

The Trade, Migration, and Development Nexus
Philip [Martin – plmartin@ucdavis.edu](mailto:plmartin@ucdavis.edu)
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Abstract

About three percent of the world’s 6.4 billion people, over 191 million, were international migrants in 2005, persons outside their country of birth a year or more. About 60 percent of the world’s migrants, some 110 million, were in the 30 high-income countries. Over half of these migrants in industrial countries, some 62 million, were from developing countries.

This paper asks how migrant workers from developing countries in high-income countries affect trade with and development in their countries of origin. There are three major channels through which migration can affect development in the workers’ countries of origin, the 3 Rs’s of recruitment, remittances, and returns. Moving unskilled workers over borders provides the greatest benefits to migrants and their countries of origin, since wage gaps between rich and poor countries are greatest for unskilled workers, they are most easily replaced at home, and they may be less likely to settle abroad. The emigration of foreign professionals and the tendency of foreign students to remain abroad, on the other hand, raise brain drain fears whose impacts on development are unresolved.

Remittances to developing countries surpassed Official Development Assistance in the mid-1990s, and may at over \$170 billion in 2005 plus perhaps 50 percent more for funds that arrive via informal channels be several times the \$110 billion in ODA. National governments and international development institutions are trying to increase the volume of remittances and the share flowing through regulated financial institutions. The UN, development agencies, and NGOs would also like to increase the impacts of remittances on development by increasing the share invested in migrant areas of origin in ways that create jobs.

The third R is returns. The optimistic scenario sees returning migrants as change agents, investing remittances and using skills acquired abroad to accelerate development at home; a new literature outlines ways in which even those who settle abroad can promote Diaspora-led development at home. The pessimistic scenario is that migrants who work abroad often return to rest and retire, limiting their impacts on economic development. If children of migrants believe that they will earn more as manual workers abroad than educated workers at home, they may not acquire additional education even if emigration provides the resources for them to do so.

NAFTA and CAFTA are free trade agreements that should speed up economic and job growth with freer trade and investment flows, eventually reducing unwanted migration into the US. However, the short-term effects of freer trade and investment can be the opposite of these longer-term effects, since freer trade can immediately speed up labor-displacing change while time is required for investment and trade to generate new jobs, which may be created in places far from where labor displacement occurs. For example, freer trade may displace older and less-educated workers in southern Mexico while trade and investment creates jobs for young and educated workers in northern Mexico.

Most economic analysis focus on comparative statics, or before and after equilibria. The migration accelerated by freer trade and investment flows is an example of less well understood economic dynamics. Managing migration during the dynamic “hump phase” of economic integration is critical to winning broader acceptance of freer trade and investment regimes as a tool to eventually reduce unwanted migration.

Introduction

The world is divided into about 200 nation states. Their per capita incomes ranged in 2004 from less than \$250 per person per year to more than \$50,000 (World Bank Indicators 2006, 20-22), providing a significant incentive to migrate from one country to another for higher wages. The 30 high-income countries had one billion residents in 2004, a sixth of the world's population, and their gross

national income was \$32 trillion, 80 percent of the global \$40 trillion.¹ The resulting average per capita income of \$32,000 was 21 times the average \$1,500 for the 5/6 of the world's people in low and middle-income countries.

About three percent of the world's 6.4 billion people were international migrants in 2005, and these 191 million migrants included 62 million who moved from south to north (from a developing to a developed country), 61 million who moved from south to south, 53 million who moved from north to north, and 14 million who moved from north to south. In each of these flows, about half of the migrants were in the labor force of the destination area (ILO, 2004), prompting the question: what role can migrants who move from a developing to a high-income country play fostering trade and accelerating development in their countries of origin? For most of human history, the assumption was that migrants contributed primarily to their new homes, not to their countries of origin. Historians debate the emigration mistakes of governments, as when the French expelled the Huguenots in the 16th century, contributing to the sparking of the Industrial Revolution in Britain.

Until recently, there were few stories of migrants abroad transforming the country they left behind. One exception is Taiwan, a country that invested little in higher education in the 1970s, so that those who wanted graduate degrees went abroad. Many graduates stayed abroad despite rapid economic growth in Taiwan but, during the 1980s (even before the end of martial law), some began to return.² To encourage returns, the government established the Hsinchu Science Industrial Park in 1980 to create a rival to Silicon Valley in California. Financial incentives were provided to encourage high-tech businesses to locate in Hsinchu, including the construction of subsidized Western-style housing (Luo and Wang). By 2000, Hsinchu was a major success, employing over 100,000 workers in 300 companies that had sales of \$28 billion. Over 40 percent of Hsinchu-based firms were headed by returned overseas migrants, and 10 percent of the 4,100 returned migrants employed in the park had PhD degrees.

Is Taiwan's Hsinchu experience with Diaspora-stimulated development the exception or the rule? Can migrants abroad foster the trade and investment links associated with faster economic growth in poorer countries, even if they are not undergoing rapid economic growth as in Taiwan? Are migrants, as UN

¹ At purchasing power parity, which takes into account national differences in the cost of living, the world's gross national income was \$56 trillion, including 55 percent in high-income countries

² Some maintained homes in both North America and Taiwan but spent so much time commuting that they were called "astronauts" to reflect the time they spent on airplanes.

Secretary General Kofi Annan asserted, “the motors of human progress” for both receiving and sending countries?³

This paper deals with the role of migrants in stimulating development in their countries of origin by outlining the three major channels through which migration can affect development: recruitment, remittances, and returns. It next turns to the case of NAFTA, and outlines the relevance of the NAFTA experience for migration, trade, and development elsewhere. The paper concludes that migrants can accelerate development in their countries of origin, but finds nothing mechanical or automatic about the migration and development linkage. Countries growing and ready to grow can benefit from migration’s 3 R’s, but in other cases migration’s 3 R’s can prevent an economic take off. Thus, the answer to the question of whether migration accelerates development is: it depends.

Migration’s 3 R’s

Migration that moves workers from lower- to higher-wage countries can be a win-win-win situation, with migrants benefiting from higher wages, receiving countries benefiting from more employment and a larger GDP, and migrant-sending countries benefiting from jobs, remittances, and returns. The first two wins are fairly well established, with migrants demonstrating their strong desire to go abroad by taking enormous risks to move to higher wage countries, and migrants in industrial countries are credited with slightly expanding economic output by slightly depressing wages.

The third win, the effect of emigration on migrant countries of origin, has been in the spotlight recently, largely because migrant numbers and remittances are rising and, especially in the case of health care professionals leaving Africa, some sending country governments have demanded compensation for their loss of human capital. There are two extreme scenarios involving highly skilled migrants and their countries of origin: Indian IT emigration and African health care migration. The virtuous circle associated with the emigration of Indian IT specialists resulted in the development of a new software and outsourcing industry in India, while the exodus of African health care professionals is associated with deteriorating health care systems, lower worker productivity, and slower socio-economic development in the migrants’ countries of origin.⁴

³ Kofi A. Annan, “In Praise of Migration,” Wall Street Journal, June 5, 2006, wrote that migrants take risks when crossing national borders “to overcome adversity and to live a better life,” and that such migrant “aspirations have always been the motors of human progress.”

⁴ For additional detail on Indian IT and African health care migration, see Martin et al 2006, pp 70-74.

The Indian IT success story began in the mid-1980s, when some of the 7,000 Indian IT specialists were sent by multinationals to their subsidiaries outside India, where they performed well. The IT-boom in industrial countries in the late 1990s and the Y2K issue encouraged industrial countries to open doors to IT professionals from India and elsewhere, and independent brokers soon emerged to recruit and deploy Indians to firms that did not have operations in India. Two decades later, India had annual revenues of over US\$10 billion from exports of computer-related services, a case of emigration leading to a new engine of development at home.

By contrast, the recruitment of African doctors and nurses by hospitals in ex-colonial masters such as the UK may have set in motion a vicious circle that retarded economic development. African doctors and nurses are often trained to colonial-power standards, expediting the recognition of their licenses abroad. Many government-funded health care systems find it hard to lure doctors and nurses to poorer rural areas, so they assign graduates to rural areas and enforce these assignments by withholding licenses until the term of duty is completed. The result is often a bad experience and emigration fever, so that 40 percent of the 1,300 doctors and 2,500 nurses who graduate each year in South Africa emigrate (OECD, 2004). The South African government estimated it spent \$1 billion educating health workers who emigrated during the 1990s, equivalent to a third of the development aid received from 1994 to 2000.

There are obvious differences between IT and health care, including government's role in shaping labor supply and demand. IT is largely a private sector industry, much training occurs on the job, and many standards are set privately. The supply of health care services is heavily influenced by governments that support the training of doctors and nurses and license them, and the demand for health care is influenced by the location and charges for health services. Migration's effects on countries of origin usually lie between these virtuous and vicious extremes, justifying a closer look at the 3 R's that shape emigration's effects on development.

Recruitment

Migration is not random: young people are most likely to move over borders because they have the least invested in jobs and careers at home and the most time to recoup their "investment in migration" abroad. Among young people, who migrates depends significantly on an individual's human capital and her network connections, but demand conditions in receiving areas are the dominant factor shaping labor flows. For example, if employers in destination countries want IT professionals and nurses, networks and recruiters will evolve to help them move abroad; if the demand is for maids and farm workers, networks and agents will evolve to move them over borders.

Migrants moving from developing to developed countries are different from the workers they left behind as well as the workers in the countries to which they move. About 40 percent of the world's workers are employed in agriculture, 20 percent in industry and construction, and 40 percent in services, and the world's developing country migrants are drawn from societies that have this 40-20-40 distribution of workers (World Bank Indicators, 2006). The industrial countries to which migrants move have about three percent of their workers employed in agriculture, 25 percent in industry, and 72 percent in services.

However, the 31 million migrant workers from developing countries in industrial countries in 2005 had a labor force distribution unlike that in sending or receiving countries. About 10 percent are employed in agriculture, 40 percent in industry and construction, and 50 percent in services. This distribution of developing country migrants reflects a tendency of three types of industrial country employers to request migrants: those in sunset industries such as agriculture and some manufacturing (sewing), those in industries that are difficult to trade, such as construction, and in many growing service-sector industries, from janitorial services to health care services.

Migrant workers from developing in industrial countries also have personal characteristics different from those of other adults in receiving countries. Migrants differ in the best single determinant of individual earnings in industrial countries: years of education. In most developing countries, the distribution of adults by years of education has a pyramid shape reflecting a few well-educated persons on top and most workers at the bottom of the education pyramid, with less than a secondary school certificate or high-school diploma.

Native-born adults in high-income countries, by contrast, have a diamond shape when arrayed by years of education. About 25 percent have a college degree, 60 percent have a secondary school certificate, and 15 percent have less than a secondary or high-school diploma. Migrants from developing countries in industrial countries have more of an hourglass or barbell shape. About 40 percent have a college degree, 25 percent a secondary school certificate, and 35 percent less than a high-school diploma. International migration from developing to industrial countries thus takes persons from the top and bottom of a pyramid distribution and adds them to the top and bottom of a diamond-shaped distribution.

Professionals and Students

Migrants drawn from the top of the education pyramid of developing countries are often professionals and students who are legal residents of industrial countries. Foreigners arrive in industrial countries via front, side, and back

doors, with the front door representing presumed settler immigration, the side door allowing the entry of tourists, guest workers, and students for a specific time and purpose, and the back door representing illegal entries as well as legally arrived foreigners who violate the terms of their entry, such as tourists who go to work or overstay.

Over the past two decades, almost all industrial countries have made it easier for foreign professionals to enter as settlers or guest workers. There are two broad approaches to selecting professional immigrants, so-called supply and demand systems. The supply-oriented systems of Australia, Canada and the UK give points to applicants for immigrant visas that reflect their language ability, years of education, age and other factors presumed to affect earnings, and grant immigrant visas to those with sufficient points. The demand-oriented system of the US, by contrast, makes the major criterion for an immigrant visa having a job offer from a US employer. There has been some convergence between supply and demand-oriented selection systems, as especially Canada has raised the number of points awarded for having a local job offer to avoid brain waste, the presumed lack of earnings due to immigrants employed in jobs that do not require their credentials, as when a doctor drives a taxi. Meanwhile, the US makes it easiest for employers to obtain immigrant visas for foreigners with a college degree or more filling a US job that requires at least a college degree.

Side-door “nonimmigrant” professionals and students often wind up obtaining immigrant visas. Nonimmigrants are admitted for a specific time and purpose, but most industrial countries have probationary immigrant guest worker programs similar to the US H-1B program, which makes entry and settlement relatively easy (Martin, 2006). US employers may “attest” that a foreigner with at least a college degree is needed to fill a US job that usually requires a college degree, and most may legally refuse to look for qualified US workers or may lay off US workers to hire a foreigner with an H-1B visa. During the six years that an H-1B visa is normally valid, foreigners may become immigrants by finding a US employer to “sponsor” them under a different “certification” process that involves proving that qualified US workers are not available. With the foreign worker usually employed in the job for which the employer seeks US workers, it is no surprise that US workers who apply are rarely hired (US Department of Labor, 1996).

Professionals have completed their education before they cross borders, and are probationary until they find an employer to sponsor them for (US) or satisfy residence requirements (Europe) that give them permanent residence status. Foreign student programs are another type of probationary immigrant system, since most graduates learn the host-country language and become familiar with host country ways of study and work before graduation. If they find an

employer to hire them, most countries permit foreign student graduates to settle or remain at least several years.

In 2000, there were two million foreign students in the OECD countries, half from outside the OECD, including 34 percent in the US, 16 percent in the UK, 13 percent in Germany, 11 percent in France, and 8 percent in Australia (OECD, 2002, 52). Foreign students usually study subjects that impart skills transferable internationally, e.g. science and engineering rather than law. Some institutions of higher education have become dependent on the revenues from foreign students, and some graduate programs appreciate the willingness of foreign students to be relatively low-wage RAs and post-docs.

The rising number of foreign students, especially in science and engineering graduate programs, raises the question of whether they are “needed.” Teitelbaum (2003) argues that the high percentage of foreign students in US science and engineering doctoral programs reflects labor market deficiencies and student desires for immigrant visas, not a “national need” for more PhDs in science and engineering. He points out that in many basic sciences, six or more years of graduate study is followed by five to 10 years of low-paid postdoctoral research, so that graduates do not get “real jobs” until age 35 or 40.⁵

Unskilled Migrants

Most of the world’s workers and most of the world’s migrant workers are unskilled. Many need help to cross national borders, and there has been rapid growth in the number of for-profit recruiters who move workers over national borders (Kuptsch, 2006). The wage gap between countries motivates migration, and the recruiter’s share of this wage gap depends on a number of factors, including the difficulty of migrating illegally (or migrating without the help of recruiters) and prospects for settlement and upward mobility abroad. In most labor flows, recruiting fees are highest at the beginning of a flow, but after workers are established abroad, potential migrants have access to information via social networks and may find alternative routes to travel abroad for employment, including going as tourists to visit relatives and staying to work.

In countries such as the Philippines, where most migrants leave legally, recruiters match half or more of the migrants being deployed abroad with jobs.

⁵ According to one study cited by Teitelbaum, bioscientists can expect to earn \$1 million less than MBAs graduating from the same university in their lifetimes, and \$2 million less if stock options are taken into account, suggesting one explanation for the very different composition of students in MBA programs and graduate science programs. Michael Teitelbaum, “Do we need more scientists?” *The Public Interest*, Fall, No. 153, 2003, pp 40-53.

The government tries to limit recruiting fees to the equivalent of one month's wages for the typical two-year contract, about 4.2 percent, but Abella (2004) concluded that "limits on fees [that recruiters] can charge to workers have been widely disregarded" because there is an excess supply of migrants. A migrant may leave the country with a contract stipulating that the recruitment fee is a month's wage, but upon arrival is asked to sign another contract that raises the fee to 4 to 6 months wages. Migrants can refuse to sign the second contract, but if they do they may be forced to return without the means to repay recruitment debts.

A December 1995 survey of male migrants in Kuwait found that 75 percent of the Sri Lankan migrants used private recruiters to get their jobs, paying an average \$800, or four months wages for the typical \$200 a month worker (some of these recruitment fees wind up in the hands of the foreign sponsor-employers). Fewer Indian and Pakistani men used recruiters, since they had more access to social networks; the Indians and Pakistanis who used recruiters paid two to three months wages in fees (Shah, 1996). Half of the Bangladeshis used recruiters, and they paid the highest fees despite having the lowest monthly earnings; an average \$1,800 for jobs paying \$150 a month. The recruitment fees paid by Bangladeshis rose in the 1980s,⁶ perhaps because the shift from construction to services jobs allowed migrants to remain abroad longer (Azad, 1989).

It is important to emphasize that conditions in receiving country labor markets, such as employer perceptions of the virtues of migrants and local workers, affect what type of worker is preferred and how migrants find jobs. Most economists believe that employers prefer workers with the most human capital, but sociologists Roger Waldinger and Michael Lichter found that many LA-area employers preferred newly arrived migrant workers because they had the right "attitude" toward the often low-wage and difficult jobs they fill.⁷ Migrants lacking English, schooling and familiarity with American culture may nonetheless be preferred by some employers because of their "personal qualifications – friendliness, enthusiasm, smiling, subservience." (Waldinger and Lichter, 2003, p220).

Waldinger and Lichter looked at the requirements of the jobs held by migrants and found that in manufacturing, workers needed to be able to engage in the physical exertion necessary to do the job, but the next most important trait was an ability to get along with co-workers. In most work places, current employees

⁶ The wage differential narrowed because of declining wages in the Gulf oil exporters, not because of rising wages in Bangladesh.

⁷ Training times were typically short: restaurants said that new workers needed eight days to master their jobs, hotels said 11 days.

were expected to teach new workers the "tricks" of particular tasks and machines, and migrant networks are ideal for this, since they result in current workers bringing friends and relatives into the work place. Networks save employers recruitment and training costs and enable workers from particular foreign places to "capture" particular work places, so that unemployed local workers with more human capital but no "social capital" may not learn about the jobs (Waldinger and Lichter, 2003, p64).⁸

Most migrants move over national borders under the terms of unilateral guest worker programs, meaning that employers who satisfy national governments that they need foreign workers can recruit foreign workers where and how they wish. Most countries do not sign bilateral agreements or MOUs with migrant countries of origin to regulate recruitment, even though the ILO favors recruitment under bilateral agreements, and included a model agreement in Recommendation 86 (1949).⁹

There have been more MOUs, but they often deal more with returning apprehended migrants than protecting migrant workers abroad. Thailand has MOUs with its three neighbors that send migrants, and they highlight the problems of using a recruitment MOU to promote legal migration and speed development in migrant-sending countries. The Thai MOUs with Burma, Cambodia, and Laos assert that migrant workers in Thailand are to receive equal wages and benefits, with 15 percent of their wages withheld to assure returns and provide funds for development in migrant areas of origin.

In exchange for the MOU opening legal channels for migrants, Burma, Cambodia, and Laos are to issue ID documents to their nationals and accept the return of apprehended unauthorized foreigners. In December 2005, the Thai cabinet approved the admission of 200,000 migrants under these MOUs at a time when there were 300,000 nationals of these countries in detention or irregular status.¹⁰ Since these apprehended foreigners had to be dealt with before new

⁸ Migrants are selected to fill some jobs because precisely because they are "here to work" and do not have "negative attitudes." This "dual frame of reference and less-entitled status" helps newcomers to find so-called 3-D jobs, dirty, dangerous, and difficult, acceptable. However, many migrant workers and most of their children educated in the receiving country eventually want and expect upward mobility, posing the danger that a large and growing group of migrants and descendants could produce "a future of ethnic conflict." (Waldinger and Lichter, 2003, p229, 233).

⁹ Even if there is no bilateral agreement or MOU, there may be a social security agreement between labor sending and receiving countries. For example, China has social security agreements with Germany and Korea, but no bilateral labor agreements.

¹⁰ Thai employers had to pay 10,000 to 50,000 baht to hire one of the detained migrants, a fee many considered too high for workers earning 130 to 180 baht a day. Employers who

legal guest workers were admitted, the net effect of the announcement may have been to promote illegal migration, as some migrants expecting to go legally are now encouraged to go illegally rather than waiting.

Remittances

Remittances are international financial transfers from individuals to individuals. Most are derived from the earnings of citizens of one country employed in another, meaning that remittances replace what would have been earned at home if the individual had not migrated. There are three steps involved in a typical remittance transfer: the migrant pays the remittance to a money transfer firm such as Western Union in one country, the money transfer firm instructs its agent in another country to deliver the remittance, and the agent pays the recipient. Agents in the two countries periodically settle their credit and debit accounts, often via a commercial bank.

Volume and Formalization

Remittances are the sum of workers' remittances and compensation of employees payments recorded in Balance of Payments data. Workers' remittances are monies received from nationals or usual residents of countries who have been abroad more than 12 months (regardless of their legal status), while compensation of employees are funds sent home by those abroad less than 12 months, including border commuters and seasonal workers.¹¹ Not all countries report remittance data: 45 countries report both workers' remittances and compensation of employees data, 14 report only workers' remittances, and 19 report only compensation of employees data (GEP, 2006, p106).¹²

The IMF compiles reports of remittances from national central banks in its in Balance of Payments Yearbook. Conceptually, workers' remittances are a transfer without a quid pro quo, while compensation of employees is labor income, but "it may be difficult to separately identify the two items." (IMF BOPCOM-05/9). Some countries report personal transfers from abroad as workers' remittances, such as Indonesia, others report them as compensation of employees, such as Thailand, and some report under both categories, including the Philippines. Most analyses sum workers' remittances and compensation of employees to

pay the fee usually deduct it from migrant wages, giving them an incentive to run away, since working illegally provides a higher wage.

¹¹ A third transfer over borders is migrants' transfers, which represent the personal wealth of migrants who cross borders, as when the owner of IBM stock moves from the US to Singapore, and the value of the stock is transferred as well.

¹² Note that 23 countries report all three indicators: workers' remittances, compensation of employees, and migrants' transfers.

obtain a measure of formal transfers, and this sum is generally called remittances.¹³

Major payers of remittances include the US, \$39 billion in 2004, Saudi Arabia and Germany. Flows of money out of the country in which migrants work should match inflows of funds to migrant countries of origin (unless migrants send remittances to third countries). This does not necessarily occur, in part because some countries do not (fully) report remittances and some remittances are transferred via informal channels, as when migrants return with cash, send cash with friends, via couriers or informal systems, or return with goods. Under the hundi, hawala, padala, fei chien and other informal remittance systems, no money need cross national borders immediately to have remittances paid to beneficiaries.

The World Bank's Global Economic Prospects 2006 report estimated total remittances of \$232 billion in 2005, including \$167 billion received by developing countries, almost double the \$86 billion in 2000. There are several reasons for rapidly rising remittances (GEP, 2006, pxiii), including the increased scrutiny of remittance flows after the September 11, 2001 terrorist attacks,¹⁴ lower costs and expanding networks to move small sums over borders via regulated financial institutions, as well as better recording of fund transfers, more migrants, and the depreciation of the dollar, which raises the dollar value of remittances transferred in other currencies.¹⁵ Unrecorded remittance flows via informal channels "may conservatively add 50 percent (or more) of recorded flows" (GEP, 2006, pxiii), that is, an additional \$84 billion in 2005, bringing total remittances to developing countries to at least \$251 billion.

¹³ The G-8 in April 2004 called on international financial institutions to improve remittance data, which led to a Technical Sub-Group on the Movement of Persons chaired by the UN Statistics Division. The TSG recommended that "workers' remittances" in balance of payments data be replaced by personal remittances, which would include cash and in-kind transfers received by resident households from nonresident households, including "net" compensation of persons abroad less than a year. Finally, the TSG recommended institutional remittances, such as from NGOs, be reported, so that total remittances would be the sum of personal and institutional flows. (GEP, 2006, 87).

¹⁴ The World Bank reported that some migrants in rich countries remitted more funds after September 11, 2001 so they would have funds at home if they were deported. Such "defensive remittances" help to explain the tripling of remittances to Pakistan between 2001 and 2003 (GEP, 2006, 92).

¹⁵ Another factor increasing formal remittances is the spread of banks from migrant countries of origin to migrant destinations, where they offer services in the migrant's language as well as ancillary services to migrant relatives at home.

In 2004, 34 developing countries each received over \$1 billion in remittances. India received the most remittances, \$21.7 billion in 2004; followed by China, \$21.3 billion; Mexico, \$18.1 billion; France, \$12.7 billion; and the Philippines, \$11.6 billion.¹⁶ About two-thirds of remittances to developing countries came from migrants in developed countries, and a third from developing country migrants in other developing countries, as when Indonesians in Malaysia send remittances to Indonesia. Remittances to developing countries doubled since 2000, with half the increase accounted for by China, India and Mexico. Countries in which remittances are the highest share of GDP include islands such as Tonga, 31 percent, countries making transitions from communism such as Moldova, 27 percent, and traditional labor exporters such as Lesotho, 26 percent.

The major determinants of the volume of remittances include the number of migrants, their income abroad, and their propensity to remit to their countries of origin. International organizations such as the World Bank and IMF aim to increase and to formalize remittances in order to accelerate poverty reduction and improve the access of poor people in developing countries to financial services. Formal transfers may have favorable macroeconomic effects on recipient countries, as when banks can lend against remittance deposits or sell bonds based on anticipated remittances, increasing their multiplier effect; formal remittances may also deepen recipient country financial systems and strengthen country credit ratings. In many cases, if recipients pick up remittances at banks, they open accounts, which can have favorable impacts on bank profits as well as development.

Formalizing remittance flows can be encouraged by reducing the cost of making formal transfers, increasing migrant access to banks and other formal transfer mechanisms, and providing migrants with the IDs needed to deal with regulated financial institutions. The GEP 2006 (p135) concluded that it is generally easier to formalize remittance flows by reducing costs and improving migrant access to regulated financial institutions than by trying to impose regulation on informal transfer mechanisms.

Reducing formal remittance costs and easing access can be accomplished with regulatory changes such as (1) allowing and encouraging domestic banks to operate in countries where migrants are employed to overcome migrant distrust of unfamiliar banks¹⁷ and to ensure that banking services are provided in the

¹⁶ Filipino remittances include \$8.5 billion from OFWs and \$3.1 billion from Filipinos settled abroad.

¹⁷ Encouraging migrants to use banks is part of a larger anti-poverty strategy of providing banking services to the “unbanked” and spreading the reach of micro-finance institutions.

migrants' language (in some cases, capital requirements may need to be reduced to allow more foreign banks to operate in countries hosting migrants); (2) discouraging or banning exclusive arrangements between transfer agents such as Western Union or Moneygram and entities with dispersed facilities in migrant areas of origin such as postal agencies, thereby promoting competition in the so-called "last mile" of a remittance corridor linking two countries; and (3) encouraging the spread of cell telephone-based remittance systems, which promise the lowest-cost means of sending remittances while improving communications in migrant-sending areas.

All research agrees that the best way to increase and formalize remittances is to ensure that migrant-sending countries have sound economic policies, including an appropriate exchange rate and a banking system that is cost-efficient and friendly to remitters and recipients. Most remittances are spent on consumption, reflecting the fact that the breadwinner is abroad and remittances substitute for local earnings. However, the portion of remittances saved and invested in the home country can be increased if the savings and investment climate favors these activities, that is, there is little risk of devaluation or having local savings taxed or expropriated and there are opportunities to launch profitable small businesses.

Remittances and Development

Increasing the development impact of remittances is the second policy priority of national governments and international institutions. With remittances rising faster than ODA, and flowing through private channels to often poor areas that send migrants abroad, increasing the portion of remittances invested in job-creating businesses could reduce future emigration pressures.

Experience finds little evidence that programs targeted on migrants have significant development-enhancing effects, suggesting that a growth- and business-friendly macro and micro environment holds more promise to encourage migrant investments. However, targeted programs to increase the development impact of remittances are spreading, including matching programs such as Mexico's 3x1 program, which provides a federal, state, and local government match for remittance contributions invested in infrastructure improvement in migrant areas of origin.

In 2004, Mexican migrants in the US raised \$20 million for such infrastructure investments, so federal, state, and local government governments added \$60 million to fund e.g. infrastructure improvements in migrant villages. However, \$80 million is less than half of one percent of \$18 billion remittances received by Mexico, and the GEP (2006, p95) reported that most of the Mexican Hometown

Associations (HTAs) that raise funds for matching invest less than \$10,000 in their communities of origin.

The GEP concluded that the development effects of matching program investments are “poorly documented.”¹⁸ Other complaints are that the money to match migrant funds usually comes from overall development funds. If migrant and local development priorities differ, as when migrants want to restore the local church while local residents want a paved road or sewer system, migrant funds can lead to conflict over how scarce development funds should be allocated.

A more promising development-accelerating impact of remittances may be to lower the cost of borrowing money. Banks in Brazil, the Philippines and other countries have floated bonds at lower-than-average interest costs because investors assume remittances will provide a continuing inflow of foreign exchange to repay them. Remittance securitization typically involves a borrowing bank establishing an offshore entity and pledging the remittances it anticipates to this entity. Correspondent banks channel remittances to the offshore entity, which pays off the bonds and funnels the surplus to the bank. Investors are willing to accept a lower interest rate from the offshore entity because there is less danger that e.g. the country will make it hard to convert local to foreign currency. Remittance-backed bonds based on the expected flow of remittances to El Salvador, for example, carry interest rates one to two percent less than the debt issued by the El Salvador government (GEP, 2006, 103). Between 1994 and 2004, about 90 percent of the remittance-based debt issued involved three countries, Turkey, Brazil, and Mexico.

Matching migrants’ investment contributions and lowering the cost of borrowing with remittance-backed bonds are examples of incremental development-enhancing steps. The UN’s high-level dialogue in September 2006 may aim to find larger development-enhancing benefits from migration. Some believe that the combination of remittances and Diasporas is a key to more rapid development, with funds flowing from migrant-receiving to migrant-sending countries accompanied by more trade in both directions.

Returns

The third R in the migration and development equation is returns. Ideally, migrants who have been abroad return and provide the energy and ideas needed

¹⁸ GEP 2006 asserts that Mexico’s 3 x 1 program, begun in 1997, established projects worth \$44 million by 2002, but concluded that “HTAs have not been very successful” in part because Diasporas may not have good information on local needs or have different priorities for infrastructure improvements.

to start or expand businesses or return with the skills and discipline needed to raise productivity as employees. Migrants are generally drawn from the ranks of the risk takers at home, and if their savings from work abroad are combined with risk-taking behavior on their return, the result can be a new impetus for economic development.

On the other hand, if migrants settle abroad and cut ties to their countries or origin, or if they return only to rest and retire, migration may have limited development impacts. In the extreme, returning to rest and retire can slow development if workers acquire a work-abroad and rest-at-home mentality, and this mentality spreads to children. There may also be back-and-forth circulation, which can under some conditions contribute to economic growth in both countries.

Countries such as China sometimes refer to their Diasporas as “stored brainpower” abroad, to be welcomed home when needed, as in the Taiwanese case. It is much harder to persuade established migrants to return to the poorest countries. The International Organization for Migration (IOM) operates a return-of-talent program for professional Africans abroad, providing them with travel and wage subsidies if they sign two-year contracts pledging to work in the public sector of their country of origin. The UN Development Program has a similar Transfer of Knowledge Through Expatriate Nationals (TOKTEN) program that subsidizes the return of teachers and researchers. Sussex University’s Richard Black calls such programs “expensive failures” since they bring temporary returns, but not the “investment that [long-term return] should bring.”¹⁹

Even if migrants do not return immediately, they can contribute to development at home by maintaining links with their countries of origin, increasing the probability of an eventual return and perhaps forging trade and investment ties. One way for sending countries to maintain links to their nationals abroad is to permit dual nationality or dual citizenship, which Bhagwati argues can lead to “a Diaspora model [of development], which integrates past and present citizens into a web of rights and obligations in the extended community defined with the home country as the center.”²⁰ Bhagwati notes that migrants abroad can generate “political remittances,” including ideas that help to speed up change in often-traditional sending countries.

¹⁹ Quoted in Alan Beattie, “Seeking consensus on the benefits of immigration,” *Financial Times*, July 22, 2002, p9.

²⁰ Jagdish Bhagwati, “Borders Beyond Control,” *Foreign Affairs* Jan/Feb. 2003

There are two caveats to the current enthusiasm for Diaspora-led development. First, it is often asserted that, instead of promoting returns with subsidies, dual nationality and other devices, sending countries should do more to retain migrants by reducing discrimination and other factors that prompt people to leave, as when only those from the tribe or political party in power are given access to university and good jobs; it is generally cheaper to keep potential migrants at home than to induce migrants abroad to return. Second, the Diaspora can be a force for conflict and economic stagnation rather than development at home, as when migrants abroad provide the funds to prolong civil wars or conflicts.²¹

NAFTA, Migration, and Development

Europe and the US have distinctly different policies to economic integration with poorer neighbors that are sources of migrants. The European Union, built on the four freedoms or free movement of goods, services, capital and labor, aims to foster the political and economic changes necessary to minimize emigration before granting workers freedom of movement rights. As a result, when there is freedom of movement, usually after seven years, few Italians or Spaniards migrate. The US has followed a different path with the North American Free Trade Agreement, hoping that freer trade and investment would lead to faster economic and job growth in Mexico and reduced migration over time.

Migration was the central feature of Mexico-US relations for most of the 20th century, but the volume of cross border flows rose remarkably in the 1990s – a third of all legal Mexican immigrants admitted in the 20th century and a third of 20th century apprehensions were in the 1990s. High levels of legal and unauthorized migration have continued in the 21st century, despite rising levels of Mexico-US trade and stepped up border enforcement efforts.

Table 1. Mexican Immigration and Apprehensions: 1890-2003

Decade	Immigrant s		Decade as percent of total 1890- 2003	Apprehensions a		Decade as percent of total 1890- 2003
	Annual Average	Decade Total		Annual Average	Decade Total	
1890-1900	97	971	0% na	na	na	na
1901-1910	4,964	49,642	1% na	na	na	na
1911-1920	219,000	219,004	3% na	na	na	na

²¹ Some governments are reluctant to welcome home refugees, viewing with suspicion those who fled a conflict for refuge abroad.

1921-1930	45,929	459,287	7%	25,697	256,968	1%
1931-1940	2,232	22,319	0%	14,746	147,457	0%
1941-1950	6,059	60,589	1%	137,721	1,377,210	3%
1951-1960	22,981	229,811	3%	359,895	3,598,949	8%
1961-1970	45,394	453,937	7%	160,836	1,608,356	4%
1971-1980	64,029	640,294	10%	832,150	8,321,498	19%
1981-1990	165,584	1,655,843	25%	1,188,333	11,883,328	26%
1991-2000	224,942	2,249,421	34%	1,466,760	14,667,599	33%
2001-2003	180,557	541,670	8%	1,008,017	3,024,052	7%
Total		6,582,788	100%		44,885,417	100%

Source: INS Statistical Yearbook
and Yearbook of Immigration
Statistics

Notes:

a. Apprehensions record events, so one person caught three times is three apprehensions.

Mexicans are 95-98 percent of those apprehended.

* Apprehensions for 1921-30 is estimated as twice the reported 1925-30 figure (128,484).

The roots of this Mexico-US labor migration lie in the US-government approved recruitment of about five million Mexican workers between 1917 and 1921 and again between 1942 and 1964. As a result of these guest worker programs, there was distortion and dependence: some US farmers made investment decisions that assumed there would be a continued influx of Mexican workers, and some Mexicans became dependent on US jobs and earnings. US employers who complained that they would go out of business without migrants, and migrants whose incomes would drop if they could not migrate to the US, allowed the labor migration that began with US recruitment to take on a life of its own.

A combination of increased demand-pull pressures in the US, especially during the job booms of the late 1980s and late 1990s, and increased supply-push pressure in Mexico, especially after economic crises in the mid-1980s and mid-1990s, helped to diffuse the origins and destinations of Mexican migrants inside the US and Mexico. Today, more Mexicans come from southern and urban Mexico, and more are taking both farm and nonfarm jobs throughout the US. The US labor force of 148 million in 2004 included 19 million Hispanics (13 percent), with perhaps 40 percent born in Mexico. The Hispanic share of net US labor force

growth over the past decade, 44 percent, is three times the Hispanic share of the labor force.²²

Mexico-US trade has increased as a result of the NAFTA, but the rate of increase in Mexico-US migration has been even faster. The Mexican government changed its economic policies in the mid-1980s from an inward-oriented import substitution model to an outward-oriented model that assumed foreign investors would create jobs in factories to take advantage of low Mexican wages to produce goods for export. Mexican President Carlos Salinas sought to lock these free-trade policies into an international agreement with NAFTA.

NAFTA accelerated the lowering of barriers to trade and investment between Canada, Mexico, and the United States that was already underway. The result was expected to be more trade and employment as well as higher wages in all three countries. Some of the political leaders promoting NAFTA assumed that, if trade and migration are substitutes in the long-run, they are also substitutes in the short-run. Then-Mexican President Salinas, for example, asserted that freer trade means "more jobs...[and] higher wages in Mexico, and this in turn will mean fewer migrants to the United States and Canada. We want to export goods, not people." (quoted in Bush letter to Congress, May 1, 1991, p. 17).

However, Mexico-US migration increased along with Mexico-US trade. The estimated number of unauthorized Mexicans in the United States rose from 2.5 million in 1995 to 4.5 million in 2000, and to 6.6 million in 2005, when 60 percent of the 11 million unauthorized foreigners in the US were Mexican (Passel, 2005). Over 80 percent of migrants from Mexico in recent years have been unauthorized, with most between the ages of 18 and 40.

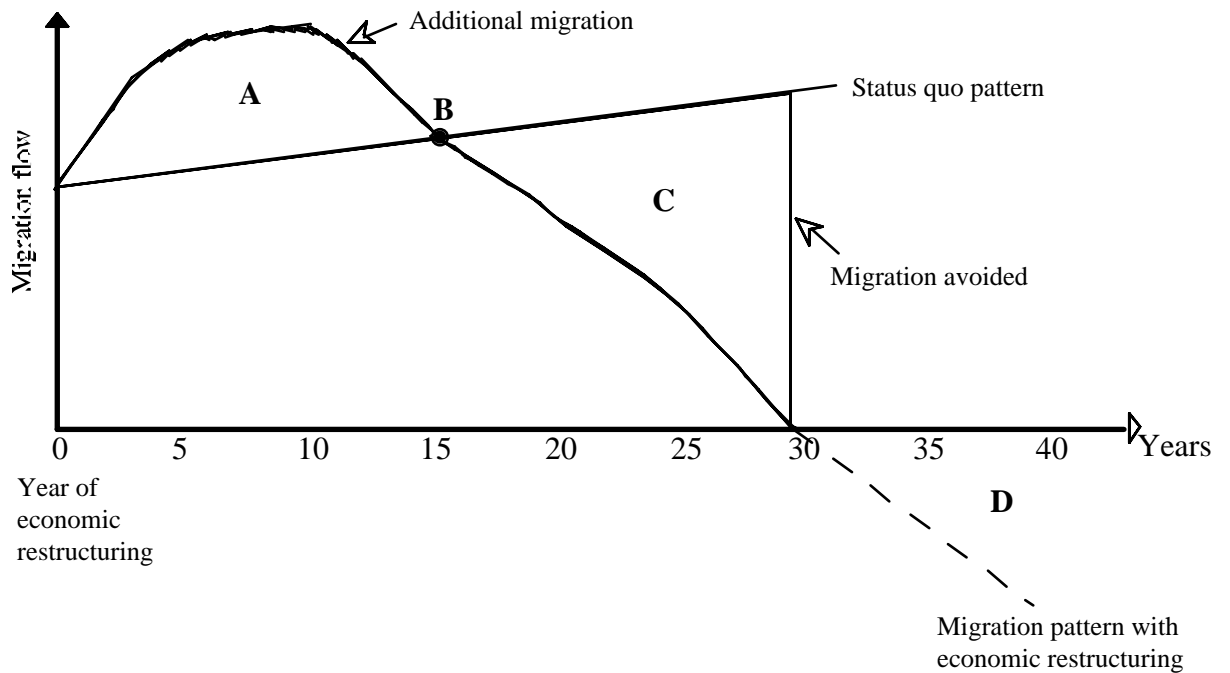
The upsurge in Mexico-US migration during the past 15 years has been called a migration hump, an assumed temporary increase in migration. A migration hump in response to closer economic integration means that the same economic policies that can reduce migration in the long run can increase it in the short run, generating "a very real short-term versus long-term dilemma" that can make it hard to persuade a skeptical public that freer trade is the best way to reduce unwanted migration (1990, p. xvi).

The steadily rising line in the figure below represents the status-quo migration flow, with slightly rising migration reflecting demographic and economic

²² The US labor force rose by an average 1.7 million a year in the past decade, from 131 million to 148 million, and employment by an average 1.6 million a year, from 123 million to 139 million. Hispanic employment rose by 700,000 a year, from 11 million in 1994 to 18 million in 2004.

differences. The hump line depicts the additional migration associated with freer trade and economic integration, with the temporary increase in migration represented by **A**, as occurs if freer trade displaces Mexicans but foreign investors need time to create additional factory jobs (or the jobs they create do not go to the workers displaced). Freer trade should speed up economic and job growth, and the downside of the hump is the movement toward **B**. As economic integration accelerates convergence in wages between migrant-sending and -receiving areas, **C** represents the migration avoided by economic integration, and **D** represents the migration transition, which occurs when a net migrant-sending country becomes a net receiving country.

Figure 2. The Migration Hump



The critical policy parameters are **A**, **B**, and **C**-- how much does migration increase as a result of economic integration (**A**), how soon does the migration hump disappear (**B**), and how much migration is "avoided" by the faster growth associated economic integration (**C**)? Three factors are generally required to create a migration hump: a continued demand-pull for migrants in the destination country, an increased supply-push in the origin country, and migration networks that can move workers across borders.

The usual comparative static economic analysis focuses on equilibrium points, not the process of adjustment to reach them. The migration hump is precisely this adjustment process. However, it is important to emphasize that, once wage differences narrow to 4 to 1 or less, and job growth offers more opportunities at home, the “hope factor” can deter especially irregular migration, since most people prefer to stay near family and friends.²³

NAFTA got off to a promising start in Mexico, with employment rising in 1994. However, just before President Zedillo was inaugurated in December 1994, there was an economic crisis that led to a sharp devaluation of the peso. The US provided emergency funds to stabilize Mexican government finances, but the number of formal sector jobs shrank by over 10 percent. Job growth resumed in 1996, and formal Mexican employment peaked in 2000, as employment in maquiladoras reached 1.3 million, 10 percent of formal sector jobs.

When the US went into recession in 2000-01, maquiladora employment fell, and many of the border assembly factories, especially those producing textiles and apparel, closed and moved to China and other countries with lower wages. Of the 700,000 new maquiladora jobs generated in NAFTA's first seven years, 300,000 were eliminated between 2000 and 2003, and most are unlikely to re-appear. The consensus is that Mexico must upgrade the skills of its workers and their productivity or risk losing even more jobs to lower-wage countries.

NAFTA gave industrial employment a boost in Mexico while accelerating rural-urban migration. About 25 percent of Mexicans live in rural areas, and 20 percent depend mainly on agriculture for income. The NAFTA villain in rural Mexico is increased imports of low-cost and subsidized US farm commodities such as corn. Corn is planted on 50 percent of Mexican crop land, much of which is not irrigated, and some three million Mexican households depend at least partially on corn production. The availability of cheaper US corn sends a clear signal that there is no future in small scale and rain-fed corn production in Mexico.²⁴

²³ South Korea made one of the world's fastest migration transition, sending 200,000 workers abroad in the early 1980s and having over 300,000 migrants today. However, some Koreans still want to emigrate, and about 11,000 a year do so. Private firms such as the Emigration Development Corporation advertise emigration opportunities to Koreans, and collect fees for helping Koreans who want to emigrate to navigate e.g. the Canadian point system.

²⁴ Rural Mexico is dominated by ejidos, the communal farms that include 103 million hectares, or 56 percent of the arable land and 70 percent of the forests. In order to ensure that peasants had land, until the early 1990's, ejido land could not be sold, which limited productivity-increasing investments. The 29,162 ejidos became synonymous with rural

Many of the evaluations of NAFTA's first decade conclude that trade-led growth was not sufficient to bring stay-at-home prosperity to Mexico: real wages in Mexico were lower in 2001 than in 1994 despite higher productivity and income inequality increased. Mexico's per capita economic growth was one percent a year between 1994 and 2003, compared to seven percent a year in China. Poverty remains widespread: half of the 104 million Mexicans in 2003 were considered poor, including 42 million who have less than \$2 a day (the daily minimum wage is about \$4 a day).

US Responses: Immigration Reform

In March 2005, there were 37 million foreign-born US residents, including 31 percent naturalized US citizens, 39 percent legal immigrants and nonimmigrants such as foreign students and legal temporary workers, and 30 percent unauthorized. The increase in the number of unauthorized workers has been especially fast in recent years. The stock of unauthorized foreigners rose by an estimated 4.4 million between 2000 and 2005, an average 880,000 a year. By comparison, 706,000 legal immigrants were admitted in 2003.²⁵

Table 2. Status of Foreign-born US Residents, March 2005

	Percent	Millions
Naturalized US Citizens	31%	11.5
Legal immigrants and nonimmigrants	39%	14.4
Unauthorized	30%	11.1
Total	100%	37

Source: Passel, 2006, 3

Opinion polls find that most Americans want additional steps taken to prevent illegal migration. A December 2005 Washington Post-ABC News poll reported that 80 percent of Americans think the federal government should do more to reduce illegal immigration, and 56 percent agree that unauthorized migrants hurt the US more than they help it.²⁶ An April 2006 Los Angeles Times poll found that 63 percent of Americans favored stepped-up enforcement as well as a

poverty, and in 1992 the Mexican constitution was amended to allow the sale or rental of ejido land.

²⁵ The unauthorized estimate is from Passel, 2006. The Congressional Budget Office in a May 24, 2006 letter to Senator Jeff Sessions (R-AL) estimated an inflow of 900,000 unauthorized foreigners a year.

²⁶ Dan Balz. Political Splits on Immigration Reflect Voters' Ambivalence, Washington Post, January 3, 2006.

guest worker program to deal with illegal migration, while 30 percent favored stepped-up enforcement only.²⁷

The House and Senate have taken distinctly different approaches the issue. The House in December 2005 approved the enforcement-only Border Protection, Antiterrorism, and Illegal Immigration Control Act (H.R. 4437) on a 239-182 vote, which includes a requirement for mandatory screening of employees to ensure that they are legally authorized to work in the US. Within two years of enactment, all US employers would have to submit Social Security and immigration data on newly hired workers to government agencies by telephone or computer, receiving a credit-card type confirmation of each worker's right to work in the US. Within six years, employers would have to verify the status of their current employees.

The House bill includes several controversial items, including making "illegal presence" in the US a felony, which may make it hard for currently unauthorized foreigners to eventually become legal immigrants, and adding 700 miles of fencing along the Mexico-US border. The House bill does not include a guest worker or legalization program, under the theory that enforcement must be proven effective before additional migrant workers arrive legally and the government deals with the unauthorized foreigners now in the US.

The Senate approved the Comprehensive Immigration Reform Act of 2006 (S2611) in May 2006 on a 62-36 vote. Like the House bill, it contains measures that would increase border enforcement by adding agents and fences and require employers to submit data on newly hired employees to a government database. However, the Senate bill also includes a new type of guest worker program and an "earned path" from illegal to legal immigrant status.

The Senate-approved guest worker program would add H-2C worker visas to a list that already includes H-1A, H-1B, H-2A, and H-2B. Employers in any US industry could attest that the employment of H-2C migrants "will not adversely affect the wages and working conditions of workers in the United States similarly employed" and not lead to the termination of US workers 90 days before and after the H-2C migrants go to work. Foreigners in their countries of origin who received job offers from US employers who filed such attestations would pay \$500 and pass medical exams to obtain three-year renewable work permits, after which at least one year must be spent in the country of origin unless the foreigner has become a US immigrant.

²⁷ Mark Z. Barabak, "Guest-Worker Proposal Has Wide Support," Los Angeles Times, April 30, 2006.

H-2C guest workers could change their US employers, but only to work for other employers who have filed the same attestations regarding their need for migrants; migrants unemployed more than 45 days would be subject to removal. The H-2C guest workers could become immigrants while working in the US in two ways. First, their employers could apply for immigrant visas on their behalf after one year of US work, and second, H-2C visa holders could apply for immigrant visas on their own after four years in the US and knowledge of English and civics. This path to immigrant status may be complicated by the requirement that, in both cases, the US Department of Labor certify that no US workers are available to fill the jobs for which immigrant visas for H-2C workers are being sought, a process that today takes several years.

The H-2C program aims to be sensitive to US labor market conditions by adjusting the number of visas to employer requests. The number of H-2C visas was initially set at 325,000 a year, to be raised by 20 percent immediately if all H-2C visas were allocated within the first quarter of the FY (to 390,000), which would make the ceiling for the next FY 468,000. If H-2C visas were exhausted in the second quarter, an additional 15 percent the FY's visa ceiling would be made available immediately, and the annual ceiling would be raised by 15 percent for the next year; if exhausted in the third quarter, the factor would be 10 percent. If H-2C visas were not used up, the ceiling for the next year would be reduced by 10 percent. During Senate deliberations, the starting number of H-2C was reduced to 200,000, but the adjustment formula remains, so that there could be 600,000 H-2C guest workers admitted in the seventh year if all visas were used up each year in the first quarter.

Unauthorized foreigners already in the US are divided into three groups by the Senate bill. Those in the US at least five years could become "probationary immigrants" by proving they worked in the US, paid any back taxes owed and a \$1,000 fee, and passed English and background tests. At the end of six years of continued US work and tax payments and another \$1,000 fee, they could apply for green cards or immigrant visas, although they would have to go to the back of the queue (total fees were raised to \$3,250 during Senate deliberations). Those in the US two to five years would have to satisfy the same requirements, but would also have to return to their countries of origin and re-enter the US legally. Those in the US less than two years would be expected to depart, although they could return with H-2C visas.

Unauthorized farm workers would be treated differently. The Agricultural Job Opportunity, Benefits, and Security Act (AgJOBS) of the Senate bill would allow up to 1.5 million unauthorized foreigners who did at least 150 days of farm work during the 24-month period ending December 31, 2005 to pay \$500 and obtain blue-card temporary resident status, and blue-card holders who performed at

least 100 days of farm work each year during the next five years could become legal immigrants. While in blue-card status, foreigners could also do nonfarm work, travel legally in and out of the US, and get work authorization for their spouses, who would not have to work in agriculture, as well as legal status for their minor children in the US. When the qualifying farm work is completed, blue-card holders could get immigrant visas outside the global ceiling of 675,000 a year and country ceilings of 20,000 a year.

The House bill makes reducing illegal immigration and employment its top priority, and does not deal with unauthorized foreigners in the US or employer requests for new guest worker programs. Some House leaders have suggested that, as new enforcement measures make life more difficult for unauthorized foreigners, some will depart on their own, and eventually the smaller number that remains could be legalized.

The Senate bill involves a three-legged stool of enforcement, guest workers, and legalization, the comprehensive approach endorsed by President Bush. No one knows how its components might interact to affect California workers and labor markets. For example, would legalization lead to a new industry creating work histories of at least two years or 150 days of farm work, or would immigration adjudicators tap into administrative data to determine work done? Would workers without documentation leave the US, or would they go further underground in the US economy, complicating the enforcement of labor laws?

Conclusions

Is sending workers abroad a way to speed up development? Does opening doors for migrants front and side doors reduce back-door illegal migration and generate win-win-win outcomes that speed up economic growth in migrant-sending and -receiving countries?

The number of migrants and remittances is rising faster than generally accepted answers to questions about how migration affects development. Sending workers abroad has been considered a means of reducing the number of surplus workers, and economic theory suggested that the major contributions of migrants would be in destination areas. A new literature suggests that recruitment, remittances, and returns can accelerate development in migrant countries of origin, so that countries should welcome the opportunity to send professionals abroad in order to encourage more residents to get more education, the so-called brain gain via brain drain phenomenon, to get more remittances, and to benefit from the return of entrepreneurs or contributions from the Diaspora abroad.

The number of migrants doubled in the past two decades, and remittances to developing countries have doubled in the past decade. This is not enough time to determine the validity of the theory that migration is a win-win-win proposition for migrants, receiving and sending countries. While the benefits to migrants and at least some groups in receiving countries are clear, the benefits to sending countries are less clear, especially if professionals emigrate. Past waves of enthusiasm for state-induced development and protection for infant-industries may warrant caution in embracing the theory that sending the best and brightest abroad will accelerate development at home.

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