receiving countries are shown in the attached individual project country reports. There is a separate report and statistical tables for each of Algeria, Morocco, Tunisia, Turkey, Lebanon and Egypt. There is a combined report and statistical tables for other project countries. Indeed, just over 6% of immigrants to the EU from a project country were citizens from one of the other Mediterranean countries: Cyprus, Malta, Israel, Jordan, Palestine or Syria.<sup>107</sup>

The South-South path : a gain for Gulf countries

The migration changes in the South-South context within the MENA region can be classified mainly into three types of trends. The first trend is the one that takes place between some MENA countries and other MENA countries that are not located in the Gulf area such as Libya. The second trend is rather a phenomenon where the same sending country is also a hosting country of migrant labor, or rather, what is precisely defined as replacement migration, as in the case of Jordan. The third type is the traditional type of migration, which takes place between the non-Gulf labor exporting countries to the Gulf labor importing countries. Hence the labor movement can be described as the most active economic activity taking place in the MENA region (see Nassar, 1994) despite the fact that MENA does not enjoy the type of labor mobility found for example in the EU, where citizens of one country have an automatic right to work in other EU countries.<sup>108</sup>

Exporting labour capital to the North and to the South: what is left?

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<sup>104</sup> **The Impact of Migration from the Mediterranean on European Security**

<sup>105</sup> **TRADE AND MIGRATION, ARE THEY COMPLEMENTS OR SUBSTITUTES: A REVIEW OF FOUR MENA COUNTRIES**

<sup>106</sup> **TRADE AND MIGRATION, ARE THEY COMPLEMENTS OR SUBSTITUTES: A REVIEW OF FOUR MENA COUNTRIES**

<sup>107</sup> **EC (European Commission) (2000a), Push and pull factors of international migration, and A comparative report, Luxembourg: Office for Official Publications of the European Communities.**

<sup>108</sup> **TRADE AND MIGRATION, ARE THEY COMPLEMENTS OR SUBSTITUTES: A REVIEW OF FOUR MENA COUNTRIES**



The recruitment of international skilled labour by developed countries is unlikely to stop with just the ICT industry. Developing countries experience shortages across a range of highly skilled occupations. There is now a shortage of teachers with increasing "millennium generation" cohorts of students entering primary and secondary schools in many developed Western nations. Britain has been criticized for poaching teachers from South Africa, as well as looking to Australia and New Zealand to fill the gaps. South Africa's education minister accused Britain of "raiding" his country with mass recruitment drives by London schools in South Africa (Smithers and McGreal 2001) <sup>(2)</sup>. Britain recruits teachers at a salary of four times what they earn in South Africa. At least in this instance, it is argued that South Africa is able to, and may benefit from, supplying teachers to Britain, but a government-to-government consultation may have reduced the perceptions of poaching and led to beneficial arrangements for both countries. A similar tale could be told in several countries. The medical field is another area that faces chronic shortages, particularly to meet the demands of an aging population, as well as in rural and inner city settings. Australia seeks to remedy this problem by granting temporary work visas to doctors trained overseas in an effort to fill "areas of need" doctors to work in rural areas, urban hospitals and "locum services". Australian doctors, whose numbers have declined due to deliberate effort of the Australian government to restrict domestic growth, choose more upscale clientele. Thus, the importation of foreign doctors backfills shortages created by policy missteps, but is a good example of how receiving countries can use immigration to fill specific knowledge gaps. <sup>109</sup>

Besides the typical pull factors represented by a higher standard of living and income opportunities in the European Union countries, migration reflects also the demographic structure and the employment needs of Southern Mediterranean countries (see Table 1). Given the demographic structures of the Southern Mediterranean countries, it is estimated that in the next five years more than 77 million jobs have to be created and in 2020 this number will rise to 100 million jobs. These are figure that estimate the job needs to maintain the current level of employment, which is notoriously characterized by high level of unemployment, especially among the young people. <sup>110</sup>

Table 1 – Employment needs in the Mediterranean, 2000, 2010, 2020

	Population with more than 15 years			Active population			Employed			Number of jobs needed to maintain the current level of employment (2000)
	2000	2010	2020	2000	2010	2020	2000	2010	2020	
Algeria	19681	25181	30107	8154	11765	12474	5726	8262	8759	
Cyprus	499	562	713	312	346	445	300	333	428	
Egypt	40258	51079	68034	19215	25201	32329	17289	22675	29088	
Israel	4487	55333	6280	2435	3111	3408	2221	2838	3109	
Jordan	3024	4084	5363	956	1385	1711	815	1181	1459	
Lebanon	3091	3802	3401	1492	1926	1610	1365	1762	1473	
Malta	313	337	346	155	163	171	145	153	160	
Morocco	19387	24246	28553	11096	14123	16304	4292	5462	6306	
Syria	9565	13495	17570	5195	7822	9629	4611	6943	8547	
Tunisia	6494	7726	9061	3215	4002	4406	2702	3364	3704	
Turkey	47164	55951	66042	22263	26653	31174	20579	24637	28816	
<b>Total</b>	<b>153964</b>	<b>191997</b>	<b>235470</b>	<b>78486</b>	<b>96498</b>	<b>113661</b>	<b>60044</b>	<b>77610</b>	<b>91849</b>	

Source: Mediterranean Institute, su dati ILO, 2003, website, World Population Prospects: The 2002 Revision Population Database, United Nations Population Division.

Source: *Migration, financial flows and development in the Euro-Mediterranean area*

Some recent estimates suggest that the Maghreb countries will require one million jobs a year (Khachani 2002) and Egypt will require between 600,000 and 800,000 (IOM et al 2003a) simply to maintain levels of unemployment at current (high) levels<sup>1</sup>. Even those North African countries with more positive economic forecasts, such as Morocco and Tunisia

<sup>109</sup> POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR

<sup>110</sup> Migration, financial flows and development in the Euro-Mediterranean area



(Gharbi 2004) are having difficulty creating jobs at this level and exporting some of this labour power appears to be an attractive option.<sup>111</sup>

## 2.3. The migration & development nexus: what are the stakes?

### 2.3.1. Introduction

The complex two-way relationship between international migration and economic development and social change is only partly understood but there is increasing appreciation of the role that international migration between less developed and developed countries can play in the redistribution of wealth between them.<sup>112</sup>

The need to develop a thorough understanding of the migration-development linkage is essential in an era characterized by increasing human mobility. It is indeed generally assumed that today more than 150 million people live outside the country of their birth, a number estimated to be growing at a rate of 2% per year.<sup>113</sup>

In the past, migration has generally been seen as reflecting the failure of development; or worse, as contributing to a vicious circle in which poverty in the migration source country is reinforced<sup>114</sup>. Emigration could at best alleviate some of the problems facing developing economies. For instance, emigration was thought to relieve labour market pressure and generate remittances (an important source of foreign exchange and income for migrant families) in the sending countries. In the meantime, it has been stressed that emigration can also hamper development of the sending country because the most dynamic and ambitious people are more likely to go abroad ("brain drain").<sup>115</sup>

However, there is now a growing recognition that migration, both internal and international, can offer an important route out of poverty for many people from developing countries.<sup>116</sup>

Today, the debate on migration and development reflects a radical change in perceptions of migration, a change that was signalled in the ICPD PoA, namely that migration is no longer seen merely as a failure of development, but rather as an integral aspect of the global development process.<sup>117</sup>

New empirical findings using a data set composed of 74 developing countries (drawn from each major region of the developing world) reveal that, on average, a 10 per cent increase in the number of international migrants in a country's population can reduce the share of the population living on less than US\$ 1.00 per person per day by 1.6 per cent notably through channel of remittances. Similarly, a 10 per cent increase in the share of a country's GDP can lead to a 1.2 per cent decline in poverty (Page and Adams, 2003).<sup>118</sup>

Rather than a vicious circle, migration is increasingly seen as part of a virtuous interaction in which development is enhanced, not only in the destination country (which has long been taken for granted), but also in the sending country (Weinstein, 2001). It is time hence to study the impact of return and the deployment of different types of migrant capital (financial, human, social) on the development of small businesses in the home country.

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<sup>111</sup> **The Development Impact of Temporary International Labour Migration on Southern Mediterranean Sending Countries: Contrasting Examples of Morocco and Egypt**

<sup>112</sup> **Migration and Development: A Perspective from Asia**

<sup>113</sup> **Harnessing the Potential of Migration and Return to Promote Development**

<sup>114</sup> **Migration, return and small enterprise development in Ghana: a route out of poverty**

<sup>115</sup> **Harnessing the Potential of Migration and Return to Promote Development**

<sup>116</sup> **Migration, return and small enterprise development in Ghana: a route out of poverty**

<sup>117</sup> **MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD**

<sup>118</sup> **The Development Dimension of Migrant Remittances**



Similarly, in a review of the effects of emigration and return on sending countries, Stahl (1988: 189) poses three related questions: *do remittances contribute to economic development, do migrant workers acquire new skills that are useful on their return, and can returning workers reintegrate in their home societies and economies?*<sup>119</sup>

### 2.3.2. Transfer of financial capital

Capital flows, remittances as well as substantial savings often brought by migrants when they return to their countries of origin, could represent an important source of finance for the development of small businesses.<sup>120</sup> Some migrants who live and work abroad are able to save money which they may transfer to the home country upon return. These transfers of savings should not be confused with those of remittances which are payments that migrants send back home to their families while they are still living abroad. A distinction is rarely made in empirical studies between these two concepts which need to be conceptually distinguished (King, 1986; Russel & al., 1992)<sup>121</sup>. Still, as the impact of migrant savings raises similar controversies to that of remittances, a slight confusion on the effects of those financial transfers is harmless.

There is a growing consensus that remittances represent a substantially greater redistribution of wealth than foreign direct investment (FDI) and foreign development assistance (FDA). However, such net positive outcomes are by no means assured and the overall developmental impacts are influenced by a range of factors, including the nature and scale of the migration, the strength of networks, cultural and social contexts and policies in sending and receiving areas.<sup>122</sup>

According to Susan Martin, "until relatively recently, researchers, economists, and development agencies tended to dismiss the importance of remittances or emphasized only their negative aspects. They often argued that money sent back by foreign workers was spent largely on consumer items, pointing out that it seldom was invested in productive activities that would grow the economies of the developing countries. They also feared that those receiving remittances would become more dependent upon them, reducing incentives to invest in their own income-generating activities" (Martin, 2001).<sup>123</sup>

#### (i) determinants of capital flows transfers

The amounts that migrants remit vary depending on their income, propensity to save and length of stay. Institutional arrangements for money transfers, exchange rates and risk factors, distance of the immigration area and strength of social ties also influence the amount of remittances (Adepoju, 1991b & Taylor, 1999). Remittances increase proportionally with the income of migrants, while they decrease with the length of stays abroad (King, 1986). Remittances money is likely to be more important when migrants plan to return than if they intend to settle for good in the host country.<sup>124</sup>

In a study by Lahlou (2002) on the evolution of the Moroccan migration, younger migrants, between 15 and 19, and the older, over 70 years old, have remitted money in the last five years. The younger because a stronger feeling of affection to their country and the elderly generally in preparation of a future return.<sup>125</sup>

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<sup>119</sup> Migration, return and small enterprise development in Ghana: a route out of poverty

<sup>120</sup> Migration, return and small enterprise development in Ghana: a route out of poverty

<sup>121</sup> Harnessing the Potential of Migration and Return to Promote Development

<sup>122</sup> Migration and Development: A Perspective from Asia

<sup>123</sup> Migration, financial flows and development in the Euro-Mediterranean area

<sup>124</sup> Harnessing the Potential of Migration and Return to Promote Development

<sup>125</sup> Migration, financial flows and development in the Euro-Mediterranean area



Also, according to Lahlou remittances are fewer by migrants with higher educational levels, due to higher rate of consumption and saving in the hosting country. Factors such as age of the migrant, family status, age of the family members left behind, educational level of the migrant, and size of the migrant family must therefore taken into account in analyzing the determinant of remittances flows.<sup>126</sup>

(ii) potential assets of remittances

In addition to their sheer volume, remittances manifest several other key characteristics which make them interesting as a development tool, namely:

**Stability:** Remittance flows have been characterized by experts as “counter-cyclical” in nature, meaning that they appear to be less vulnerable to economic up and down turns than other sources of external funding, such as FDI, ODA and capital market flows;

**Growth:** Global remittance flows are increasing in tandem with growing migration. Because of more global migration. Remittances are projected to continue to increase well into the foreseeable future;

Lastly, remittances are unilateral transfers that do not create liabilities unlike other types of financial flows such as debt and equity flows. Also, unlike foreign aid, remittances go directly to the people who need them and to whom they were directed without any intervening and costly bureaucracy.<sup>127</sup>

If experts typically argue that remittances are not put to productive use, some “wasteful expenditure” on food shelter, land and especially education may have a positive effect in the long run. For example, Taylor (1999) points out that building a house has an impact on family health and village construction activities. It has been also stressed that remittances have a positive impact on the balance of payments as they help to narrow the trade gap, control external debt, facilitate debt servicing and produce much needed foreign exchange (Appleyard, 1989). Empirical evidence from different countries also contradicts pessimistic views regarding the use of remittances. From their study on sub-Saharan Africa, Russel et al. (1990) concluded that “once subsistence needs are met, migrants do use remittances for investment purposes including education, live-stock, farming and small-scale enterprise. Findley and Sow report from Mali that remittances not only covered basic food and cash needs but also paid for irrigation in agriculture. Meanwhile, Gustafsson and Makonnen (1994) have found for Lesotho that migrant remittances actually decrease inequality.<sup>128</sup>

In that perspective, Russel (1992), who has examined the uses and consequences of workers’ remittances, has argued that the distinction between consumption and production investment is rather blurred. In fact, it can be argued that spending on housing, consumption and services (education & health) may create employment and produce positive multiplier effects as well as reduce the needs for government expenditure on infrastructure, subsidies and services. Expenditures on housing may moreover serve not only to raise the status of the return migrants and their family, but also provide them with a better access to other local resources.<sup>129</sup>

The examination of remittances at the national level does not always reflect their true impact. Migrants are not drawn randomly from across a nation’s territory. Most come from particular regions and particular localities within those regions. Hence, the impact of remittances is large in those particular areas. This assumes particular significance when it is

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<sup>126</sup> **Migration, financial flows and development in the Euro-Mediterranean area**

<sup>127</sup> **MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD**

<sup>128</sup> **Harnessing the Potential of Migration and Return to Promote Development**

<sup>129</sup> **Harnessing the Potential of Migration and Return to Promote Development**



considered that many migrant workers come from the poorest regions in their countries. For instance, Eki (2002) found that in 1997 the estimated remittance income in East Flores district of Indonesia was four times higher than the budget of the entire provincial government, while its resident population made up only 5.7 per cent of that of the province. It was 36.7 per cent higher than the value of exports from East Flores. Remittances received in a *kabupaten* in East Java province of Indonesia in 1995 amounted to Rs 61.3 billion, several times higher than the entire government budget of the *kabupaten* (*Republika*, 19 February 1995). In the Philippines province of Zambales it is estimated that a third of the 729,387 families there derive their income from migrants. remittances (*Asian Migration News*, 30 June 1999).<sup>130</sup>

The bulk of the studies on remittance impacts on households indicate that remittance receiving households benefit from additional money being available for a range of consumer goods, improved housing and living conditions, better access to health and education services and, in many cases, from investment in productive activity. While the bulk of studies of remittance use by families indicate that much of the spending of remittances was on consumption, recent studies find that the degree of investment in productive activities has been substantial (e.g. Eki, 2002). Moreover, as Taylor *et al.* (1996) point out, almost all studies fail to analyse the second and third-round impacts of consumption spending in terms of their impact in generating employment and economic development. Certainly, if consumption is predominantly of locally produced items, the effects will be substantial. Where they involve the purchase of goods manufactured outside the region, there will be leakage effects. However, in some cases such purchases (e.g. of a motor vehicle) can have important positive impacts on the local economy (e.g. through enabling locally produced goods to be more readily marketed).<sup>131</sup>

There is a fairly strong consensus in the literature on the use of remittances. Remittances are used for the most part on food and clothing, and health care. But also on housing construction, buying land and cattle, on consumer goods (Martin, 2002) and sometimes on conspicuous purchasing –such as gold and precious stones. Generally, only a small percentage of remittances are invested in productive activities, even though increased housing activities can have significant spillover effects on the local production system. However, despite the small percentage, in absolute terms the money used for productive investments must not be neglected. Guarnizo and Smith (1998) claim that investments by migrants are fundamental to the vitality of the receiving countries.<sup>132</sup>

Investing remittances in productive activities does not occur overnight, but better housing, education and the purchase of land can however produce an impact on the households' local conditions by substantially increase its social and human capital. In fact, as shown by Sørensen 'productive' / 'conspicuous consumption' dichotomy is a dead end since investments in health care and in education improve productive capacity in the long run (Sørensen *et al.* 2003).<sup>133</sup>

Other studies highlight that unlike development aid, remittances are spent directly by the families of migrants and in this respect is a very efficient way to raise the income of people in poor countries (O'Neil 2003).<sup>134</sup>

(iii) potential drawbacks

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<sup>130</sup> Migration and Development: A Perspective from Asia

<sup>131</sup> Migration and Development: A Perspective from Asia

<sup>132</sup> Migration, financial flows and development in the Euro-Mediterranean area

<sup>133</sup> Migration, financial flows and development in the Euro-Mediterranean area

<sup>134</sup> Migration, financial flows and development in the Euro-Mediterranean area



However, Ghosh suggests that 'past experience demonstrates that the necessary conditions to ensure the success of return, especially as regards its contribution to the development of the country of origin, are not always met' (Ghosh, 2000a: 186). This concurs with the findings of earlier literature reviews (Weist, 1979; Gmelch, 1980; King, 1986), which suggest that migrant savings and remittances are rarely invested in 'productive' activities. Instead, 'investment' is frequently in 'consumption', most notably on the construction of a house or on the purchase of land, but also frequently in 'conspicuous' activities designed to enhance the status and prestige of the migrant or returnee, such as expensive gifts, extravagant weddings for the migrant's children, or other festivals or parties. Indeed, migrant remittances do not necessarily have a positive development impact on the sending country as they may be used for consumption rather than investment purposes or they may generate a problem of inflation. Although the importance of the volume of remittances is generally acknowledged, their unproductive use is often emphasized. Many scholars have argued that remittances fail to enhance development because they are not spent in investment goods but rather on basic consumer goods. According to Hermele (1997) "remittances are not put to productive use but mostly spent for unproductive purposes- housing, land purchase, transport and repayment of debt- or to a smaller degree, wasted on conspicuous consumption or simply saved as insurance and old-age pensions".<sup>135</sup>

There is also evidence that government incentives to return based on the promotion of business enterprises are not particularly effective.<sup>136</sup>

Other scholars have emphasized other problems. For example, Piore (1979) has argued that remittances cause inflation because they create a demand without concomitant production capacity whilst Böhning (1984) emphasized that remittances increase the demand for imported goods, producing a negative effect on the balance of payments. Social inequalities have been seen as another negative effect of remittances. Lipton (1980,1982), for instance, has argued that remittances sharpen income inequality because the better-off parts of communities are also more likely to send migrants abroad and thus are also more likely to draw greater benefits from migration (Ammassari, 1994).<sup>137</sup>

The drawback of such high money transfers, however, is that developing countries may easily become dependent earnings that are nonetheless uncertain and vulnerable due to changes in migration policies and economic or political crisis.<sup>138</sup>

Some studies have found that remittances have tended to increase income inequality in communities of origin with families of overseas workers substantially increasing their incomes, and the resulting inflationary effects, and the impoverishment of households that do not receive remittances (Mahmud and Osmani, 1980). However, whether or not this occurs depends very much on which families the migrants are drawn from, the type of jobs, earnings etc. Other studies have found that remittances had a neutral effect on income distribution in receiving communities (e.g. Adams, 1969).<sup>139</sup>

Another perverse effect is the rise in the real estate prices. In the Tunisian area of Msaken, an area of departure for many migrants, the large demand of housing from the migrants living abroad is causing a generalized rise in the prices of housing for the whole village and

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<sup>135</sup> **Harnessing the Potential of Migration and Return to Promote Development**

<sup>136</sup> **Migration, return and small enterprise development in Ghana: a route out of poverty**

<sup>137</sup> **Harnessing the Potential of Migration and Return to Promote Development**

<sup>138</sup> **Harnessing the Potential of Migration and Return to Promote Development**

<sup>139</sup> **Migration and Development: A Perspective from Asia**



has resulted in inflation of real estate prices, concentration of land tenure in the hands of families connected to migration, and increased unemployment (Fletcher 1999).<sup>140</sup>

### 2.3.3. From financial flows to human skills: the necessary trade-off

First, flows of financial capital are seen as largely dependent on the continued presence of the migrant in the country of destination; whereas flows of human capital are seen as being dependent on her/his return. This suggests that the decision whether to promote return involves a trade-off between lost overseas earnings against the 'gain' of returned 'skills'.<sup>141</sup>

(i) Return of skilled labour : the framework (what skills and for how long)

Second, at the same time, there has also generally been an assumption amongst policy-makers that their focus should primarily be on the return of skilled individuals, rather than those who are less skilled. Of course, the whole question of what constitutes a 'skill' is difficult to pin down: moreover the relevance of skill is relational – it depends which skills are in demand. For Mediterranean countries, technicians and entrepreneurs may be more important than academics and scientists.<sup>142</sup>

How does one define skills? A major issue in regard to mobility of skills is how to define skilled workers. In general, researchers have treated all tertiary educated migrants as among the skilled. Occupations or jobs currently or previously held by the migrant workers are also treated as an indicator of acquired skills. There is also a distinction between highly skilled (highly qualified) and skilled (qualified) persons. Recent brain drain concerns have extended to middle level professionals such as nurses, teachers, etc. It is difficult to consider them at the same level as highly skilled professionals or high tech skills. Researchers on skilled migration recognize that student mobility is an integral part of skilled migration. According to the OECD (OECD 2002) : "*Student mobility is a potential flow of qualified workers, either in the course of their studies or through subsequent recruitment....Student flows represent a form of migration of qualified labour and also a precursor of subsequent migrations, mainly of HRST (Human Resources in Science and Technology)*".<sup>143</sup>

It is salient to ask how the roles of skilled and unskilled returnees or people returning to different legislative or national context differ. Not only have skilled migrants had different experiences abroad but they are also likely to be perceived differently from unskilled migrants on their return, with this difference also varying according to whether the place of return is a rural or urban areas. Unskilled migrants may have had a direct impact on poverty alleviation through easing labour market imbalances and promoting remittances and their definitive return to their place of origin may spell an end to these local benefits. In contrast, skilled migrants may be able to go back to positions of responsibility and authority in the public and private sectors of their home country and thus have more influence over development trajectories.<sup>144</sup>

Much of the success of return migration depends on how long return migrants have been away from their homeland. (oim)

Muschkin (1993), for example, has researched the consequences of return migrant status for employment in Puerto Rico. When she compared return migrants with non-migrants, she found that the former had higher unemployment rates and lower mean earnings. A longer duration of stay was moreover associated with negative employment rates and lower mean

<sup>140</sup> **Migration, financial flows and development in the Euro-Mediterranean area**

<sup>141</sup> **Migration, return and small enterprise development in Ghana: a route out of poverty**

<sup>142</sup> **Migration, return and small enterprise development in Ghana: a route out of poverty**

<sup>143</sup> **Policy responses to skilled Migration: Retention, return And circulation**

<sup>144</sup> **Harnessing the Potential of Migration and Return to Promote Development**



earnings. These findings have led her to postulate that the longer migrants were absent from home, the weaker their network ties, and the greater the difficulties of finding employment. But a greater length also seemed to protract migrants' work in jobs with skill requisites that do not transfer well back home. On the contrary, studying the return of Pakistanis from the Middle East, Arif and Irfan (1997) have found that migrants had been able to move out of production-service occupations into business and agriculture occupations. This advancement was largely due to their experience abroad with the length of stay in the Middle East influencing occupational mobility.<sup>145</sup>

As there are different forms of migration, there are also varying type of return. These differentials are important factors influencing the impact of migration and return on development. A very common distinction is the one between temporary and permanent returns, which is based on the intention of the returning migrant to go abroad again or to settle for good back home. Two more categories can be established on the basis of the temporal criterion: occasional returns and seasonal returns. The first consist in short-term visits to see the family or to conduct business for example. The second involve temporary stays, which are determined by the seasonal character of the activities conducted, as for example agricultural work in the home country that requires significant labour inputs<sup>146</sup>.

Another important point concerns the way in which public policy can adjust to new patterns of migration in an increasingly "transnational" age. If, as been suggested, return migration no longer represents the "closure" of the migration cycle but a stage along a process of increasingly fluid movements between countries : what does this say about the type of public policy that is required to mobilize the resources of such migrants? A traditional viewpoint is to see rootedness in a particular place as representing commitment to that place- hence when people migrate, they are seen as a "loss" to the sending country, with only their permanent return reversing that loss.

However, emerging research on transnationalism highlights how people may make major contributions, economically, socially, politically or culturally to their place of origin, without returning permanently (Glick-Schiller & al., 1992: 1995). How to mobilize the potential of such transnational migrants and what kind of return(s) can be important in stimulating the process of re-engagement with a country of origin, represent important areas for emerging research.<sup>147</sup>

A solution may rely upon considering that transfers of human capital may be effected not only through permanent return of highly-skilled migrants, but also during periods of temporary return, and through the return of less-skilled individuals who have nonetheless gained education or valuable work experience whilst abroad (Lovell and Findlay, 2001). Generally speaking, in comparison with the literature on remittances, much less has been written about human capital transfers on return, beyond speculation and assumptions about 'brain regain' when skilled migrants go back to their home country.<sup>148</sup>

There is extremely limited data on return migration except when it is on an organized basis because no country has a monitoring system to capture return of nationals who have been employed abroad. Benefits of return depends on a number of factors such as the type and nature of return migration, which obviously affect the impact. (King 2000)

1) Motives or intentions: Cerase (Cerase 1974) in his analysis of Italian return migration from the USA listed four categories of reasons: a) *failure*; b) *conservatism*; c) *retirement*; and d)

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*innovation*. The last group – return of innovation - is the one most relevant to development of the home country.

2) Time pattern: occasional *returns*, seasonal returns, temporary returns and permanent returns (King, 2000).

3) Timing of return: The timing of return is crucial for several reasons. If people return after a reasonable period of time, they are better equipped because of additional qualifications and skills, work experience, accumulated resources, and social capital (networks and linkages with those back in the host country). A person who returns after a brief spell abroad may not be able to offer much benefits to the home country in the form of diverse forms of capital (human, financial and social).

4) Nature of return - assisted or voluntary.<sup>149</sup>

The return of skilled workers open to debate

One of the most debated issues concerning return migration has been that of human capital gains for emigration countries through the return of migrants. It has been claimed that migrants acquire valuable training and work experience when they study and/or work in more industrialized countries. New skills, ideas, and attitudes of returned migrants are expected to have a positive impact on the development of their home country. Much empirical evidence has however contradicted this optimistic view. Various studies from southern Europe, especially has however contradicted this rather optimistic view and found that only a minority of migrants had gained new skills while working abroad (Gmelch, 1980; King, 1986). The majority did not learn anything new because they only did unskilled work. Work on migration to Europe from Africa and the Middle East has also identified deskilling of migrants has a major problem (Brydon 1992; Al-Rasheed, 1992).<sup>150</sup>

But even among those migrants who are able to acquire new skills and experiences, few may be able to apply them in practise back home. It is obviously difficult for migrants who have acquired technical or industrial skills to apply them in rural settings lacking the infrastructure needed to make effective use of their new skills (Castles & Kosack, 1973; Gmelch, 1980). As noted, for the many unskilled migrants who only do unskilled work whilst abroad, they do not learn anything new. Labour migrants often get very little training.

(ii) The optimistic dimension of human capital return

Still, many observers note that a brain drain can generate feedback effects that may yield positive economic gains for the migrant source countries. Indeed, the bulk of the policy literature is uncomfortable with the term brain drain and prefers terms such as "brain gain" or "brain circulation". But whether a brain drain reduces sending country growth depends upon the degree to which its direct negative effects are offset by favourable economic and migratory feedback effects: there is the notion that there may be an optimal level of emigration or a "beneficial" brain drain. (Beine et al. 1999; Mountford 1997).<sup>151</sup>

There is also an important body of empirical evidence that seriously challenges empirical findings showing that return migrants produce only very little change. Returnees not only bring back new skills and capacities, but also innovative ideas and changed attitudes and

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<sup>149</sup> Policy responses to skilled Migration: Retention, return And circulation

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behaviours (Gmelch, 1980). The question obviously is whether they have succeeded in introducing the foreign-acquired ideas and practices into their home communities.<sup>152</sup>

In one of the earlier studies, Saloutos (1956) stressed the benefits of migration and return for Greece arguing that returnees brought back new ideas on democracy, health standards and social behaviour. They introduced liberal business practices, and pro-US and pro-Western values. Additional empirical evidence collected in Greece much later has confirmed substantial differences existing in the attitudes and behaviours of returnees and non-migrants with regards to a series of social issues, such as divorce, dowries, gender relations and child-rearing (Bernard, 1978).<sup>153</sup>

The results of studies conducted in the Caribbean support the hypothesis that the return migrants can act as agent of change under certain circumstances. In their study of a Barbadian village, Sutton and Makiesky (1975) found that returnees not only had acquired new values and beliefs, but also a greater racial and political consciousness. Comparing skilled and unskilled return migrants in Barbados, Gmelch (1987) found a significant proportion of student-migrant entering professional or white-collar occupations at home that were more likely to introduce new ideas and techniques acquired while abroad. Unskilled migrants had less impact because they went back to jobs that did not exploit their overseas work experience. They also lacked the necessary positions of authority and power enabling them to induce change.<sup>154</sup>

Studies of return migration in Jamaica confirm that returnees can play a meaningful role in the development of the home country. Taylor (1956) reported that Jamaican migrants return home with accrued skills and experience. This has been confirmed by Thomas-Hope (1999) in a recent study showing that the majority of returnees from North America and Europe have gained additional skills and capacities as well as changed the way they were functioning in the workplace. Most important, however, have an impact due to the leadership roles that they assume in their home communities.<sup>155</sup>

#### 2.3.4. Another potential transfer: social capital

The development implications of return migration have so far been explored along two major lines: financial capital in terms of savings accumulated by migrants while working in the host country and human capital acquired abroad in the form of education, training and working experience. But a third form of capital transfers also seems of critical importance: social capital transfers.<sup>156</sup>

It is also important to also take into account the potential transfer of social capital by migrants, either at the point of return, or through engagement in transnational social activities during migration or after return (Ammassari and Black, 2001). These focus on the membership of associations, the development of social networks, and the maintenance of networks with friends and families back home. The potential relevance of this application of social capital theory to a study of the business behaviour of returning migrants is given ample justification in a recent study of Tunisian returnees, whose entrepreneurial activities in Tunisia were shown to be supported by transnational social networks and partnerships with business contacts in France and Italy, their countries of migration (Cassarino, 2000).<sup>157</sup>

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While financial and human capital transfers have received attention in the migration literature, the transfer of social capital, consisting of a set of specific resources that can be mobilized within groups, networks and organizations, has largely been ignored. Social capital designates the potential wealth that can be drawn from social relations. Thus Bourdieu and Wacquant (1992) define it as "the sum of the resources, actual and virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition". It is built on mutual obligations and expectations, norms of reciprocity, trust and solidarity.<sup>158</sup>

A review of the literature shows that studies concerned with social capital have almost exclusively dealt with the extent of participation in networks and with the resources that derive from such participation. For the study of the transfer of social capital, however, another kind of resource assumes particular significance. This is the competence that people acquire in building and nurturing interpersonal relations and social ties in varied socio-economic, cultural and political contexts. Such competence is to be conceived of as a subjective variable corresponding to the product of a formal and informal learning process that helps in achieving "wider horizons". Language skills, the ability to interact and work with people of different cultures and the familiarity with norms, customs and values are among the benefits that migrants acquire abroad. As a subjective resource social capital can indeed be transferred, whereas as an objective resource it is locally embedded and therefore more difficult to transfer.<sup>159</sup>

Migrants can also tap into social capital in both the sending and the receiving country. Benefits derived from such social capital include information on jobs, social services and housing abroad. But they also include information on these critical issues back home, and knowledge about business and investment opportunities, or loans to finance private enterprises. The more migrants have developed networking competencies and have invested in maintaining social capital abroad, the more they have the freedom of choice to return, to stay away or to shuttle back and forth. But also, the more successful they should be in achieving their goals at both ends because not only they have improved information, but also greater access to resources and increased control and authority within the community. The return of this type of migrants has a greater likelihood to effect positive changes in the sending country.<sup>160</sup>

Upon arrival in the receiving country, migrants establish social ties with persons or groups from their home country providing material support, help in making new social connections and assistance to overcome their ignorance about the community (Choldin, 1973). But then migrants establish new web of ties involving autochthonous and other foreign people and start building corresponding (sens?) social capital. In the sending country, social capital is maintained by migrants through visits, contacts by mail or telephone, remittances, marriage with a compatriot or membership in associations linking receiving and sending countries. Presumably both forms of social capital play a critical role because it is assumed that social capital is used to transfer and re-transfer back other forms of capital, e.g. financial and human capital (Faist, 1997). Interfacing both forms of social capital help migrants develop transnational identities and loyalties.<sup>161</sup>

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### 2.3.5. Conclusion/Recommendations

An immediate question that follows is to ask to what extent governments or other institutions could support this process of capital accumulation, transfer and investment by returnees. Does this flow of new entrepreneurs with start-up capital represent a phenomenon on which development initiatives could build? One response is that our research calls into question the assumption that lack of capital represents the main obstacle to returnees making a success in small enterprises.<sup>162</sup>

In this context, the priority area for government concern would appear to be fostering the conditions in which migrants themselves would be more willing to effect capital transfers, especially by improving the business climate, and improving regulation of the banking sector. Clearly, there is a potential source of investment amongst returning migrants, and this is a source that can lead to investment prior to actual return. The challenge remains to ensure that the benefits of such investment do materialise.<sup>163</sup>

The use of remittances for productive investments depends upon the context and on the opportunity for smallscale investments and the social and financial capital needed for a new business. Lack of infrastructures, lack of access to credit and lack of a developed market can play a decisive role in the decision of investing remittances. It is generally expected that the returning migrants will bring impetus to the local communities' investments, transfer of technology and machinery and new enterprises. However, usually it ends up in a service firm with little multiplier effect on employment.<sup>164</sup>

Our reflection has highlighted how differences in context can affect outcomes from the return process in terms of development. Typologies of return (temporary, permanent, seasonal etc.) might be expanded to emphasize that it is not only the characteristics of returnees that are important to the return process (such as the skill possessed) but **also the context of host and return countries. Even with considerable motivation, a returnee is unlikely to make a successful contribution to his or her home country unless some form of capital has been generated overseas that can be put to use. Meanwhile, even with capital, conditions need to exist in the country of return allowing efficient investment of that capital.**

This study has shown that there is a large amount of money yet unutilized and migrants' household investment preferences remain within the housing sector. This can be explained by both a psychological factor, i.e. the risk of losing the savings of an entire life in a bad enterprise, and an economic and institutional factor, i.e. the lack of the market opportunities, lack of infrastructures, and limited interest of the local development institutions. Yet, the utilization of remittances for education, improvement of living standards and health need to be considered as an important tool to increase households' labor productivity.<sup>165</sup>

The developmental effects of remittances depend on their continued flow, which in turn depends on the ease with which money can be transferred. Weak financial infrastructure and limited availability of efficient and low-cost money transfer services constitute opportunity costs, or hurdles, that reduce the potential developmental effect of remittances. The cost of transfer services, in particular, have been discussed in the media, in migrant circles, and by donor agencies. If it were economical to send smaller amounts, or if other hurdles were reduced, the volume of remittances might swell. Ratha (2003) estimates that if transaction costs were lowered by even 5 percent overall remittances to developing countries would

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<sup>162</sup> **Migration, return and small enterprise development in Ghana: a route out of poverty**

<sup>163</sup> **Migration, return and small enterprise development in Ghana: a route out of poverty**

<sup>164</sup> **Migration, financial flows and development in the Euro-Mediterranean area**

<sup>165</sup> **Migration, financial flows and development in the Euro-Mediterranean area**



increase by \$3.5 billion. Certainly a larger share would pass through formal channels. Because remittances constitute many small transactions between geographically dispersed senders and the receivers, prevailing fees have remained high. Fees also reflect service characteristics such as accessibility, speed, and reliability. Before jumping to conclusions on the need for lower cost transactions, therefore, it is important to understand the underlying cost factors affecting senders, receivers, and service providers, as well as differences in markets and in the cost structures of existing services, such as banks and money transfer operators. To date, these areas have received little documented attention, in the absence of which any directive intervention could well have a negative effect, such as reducing the availability of services. Although transaction costs are important, other aspects of the remittance process can be even more discouraging, both at the sending and receiving end. For example, migrants have few opportunities to manage their finances, including remittances, in their home countries. The existence of services that send goods or vouchers for goods reflect, in part, the desire of migrants to support recipients *in a particular way*, rather than to send cash. Currently it is not possible to send money home with instructions that some of the money be credited to a savings account and the rest paid out to a specific individual. Saving in any form (let alone in foreign denominations to reduce foreign exchange losses) and products to build up financial assets in migrants' home countries are extremely rare and very limited. Other investments, such as land purchases and construction, must be made in person or through a family member and cannot exceed the savings available. Mortgage products are few and far between in most African countries; where available, they are not easily accessible to a migrant.<sup>166</sup>

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<sup>166</sup> **Migrant Labor Remittances in Africa: Reducing Obstacles to Developmental Contributions**



### 3. Home-Sweet Home: the sparked engine

#### 3.1.1. Policy responses to the international mobility of skilled labour<sup>167</sup>

Migration is increasingly perceived as a development tool. As a result, migration considerations are more frequently incorporated into poverty reduction strategies and broader development policies. How to capitalize on the benefits of migration is certainly gaining credence by the sheer volume of remittances, and through the economic benefits generated by diaspora. There is a concurrent effort to avoid constraining what is perceived to be a fruitful flow of capital, information, ideas and opportunities. Attention is also being drawn towards counteracting the negative effects of "brain drain."<sup>168</sup>

Policy responses by source countries to the international mobility of their highly skilled workers (based on an extensive survey of literature) can be grouped into six convenient categories under the umbrella term "Six Rs": ***return, restriction, recruitment, reparation, resourcing*** (diasporas) and ***retention***. Such policies try to facilitate feedback effects and, thereby, take advantage of high skilled emigration. Calls in the 1970s for the *reparation* of the direct loss through a brain drain tax has long since been disregarded as a viable way of offsetting the adverse effects of high skilled emigration. **Reparation** for the loss of emigrants is not a new idea. There have been attempts to directly recapture some of the value of emigration. A few countries have attempted to mandate that a certain percent of the earnings of their workers abroad be deposited into a national fund. Only Korea, which ran contracted temporary labour programs for low to skilled workers in the Middle East in the 1970s, succeeded. Mandatory earmarking of remittances has failed in the Philippines, Pakistan, Thailand, and Bangladesh (Puris and Rizema. 1999). At the same time, brain drain taxes were a favourite economic prescription in the 1970s, i.e., a tax to deal with externalities to developing country created by transfers of human capital abroad. The brain drain issue was introduced into United Nations debate in the late 1960s and by the 1970s the tax was seen by international bodies as one possible course of action to be discussed. It also generated a small literature by economists who debated the proper way to implement such a tax. Estimates in 1972, for example, were that US\$750 million in revenues could be raised and made available to the United Nations to be used for development purposes. There are several pitfalls with the proposed brain drain tax (Straubhaar 2000). The models on which it is based fail to take into account the feedback loops that brain drain sets in play, e.g., the amount of gain to the receiving country; the possibility of return by permanent emigrants, or the more certain return by temporary migrants, <sup>(12)</sup> with associated improvements in skills and knowledge; or the impact of worker monetary remittances home. What is more, there is no direct fiscal motivation other than to redress the cost to the source country. Problems in estimating the amount of tax are related to the unknown difference between the actual versus an optimal level of emigration, justification for emigrant taxes based upon the degree to which emigrants earn more than others for their skills in the receiving country, or knotty issues of redistribution of the tax to those affected by the brain drain in the first place. As a conclusion, reparation presents nearly insolvable problems in terms of estimating the appropriate amount of such a tax, involving both sending and receiving countries, identifying a reliable interlocutor for pooled development funds, and implementing meaningful development. Perhaps, developing or migrant source countries

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<sup>167</sup> POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR

<sup>168</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD



may wish to consider the option of taxing their citizens abroad as one way or benefiting from all of their migrants abroad regardless of skill levels.<sup>169</sup>

Three of the "Rs" are variants of migration policy, e.g. *return, restriction, or recruitment*. Restrictive admission (or exit) policies touch on the rights of the individual international migrant, as well as run the risk of impeding positive feedback effects. There is any number of ways in which either sending or receiving countries can restrict international mobility. Immigration quotas set restrictions on international mobility and the conditions for issuing a visa. But some countries also set conditions that affect the ease with which exit visas can be obtained. Still, in principle, **most countries in the post-cold war era permit their citizens to leave, although at the same time almost all countries place restrictions on the kind and number of immigrants who will be permitted to enter.** Receiving countries often have temporary entry programs that require workers or students to return to their source country after a period of time. Australia, for example, hosts several thousand twenty-year-olds who are permitted to work for up to a year, after which they are required to return. Most U.S. temporary visas require individuals to express a clear intent to return home, but do not preempt the possibility of changing status to another class of temporary or permanent visa. Indeed, temporary visas are a type of "restrictive" policy that can rebound to the benefit of both the receiving and sending country. Yet, with the exception of visas such as the U.S "J" visa, the logic underlying most temporary visas has nothing to do with protecting the source country from a brain drain. Most temporary visas are issued because many individuals only desire a temporary stay (think visitors or businesspersons), or because it is believed that permanent admissions would distort the natural tendency for domestic labour markets to respond to cyclic supply shortages. In other words, temporary admissions for work purposes are designed to protect the domestic market of the developed receiving economy. Further, temporary visas quickly supply workers and are cheaper than domestic training (Van Slambrouck, 1999). In neither the United States nor elsewhere are temporary visas issued with the intention of ensuring the return of foreign workers for the purpose of addressing the brain drain from developing economies. But, arguably, temporary visas have precisely the favourable effect of offsetting the directly negative impact of a brain drain. In the United States about half of foreign doctoral students remain and, conversely, the rate of return is high enough that some observers prefer to think of the migratory pattern as one of "brain circulation" (Johnson and Regets 1998). Restrictive admission (or exit) policies touch on the rights of the individual international migrant and quickly fall prey to ethical and political quandaries, as well as run the serious risk of actually impeding the positive feedback effects of high skilled emigration. Facilitating movement should be the name of the game. Harmonized policy regimes, think expanded GATS, etc., are a step in the right direction insofar as they establish rules of the game that over the long run create consistency and transparency.<sup>170</sup>

**Policies that encourage return migration may be in the best long-term interest of the migrant source countries,** but almost no policymakers in receiving countries as yet justify temporary admission standards on such a basis. **Recruitment policies** are not intended to bring back expatriates, but rather to offset their loss, or to gain a national advantage in the competition for occupations in global shortage. Indeed, the information, communications, and technology (ICT) revolution sparked a worldwide effort by governments to court ICT workers. The U.S. seems to have won out thus far. Developing countries too have put in their bid to attract skilled workers. Most of the new spate of policies is for temporary visas that are made easier to get for employers and high-skilled foreign workers. The ICT

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revolution is not the first, but it is perhaps the most startling example of how an information-age industry can quickly generate global demand for labour.<sup>171</sup>

**Table 1. Policy responses to high skilled emigration: The “Six R’s”**

<p><b>Return of migrants to their source country</b>  The return of emigrants is one sure way to cultivate human capital for source countries, especially when there is value added from working abroad. Permanent return tends to be the focus of most such policies (kindred temporary return programs are under Diaspora Options below).</p>
<p><b>Restriction of international mobility</b>  Many developing countries have restrictive emigration policies that make it difficult for their national to take jobs abroad. Most all countries restricted the immigration of foreign nationals to protect their domestic workers from competition.</p>
<p><b>Recruitment of international migrants</b>  If there are domestic shortages of skilled workers, for any reason, why not court foreign workers? For example, the information technology revolution sparked a worldwide competition for workers: new policies worldwide ease numerical and “protective” regulations on admissions.</p>
<p><b>Reparation for loss of human capital (tax)</b>  A favourite but never implemented economic prescription in the 1970s, the idea is that developed countries either compensate source countries, or that that emigrants directly submit taxes, to deal with externalities created by the immediate loss of human capital.</p>
<p><b>Resourcing expatriates (Diaspora options)</b>  Skilled emigrants abroad can be a significant resource, especially if ongoing contact between academic and private sector institutions is fostered. Government and private sector initiatives seek to increase communications, knowledge transfer, remittances, and investment.</p>
<p><b>Retention through educational sector policies</b>  Creating a highly educated workforce begins with strengthening domestic educational institutions. A viable system that encourages graduates to stay with the system, that retains people, ensures that the source country keeps its original investment in education.</p>
<p><b>Retention through economic development</b>  Giving people a reason to stay (or return) is doubtless the most effective policy for reducing emigration and the surest long-term means of boosting average human capital, as well as economic growth.</p>

In the debate on brain drain, a number of policy responses have been elaborated of which the following three—retention, return, and resourcing— tend to characterize the debate<sup>(76)</sup>.<sup>172</sup>

### 3.1.2. Retention

From the perspective of developing countries, retention of skilled labour appears to be an optimal solution to the brain drain problem although it might be the most difficult one to implement successfully in the short— or mid—term because it requires addressing the root causes of human capital flight, namely, economic under-development. Retention therefore requires creating attractive opportunities at home which in turn entails economic development and possibly also targeted development of specific sectors including education, high tech, information technology (IT) and health-care.<sup>173</sup>

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<sup>172</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD

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Retention policies focus on improving domestic opportunities in the educational sector, as well as those that target domestic economic growth and lessen the incentive to emigrate.<sup>174</sup>

**Retention through Educational Sector Policies:** Retention policies are followed in many developed and developing settings. Referred to here are “non-immigration” policies, e.g., increased investment in education or improvements in academic or public sector salaries, institution strengthening, etc. Many of the expatriate organizations just reviewed are tightly associated with academic settings and many are part of an overall retention plan, e.g., by improving the overall research environment academic institutions in migrant-source countries create opportunities that help retain would-be-emigrants from going abroad.<sup>175</sup>

**Retention through Economic Development:** Retention of would-be or return emigrants over the longer term is most likely when the differences in economic opportunities and employment conditions between developing and developed countries lessen. Of course, the very concern of “brain drain” is that it will slow economic development, although as we have seen thus far there are many ways in which a loss of highly educated workers can actually rebound in a source country’s favour. In the very short run rapid development may create a class of would-be emigrants seeking higher education who, for the first time, are prepared for and able to afford that choice. Brain drain can be accelerated by rapid development in the short term. Over the longer run, economic development is the best means of reducing outflows of people and maximizing inflows of knowledge. Some developing nations are looking for targeted projects for economic development, ways in which they can capitalize on information technologies and globalisation that take advantage of highly educated workers.

Finally, grand policies of *retention* are likely to be the best long run response to a brain drain. The most active policies have and continue to be academic ventures based on regional and international cooperation where receiving countries play an active role. Additionally, many developing countries have individually, or in the context of regional accords, targeted ICT development as means of getting on the information-age bandwagon. Such projects promise to be a fruitful way of stimulating economic growth and reducing permanent out migration of highly educated natives.<sup>176</sup>

*Investment in primary or tertiary education?* A major policy issue is the relative emphasis to be placed on **primary education** versus **tertiary education**. Improving tertiary education, the brain drain may increase in the short term as the marketability and mobility of graduates is also increased. Khadria (Khadria 1999), on the other hand, argues that investment in **primary health care** and **primary education** is the best option to raise the average productivity of the poor.

It is also important to avoid the internal **brain waste** – where qualified nationals cannot find opportunities in their fields of specialization. The Indian civil service is an example which draws engineers, medical doctors and scientists where they do not have the opportunity to use the special skills acquired<sup>(2)</sup>.<sup>177</sup>

*Retention policy: is it a vicious circle trap?* Devan and Tewari ((Devan and Tewari 2001) correctly point out: “... **the hard reality is that few emerging markets have any hope, in the foreseeable future, of creating the type and volume of economic opportunities needed to reverse or even substantially slow the brain drain.**” In this sense, it can be regarded as a

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<sup>174</sup> POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR

<sup>175</sup> POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR

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<sup>177</sup> Policy responses to skilled Migration: Retention, return And circulation



**vicious circle. Developing countries cannot stem the outflow of skills until they develop rapidly: but the loss of skills itself acts as a major constraint on achieving growth.**<sup>178</sup>

### 3.1.3. Return

It has also been shown that the eventual return of a significant proportion of skilled emigrants constitutes a major necessary condition for migration to produce a net positive development effect in countries of origin.<sup>179</sup>

There is a substantial body of literature on return migration, and studies of diasporas indicate an often high interest among many expatriates to eventually return to their home country. Indeed, return is often seen as the conclusion to a successful migration. **A recent study of Australian expatriates found that more than half had definite intentions to return and only 16 per cent had definitely decided not to return** (Hugo, Rudd and Harris, 2003). However, those desires are not often realized and there is a role for policy to facilitate and encourage return migration by removing some of the barriers or constraints to such movement.<sup>180</sup>

Return is often seen as a natural conclusion to the migration cycle. A large portion of migrants in fact intend to return to their home countries when the purpose of their stay abroad has been accomplished, whether that be at the conclusion of their job contracts, educational programmes, or when they have saved enough capital to start anew in their home country or simply retire comfortably. However, experience reveals that it is difficult to influence a migrant's decision to return through policy intervention, and permanent return policies face many of the same challenges as those aiming at retention. Policies to encourage return migration of skilled migrants have had mixed results and the focus of attention of policy makers has shifted from strategies aimed at permanent return, to strategies to encourage temporary return migration where the emphasis is on the sharing and transfer of knowledge, skills, ideas and technologies or "brain circulation." Thus, for example, IOM's Return of Qualified African Nationals Programme (RQAN) has recently been replaced by the Migration for Development in Africa (MIDA) programme. Building on the idea of mobility of skills, IOM's MIDA programme seeks to match sectoral skill needs of African economies with qualifications of African migrants of the diaspora for consultancy and other temporary missions requiring sequenced or repeated visits, teaching assignments and virtual/telework (78).<sup>181</sup>

Return policies are active, incentive, and information based. An active program would be the International Organization for Migration (IOM) program of return that funds the expatriate family's return and helps establish them in their home country. Given the scope of the program, it is described at greater length below. Funding for such a program logically comes from governmental or international organizational sources. While somewhat costly, having to cover job matching, travel, and settlement, the cost of such programs in the medium term is likely to be small relative to the advantages it creates for the source country, as well as the increase in global productivity over the longer run.<sup>182</sup>

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<sup>178</sup> Policy responses to skilled Migration: Retention, return And circulation

<sup>179</sup> Migration and Development: A Perspective from Asia

<sup>180</sup> Migration and Development: A Perspective from Asia

<sup>181</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD

<sup>182</sup> POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR



Table 2. Return of nationals abroad: Selected policy examples

Policy	Description
IOM African return program	The International Organization for Migration (IOM) manages the program for the Return of Qualified African Nationals (RQAN). IOM aids countries identify areas that would benefit from the experience of expatriates who must satisfy certain criteria. The program helps émigrés and their families resettle in their country of origin or in another country designated as “target” country.
Irish Christmas recruitment	The Irish Ministers of Enterprise Trade and Development are recruiting expatriates to return to build the software industry; targeting those returning home for Christmas (Belfast Telegraph 1999)
Malaysian return incentives	Malaysia hopes to provide incentives for return by giving out tax exemptions, permanent resident status for spouses and children, and relaxed immigration policies (Hamid 2000; Hong 2000).
Mexican student loan forgiveness	The Mexican government program Becas CONACYT grants loans to students who study abroad, if they return much of the loan is forgiven, and if they go on to work at a Mexican university the loan is forgiven (Verhaal 2000).
Canadian tax incentives	Now discontinued, Canada for a short time gave federal income tax holidays for up to three years to its emigrants who returned for employment.
Malaysian internet job postings	Created on an exploratory basis with hopes to expand, Malaysia’s JobsDB.com lists domestic high-skill jobs to inform expatriates about positions available back home (Boey 2000).

In fact, citizenship policies figure into this policy approach (see Aleinikoff and Klusmeyer 2001). Emigrants may be loath to return to their source country if they risk losing residency status, e.g., typically a complaint of U.S. temporary migrants or even legal resident aliens. Expatriates will stay in the United States because lengthy trips home disrupt the legal requirements for continuous residence needed to obtain/retain either legal permanent status or as a prelude to claiming citizenship. Having made the decision to move to a higher-wage economy, the emigrant is likely to wish to retain access to the earnings and lifestyle available there; as well as to any family, home ownership, or investment commitments they have made. Simultaneously, if they are able to secure and retain permanent residency (citizenship) rights in their new country, the emigrant may feel freer to return to their home country: the option to go back to the higher wage economy at any time creates an option that buffers the risk of returning home to the lower wage economy. Advocates of dual nationality or citizenship argue that the maintenance of rights encourages regular movement and even return. For example, while as a practical matter U.S. persons can hold dual citizenship, many source countries do not permit their expatriates to retain citizenship once they claim citizenship in another country. Having established residency or citizenship status abroad, but having lost it at home, undercuts a host of legal rights and connections to the source country, and, hence, the likelihood of return. If they lose the right to own land or other privileges (including the right to vote) in their home country there is little incentive to return.<sup>183</sup>

The Return of Qualified African Nationals (RQAN) is a program developed and implemented through the International Organization for Migration (IOM). RQAN aims to develop a country’s economy by seeking persons who are highly trained and qualified to either return or find positions in each country that will benefit from the person’s training. The RQAN is currently used by 10 African governments and has succeeded in returning and integrating 1,500 skilled Africans to fill positions in important sectors of the economy (Africa News 2000). The countries who will benefit from this program are divided into two categories; target and non target countries. In Target Countries, there are particular priority sectors that have been identified, and RQAN seeks to find persons to aid these sectors. In Non-Target

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Countries, RQAN will facilitate a national's return, but will not generally aid in finding employment in those countries. Persons who intend to participate in the RQAN program must satisfy certain criteria. These persons must be skilled African nationals who live or reside outside their country of origin. The skills these persons have must be a "priority" to the country receiving the person. The person must have at least two years of work experience and/or have a doctoral degree. If the person is a national of a Non-Target Country and intends to return to that country, they must already have a firm employment offer. RQAN Target Countries include Angola, Cape Verde, Ethiopia, Ghana, Guinea Bissau, Kenya, Uganda, Zambia and Zimbabwe. IOM will assist nations to identify positions in these countries with employers, will provide pre-departure briefings and post-return follow-up, will arrange locally-based training during the post-return time period and if the person intends to be self-employed, technical assistance to do so. All the countries in sub-Saharan African, except South Africa, are considered Non-Target Countries because they have no ability to reintegrate qualified nationals. However, if a person has firm employment with a company in one of these countries, the RQAN program will provide some assistance.<sup>184</sup>

In a nutshell, policies that stimulate return may have the greatest immediate impact on offsetting brain drain. The developing source country recoups its initial investment in the migrant, as well as benefits through an accumulation of its human capital, the improvement of available knowledge, and continued feeder effects from the establishment of network ties to developed economies. In the last few years, developing countries have increased their competition, through more open admission policies, for highly educated workers from developing nations. Policies that encourage return migration may be in the best long-term interest of the migrant source countries, but almost no policymakers in receiving countries as yet justify temporary admission standards on such a basis.<sup>185</sup>

There is very limited global experience of government policies and programmes to encourage return migration (Hugo, 1996). Most attempts to encourage return migration have come from Asian countries. Not all have been successful. Malaysia is a rapidly growing economy with a diaspora of 250,000 skilled workers overseas (Jayasankaran, 2003: 58). In 2001, the government initiated a substantial scheme offering tax exemptions on income remitted to Malaysia and on all personal items brought into the country, and granting of permanent resident status to spouses and children. They targeted six key fields: information and communications technology, manufacturing industries, science and technology, arts, finance and medicine, especially in the UK, US, Singapore, Brunei, Hong Kong and Australia (*Asian Migration News*, 16-30 November 2002). In the first two years of the programme, only 104 expatriates actually returned home (*Asian Migration News*, 1-15 January 2003). In China it is estimated that since 1979 around 400,000 have travelled abroad for graduate studies, but less than a quarter returned. While there is a national policy to attract back skilled expatriates to individual Chinese provinces, companies and development parks also offer a range of incentives to return, including equivalent salary packages taking into account purchasing power, expenses-paid trips to China etc.

(*Asian Migration News*, 16-30 November 2002). The Chinese government programme offers high salaries, multiple entry-exit visas and access to strictly controlled foreign exchange (*Asian Migration News*, 16 August 2001). Some countries have invited home particular expatriates who are perceived as critical to home development. A case in point are former key officials from the IMF/World Bank who have been attracted back to Pakistan, India,

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Philippines, Indonesia, Cambodia, Hong Kong, Singapore and South Korea (*Far Eastern Economic Review*, 5 December 1996: 61).<sup>186</sup>

There is a considerable amount of literature on the beneficial effects of return migration and "brain circulation". The idea is that returnees bring back human, financial and social capital, and can thereby positively contribute to development of home economies. This issue of return migration is discussed further. Even if people do not permanently return, their frequent contacts and movements back and forth can contribute to growth.<sup>187</sup>

*Special return programmes: are they sustainable?* Given the belief in the high potential of return migration, a number of countries have implemented programmes to attract their expatriates back (Ghosh 2000). Turkey, the Republic of Korea and the Taiwan province of China have been pioneers in this respect initiating such

programmes since the 1970s.

One of the most substantial attempts to tap a diaspora for the benefit of the home country/region was launched in Taiwan (O.Neil, forthcoming; Luo and Wang, 2001). For several decades Taiwan has been a case of brain drain *par excellence*. It is estimated that in the two decades beginning in the mid-1960s, 20 per cent of Chinese undergraduates in science and technology in Taipei (Taiwan) went abroad for higher education, but that fewer than a fifth returned (Luo and Wang, 2001: 5). The government subsequently took a number of initiatives to use the talents of overseas Chinese from Taiwan (predominantly in the United States) and to encourage return migration. These include:

- The use of formal and informal connections to draw on the expertise and business connections of overseas Chinese from Taiwan, encouraging their visiting Taiwan and interaction with colleagues there;
- To track migrants in a database. .
- An explicit attempt to build a "transnational community" with expatriate scientists and engineers deliberately brought back to attend meetings and conferences sponsored by the government.<sup>188</sup>

Along with this, a number of development agencies have also supported similar programmes to facilitate return of migrants to their home countries. These can be described as "Assisted Return" programmes. The International Organization for Migration has been involved in such programmes for a long time where its expertise in migration logistics has proved to be an asset. The programmes have been sponsored by concerned source country governments, the UNDP, EU and several European countries. The UNDP TOKTEN programme (Transfer of Knowledge Through Expatriate Nationals) is one good example. The appeal of such programmes lies in the possibility of replacing expensive expatriate workers by nationals with similar of better qualifications.<sup>189</sup>

The IOM has implemented return of talent programmes for several regions: Africa (Return of Qualified African Nationals), Latin America (Reintegration of Qualified Latin America Nationals (RQNLA), Return of Talent Programme in Jamaica, among others. It established the Return of Qualified African Nationals (RQAN) Programme in 1983 with the main objective of mobilizing and promoting the utilization of highly qualified, qualified and skilled personnel in

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<sup>187</sup> **Policy responses to skilled Migration: Retention, return And circulation**

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<sup>189</sup> **Policy responses to skilled Migration: Retention, return And circulation**



the development of African countries through voluntary migration. (IOM 2000). The RQAN is currently used by 10 African governments and has succeeded in returning and integrating 1,500 skilled Africans to fill positions in important sectors of the economy.<sup>190</sup>

Yet there are several problems with these special programmes: limited numbers assisted, high unit or per head costs, sustainability and equity issues. At the same time, there has been limited evaluation. For instance, the RQAN was evaluated only in the third phase of the programme. Equity criteria should also be considered because special incentives and facilities are provided only to those who left whereas those professionals who stayed back and continued their contributions to the home country are not given similar assistance. Thomas-Hope (Elizabeth Thomas- Hope 1999) also found no strong evidence of the benefit of the programme for Jamaica.<sup>191</sup>

A major problem has been the lack of sustainability given the absence of ownership of the programme by governments. To quote from IOM: "*The 'ownership' of the programme by governments is almost non-existent, although the benefits are understood and welcomed. There is almost no evidence that the activities of the programme itself will be continued by the governments of the countries concerned, in spite of efforts to provide exposure and training*" (IOM 2000).<sup>192</sup>

Yet there are several arguments against expecting much from return. First, it is very clear that few developing countries can create conditions conducive to return and retention in the short and medium term. Second, there is a potential or actual conflict between return and remittances. The more people return the lesser will be the volume of remittances. Moreover, there is no guarantee that people will send more remittances, as they stay longer according to the ILO research. Ammassari and Black (Ammassari and Black 2001) in their analysis of West Africa believe that there is much uncertainty about the impacts of migration and return on development. "... *policies to support the return of migrants have often been seen as disappointing at best ..., or worse, motivated primarily by exclusion from the north, rather than a commitment to development in the south*".<sup>193</sup>

The main argument against the concept of return is that it indicates the '*closure of a migration cycle*' (King 2000). Yet current globalization trends mean that there are many types of return and circulation. As Russel King (King 2000) rightly observed "*Transnationality should replace the fixedness of emigration and return*". Circulation and recirculation have many obvious linkages with the diaspora options, but are not exclusively confined to it. There should be conducive factors at both sending and receiving ends such as good infrastructure at home and circulation-friendly migration policies at both ends.<sup>194</sup>

There are several types of circulation of skills:

- ***Transnational entrepreneur***: Saxenian's research has emphasised the importance of this development. (Saxenian 2000). The emergence of parallel Silicon valleys in cities such as Bangalore, Bombay, Beijing, Shanghai, and Taipei has been primarily facilitated by expatriate scientists in the US Silicon Valley. (Saxenian 2002) Instead of draining their native economies of human skills and resources, these "circulating" immigrants have brought back valuable experience and knowhow to local economies. It is different from brain exchange in that the same skilled persons are commuting back and forth between source and destination countries. A recent survey of Silicon Valley emigrant professionals found that 80-90 per cent

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<sup>190</sup> Policy responses to skilled Migration: Retention, return And circulation

<sup>191</sup> Policy responses to skilled Migration: Retention, return And circulation

<sup>192</sup> Policy responses to skilled Migration: Retention, return And circulation

<sup>193</sup> Policy responses to skilled Migration: Retention, return And circulation

<sup>194</sup> Policy responses to skilled Migration: Retention, return And circulation



of Chinese and Indians having business relations in their home countries travel more than 5 times a year to their countries (Saxenian 2001).

- **Scientists/ academics networks:** There are several established diaspora networks which promote active circulation of scientists to help the home economy. Meyer and Brown (Meyer and Brown 1999) describe a number of promising initiatives including the South African Network of Skills Abroad, the Thai Reverse Brain Drain project, and the Colombian experience. The Thai RBD encourages exchanges of scientific personnel and contribution of expatriate scientists to return for short periods to promote knowledge in the home country.

Devan and Tewari (Devan and Tewari 2001) admit that most developing nations have done little to strategically leverage their expatriate talent. They propose three strategies: the creation of networks of emigrants, an infra-structure that allows them to exchange information easily with people in the home country, and targeted incentives that generate productive business investments there.<sup>195</sup>

Networking with expatriate intellectual and scientific diasporas can mobilize their resources while still abroad for home country development. On the basis of the Indian experience, Khadria argues that these arrangements work best when expatriates are well established in their careers abroad and have already accumulated adequate capital. Meyer and Brown (Meyer and Brown 1999) also argue that source countries can benefit both from the embodied human capital of its skilled emigrants, and also from their social capital in being part of new social and economic networks in their host society. They identify 41 expatriate knowledge networks that explicitly exist to exchange or promote the exchange of skills and knowledge in order to assist with the development of their country of origin. But there exists only limited evidence of the success of such networks in generating real net economic gains (Khadria, 1999).<sup>196</sup>

### 3.1.4. Resourcing the Diaspora

For those who remain abroad, there are *resourcing* policies. These "diaspora options" rely mainly on the creation of expatriate networks that return knowledge to the home country, e.g., that facilitate the transfer of technology. To date, most expatriate networks are autonomously founded and there may be role for the expanded involvement of both source and receiving countries. Further, *remittances* are a significant source of income for developing countries. Outreach to skilled expatriates can take advantage of the greater likelihood that they will save in foreign currency accounts in the home country, invest in remittance backed bonds, or invest in entrepreneurial activities when incentives such as reduced tariffs or income tax breaks are offered.<sup>197</sup>

Resourcing highly skilled emigrants has to with a shift in strategy that seeks to benefit from expatriate populations, a nation's diaspora (Kaplan 1997). Much of this happens on its own as there is a natural proclivity for emigrants to maintain ties to the home and this backward connection, these ties through human and financial networks, return emigrants' non-physical knowledge and investments to their source country. Whether emigrants are permanent or a short-to-medium term temporary loss, their backward linkages to their source country may offer significant benefits. As a set of policies, diaspora options do not have to aver the idea of return, but they are not reliant on return.<sup>198</sup>

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<sup>195</sup> **Policy responses to skilled Migration: Retention, return And circulation**

<sup>196</sup> **Policy responses to skilled Migration: Retention, return And circulation**

<sup>197</sup> **POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR**

<sup>198</sup> **POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR**



Several Asian countries have been able to mobilize their diasporas to benefit development in the countries of origin. Some of the policies put in place include the opportunity to bank in local institutions and to benefit from preferential interest and tax rates. They encourage expatriates to invest in local enterprises and aim to benefit from their overseas business contacts to expand and diversify local production and to gain access to foreign markets for local exports, as well as assisting more generally in the development of economic, political and cultural linkages abroad through the expatriate business community. Indeed, there are econometric studies that indicate that in some contexts emigré skilled workers can often contribute more to national development by migrating than they would have if they had remained at home.<sup>199</sup>

The World Bank is now examining in a substantial way how emigration can be beneficial to the development of poorer and less developed nations (Lucas, 2003). Globally there is an emerging awareness and appreciation that a highly skilled diaspora may play several important roles in promoting development at home. (Lucas, 2001: i). This has been achieved through remittances and providing a source of foreign investment, especially investments which generate employment. Moreover, they can act as middlemen, enhancing information flows, lowering reputation barriers and enforcing contractual arrangements, resulting in an expansion of capital inflows from foreigners as well as from the diaspora and of trade links too. (Lucas, 2001: i).<sup>200</sup>

In recent times, there has been increased emphasis on tapping the potential of overseas diaspora for home country development. The diasporas have been seen as investors, welfare providers, knowledge communities and technology harbingers to the home countries. (Meyer and Brown 1999; Devan and Tewari 2001; Lowell 2002; Lowell and Findlay 2002) (West African Regional Ministerial Meeting 2000). Devan and Tewari : (Devan and Tewari 2001) state: *"Governments shouldn't view emigrants as entirely lost resources, however, for they can be used to promote economic growth. The emigrants' technical and business skills, commercial relationships, and financial capital can all be harnessed to make long-distance economic contributions through foreign direct investment, venture funding, financial investments, and commercial and educational exchanges."* The inflow of vast amounts of FDI to China and India from their overseas diasporas are often cited as examples (Devan and Tewari 2001).

We review two general means of benefiting from a diaspora. Some of the backward linkage is counted in monetary remittances, some it in less easily measured exchange of knowledge or "the transfer of technology" (Bhagwati 1977). The latter has to do with the establishment of ongoing contact between source country academic and private sector institutions, fostered by drawing upon networks of intellectuals and scientists.<sup>201</sup>

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Table 6. Resourcing expatriates: Selected "Diaspora options"

Policy	Description
UNDP expatriate networks	The United Nations Development Program pairs expatriates with particular skills with suitable projects that range from a few weeks to months. Governments provide assistance to expatriates during their stay; it is more cost effective than hiring outside consultants.
Thai Reverse Brain Drain Project	The Thai Reverse Brain Drain Project (RBD) facilitates technical linkages between institutions and Thais living overseas to collaborate in mission-oriented projects. Serves as a coordinating information centre, including an internet bulletin board exchange (see <a href="http://rbd.nstda.or.th/">http://rbd.nstda.or.th/</a> ).
Indian remittance backed bonds	The Indian government solicits its professional expatriates to invest in remittance-backed Indian bonds. The bonds are offered by Indian banks that fund them based upon future receipt of remittances (Orozco 2000).
Foreign currency accounts	Many countries permit their expatriates to save their earnings at home in foreign currency accounts; i.e., most often the more stable currency of the developed country where they work or U.S. dollars (Orozco 2000).

During the 1990s, there appears to have been a notable increase in the number of expatriate or "home organizations" that connect a country's emigrants living abroad. One paper identifies 41 expatriate organizations that were founded in the past decade with membership in a variety of receiving nations. Apparently, most were founded autonomously, they began spontaneously and independently of each other (Brown 2000). One suspects the true number is something greater. The Internet has been core to an apparent growth and intensity of expatriate organizations: of the 41 known organizations .all have a website, . as well as an on-line registration form (Brown 2000, p. 5). Expatriate or home organizations of the highly skilled are on the leading edge in helping to extend internet and information literacy, as well knowledge and productivity in developing country economies. Almost all of the 41 organizations members have completed a Masters or Doctoral degree. Fifteen of the 41 home organizations were established with the goal of mobilizing highly skilled expatriates to return some of their knowledge though an open exchange. The exchange can play a significant part in recapturing some of expatriates. new expertise, transferring knowledge and technology to the developing source country. Three are at least five types of home organization: (1) student/scholarly networks, (2) local associations of skilled expatriates, (3) expert pool assistance through the Transfer of Knowledge Through Expatriate Nationals (TOKTEN) program of the UNDP, (4) developing intellectual/scientific diaspora networks, and (5) intellectual/scientific diaspora networks (Brown 2000). These types of organizations carry on communication within the expatriate community and back to the source country. A recent IOM Conference on Migrants' Development of Country of Origin issued a statement that countries can benefit and develop by using the knowledge of expatriates or emigrants without actually creating an expatriation program.<sup>202</sup>

Another diaspora option that can generate downstream growth is the remittances of expatriates. There are market mechanisms that may offer alternatives to capture and enhance the value of high skilled remittances. Compared with oftentimes .unbanked. low-skilled emigrants, the highly educated are likely to use banks and to have savings accounts. Thus, the remittances of the highly skilled may flow through the formal banking sector and be associated with higher rates of savings and interest income. Credit ratings and access to loans become possible. Some countries offer migrants Foreign Currency Accounts: permitting migrant workers to hold foreign currency accounts in domestic banks not subject to foreign exchange regulations (Puris and Rizema 1999). In India and Pakistan interest rates are maintained on these accounts at levels that are higher than on domestic or Euro-currency deposits. Premium exchange rates may be offered. Further, highly skilled workers may be more likely to invest in their home country. While not technically remittances per se, one special example should be noted here; an investment that expresses some of the same motivations that drive remittances. For example, the Indian government spends time in the United States and elsewhere urging its professional emigrants to invest in Indian remittance-

<sup>202</sup> POLICY RESPONSES TO THE INTERNATIONAL MOBILITY OF SKILLED LABOUR



backed bonds (Orozco 2000). Banks that receive large amounts of wire transfers from workers and companies abroad issue the bonds.<sup>203</sup>

Athukorala (n.d.: 4) points out that to encourage migrant workers to send remittances through official channels sending countries use two systems: repatriable foreign currency accounts and foreign currency denominated bonds. Most Asian countries with substantial numbers of workers overseas, both temporary and permanent, have systems in place in their domestic banks for the remittance of earnings to repatriable foreign currency accounts. These accounts are not subject to existing foreign exchange regulations and, in some cases (e.g. India and Pakistan), have an interest rate policy which allows such accounts to earn interest above prevailing world rates (Athukorala, n.d.).<sup>204</sup>

Another set of practices aims to influence the remittances or the skills that return migrants bring. Incentives are created for migrants abroad to spend remittances on job creating investments. Tariffs may be reduced for migrants abroad (or return migrants) on the importation of machinery and equipment to establish microenterprises. Other programs encourage the entrepreneurial proclivities of return migrants (Lowell and de la Garza 2000). These approaches are uniquely suited to benefiting from highly educated expatriates, using their financial and knowledge resources.<sup>205</sup>

Still, governments in Asia have made only very limited attempts to channel remittances into productive investment. Athukorala (n.d.: 9) has indicated that such policy initiatives have taken two forms business counselling and training, on the one hand, and training cum action programmes to turn return migrants into entrepreneurs, on the other. In relation to the first type, he discusses programmes in Thailand, Pakistan, the Philippines and Sri Lanka and, regarding the second, programmes in Sri Lanka, the Philippines and in Kerala, India, are examined. However, efforts in these areas remain very limited.<sup>206</sup>

As a conclusion, for those who remain abroad, there are *resourcing* policies. These "diaspora options" rely mainly on the creation of expatriate networks that return knowledge to the home country, e.g., that facilitate the transfer of technology. Academic and private sector initiatives can stimulate cooperative ventures between expatriate individuals, and the institutions they represent. Further, remittances are a significant source of income for developing countries. There are several ways of benefiting from the unique attributes of highly educated emigrants in this regard. Outreach to skilled expatriates can take advantage of the greater likelihood that they will save in foreign currency accounts in the home country, invest in remittance backed bonds, or invest in entrepreneurial activities when incentives such as reduced tariffs or income tax breaks are offered.<sup>207</sup>

It is estimated that China's expatriates account for about half of their country's foreign direct investment (FDI) (Sharma, 2003: 29). In recent years there has been a substantial involvement of Chinese business people in Taiwan, Hong Kong and elsewhere in channelling money into the Chinese mainland.<sup>208</sup>

Mobilizing the diaspora as a development force is an option gaining increasing currency among policy makers. Beyond the significant transfers of capital through remittance flows, migrant diasporas have also been instrumental in channelling flows of FDI to their home countries. According to a recent IOM study on migration and development in Asia the Indian

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diaspora contributed 9.15 per cent of FDI flows to India in 2002. The Chinese diaspora contribution to FDI in China was even higher. Flows of FDI from the highly skilled diaspora also are closely linked with the emergence of high tech industries in developing countries. For instance, the migrant Indian IT community in Silicon Valley, California, has been a driving force behind the development of the Indian software industry. Similarly, the Chinese diaspora has played a central role in the explosive growth of high tech industries in Taiwan and mainland China. Thus, through capital flows, exchange of information and a burgeoning entrepreneurial activity the diaspora is widely considered to have become an important driving force behind economic development of countries of origin. Governments are therefore seeking to enhance diaspora related contributions to their domestic economy through a variety of means. Principally, they have sought to cultivate ties with their migrant diasporas by liberalizing dual citizenship and other immigration laws, facilitated diaspora investments and financial linkages with the home country (Source: IOM, "Migration and Development: A Perspective from Asia", IOM Migration Research Series, No. 14 (November 2003)).<sup>209</sup>

The diaspora can be both a direct source of FDI and effective "middlemen" to channel FDI towards the home country. Biers and Dhume (2000: 38) report that several overseas Indians who had reached upper management positions in Western Multinationals helped to convince their companies to set up operations in

India, "Hewlett Packard", being a prime example. However, cases *par excellence* here are the Chinese mainland and Taiwan where the spectacular economic growth of recent years has been heavily influenced by investment from a diaspora of perhaps 30 million overseas Chinese (Lucas, 2003). There has been considerable discussion of how Chinese businesses and social networks have overcome barriers to international trade. Rauch and Trindade (2002) found that ethnic Chinese nationals have a quantitatively important impact on bilateral trade. Rubin (1996) has shown how Chinese entrepreneurs in the United States are taking their businesses into China. The Indian diaspora, second in size only to that of China, is of around 20 million people with an income of US\$ 160 billion . more than a third of India's GDP (Sharma, 2003: 29). However, it has not been mobilized as effectively as the Chinese diaspora, contributing only 9.15 per cent of US\$ 4 billion FDI compared with half of China's US\$ 48 million.<sup>210</sup>

In 1992 an expatriate Indian set up *The Indus Entrepreneurs*, a non-profit support network to provide advice, contacts and funding for entrepreneurs from India, Pakistan, Bangladesh and Sri Lanka in the United States. In 1998 it was extended to entrepreneurs setting up in India (Burns, 2000: 56).<sup>211</sup>

### 3.1.5. Recommendations / Conclusion

Modern communication and information technology greatly facilitates networking, **therefore the possibility of developing registers of expatriates is a real and economic proposition.**

The privacy factor is very important and registration should be voluntary. There can be deep suspicion about such registers, especially where one of the motivations to emigrate was to flee the influence of totalitarian governments, and if it is felt that governments are simply seeking to tax their diaspora. All of these considerations need to be taken into account.

Another issue relating to a register of expatriates concerns protection. Following the events of 11 September 2001 and the Bali bombing of 2002, governments have been criticized for their failure to contact expatriates and inform them of impending threats. For instance, the

<sup>209</sup> MEETING THE CHALLENGES OF MIGRATION PROGRESS SINCE THE ICPD

<sup>210</sup> Migration and Development: A Perspective from Asia

<sup>211</sup> Migration and Development: A Perspective from Asia



consulate of Japan in New York was widely condemned for taking too long to determine how many Japanese nationals were killed or injured in the attack and for failing to supply emergency information and help to some of the Japanese citizens living in and around New York. (*Far Eastern Economic Review*, 10 April 2003). Accordingly, in 2004 Japan will be setting up a new consular affairs agency to help keep track of Japanese living abroad and to keep them informed during crises. Pakistan has a computerized National Identity Card for Overseas Pakistanis (NICOP), which is mandatory for all Pakistanis living abroad for more than six months (*Asian Migration News*, 16-30 April 2003).<sup>212</sup>

Part of a diaspora policy has to involve some means to maintain the identity of the diaspora with the home community. This is not a trivial issue. In some cases there may be a certain degree of resentment among the diaspora who may have the feeling of being a forgotten or overlooked part of the nation.<sup>213</sup>

However, there is a need to overcome some resentment among overseas Indians who feel that they are being neglected by the Indian government and that the government is only interested in extracting their money (Sharma, 2003; Abraham, 2001).<sup>214</sup>

There is a need to investigate in some detail the "transaction costs" of returning to the home country so that returnees are not excessively taxed on their accumulated wealth. Such programmes must ensure that returnees are able to accede to jobs that are fully commensurate with their talents; in other words, there must be suitable jobs for them to come back to.<sup>215</sup>

A crucial question here relates to how such potential returnees might be identified. Increasingly, it could be argued that countries are considering maintaining registers of skilled workers overseas to facilitate programmes targeted at bringing back people with particular skills and expertise.<sup>216</sup>

Accordingly, most universities now maintain well constructed electronic databases on their alumni. These could be used to set up networks, perhaps even via the Internet. The development of attractive and informative websites, regular networking among expatriates, in particular in overseas cities, etc. are all possibilities worth investigating.<sup>217</sup>

The United States plans a special census of its overseas citizens in 2004, and by 2010 it intends its regular census to include not only all the residents in the US, but also all its citizens abroad. This reflects the interest for the census to capture total national human resources, and some countries could consider introducing a similar system. Other systems include the registration of expatriates overseas with their nearest consulate or embassy, and the development of a central system for such registers using state-of-the-art information technology. It needs to be made clear that the inclusion in such a list should be voluntary, and that it is worthwhile for expatriates to be registered. The regular dissemination of a magazine, invitations to social events overseas, regular circulars about job and housing opportunities etc. could be included.<sup>218</sup>

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<sup>212</sup> **Migration and Development: A Perspective from Asia**

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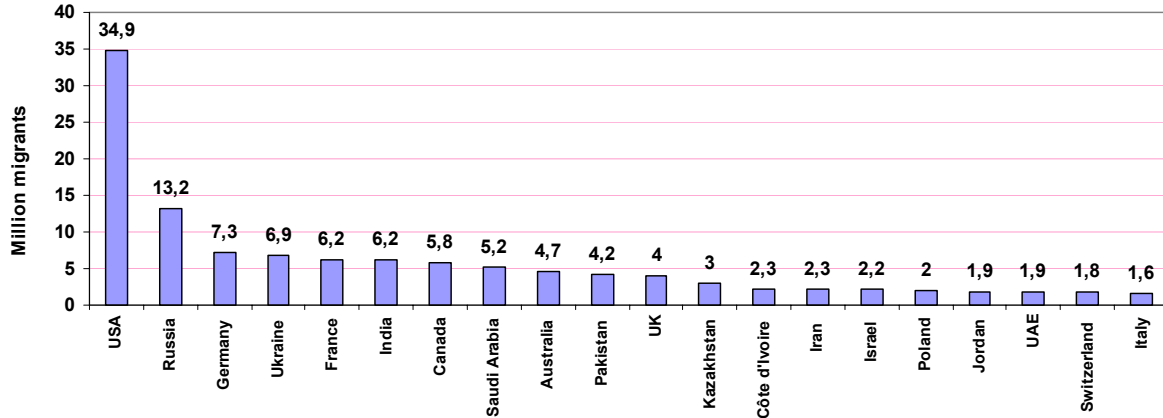
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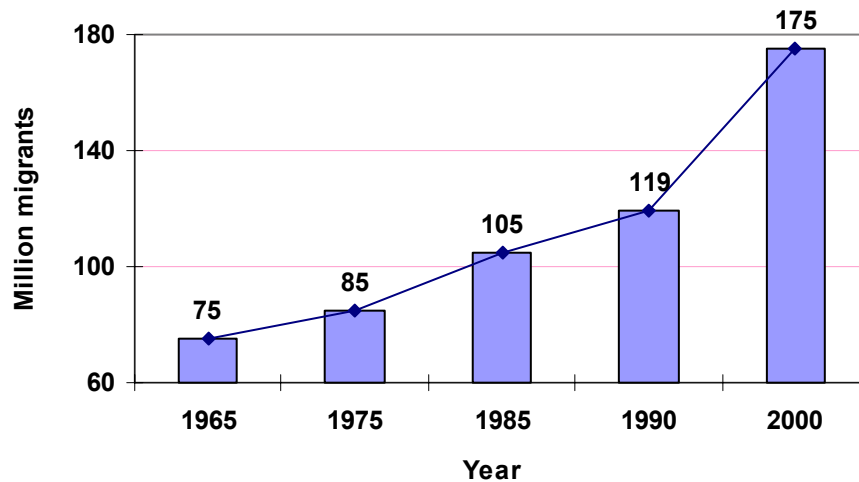
## 5. Statistical annex

### Countries with the largest international migrants stock in 2000



Source: United Nations Population Division, Department of Economic and Social Affairs

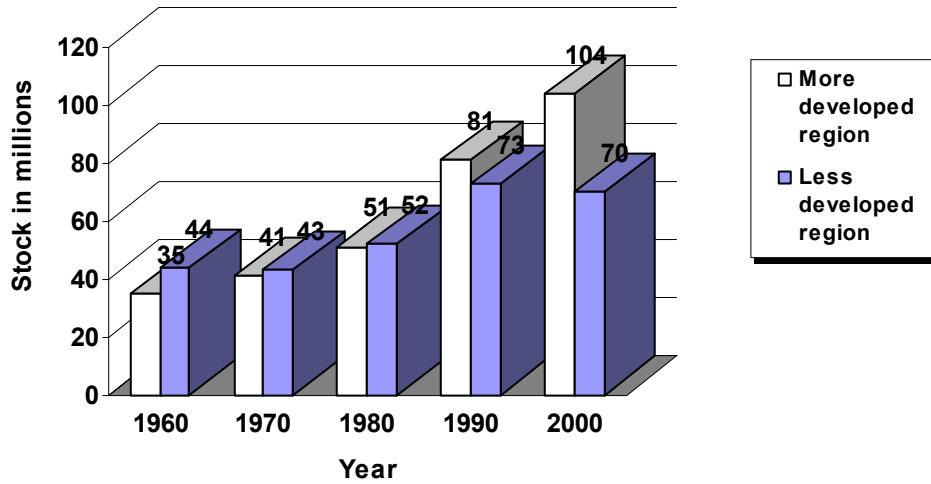
### The World Foreign-Born Population from 1965 to 2000



Source: United Nations (2002b), Population Reference Bureau & Zlotnik, H.

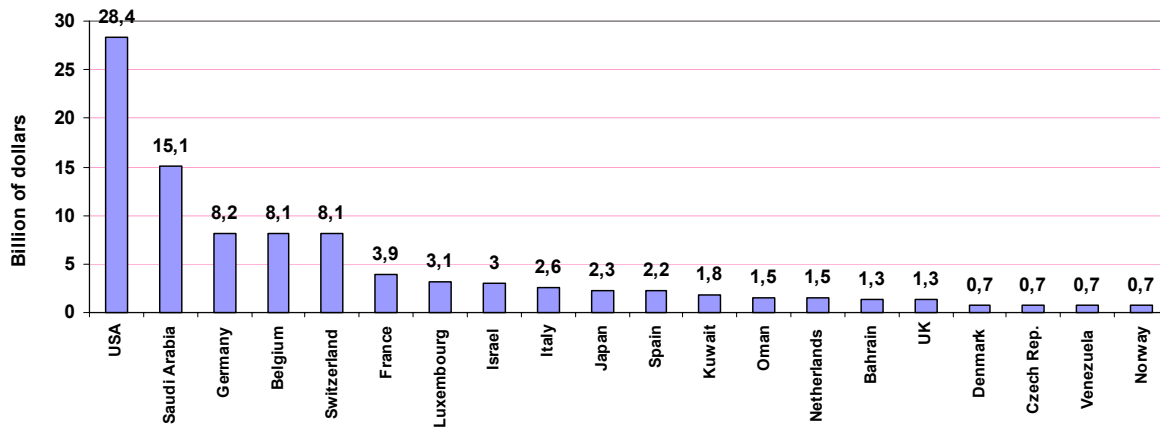


**Migrants by region of destination form 1960-2000**



Source: United Nations Population Division (2002a)

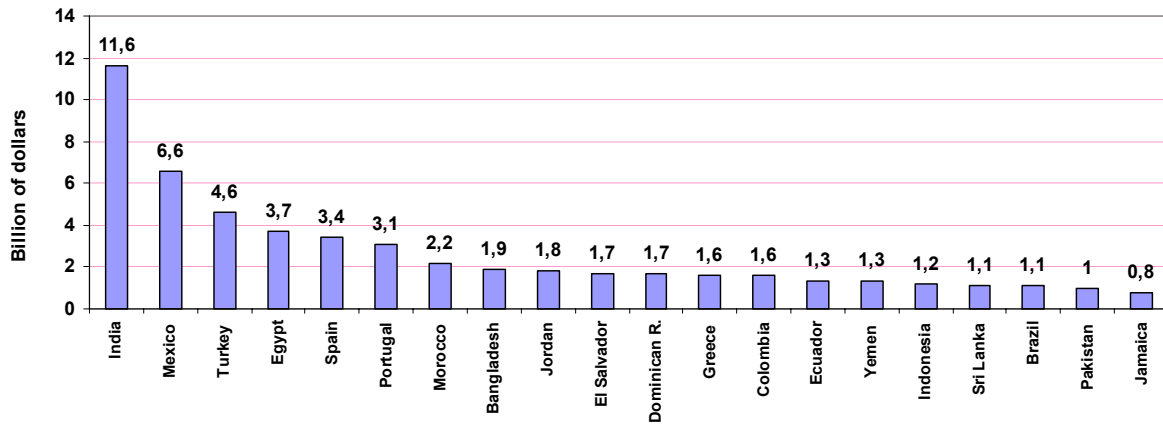
**Top countries sources of remittances in 2001**



Source: International Monetary Fund, Balance of Payments Statistics Yearbook and data files

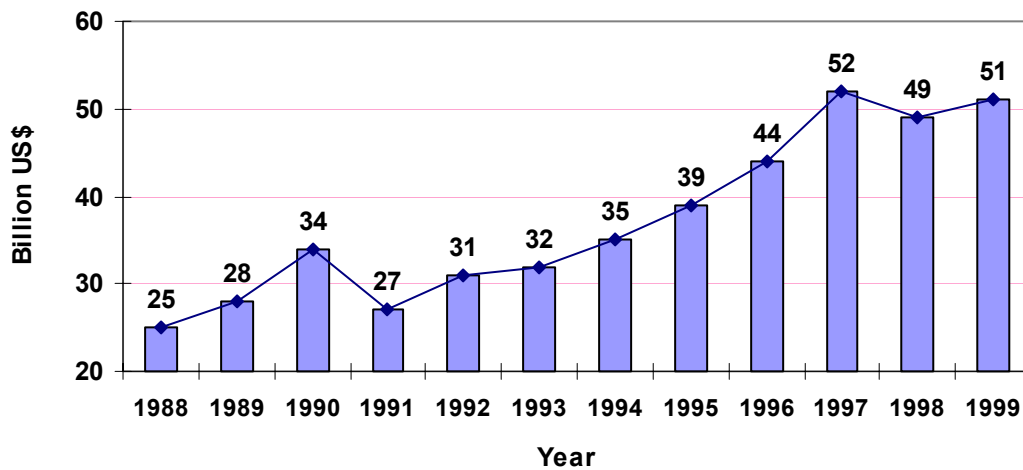


**Top countries recipient of remittances in 2000**



Source: IOM (2003b)

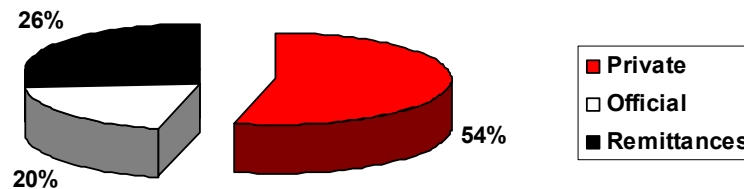
**Migrant remittances in the developing world form 1988 to 1999**



Source: International Monetary Fund, Balance of Payments Statistics Yearbook and data files



### Net flows of external finance to developing countries



Source: World Bank (2003) & Kapur (2003)

#### **Box. Some recent initiatives to facilitate movement of natural persons in OECD countries**

**Australian** immigration authorities have set up service centres for employers who want to petition skilled foreign workers.

**Canada** has a pilot program related to software development workers under which Human Resources Development Canada pre-identified a general need within the labour market for software development workers. This enables suitably qualified applicants with a job offer from a Canadian employer and any necessary visa (depending upon country of origin) to be automatically validated (i.e. not subject to labour market needs tests). Under a pilot project, spouses of "highly skilled foreign workers" who are admitted to Canada at least 6 months are also permitted employment authorisations without being subject to labour market testing.

**France** published a decree in 1999 permitting companies to hire foreign workers skilled in computer science field if a company is able to demonstrate that it is unable to fill the post with a local candidate.

**Germany** is offering 20 000 employment permits for up to 5 years for computer and information technology specialists recruited outside the European Union.

**Japan** announced a plan in November 2000 to recruit 30 000 skilled IT engineers and researchers from overseas by 2005.

The **United Kingdom** is trialling a program to enable high-volume non-immigrant visa employers with a proven track record to have a streamlined and fast track visa approval. It now applies simplified fast-track procedures for issuing work permits for certain occupations and has extended the list of shortage occupations. The maximum length of a work permit has been extended from 4 to 5 years.

The **United States** raised the annual quota of H-1B visas for professional and skilled workers by nearly 70% in 2000, providing temporary admission for 195000 people over the next fiscal years. The 7% ceiling on the proportion of visas going to nationals of any giving country has also been dropped.

**Source:** OECD (2002)



**Total Population and percentage of expatriates in some countries**

Country/Region	Total Population (thousands)	Expatriates
<b>GCC Countries</b>		
Bahrain	640	39,8%
Kuwait	2 238	62,9%
Oman	2 538	26,9%
Qatar	565	72,4%
Saudi Arabia	20 346	25,8%
United Arab Emirates	2 606	73,8%
<b>Arab Mediterranean Countries</b>		
Algeria	30 291	0,8%
Egypt	67 884	0,2%
Jordan	4 913	39,6%
Lebanon	3 496	18,1%
Morocco	29 878	0,1%
Palestinian A.	3 191	52,2%
Syria	16 189	5,6%
Tunisia	9 459	0,4%

Source: UNPD, International Migration Wall Chart, 2002 (figures refer to year 2000)

**Stock of Arab expatriates in Gulf countries**

Year	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	Total
1997		271 000	35 000	29 000	1 200 000	100 000	1 635 000
1997					500 000		500 000
1997				40 000	270 000	100 000	410 000
1997		95 000			170 000		265 000
1997					250 000		250 000
1997		366 000	35 000	69 000	2 220 000	200 000	3 180 000

Source: Kapiszewski, 2001

**Arab citizens in Europe**

Country of residence	Year	Country of citizenship								Total Arab Med. Countries
		Algeria	Egypt	Jordan	Lebanon	Morocco	Palestine	Syria	Tunisia	
Austria	2001									
Belgium	1999	8,452	613	215	1,098	125,082		699	4,243	140,402
Denmark	2001	408	594	785	2,538	3,293		588	470	8676
Finland	2001	216	200	113	84	537		93	164	1407
France	1999	685,558	15,974	933	33,278	725,782	869	10,826	260,622	1733,842
Germany	2000	17,186	13,811	11,19	54,063	81,45		24,421	24,26	226,381
Greece	1998	216	6,599	1,381	2,465	444		2,587	336	14,028
Ireland	2000									
Italy	2000	11,435	33,652	2,936	3,729	170,905		2,37	55,213	280,24
Luxembourg	2001									
Netherlands		917	2,771	229	338	119,782		543	1,312	125,836
Portugal	2000	91	57	78	191	330	10	75	27	859
Spain	2001	13,847	952	625	912	199,782		1,046	643	217,807
Sweden	2001	500	592	509	3,369	1,234		6,035	797	13,036
United Kingdom	2000	15000	9000		4000	8000			1000	37000

Source: Council of Europe