

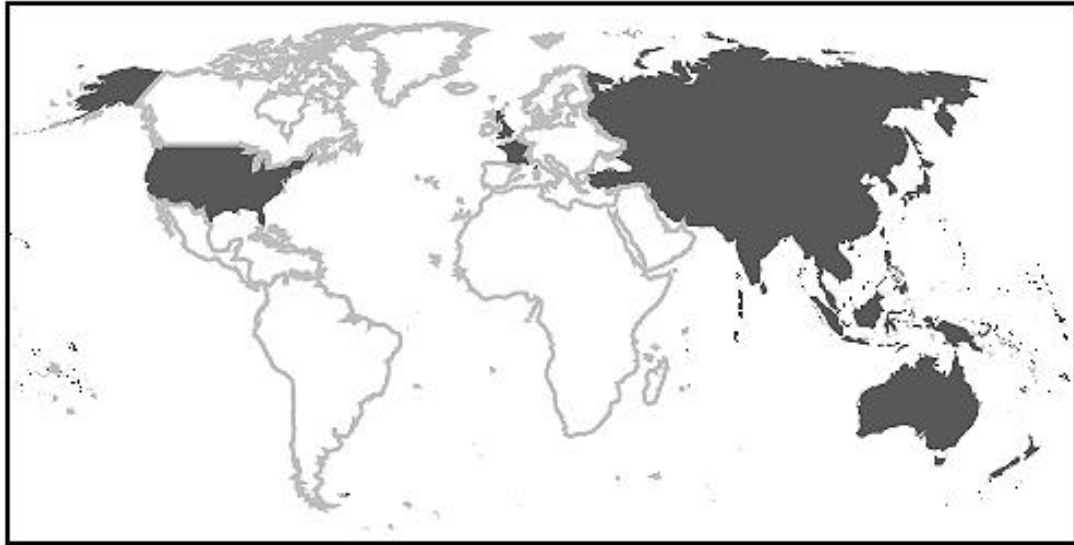
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Studies in Trade and Investment 81

REGIONAL INTEGRATION AND LABOUR MOBILITY

Linking Trade, Migration and Development

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REGIONAL INTEGRATION AND LABOUR MOBILITY

Linking Trade, Migration and Development

Prepared by Witada Anukoonwattaka and Adam Heal

Regional Integration and Labour Mobility
STUDIES IN TRADE AND INVESTMENT

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Abbreviations and acronyms

ASEAN	Association of Southeast Asian Nations
BLA	bilateral labour agreement
ENEA	East and North-East Asia
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FDI	foreign direct investment
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
NAFTA	North-American Free Trade Agreement
NCA	North and Central Asia
OECD	Organization for Economic Co-operation and Development
OSCE	Organization for Security and Co-operation in Europe
SAFTA	South-Asian Free Trade Area
SME	Small and medium-sized enterprise
SSWA	South and South-West Asia
UN Comtrade	United Nations Commodity Trade Statistics Database
WTO	World Trade Organization

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Executive summary

This paper, published as part of the ESCAP series *Studies in Trade and Investment*, explores the linkages between trade, labour mobility and development in the Asia-Pacific region. The paper moves from an analysis of recent trends in regional labour mobility through an examination of the connections between trade, migration and development. Finally it considers how migration could be better governed at the multilateral, regional and bilateral levels. A central theme of the paper is that, when properly governed, labour mobility can deliver large and sustained development gains. Improving cross-border labour market access, particularly for people from developing countries, therefore needs higher prioritization by regional policymakers. At the same time, the concerns of receiving country populations around higher levels of immigration also need to be addressed. Striking this balance will require, in particular, the expansion and further adoption of co-operative agreements between sending and receiving countries which provide labour market access in return for more cooperation in migration management and enforcement. Alongside bilateral labour agreements, preferential trade agreements are one potential vehicle for enhanced co-operation in migration management which at present is underused.

Key messages from the paper are summarized below:

International migration is increasing in the Asia-Pacific region, though labour markets remain less integrated than markets for goods, services or capital

- Following global trends, the total number of migrants in the Asia-Pacific has increased over recent decades. However, international labour mobility remains relatively small and less dynamic in comparison with cross-border flows of goods, services and finance. Total numbers of migrants have remained fairly constant at around 3 per cent of the global population since the 1960s. The progressive liberalization of international trade through successive rounds of negotiations in the GATT and WTO has not been mirrored by any corresponding multilateral agreement on labour mobility.
- Overall, Asia-Pacific countries are net senders of migrants, though numbers arriving have also risen – including from within the region. Among Asia-Pacific subregions, South and Southwest Asia is the largest sender of migrants; in 2010 it accounted for about two fifths of the region's total. However, on a per capita basis, Pacific island states have the highest rates of emigration.
- Patterns of migration are also becoming more complex. Labour migration is no longer primarily a South-North phenomenon; South-South migration is increasingly important as well. Likewise, many states are now simultaneously countries of origin and destination. Furthermore, migration is not a single, once-off event; migrants often move back and forth numerous times across international borders, including to third countries, as they search for new opportunities.
- The main drivers of migration will persist. Ratios of income and wage differentials between the top and bottom countries in the region (and outside) will remain at, or close to, historic highs, despite strong growth in emerging markets. Thus the benefits of migration to the individual, in terms of higher income, will continue to be large. Further, aging populations in some countries will increase demand for migrants to work in services, especially healthcare. Improved communications technology and better transportation infrastructure are also reducing the cost of migrating, both financial and emotional.

- Accompanying the increase in overall migration, global and regional flows of remittances (money sent home by migrants working overseas) have also risen. The Asia-Pacific received an estimated \$219 billion worth of remittances in 2012. Seven of the top ten remittance receiving countries are in the Asia-Pacific region; and some regional economies remain heavily dependent on remittance flows. Falling transaction costs and new technologies facilitating financial flows have spurred growth in remittances.

Migration can help strengthen trade relationships, by fostering faster economic growth and also through the personal connections migrants bring with them

- In conventional economic theory, migration and trade are treated as substitutes. Put simply, developed countries face a choice between importing products that embody labour inputs and instead importing the labour directly through migration. In other words, increased trade was thought of as reducing pressures for migration; conversely, increased migration would reduce the need for trade.
- Recent research has challenged this conception of substitutability: there may be good reasons for thinking that the relationship is complementary. That is, migration might actually spur increased trade flows. Where labour migrants complement other factors of production they may enable production, and hence trade, to continue when without them it would be reduced. One boost could come through the stimulating effect that migration has on overall GDP growth and hence demand, leading to more imports. Separately, migrants also bring with them business, family and cultural connections from their homeland. These can reduce trade transaction costs, such as a shortage of information, and facilitate two-way trade between countries of origin and destination. Simultaneously, migrant communities may demand home-country products – for example food or cultural goods – thereby also increasing trade flows.
- If migration and trade are complementary under some, or even most, conditions then policymakers seeking to boost trade as an engine of growth should consider migration policy as a means of trade promotion rather than as a method of managing the supply of labour in local labour markets.

Greater labour market access for migrants from developing countries has the potential to deliver substantial development gains, in excess of the benefits from further trade liberalization

- Increased migration has the potential to deliver ‘win-win-win’ benefits to: migrant workers themselves; (developing) countries of origin; and host country economies. World Bank estimates of the welfare gains from greater labour mobility show that a 3 per cent increase in global migration could deliver benefits of over \$350 billion.
- Large and persistent income gaps between countries, globally and within the Asia-Pacific, provide substantial incentives to cross-border movement and suggest that the benefits from migration to individual workers are high. One set of estimates is that the ratio of GDP per capita (PPP) between the top and bottom countries grew from 10 to 1 in 1870 to around 50 to 1 by the end of the last century. But any benefits to the migrant from higher wages need to be netted off against the costs of moving, including money paid to middle-men, which is often substantial. Migrants are also vulnerable to abuse if personal and employment rights are not protected.
- Sending countries generally also benefit from outward migration. Migration can increase wage rates for those left behind as labour becomes scarcer; remittance inflows support consumption and investment; and the prospect of migration increases the incentives for

would-be migrants to develop skills and knowledge. These positives generally outweigh the costs of the so-called ‘brain drain’ although in certain sectors this can be damaging, especially in small countries.

- Receiving countries also benefit from migration when it meets labour market needs. Despite common public concerns, there is little evidence that migration substantially impacts wages for local workers. Migrants are often entrepreneurial and can foster economic dynamism and business creation.

Global governance of migration is thin and patchy with diffuse responsibilities among different international organizations

- In contrast to the well-defined mandate of the World Trade Organization for governing international trade, no single international organization has responsibility for the governance of international migration. Instead, a patchwork of agencies attends to different aspects of international migration such as: refugee welfare and resettlement; working conditions and labour rights for migrants; and the facilitation of remittance flows. Relevant bodies include the United Nations High Commission for Refugees (UNHCR), the International Labour Organization (ILO), the World Bank; the World Trade Organization; and the International Organization for Migration (IOM).
- The WTO General Agreement on Trade in Services (GATS) remains the sole binding international agreement touching on the movement of persons for work. However, ‘Mode 4’ of the GATS, which deals with the temporary movement of natural persons in relation to the cross-border provision of services is deliberately limited in scope and was not intended to deliver substantial labour market liberalization.
- While a deepening of GATS in connection with Mode 4 would be desirable, it is unlikely that, given the current structure of the agreement, GATS will be the preferred vehicle for any future agreement on labour market liberalization. First, migrant receiving countries will be hesitant to agree to the Most Favoured Nation (MFN) provisions incumbent upon any agreement in GATS. Second, the current WTO schedule structure is not well suited to the adoption of more wide-ranging migrant management agreements that, for example, involve sending countries more deeply in migrant selection and the enforcement of timely returns.

In response to the ‘missing’ international regime for migration, countries are pursuing agreements at the regional and bilateral levels

- While the migration policy of countries in the Asia-Pacific is primarily still determined unilaterally, recent years have seen a rapid increase in various forms of regional co-operation on migration issues. Regional Consultative Processes, such as the Colombo Process, now provide useful forums for sending and receiving countries to interact. Some regional bodies, notably ASEAN, are also pursuing labour market integration though the development of the ASEAN Economic Community remains incomplete.
- Bilateral labour agreements (BLAs) have also become common. These often facilitate labour mobility in particular sectors and can involve sending countries in migration management more directly. At the same time, several of the region’s preferential trade agreements (PTAs) also include chapters on labour mobility – generally following the WTO framework in GATS.
- While substantial variation exists among individual BLAs and PTAs, in general developed countries have used PTAs to engage in labour market opening only to other developed

countries, particularly for skilled labour. In contrast, they have preferred to use BLAs to regulate flows of unskilled labour from major migrant-sending developing countries.

Enhancing the contribution of labour mobility to development will involve deepening existing agreements – as well as concluding new arrangements - with an emphasis on well-managed temporary labour market access for developing countries

- Greater labour mobility for workers in developing countries could have a larger positive impact on development than any other policy intervention. Host countries would also broadly benefit if workers were allowed to fill specific labour shortages. To achieve this, more bilateral co-operation on labour mobility is needed. This can be achieved through freestanding bilateral labour agreements or as part of wider trade deals.
- Because trade agreements offer a wider field for negotiation, developing countries have potentially more leverage than in agreements solely dealing with labour mobility. Successful deals could exchange labour market access in the developed or recipient country for goods and services access in the developing market.
- Effective agreements will also incorporate mechanisms for sending and receiving countries to work together so that: temporary migrants do not overstay; migrants are properly protected and accorded labour rights; information on available job opportunities is shared; applicants are effectively screened before departure; and incentives are in place for migrants to develop skills that will benefit their countries of origin upon their return.
- Greater temporary labour market access may be more achievable than expanded permanent access. While this has drawbacks, it would still deliver major gains: for sending countries temporary access still provides benefits in terms of skill development and earning opportunities, while for host country populations it offers reassurance that immigration will not be uncontrolled or damaging to social cohesion.
- Regional co-operation can also play an important role. Subregional organizations like ASEAN have further to go in integrating labour markets. And regional consultative processes can build towards more tangible outcomes in terms of developing model agreements and offering capacity building on successful working practices.
- ESCAP as the United Nations Regional Economic Commission for Asia and the Pacific can help by acting as a platform for regional co-operation. More specifically, ESCAP can provide specific advice and capacity building for countries negotiating preferential trade agreements or economic partnerships so that they secure, as far as possible, the full developmental benefits of labour mobility.

Introduction

Labour migration in the Asia-Pacific is dynamic and growing. The region is home to many of the world's major sending and receiving countries. Variable rates of economic growth, deepening regional integration, and growing disparities in wealth, both within and among countries, have created strong incentives for workers to relocate across borders. Patterns of migration are also becoming more complex: the traditional concept of labour migration as being from 'South' to 'North' is no longer accurate enough to capture the variety of flows across the Asia-Pacific.

There is a broad consensus that international labour mobility can contribute positively to development and poverty reduction under certain conditions. The ability to earn higher salaries abroad is generally good for migrants and their families, and for communities remaining behind in the sending countries. Further, contrary to the commonly encountered belief that inward migration is socially and economically harmful, receiving countries can also benefit from the skills and economic dynamism brought by new arrivals. But there are also costs associated with migration, including: high transaction costs for migrants themselves, low levels of protection for workers' rights, and high human and social costs associated with distance from places of origin. Migration, when not well-managed, can also raise social tensions and may increase demand for public services in countries of destination.

Despite strong incentives for workers to relocate for higher wages, and the large developmental potential of increased migration, international labour markets remain less integrated than markets for goods and services. There is no international organization that governs labour mobility, in the manner that the WTO governs international trade. Instead labour migration is governed by a patchwork of—often weak—international treaties, regional arrangements, and bilateral agreements frequently as part of wider trade agreements.

There is thus a need for enhanced government policies in both sending and receiving countries in order to increase the openness of international markets for labour and shape the conditions under which labour mobility occurs, thereby ensuring that it is 'development friendly' and maximizes positive impacts on poverty alleviation and inclusive growth. In the words of the UN Secretary-General Ban Ki Moon: "with the right policies, migration can promote development."¹ But policy at the national level alone will not be enough. Global, regional and bilateral co-operation is also necessary to facilitate migration that is safe, well-managed, and of mutual benefit to migrants, and both sending and receiving countries.

This paper reviews recent labour migration trends in the Asia-Pacific region. This is followed by a discussion of the main channels which link trade, labour migration and development combined with analysis of policies that can enhance the developmental impact of migration. Finally, regional co-operation initiatives in the area of migration are summarized and proposals for reform at the regional and bilateral level advanced.

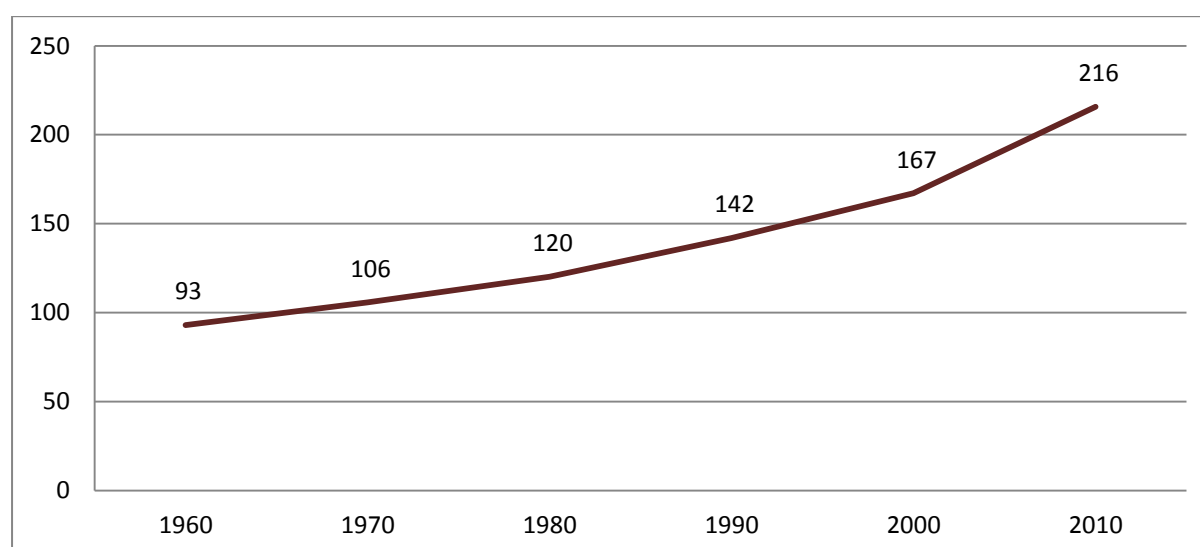
¹ United Nations Secretary-General, *Remarks to Global Forum on Migration and Development*, delivered by Peter Sutherland, Special Representative for Migration and Development, Port Louis, Mauritius 2012.

1. Recent trends in global and regional labour migration

1.1. Migration and the global economy

International migration has more than doubled over the past five decades. At the end of 2010, an estimated 216 million people were registered as international migrants compared with 93 million in 1960 (figure 1). However, as a proportion of global population, migrant numbers have remained fairly constant at around 3 per cent of the total (Ozden, 2013). This stability contrasts with marked increases - of several multiples - in other measures of globalization and economic integration, such as trade and capital flows over a similar timeframe, suggesting that the movement of people has not been liberalized to the same extent. There is no simple comparative measure to compare flows of different kinds but, of all cross-border movements, the movement of people for work or settlement appears the most restricted and limited. For instance, one set of estimates is that the percentage of people moving, on average over 5-year periods, has been relatively stable since 1995 at around 0.6 percent of the world's population (Abel, 2014). In contrast, the value of annual global exports to global GDP has risen fast from around 14 percent in 1970 to over 30 percent in 2010. Wage differences between countries in similar professions also vary more than prices for similar goods and services - suggesting that labour markets remain the least integrated part of the global economy (Freeman, 2006).

Figure 1. Trends in registered global migrants, 1960-2010 (Millions of Persons)



Source: ESCAP calculation using data on migration stock obtained from World Bank' bilateral migration matrix

Limited liberalization of labour markets is, to some extent, unsurprising as the consequences of population movements are wider and more complex than for the exchange of physical goods, or cross-border service provision. Countries are generally eager to maintain sovereignty over access to domestic labour markets; fears that migration will depress wages or lead to job losses amongst local workers have deterred Governments from widespread commitments to labour market opening - apart from limited moves to attract groups of highly-skilled workers. Further, in addition to potential economic effects, governments are also sensitive to the possible impacts of migration on social cohesion. Common concerns are that migrants from different ethnic, linguistic, religious or cultural backgrounds will find integration into host societies difficult. Increases in population driven by migration can also raise demand for public services such as healthcare, education and transport. The

global political economy of labour migration differs from that in the sphere of trade and investment: in contrast to the broad international consensus in favour of openness to trade and investment that has supported successive waves of trade liberalization over recent decades, there has been no agreed global agenda on facilitating the movement of people. This divergence is explored in more detail in subsequent sections.

Another notable feature of global migration patterns is their increasing complexity. This blurs some of the categories usually applied to identify migrants. In policy discussions of the cross-border movement of people, it is common to draw distinctions between ‘labour mobility’ or ‘labour migration’ and ‘migration’ more broadly. A common definition is that ‘labour mobility’ involves only access to host country labour markets, whereas ‘migration’ involves wider claims on rights or citizenship. Further, ‘labour mobility’ is taken to involve movement primarily motivated by the desire to work and earn income overseas, whereas ‘migration’ may be motivated by many factors, for instance the need to seek political asylum, escape violence and civil war, or reunite with family members. Another element of differentiation is around duration: ‘labour mobility’ is taken to be temporary and ‘migration’ equated with permanent resettlement.

In practice, these distinctions are hard to maintain. Often individuals may have multiple objectives when they move; temporary migration may become permanent; and even migrants who have obtained citizenship in destination countries may return home. Data on international migration often does not separate these categories. Accordingly, this paper is focused on ‘labour migration’ to the extent that it examines the development consequences of people moving overseas for work. The recommendations it offers are also focused on how countries can best co-operate to facilitate access to labour markets in order to enhance development. It does not address, for instance, policy towards asylum seekers. However, we must remain conscious of the complexity of international migration and the difficulties of totally separating discussion of ‘labour migration’ from broader considerations of the international movement of people.

Many countries are becoming simultaneously countries of origin, transit and destination. Countries such as India, China, and the Russian Federation experience large numbers of labour migrants moving into and out of their territories. In the Philippines, although the country is widely known as a country of net emigration, it also has inflows of highly-skilled foreign workers, the majority of whom are working for multinational corporations. The movements of migrants themselves are increasingly varied. Many move back and forth over several years between origin and destination countries, maintaining family connections and professional networks in both places. Others go on to move to third countries after gaining knowledge and capital in the original country of destination.

Migration is likely to continue to be high on the agenda for global policymakers. Several major forces continue to drive cross-border migration for work and these are expected to continue or increase in the coming decades. First, gaps between what workers can earn abroad compared with domestically are at an all-time high – despite the strong economic performance of emerging markets in recent years (see the next section). Indeed, put in historical perspective, the current wage differentials are higher than during the late-nineteenth century – an earlier period of mass migration in which population movements were greater than at present as a share of global population (Pritchett, 2009). Second, contrasting demographic outlooks for different countries—some aging rapidly, and some with bulges in the youth population—will create labour demand and supply mismatches between countries and encourage movement to fill the gaps. Third, improvements in connectivity have made the process of migration cheaper than before both in monetary terms and in ‘psychological cost.’ On account of enhanced communications technology and growing diaspora communities, it is now easier for

migrants to settle in new destinations and remain in contact with families back home. Fourth, the expanding number of jobs in rich countries in low-skill, non-tradable sectors will create persistent ‘pull’ pressures for inward migration. All of these trends are visible in the changing patterns of migration specific to the Asia-Pacific region, which the next section considers.

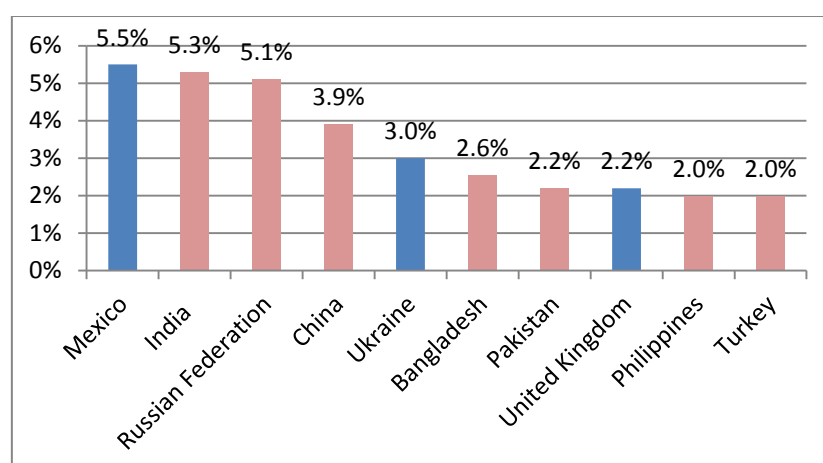
1.2. Characteristics of Asia-Pacific labour migration

1.2.1 Outward migration from Asia-Pacific countries

International labour migration has been an important component of the Asia-Pacific region’s economic development. The Asia-Pacific has been a net migrant-sending region from around 1970: emigrants from the Asia-Pacific living overseas increased from about 40 million in 1970 to an estimated 80 million in 2010. However, deficiencies in available statistics mean that it is hard to obtain accurate data on migration. Data is primarily derived from censuses which document numbers of foreign born residents (though changing borders can also count as ‘foreign born’ those who have never crossed an international border). Further, migration data from administrative records does not distinguish between labour migration and other forms of migration. Where migration is irregular, migrants are also often not captured by official data and official numbers may underestimate the total migrant population. The data presented below on regional migration patterns therefore presents aggregate migration stocks, though it can be assumed that labour migration is a principal driver. Additionally, even when migration is primarily motivated by non-economic reasons, it can still have consequences for labour markets. For example, those migrating for reasons of family reunification may well take up work and remit income to the country of origin. Where possible, country-level data is also used to complement comparative international data.

In 2010, the Asia-Pacific region was the source for 38 per cent of international migrants - though it received in return less than one quarter of international migrants. Four Asia-Pacific countries feature in the top-ten sources of international migration: China, India, Pakistan, and the Russian Federation (figure 2). Around 40 per cent of emigrants from Asia-Pacific countries went to intraregional destinations in 2010.

Figure 2. Top-ten migrant-sending countries in the world and share of total global migration (2010)



Note: Asia-Pacific Countries are in red

Source: ESCAP calculation using data on migration stock from World Bank’ bilateral migration matrix

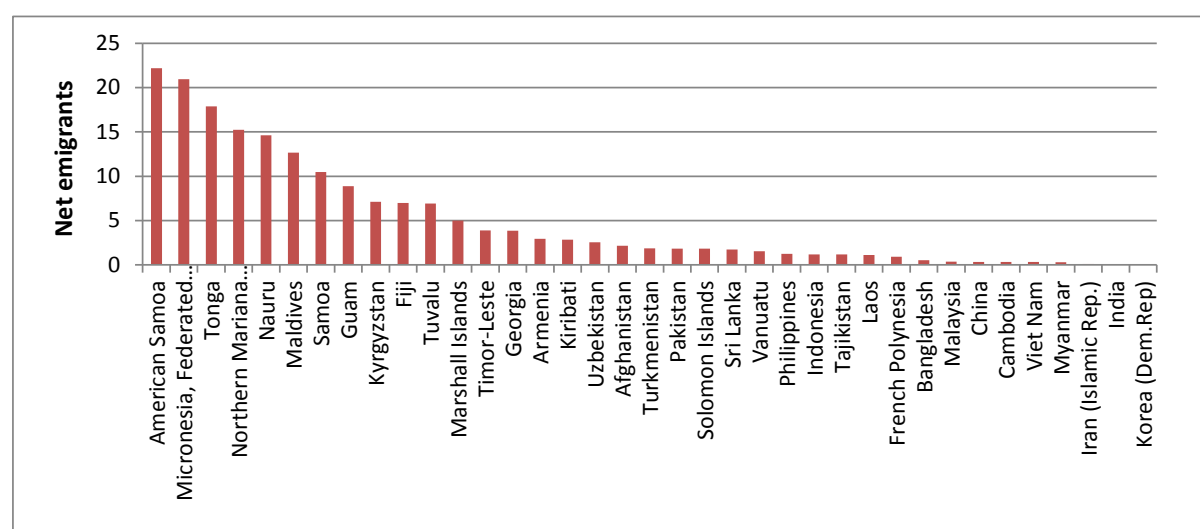
Among the Asia-Pacific subregions, South and Southwest Asia (SSWA) is the largest sender of migrants. In 2010, SSWA accounted for about two fifths of international migrants originating from Asia and the Pacific. Five out of the ten largest migrant-sending countries of Asia and the Pacific are in South and Southwest Asia: India (11.4 million migrants), Bangladesh (5.4 million), Pakistan (4.7 million), Turkey (4.3 million), and Afganistan (2.4 million). A major destination is the the Middle East where contract workers from the South and Southwest Asia perform low-skilled construction jobs or work as domestic help.

North and Central Asia (NCA) is the source for just over a quarter of regional migrants. The share of South-East Asia in Asia-Pacific emigrants more than doubled from 7% to 16% between 1980 and 2010. The Philippines sent more emigrants (4.3 million) than other country in the subregion. More recently, the increasingly integrated ASEAN regional market is increasing labour flows within the subregion. East and Northeast Asia (ENEA) accounts for about 15% of Asia-Pacific emigrants with around 70% coming from China (8.3 million).

While in absolute terms many of the large Asia-Pacific economies are amongst the biggest sources of international migrants, considered on a per capita basis some of the regions smallest countries have the highest net migration. In particular, several Pacific island economies have very high rates of net emigration. Figure 3 shows that eight Pacific island states are among the ten Asia-Pacific countries with the highest levels of net emigration by population.

Figure 3. Estimated emigration rates of Asia-Pacific countries (2013)

(Estimated net-emigrants per 1000 population)



Source: Based on the data from CIA World Fact book (2013), accessed in September 2013.
<https://www.cia.gov/library/publications/the-world-factbook/rankorder/2112rank.html>

1.2.2. Inward migration to countries in Asia and the Pacific

Since the 1980s, there has been a significant absolute increase in international migration to Asia-Pacific countries. Rapid economic growth and demographic shifts have led to increasing shortages of labour in some parts of the region. However, the region's share of global inward migration has fallen from 40 per cent in 1960 to around 23 per cent in 2010 as the shares of migrants going to destinations in North America and the Middle East has risen.

Among Asia-Pacific subregions, North and Central Asia receives more international migrants than other subregions. The subregion received 37 per cent of international migrants coming to Asia and the Pacific. Almost 70 per cent of these went to the Russian Federation, though Kazakhstan has also emerged as an important destination as a consequence of its economic development. SSWA accounts for about 24% of international immigration to Asia and the Pacific. 35 per cent of those SSWA immigrants went to India and 27 per cent to Pakistan. According to other estimates, there were 5 to 7 million migrants in the Russian Federation in 2010. The largest numbers of migrants to the Russian Federation are from Ukraine (about 1.5 million), Uzbekistan (1.2 million), and Tajikistan (0.8 million). It is also estimated that there are about 600,000 migrants from Kyrgyzstan in the Russian Federation, and that about 400,000 are working there (Aburazakova, 2010).

Around 14 per cent of migrants coming to countries in the Asia-Pacific region went to South-East Asia. Major destinations for immigrant labours coming into SEA are Malaysia (35%), Singapore (29%), and Thailand (17%). Notably, Singapore's economic openness, including for labour, makes it the highest net immigration rate country within Asia and the Pacific with over 14 immigrants per thousand people (figure 4). While offering the possibility of permanent citizenship to skilled migrants, Singapore restricts inflows of low-skilled migrants. As of December 2013, the total non-resident workforce in Singapore stood at 1,321,600, among them 214,500 domestic workers and 319,100 construction workers (Government of Singapore, nd). Malaysia also attracts a large number of migrants. In 2010, there were about 1.8 million officially registered foreign workers in the country, about half of them from Indonesia. According to estimates, Thailand is host to about 4 million migrants, the large majority being low-skilled labour migrants from neighbouring countries, particularly Myanmar, but also Cambodia and the Lao People's Democratic Republic. The vast majority of migrants still reside in Thailand with irregular status. Thus, official numbers underestimate the number of migrants in Thailand.

East and North East Asia received about 12 per cent of immigrants coming to Asia and the Pacific. Major destinations are: Japan (42%), Hong Kong, China (34%), China (10%), and the Republic of Korea (8%). Compared with other subregions, ENEA received fewer immigrants than other Asia-Pacific subregions. However, three ENEA economies including Hong Kong, China; Macau, China; and Taiwan Province of China are among 11 Asia-Pacific countries with positive net-immigration rates.

In Japan, most foreigners do not reside in Japan officially as labour migrants, instead they are family members or students. However, there are certain visa categories that allow taking up specific kinds of work, such as "entertainers" or "special internships." In 2011, Japan's foreign population was slightly above 2 million, which included all categories of migrants. About 80 per cent of foreign nationals in Japan are from other countries in Asia, particularly China (32 per cent) and Republic of Korea (26 per cent).

Hong Kong, China, has several schemes to allow entry for employment. Several policies aim at attracting highly skilled professionals. However, the largest category of foreign workers in Hong Kong China, are domestic workers totaling an estimated 312,395. Roughly half of these are from Indonesia and half from the Philippines (Immigration Department of Hong Kong, 2012).

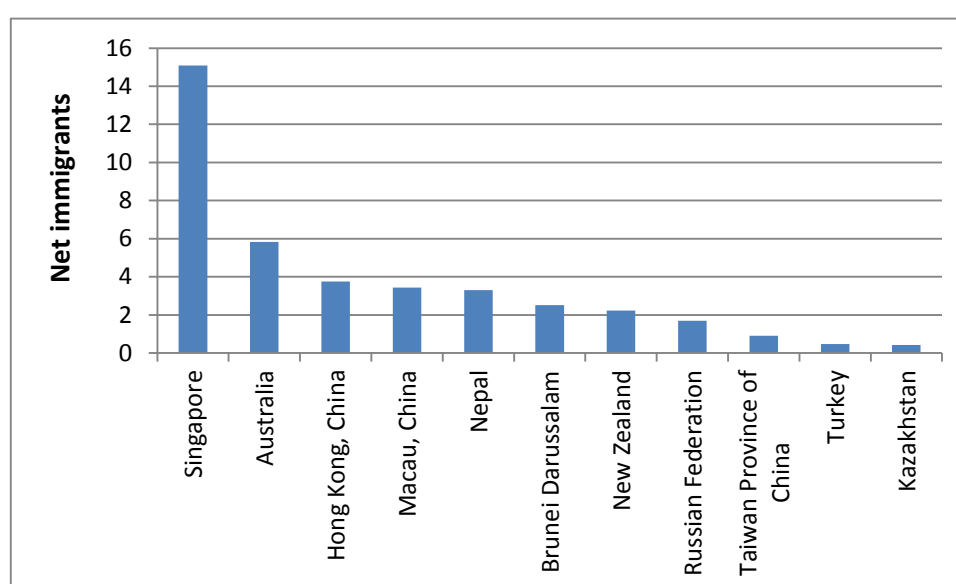
The Republic of Korea, provides relatively detailed data on migrants in the country, disaggregated by country of origin and migration type. In 2012, the Republic of Korea hosted a foreign-born population of 1,117,481, among them 588,944 migrant workers, including 231,248 who came through the Employment Permit System (EPS), and 300,554 on a "working visit". Main countries of origin of

those who came through the EPS are Viet Nam (27 per cent), Philippines (11 per cent), Indonesia (11 per cent), Thailand (10 per cent), and Sri Lanka (9 per cent), while those on a working visit originate predominantly from China (96 per cent).²

Taiwan Province of China has been facing labour shortages since 1992, which resulted the development of schemes for foreign contract workers. By the end of November 2011, there were officially about 420,000 foreign contract workers in Taiwan Province of China, most of them employed in industry and in services, such as caregivers and domestic workers. The main countries of origin of these contract workers are Indonesia (38 per cent), Viet Nam (23 per cent), the Philippines (19 per cent), Thailand (18 per cent), and Malaysia (2 per cent)³.

Figure 4. Estimated immigration rates of Asia-Pacific countries (2013)

(Estimated net-immigrants per 1000 population)



Source: Based on the data from CIA World Fact book (2013), accessed in September 2013. <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2112rank.html>

1.2.3. Intra-regional migration

Intra-regional labour movements are of growing importance. Currently, more than 40 per cent of Asia-Pacific emigrants are based in other Asia-Pacific countries. Other prominent destinations are: Europe (21%), North America (17%), and the Middle East (15%). However, subregional analysis reveals markedly different patterns of migration across subregions.⁴

² Statistics Korea (2012): Korean population at 22 Glances.

³ Lin, Ji-Ping (2012): Tradition and Progress: Taiwan's Evolving Migration Reality, Migration Policy Institute, 24 January 2012, www.migrationpolicy.org.

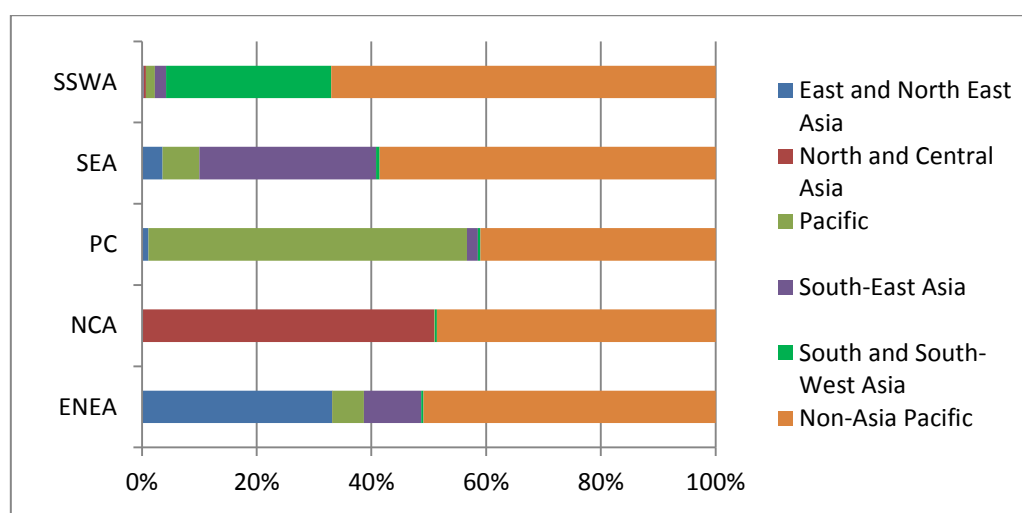
⁴ Caution is necessary when comparing migration data across countries and subregions. Migration data are not well recorded in several developing Asia-Pacific countries. Moreover, undocumented movements may account for a significant proportion of total intra-subregional migration in many subregions. This is especially the case for migration from one nearby country to another such as Indonesian workers in Malaysia and Burmese workers in Thailand (Martin, 2009).

For South and Southwest Asia, almost 70 per cent of emigrants went to destinations outside the Asia-Pacific region (figure 5). In particular, the Gulf States are a popular destination: as previously noted many migrants from South Asia work in the construction sector there, or as domestic helpers.

In contrast, intraregional migration dominates emigration from the Pacific islands where Australia and New Zealand are the principal destinations. In other Asia-Pacific subregions, intraregional destinations were chosen by between 40 and 50 per cent of emigrants.

Figure 5. Emigration destinations by Asia-Pacific subregions (2010)

(Per cent of total emigration for respective sender)



Source: ESCAP calculation using data on migration stock from World Bank' bilateral migration matrix

Most intraregional migration happens within the same subregion highlighting the importance of proximity. For example, 99 per cent of intraregional migration from the Pacific islands went to Australia and New Zealand. Intra-subregional migration accounted for 94 per cent of intraregional migration within South and South-West Asia with India and Pakistan the major destinations. Many Nepalis migrate to India; these movements are facilitated by an agreement on free movement between the two countries but as the borders are open, their numbers go unrecorded. Some estimates put the number of Nepalis in India at around 1 million (Seddon, 2005)

Around 75 per cent of intraregional migration in South-East Asia is within the subregion – mainly to nearby countries with markedly higher incomes, for example from Myanmar and Lao PDR to Thailand. In East and Northeast Asia, 68 per cent of intraregional migration is within the subregion. A large amount of this is between the Chinese-speaking economies, particularly between China and Hong Kong, China.

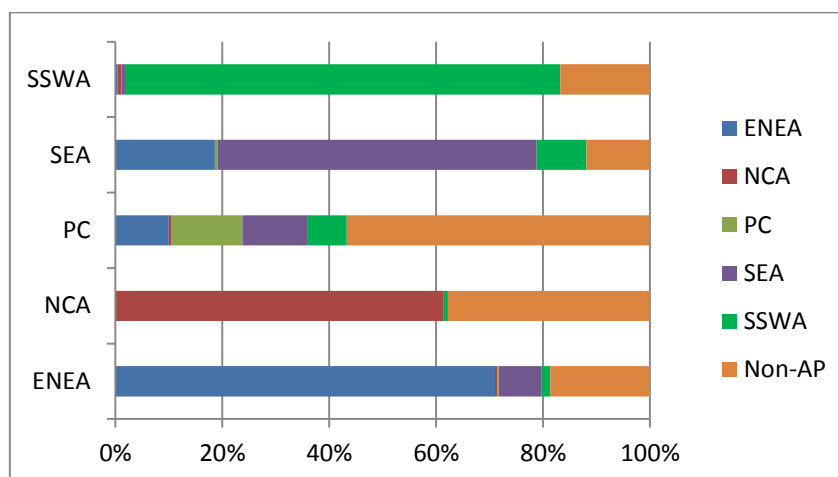
On the receiving side, over 70 per cent of international migrants received by Asia and the Pacific had intraregional origins (figure 6). Except for the Pacific, intraregional migration provides between 60 and 80 per cent of immigrants coming to each Asia-Pacific subregion.

Similar to the picture for outward migration, intra-subregional migration accounts for the largest share of inward migrants. Almost all Asia-Pacific immigrants in North and Central Asia and South and Southwest Asia are migrants from another country in their respective subregions. Intra-subregional

migration also account for a large part of Asia-Pacific immigrants in the East and Northeast Asia (87 per cent) as well as in Southeast Asia (68 per cent).

Figure 6. Composition of inflows into Asia-Pacific subregions (2010)

(Per cent of total immigration for respective recipient)



Source: ESCAP calculation using data on migration stock from World Bank' bilateral migration matrix

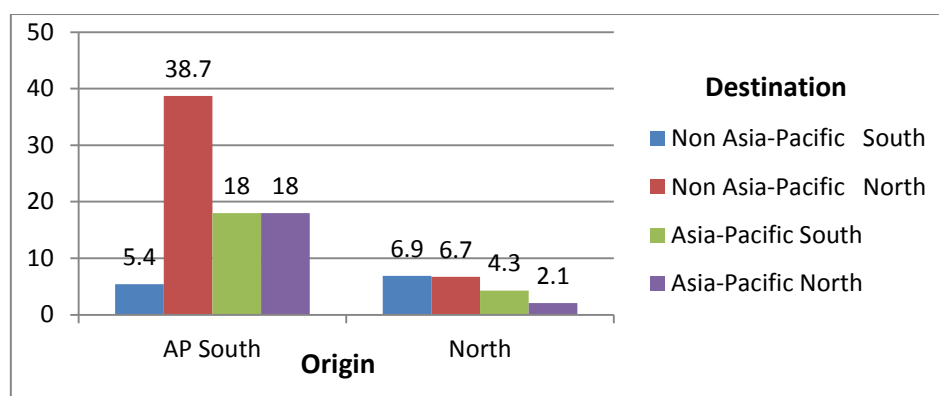
1.2.4. South-South migration in Asia and the Pacific

Migration between developing countries, known as 'South-South' migration, is increasingly receiving attention but is generally less well understood than migration from the 'South' to the 'North.' Defining which countries are 'developing' and thus qualify as part of the 'South' is not simple in the Asia-Pacific regional context. Taking the World Bank income classifications as a guide, the data shows that globally around 35 per cent of international migration is South-South, while South-North migration accounts for about half (figure 7). In the context of Asia and the Pacific, South-South migration accounts for about 23 per cent of migration from Asia-Pacific countries and most of this is on an intraregional basis. Intraregional destinations account for 77 per cent of South-South migration from Asia and the Pacific. However, as much South-South migration within the region is informal and thus under-reported, it is likely that the true share is even higher.

The patterns of South-South migration differ across Asia-Pacific subregions. Intraregional South-South migration is relatively significant for the SSWA and SEA subregions while it is less significant for other subregions (figure 8). For SSWA, it accounts for 31 per cent of international migration, with India being the major destination. In the case of SEA, intraregional South-South migrations accounts for about 21 per cent of movements: the major destinations are Malaysia and Thailand.

Figure 7. Patterns of migration (2010)

(Percentage of total Asia-Pacific emigration by origin and destination)

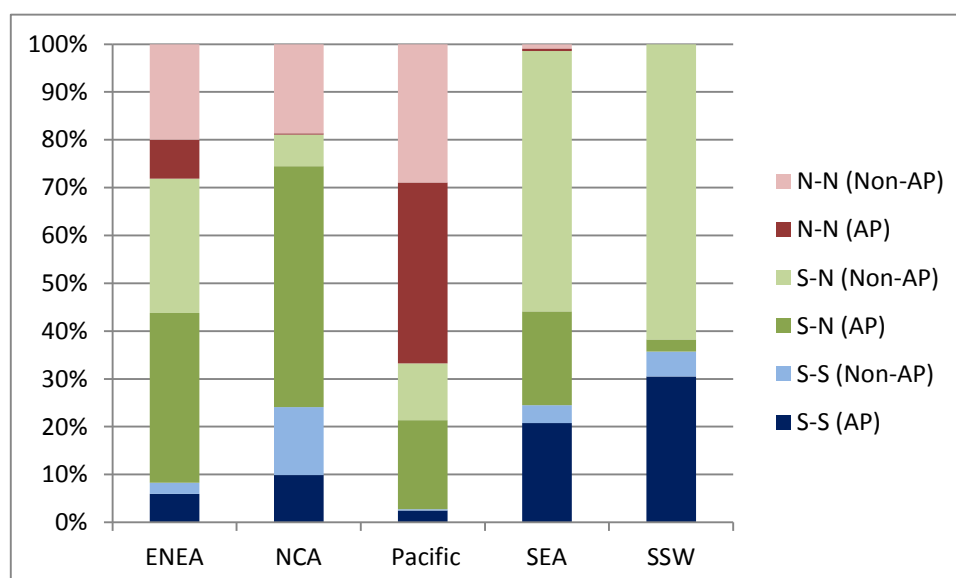


Source: ESCAP calculation using data on migration stock from World Bank' bilateral migration matrix

In the case of North and Central Asia, South-South migration accounts for just less than one quarter of emigration. as most migrants head towards destinations in the Russian Federation or outside the Asia-Pacific, in particular to the countries of the former Soviet Union in Eastern and Southern Europe. South-South migration is also negligible in the case of ENEA at around 8 per cent of the total. For the Pacific, the share of South-South migration is less than 3 per cent, most of which is movement between the Pacific islands (most regional migrants are moving to or from Australia or New Zealand).

Figure 8. Migration patterns of Asia-Pacific subregions by destination-income groups (2010)

(Per cent of total international migration)



Source: ESCAP calculation using data on migration stock from World Bank' bilateral migration matrix

Although income differences between developing countries (the 'South') are smaller than gaps between developing and developed economies, economic incentives still play an important role in

driving South-South migration. Many middle-income countries receive substantial numbers of immigrants from nearby lower-income countries. Examples include Indonesian workers in Malaysia, and Burmese workers in Thailand. Extreme poverty in low-income countries also causes migration among low-income countries of different income levels, for example, migration from Bangladesh and Nepal to India.

However, the factors behind South-South migration appear more complex than in South-North migration. According to Ratha and Shaw (2007b), income differentials play a more limited role. In contrast with South-North migration, due to greater geographical- and cultural proximity, migration to nearby developing countries is likely to have lower financial and social costs. In addition, ethnic, community, and family networks which are often strong in neighbouring countries reduce the costs and uncertainties involved in migration. For example, information from migrants established abroad enable potential migrants to quickly receive job information and how learn about economic opportunities. In other words, geographical and cultural proximity may have a greater impact on intraregional South-South migration than in interregional migration overall. Consistent with those assumptions, about 70 per cent of South-South migration from Asia-Pacific region takes place between countries in the same subregion. In contrast, migration to more distant destinations outside the subregion is more prominent in the case of the South-North migration.

Other factors also play a role in South-South migration among nearby countries. The seasonality of agricultural production can drive temporary movements of workers, for instance many Nepalese farmers cross into the northeast India during planting and harvesting seasons. Political instabilities can also result in short-term or transitory migration as seen in the millions of Afghan refugees fleeing their home country to Pakistan.

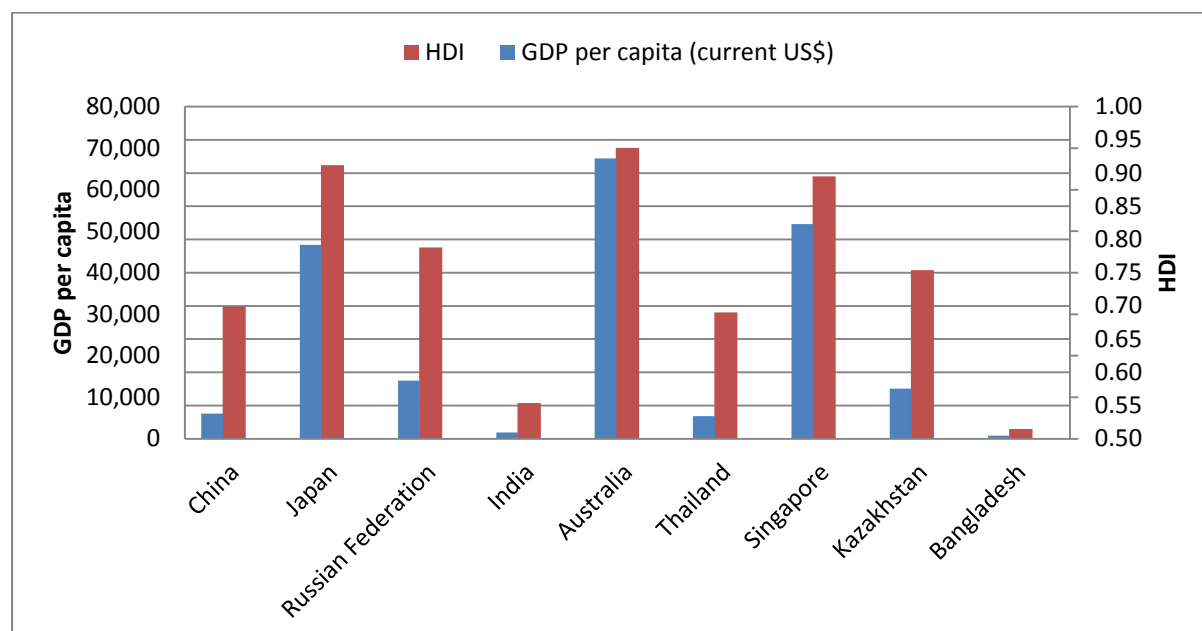
1.2.5. Future drivers of regional migration

Drivers of migration in the region are also evolving. In the years prior to the 1980s, migrations of people within and from the Asia-Pacific were often prompted by political conflicts and instabilities. For example, Australia, Canada, Europe, and the United States received large numbers of refugees - subsequently followed by family migration - from Asian countries such as Cambodia, China, Lao People's Democratic Republic, and Viet Nam. From the 1980s, large-scale construction projects in the oil-exporting countries of the Middle East, and in particular the Gulf, attracted mass-inflows of contracted workers, particularly from South Asia. Since the early 1990s, rapid economic growth in the region, particularly in labour intensive manufacturing, has increased demand for labour in certain regional economies. From current observations it is likely that migration patterns will be influenced by: differential economic performances between countries in the region; growing disparities in demographic profiles; and rising demand for labour in certain sectors.

A consequence of the economic dynamism in some economies has been growing wage disparities between countries. This has spurred increased intraregional migration in absolute terms. Differences in GDP across the region remain stark (figure 9) and wider measures of development and well-being, such as the United Nations Human Development Index also show the large gulf between countries. Evidence from the ASEAN region showed that the efforts of policy makers to narrow the development gap between the 'CLMV' countries (Cambodia, Lao People's Democratic Republic, Myanmar and Viet Nam) and the other six members had succeeded in reducing disparities in Human Development Scores but had not made similar progress in facilitating convergence in levels of income. GDP per-capita in these countries was not expected to converge to the ASEAN-average until the 2030s (McGillivray, 2012). Thus both within the subregion, and more widely, income differentials

can be expected to continue to stimulate demand for labour migration (see section 3 of this monograph).

Figure 9. Disparities in GDP and human development across selected Asia-Pacific countries, 2012

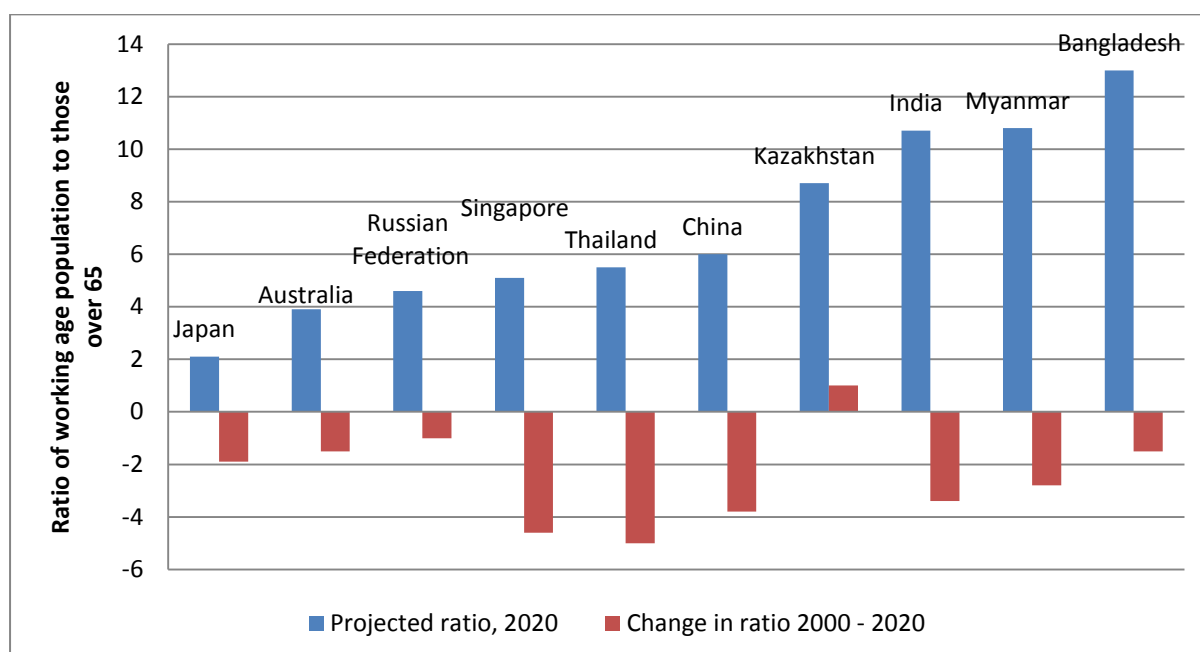


Source: ESCAP Statistical Yearbook, 2013; United Nations Human Development Report 2013

Demographic change will also increase pressure for migration. In recent decades, the remarkable economic growth in the Asia-Pacific has been supported by a growing young population. This has produced a ‘demographic dividend’ under which a higher share of the population is economically productive and a lower share are dependents (children and the elderly). These favourable ratios allow increased household savings which can then be channelled into productive investments. Several countries in the region, including the Republic of Korea and China, have benefitted from this generational window of opportunity. In 2012, out of 4.3 billion people living in the Asia-Pacific region, more than 750 million were young women and men aged 15 to 24 years. Of this cohort around 45 percent live in South and South West Asia. The absolute numbers of young people and their share in the total population have been rising for six decades but are estimated to have peaked in 2010.

While some countries, particularly in South and South West Asia are yet to experience in full the impacts of falling dependency ratios, other countries in the region will experience rapidly rising ratios as a result of decreasing fertility rates and increasing longevity. Indeed, overall the proportion of older people in the Asian and Pacific population is increasing rapidly. It is these discrepancies which will increase pressures for migration on both the demand and supply side (figure 10). Even in Japan, which already has the largest share of elderly in the region, further ageing is expected in the future: the share of the population over 65 will rise from 24 per cent in 2012 to 37 per cent in 2050.

Figure 10. Old age dependency ratios projected for 2020 and projected changes between 2000-2020



Source: United Nations World Population Prospects 2012

Migration in the Asia-Pacific remains dominated by movements of low-skilled migrants. These migrants search for and accept low-wage jobs that an increasingly highly-educated local labour force is unwilling to do (Castles and Miller, 2009). There are two major components of low-skilled migration: documented workers (those moving through formal legal channels to fill specific jobs under contract) and undocumented workers.⁵ Some destination economies are also making increased efforts to compete for high-skilled workers in the global competition for ‘talent,’ for example workers with professional skills in the healthcare sector are in high demand. Although the numbers remain relatively small in absolute terms, the mobility of highly qualified migrants and students from Asia and the Pacific has grown rapidly during the past two decades.⁶ For example, in the Philippines, a study found that 30 per cent of IT workers and 60 per cent of physicians emigrated at some point in their career (Lowell and Findlay, 2002). The growing cross-border operations of multinational corporations, driven by increasing economic integration and international production networks, has also led to the relaxation of some restrictions governing movement of executives and experts transferred within multinational enterprises.

⁵ Some educated or skilled migrants undertake relatively low-skilled jobs in the destination countries where even unskilled labour earn higher incomes than skilled labour in the country of origin. The phenomena has been called ‘brain-waste’.

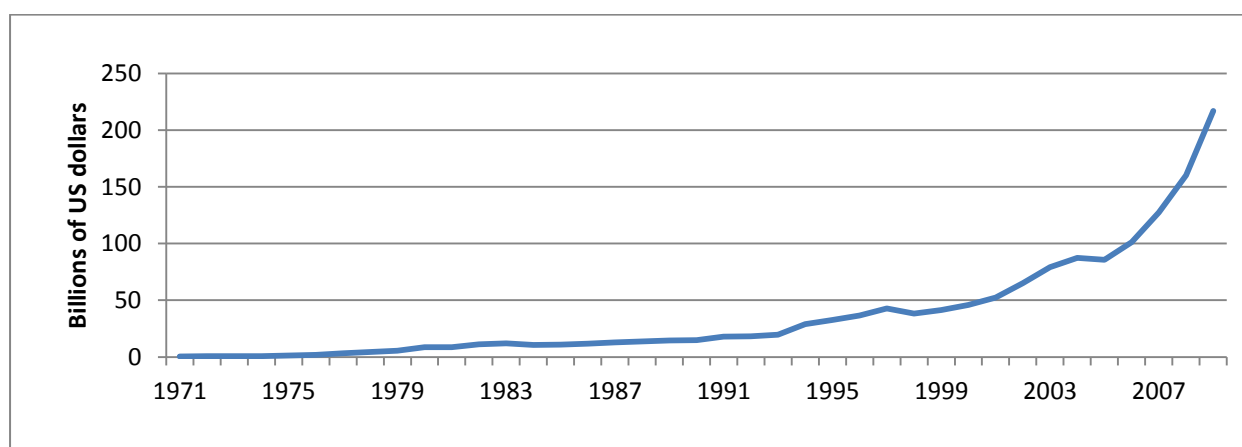
⁶ Evidence for migration according to skill levels is found predominantly through case studies at the country level.

1.3. Trends in regional remittance flows

As numbers of migrants in the Asia-Pacific have risen, so have total remittances sent home by those workers. The scale of global and regional remittance flows, and their potential as a tool for development, has attracted increasing attention among policymakers in recent years. Section 3 considers the evidence on the development impacts of remittances in the Asia-Pacific in the context of the trend towards higher flows which is described below.

Throughout the last half century, global remittance flows have risen dramatically, reaching \$489 billion in 2011 (UNCTAD, 2012) and are expected to reach \$515 billion in 2015 (World Bank, 2013a). Remittance receipts from overseas workers to countries in the Asia-Pacific have followed the same growth trend (though better national record-keeping may account for some of the rise). Among all regions of the world (as classified by the Asian Development Bank), South-East Asia and the Pacific receives the most remittances, followed by South Asia in the second place (Ozaki, 2012). Officially recorded remittances to the Asia-Pacific region as a whole totalled \$40 billion in 2000, and by 2010 were approaching \$190 billion (OECD, 2012). 2011 marked the first year remittance flows to the region topped \$200 billion (figure 11) and even a slowing global economy in 2012 did not stop remittance flows to the region from rising further and reaching a record total of \$219 billion (World Bank, 2012a). Alternative estimates from the International Fund for Agricultural Development found that the Asian continent received nearly \$260 billion in 2012 (IFAD, 2013).

Figure 11. Total recorded annual remittance flows to countries in the Asia-Pacific region since 1971

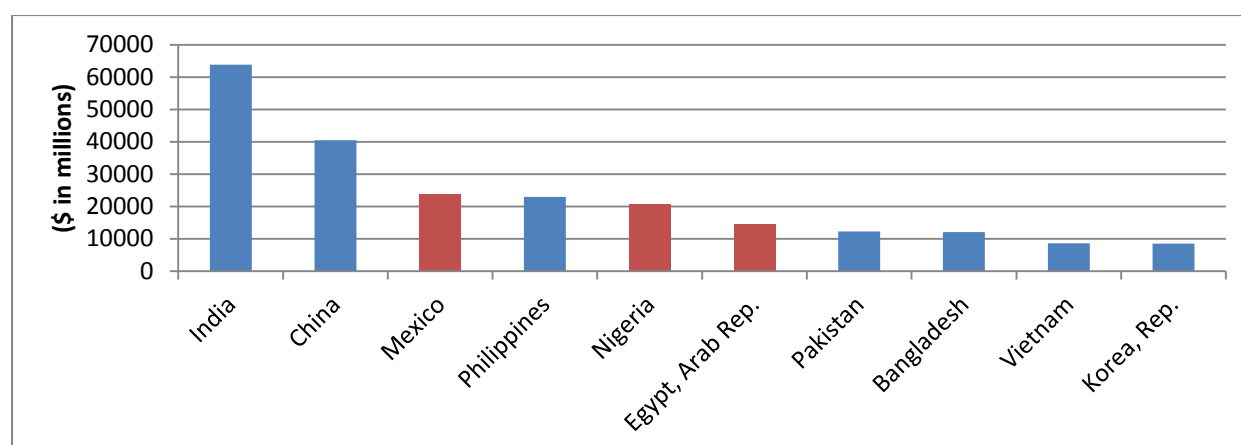


Source: World Development Indicators.

In 2011, seven of the top ten remittance-receiving developing countries worldwide were found in the Asia-Pacific region (figure 12). China and India continued to attract the largest total volume, both in 2011 and 2012, together accounting for more than half of total remittances to the region. Considered in relation to the size of the economy, many countries are highly dependent on remittances (figure 13). This is the case particularly for Tajikistan, which recorded the highest remittance dependency rate in the world at 46.9% of GDP in 2011 (World Development Indicators, 2011). While a high dependency ratio indicates the availability of needed financial resources, it can also be a reflection of wider economic failure and an indicator of fragility. Tajikistan is a case in point; most of its male workforce is in a single host country, Russia, and its economy is highly dependent on their

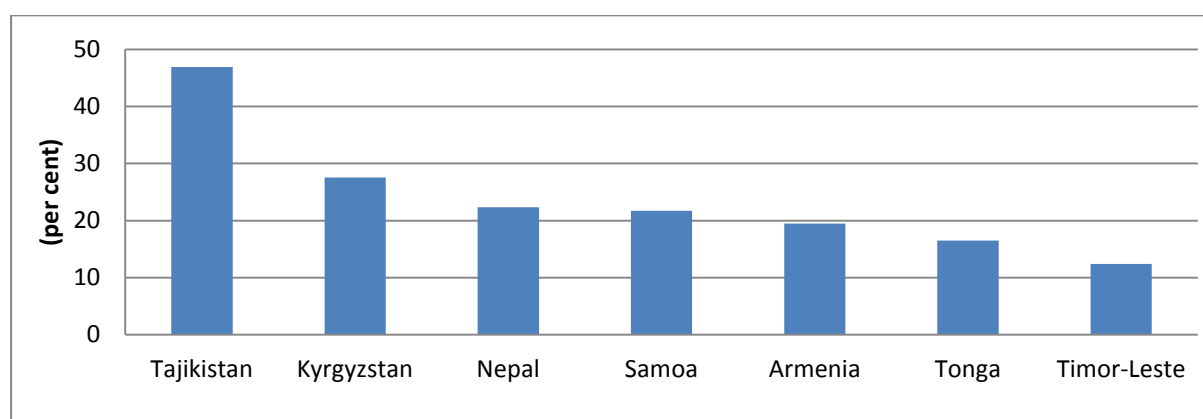
remittances. If a political or economic crisis were to limit the continuation of these flows, there could be serious consequences (The Economist, 2013; Lanzillo, 2013).

Figure 12. Seven of top ten remittance-receiving developing countries are in the Asia-Pacific



Source: World Development Indicators.

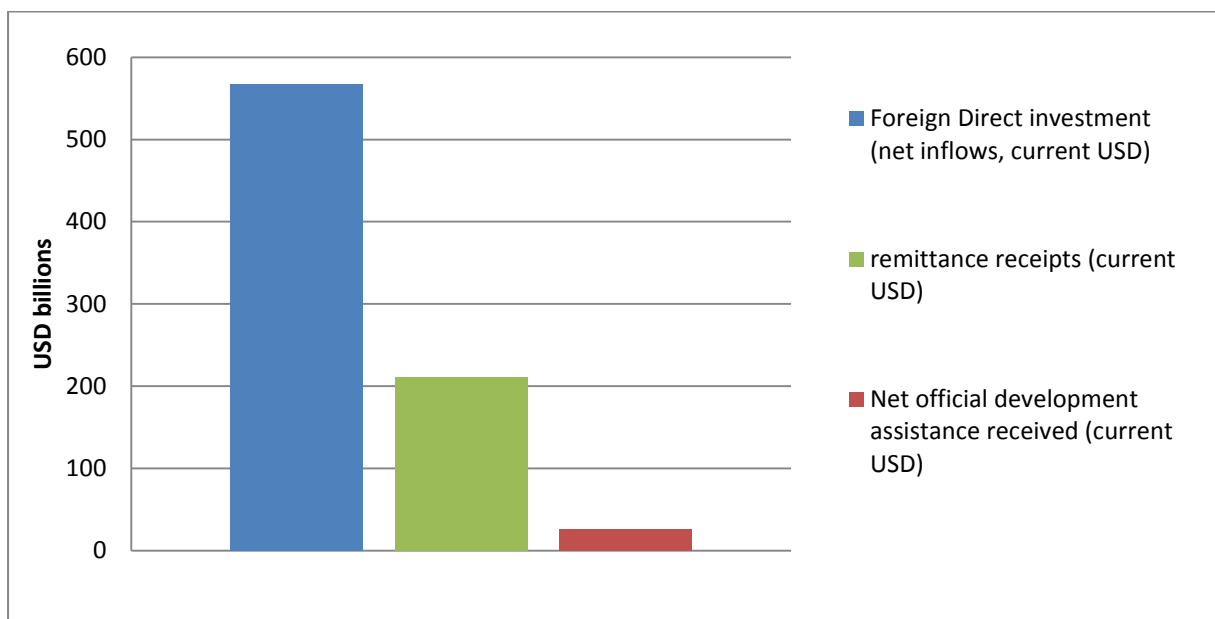
Figure 13. Top remittance receiving countries in the Asia-Pacific in 2011 (relative to GDP)



Source: World Development Indicators.

As a source of external financing for Asia-Pacific developing countries, remittance flows are several times greater than ODA, though they remain smaller than FDI inflows (figure 14). Moreover, in addition to their scale, remittances to the Asia-Pacific have proved more resilient than FDI and ODA to economic downturns. While private capital flows fluctuate in response to business cycles in both the country of origin and destination, remittances are normally counter-cyclical (ESCAP, 2013; UNDP, 2011; de Haas, 2007). The altruistic nature of remittances flows – which are often the main income source for the receiving family – helps explain their relative stability. In response to difficult economic times in countries of origin at home, foreign workers reduce consumption and allocate larger shares of their revenue to remittances, thereby smoothing the income revenue of households at home, as well as cushioning the economy on an aggregate level. From a macro-economic perspective, remittances can thus provide a useful counter-cyclical buffer during periods of economic weakness.

Figure 14. Sources of external finance to developing countries in the Asia-Pacific (2011)



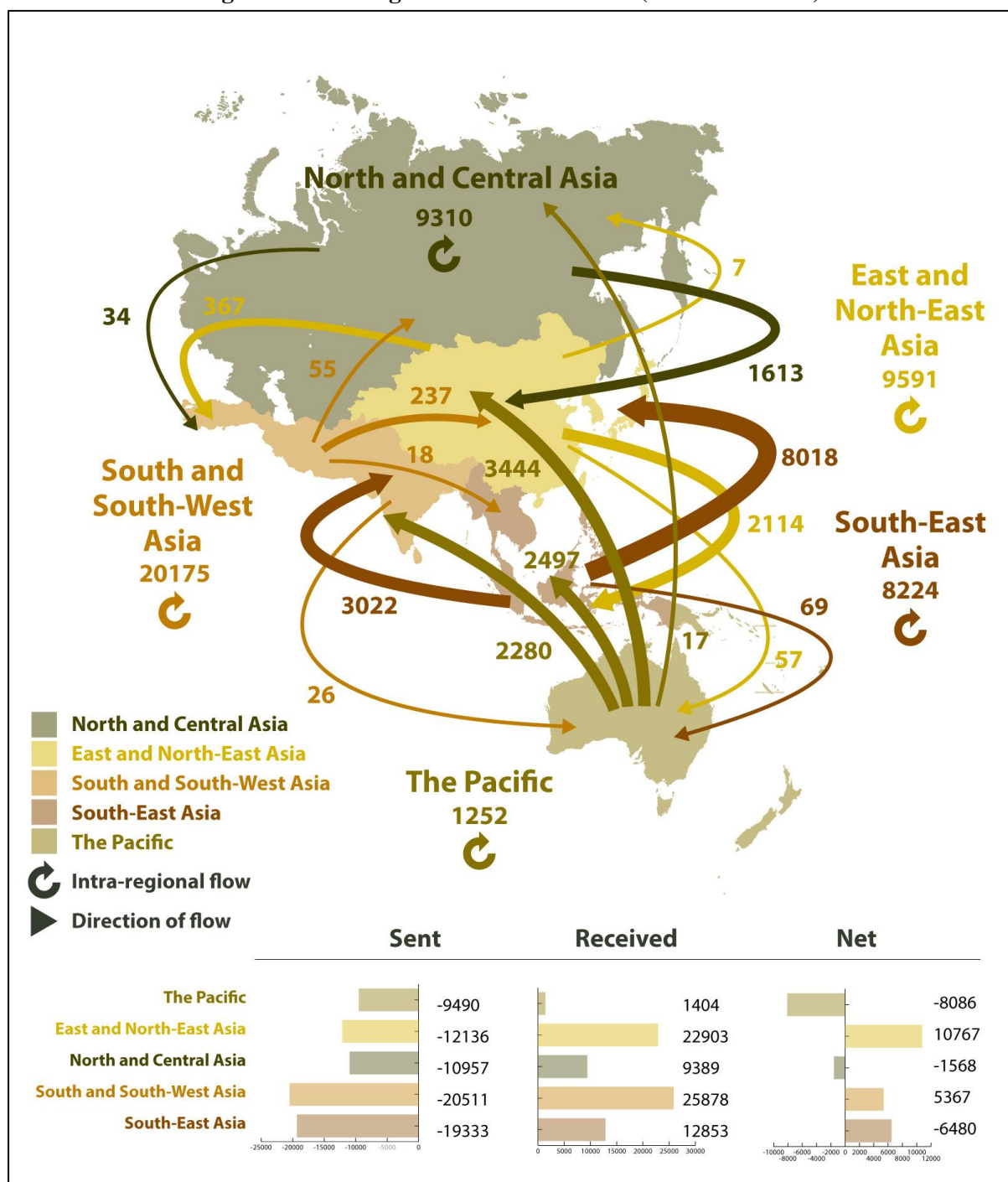
Source: World Development Indicators.

The recent global economic and financial crisis did see numbers of migrant departures fall globally. But remittance flows to the Asia-Pacific registered only a small drop in 2009 before quickly rebounding with a strong growth rate of 15.2 per cent in 2010. A study by the ADB found representative trends in Pakistan, where remittances continued to increase even while migration from Pakistan decreased (Ratha, 2012). Remittances were also a stabilizing force for the Asian economies hit hardest by the financial crisis of 1997 (GCIM, 2005).

One factor driving rising remittance flows is declining transaction costs aided by new technologies and policy reforms. Increasing co-operation between regional and multilateral agencies, the private sector, NGOs and state enterprises is helping bring down costs by harnessing the comparative advantages of several players in the money transfer market. As a result, substantial cost reductions have taken place across some of the major international migration corridors, for instance from the Gulf States to South Asia. The Asia-Pacific is the region that has benefitted the most from these decreases in costs across the last decade. Today, all of the five least costly corridors for sending \$200 are to destination countries in the Asia Pacific. Notably, significant progress has been made in China, the second largest remittance-receiving country in the Asia-Pacific region. In 2009, transaction costs averaged over 15 per cent for remittances sent to China, while today average prices have dropped to 11.6 per cent (Remittance Prices Worldwide, 2013).

As with migration patterns, intraregional remittance flows also differ substantially across Asia-Pacific subregions (figure 15). The Pacific is a large net sender of remittances mainly driven by workers in Australia sending money home to other countries in Asia and the Pacific. South-East Asia has high intraregional flows as workers in Thailand, Singapore or Malaysia send money home to Cambodia, Laos, Myanmar or Indonesia. Likewise, the importance of Russia as a destination from migrants in North and Central Asia explains the very high intraregional flows there.

Figure 15. Intraregional remittance flows (millions of USD)



Source: ESCAP calculations based on World Bank Bilateral Remittance Database

2. Migration and trade

As noted, trade in goods and services and migration are interconnected. The Asia-Pacific region has seen growing migration flows over recent years. Trade, both intraregional and with global partners, has also expanded rapidly over the past two decades as the Asia-Pacific has emerged as the most dynamic region of the world economy. While the movement of goods and services influences the movement of people, and vice versa, the linkages are both direct and indirect. The following section reviews some of the connections between trade and migration explored in the literature. Subsequent sections consider, first, the explicit developmental impacts of migration flows, and then, second, how labour migration is managed - globally, regionally and bilaterally – including the treatment of migration issues in the context of trade agreements.

2.1. Trade and migration as substitutes

Much existing literature has focused on the question of whether trade and migration are complements or substitutes. If they are substitutes then growing trade volumes can reduce pressures for migration. On the other hand, if they are complements then migration will tend to increase demand for traded goods and services, either in general by raising incomes and GDP, or through specific network and diaspora effects. The answer to this question has important policy implications: it is often argued, assuming substitutability, that countries have a choice between admitting goods and admitting people. However, if the relationship is complementary, and if further reductions in trade barriers were improbable, then liberalizing migration could potentially increase the levels of trade and welfare between two partners. This section discusses how the implications from the standard trade theoretic models can provide an answer to these research questions and the empirical research that bears on those questions.

First, take the case of standard trade theory which views trade in goods and immigration as substitutes. If commodities are seen as simply bundles of factors of production, then labour (as one factor) could be transferred across borders either directly through the movement of workers or indirectly through exports of labour-intensive goods. Under such a scenario, trade liberalization reduces pressure for migration as trade flows, determined by comparative advantages, drive factor prices to become more similar across countries. In other words, the standard trade models indicate that trade and migration are substitutes under certain conditions: countries differ only in factor endowments, and they have free trade.

Consequently, if immigration is controlled and limits are put on the free movement of workers, then producers in labour-scarce countries could be expected to increase imports of labour-intensive products from those countries where labour is relatively abundant. Conversely, in a situation of high import tariffs, potential immigrants' home country exports will be restricted, causing lower demand for labour used in the production of labour-intensive export commodities. The country with the high-import tariffs may then come under pressure from immigrants seeking access to their labour market, legally or illegally; as unemployment may be low and wages high in the developed countries with protected domestic industries, significant gains are possible for immigrants who can gain access to these labour markets.

Apart from substituting the importation of finished goods for immigration, it is now also common for countries to demand low-skilled labour-intensive intermediate goods from low-wage economies through outsourcing. This may of course result in a relative fall in demand for low-skilled workers in the importing country. Outsourcing of manufacturing may consequently lead to concerns about the

hollowing out of domestic industries, which has been a particularly prominent issue in countries such as Japan (e.g. Cowling and Tomlinson, 2001).

Another development visible in recent decades had been the growth in the outsourcing of services. In this case, it is not the differential abundance of factors of production (i.e. unskilled labour) that is driving the process, but substantial differences in wages for low or semi-skilled workers between developed and developing countries. Many companies have taken advantage of these differentials to lower their costs bases by, for instance, relocating back-office functions, such as call centres or data-entry, to lower wage economies. Improved connectivity, particularly for communications and ICT has made possible a wider range of outsourcing. Increasingly, even high-skilled tasks such as medical diagnostics can be similarly outsourced (Smith et al., 2009).

Outsourcing has raised concerns about domestic job-losses in developed economies. Given that services account for a larger share of output than manufacturing, outsourcing can potentially affect a greater proportion of the labour force in developed economies than the loss of manufacturing jobs to low-cost locations. Purely from an economic perspective, outsourcing should increase overall welfare: where lower-wage jobs are lost due to outsourcing they may be replaced by higher-wage jobs; greater competition should also drive up productivity and expand the range of services available to consumers while lowering the prices of services (Bhagwati et al., 2004). Nevertheless, as with other gains from trade, outsourcing can have distributional consequences and not all groups will benefit equally.

As with trade in goods, outsourcing of services and immigration can be seen as substitutes. If cheap labour is not available to firms domestically or through migration, outsourcing is one strategy that firms can undertake (Yomogida and Zhao, 2005). In most developed countries migration remains relatively restricted, whereas outsourcing faces fewer limitations. Policymakers in developed countries may thus face a trade-off between permitting more immigration with associated potential social costs and seeing larger numbers of services jobs move overseas through outsourcing. As Poot writes: “This raises an interesting issue, as the net benefits of outsourcing as compared with immigration have yet to be conclusively assessed. Meta-analysis of available evidence suggests that immigration has very little impact on wages and employment opportunities of native workers.” (Poot et al, 2008).

2.2. Trade and migration as complements

Migration should not be viewed as a substitute for trade or outsourcing in all circumstances. Relaxing some of the strict assumptions of standard trade theories increases the likelihood of complementarity between trade and migration. Trade and factor flows (labour and capital) may be considered complements when trade increases along with international factor mobility (Markusen, 1983). Either (1996) shows that intra-industry trade and trade in response to international differences in economies of scale, should be complements to migration.

Migrants and native workers could be complements rather than substitutes in production, or even imperfect substitutes in narrowly defined skill categories. Moreover, immigrants increase the consumption of locally produced goods and services and may trigger faster capital accumulation. Migrants may also differ from local workers in other ways such as a willingness to undertake certain forms of labour that locals see as undesirable (Jones, 2005). If unskilled jobs in certain categories become less attractive because of improved opportunities for locals elsewhere in the labour force, migrants and local workers could be complements in production, and migrant inflows may increase the productivity of local workers.

Empirical research into the extent to which migration and trade are substitutes or complements in terms of factor arbitrage finds mixed evidence. For example, Collins et al (1999) used data for the Atlantic economy in the period 1936-1970 to see whether quantities of trade and migration are positively or negatively correlated but no correlation was found in the overwhelming majority of cases. Also, the formal analytics in Horiba (2008) suggest that it is not clear that these correlations relate to the underlying issue of complementarity. In an interesting study by Hijzen and Wright (2010), immigrants are divided into skilled and unskilled labour, and outputs include skill- and unskilled-intensive outputs. They found that skilled immigrants are quantity complements with trade. In contrast, the results on unskilled labourers suggest they are substitutes to trade, but the coefficient is statistically insignificant.

2.3. Network and diaspora impacts on trade

If migration results in higher global incomes, this will trigger increased demand for traded goods and services. More specifically, migration may promote or create trade between countries of origin and destination. Recently, economists have increasingly attempted to capture the network effects of migration on trade. Networks of migrants might enhance international trade by reducing trade costs arising from incomplete information. Migrants can act as an information provider between suppliers and demanders in their home- and host- countries. Immigrants' detailed knowledge of home country markets, including consumer tastes, regulations, and business practices can help lower transaction costs and facilitate trade. Migrants can also facilitate communication, especially where there are language barriers. Personal networks that connect with suppliers can also be tapped to facilitate trade (Rauch and Trindade, 2002). When migrant communities are of a substantial size, this can create demand for products from the country of origin, for instance food or cultural goods.

A review of empirical studies of the impacts on trade and immigration suggests that there are significant and positive elasticities, providing evidence that international migration boosts international trade, though quantitatively the effects are fairly limited (Poot et al, 2010). For example, Lung (2008) studied Australia and ten Asian trade partners from 1963–2000 and found, with respect to migration, an export elasticity of 0.15 and an import elasticity of 0.32. In other words an increase in the number of immigrants from a particular country by 10 per cent would increase the export volume to that country by 1.5 per cent and the volume of imports from that country by 3.2 per cent. In many countries the export effect of immigration on host countries is lower than the import effect. This is consistent with the operation of the two channels described above: the trade facilitation effect of immigration operates both on imports and exports, while the desire of migrants for products from the country of origin will only impact on imports.

These effects may be reduced when migrants establish more settled communities. Little research has been done to date comparing the strength of network effects between longer-term and temporary migrant communities. Overall, however, as migrants become increasingly integrated into host country societies and economies, their impact on trade will lessen. Indeed, one commentator writes: “their role as trade facilitators for exports to and imports from their home country will be most effective if they remain in regular contact and continue to desire goods from their home country. This creates a paradox in that social tensions may reduce by rapid integration, including cultural assimilation, but migrants who specialise in trading with their home country benefit from the maintaining of cultural identity” (Poot et al, 2008)

3. Labour migration and development

Today there is considerable study and discussion on the link between labour mobility and development. This increased level of research has also been mirrored in greater interest among policymakers. In October 2013 the United Nations General Assembly held a High-level Dialogue on Migration and Development for the second time, building on the progress since the first Dialogue in 2006. The Dialogue acknowledged the important contribution of migration in realizing the Millennium Development Goals, and recognized that human mobility is a key factor for sustainable development which should be considered in the elaboration of the post-2015 development agenda. Participants adopted an eight point agenda for action: “Making Migration Work.”⁷

There is now a broad consensus that greater mobility, especially of low-skilled workers, could significantly contribute to poverty reduction. This marks a substantial shift; among earlier generations of thinkers many were sceptical of the benefits of outward migration for developing countries. Migration was seen as a consequence of dependence and “not only a symptom of underdevelopment, but a cause of it, as it depopulates entire regions, turns sending families from producers into rentiers, and allows governments to escape their responsibilities by relying on migrant remittances” (Portes, 2008). While concerns still exist, particularly in regard to the issue of ‘brain drain’ of skilled workers from developing countries, in general there is a shared recognition of the many ways in which migration, under the right circumstances, can assist development. As noted at the 2013 UN high-level dialogue “there is mounting evidence that, leveraged by the right policies, migrant and diaspora communities can significantly contribute to development in both origin and destination countries, through remittances, trade, investment, creation of enterprises, and transfer of technology, skills and knowledge.”⁸

A number of different studies have attempted to estimate the global welfare impacts of increased migration flows. Efforts to evaluate the global gains from freeing migration are usually based on computable general equilibrium models. The basis for these analyses is usually the assumption that all labour is the same and wage differences reflect policy distortions (or labour market failures). While specific results vary (depending on how host labour markets are modelled), most predictions show that the gains from increasing labour mobility, even marginally, would be very large – and in some cases the benefits are predicted to be many times higher than the gains available from further liberalizing world trade, for instance through completion of the Doha Round of WTO negotiations.

Winters (2003) found that an increase of 3 per cent in the labour force in receiving countries (equivalent to around 16 million people) would lead to world welfare gains of around \$156 billion. As Pritchett comments: “Although a smallish (0.6 per cent) fraction of world GDP, this is larger by nearly a factor of *three* than annual official development assistance in the 1990s and substantially larger than the same model’s estimate of the gains from *all* proposed remaining trade liberalization (\$104 billion). These estimates are, if anything, conservative” (Pritchett, 2006). A more recent World Bank study found gains twice as large (\$356 billion) from a similar liberalization of labour mobility. To put this sum in context: it is over four times the size of the global aid flows (World Bank, 2005).

These large gains were achieved with only relatively modest increases in global labour flows. A 1984 study by Hamilton and Whalley predicted that world GDP could double with complete freedom of

⁷ From the Report of the Secretary-General (A/68/190)

⁸ <http://www.un.org/en/ga/68/meetings/migration/>

movement. While this is clearly a political and practical impossibility, it does show that the scale of potential benefits of increased migration dwarves those from further trade liberalization. In a sense this is unsurprising as most goods markets are already fairly well-integrated, whereas the massive disparities in wages between rich and poorer countries serve as evidence of continuing large ‘distortions’ in global labour markets.

Any analysis of overall welfare gains needs to be complemented with awareness of distributional impacts both within sending and receiving countries, and between them. A minority viewpoint is that the country of origin will lose while the country of destination is gaining (Wong, 1986; Tu, 1991; Fydzman and Saks, 2007). The implication for North-South migration is that the North will gain and the South will lose from migration. However, there are good reasons to believe that this would not be the typical result, though it may apply in some circumstances. Indeed the fact that in most international negotiations it is the South that demands increased access to Northern labour markets and the North that resists these demands is *prima facie* evidence that increased migration is of benefit to developing countries.

The following sections present and evaluate evidence on the economic benefits of labour mobility for developing countries. Several linkages are explored, with particular attention given to evidence and examples from the Asia-Pacific region. The main channels linking increased migration and development considered below are:

- Direct benefits to the migrant worker
- Benefits to the sending country through remittances
- Impacts via sending country labour markets and on incentives for human capital formation

3.1. Benefits to the migrant worker

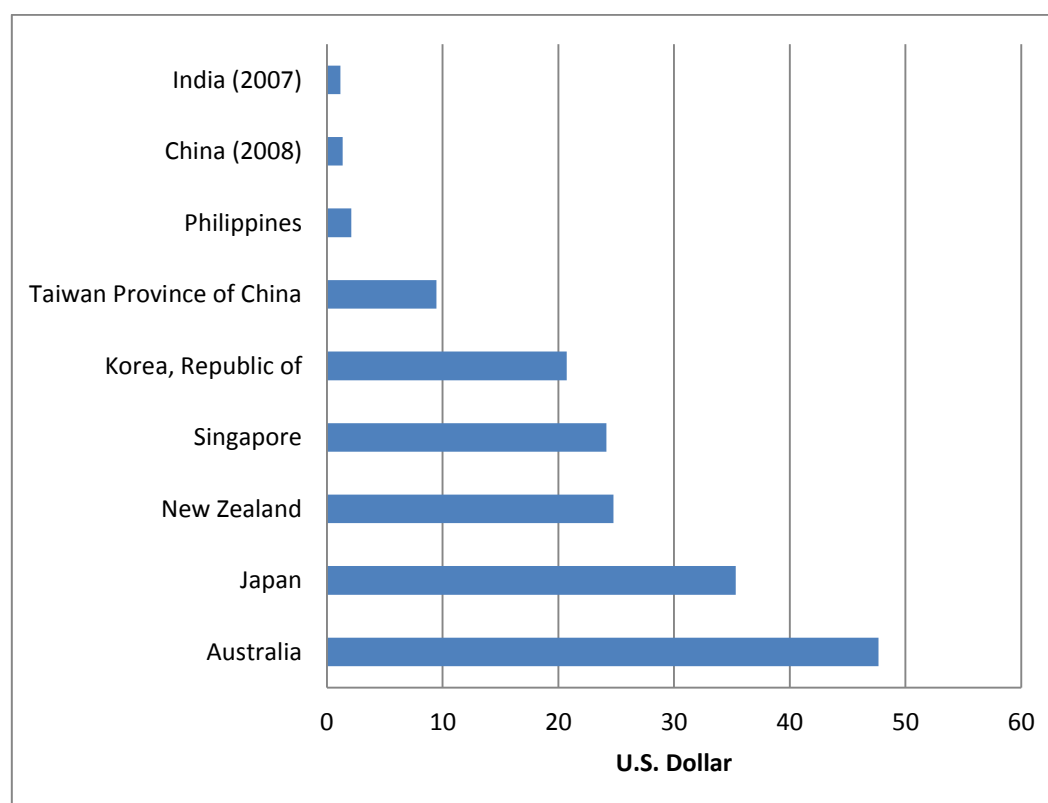
The primary beneficiary of labour mobility is the migrant who is able to work overseas for a higher wage than they could make at home, if they are able to find work at all. While this may appear a statement of the obvious, surprisingly, in the development literature discussion of the pros and cons of migration for development too often focuses on the impact on the sending country and glosses over those benefits, often very substantial, that the workers themselves obtain; benefits that were, of course, the primary motivation for emigration.

Pritchett has attributed this oversight to the nation-state centred nature of the development discourse (Pritchett, 2006). Accordingly ‘development’ is what happens to the economy of nation states, not what happens to the well-being of nationals. The migration of a poor person to a richer country is thus not classed as ‘development’. Perhaps conveniently, this discourse justifies policies that restrict migration to richer countries. Nyarko (2011) writes: “Why are these migrating individuals ignored? Somehow, when a Bangladeshi or Ghanaian moves outside of his or her national borders he or she does not seem to count in the calculus of mobility, at least in the public debates.”

Large and persistent income gaps between countries globally and within the Asia-Pacific, provide substantial incentives to cross-border movement and suggest that the benefits of migration to individual workers are high (figure 16). Despite the attention given to the rapid growth of emerging Asia over the past two decades, very large income gaps will continue to persist across time. While migrants, both skilled and low-skilled, can potentially earn several multiples of their salaries by moving, the ‘pull’ factors will remain strong and the potential benefits of migration will remain large. Indeed, considered in historical perspective, recent decades have been marked by substantial

divergence in incomes between the top and bottom countries: one set of estimates that the ratio grew from 10 to 1 in 1870 to approximately 50 to 1 by the end of the last century (Pritchett, 2006).

Figure 16. Average hourly compensation in manufacturing, USD, 2010



Source: US Bureau of Labour

Thus, of the large predicted welfare gains from increased global labour mobility noted above, the largest proportion accrues to the migrants themselves via higher wages (World Bank, 2005). A 2009 review by UNDP, presented evidence of consistently high average income gains for migrant workers. Unsurprisingly these absolute gains were greatest for migrants moving from countries with low Human Development Index (HDI) scores to OECD countries (UNDP, 2009). For instance, Pacific Islanders in New Zealand increased their net real wages by a factor of three (McKenzie, Gibson, and Stillman, 2006). But moves to non-OECD countries can yield large gains too. For example, Thai migrants in Hong Kong, China and Taiwan Province of China, are paid at least four times as much as they would earn as low-skilled workers at home (Sciortino and Punpuing, 2009). Additionally, gains to migrants may increase over time: as they acquire language skills and knowledge of local opportunities they will enjoy better integration into the local labour market.

Surveys of wages paid to South Asian and Filipino migrants working in the UAE found average salaries of around \$7000. (Al Awad, Tong, 2010 cited in Nyarko 2011). Average annual incomes for India, Pakistan, Bangladesh and the Philippines are around \$3,650, \$2,745, \$1,777, and \$4,119 respectively. Since unskilled workers are presumably nearer the bottom of the domestic income distribution these average figures probably overstate the likely income of migrating workers. But even taking these figures we see that incomes available to migrants are several times higher than average incomes at home.

Many intraregional migrants within Asia and the Pacific are not moving from developing to developed countries, but between developing countries. Barriers to admission are often lower than in developed countries with strict controls over access to labour markets. But conditions for migrants in developing countries may be more difficult than in rich countries, with the risk of experiencing abuse and exploitation higher. Larger informal sectors make monitoring and enforcement of labour standards more difficult. Women, particularly those in domestic work, are often at greatest risk of mistreatment. Where labour rights, like the ability to join a union, of migrant workers are restricted, for instance in some Gulf States these problems can be compounded. Although practices are evolving in the GCC, studies show enduring problems. Migrants also often earn less than locals with the same skills and qualifications - often because their previous experience and qualifications are not recognized. Language barriers or discrimination can also reduce earning power.

While the income gains to migrants can be large, often the cost of moving and relocating is also substantial, meaning that net benefits are lower at least over the initial period. Costs can be incurred for procuring official documents like passports and visas, travel expenses, and payments to intermediaries or agents who often liaise with employers in destination countries. Where corruption is prevalent, bribes to officials also add to the cost of moving. In total these relocation costs can equal many years or months of income in the sending country, for instance estimates of the cost of intermediaries involved in securing a move from Viet Nam to Japan can be over 6 years of income, and for Bangladesh to Saudi Arabia over 5 years (UNDP, 2009). Migration also has non-financial costs, not least the psychological costs of being separated from families and communities of origin. (Internal migrants - for instance those moving from rural to urban areas - can also face similar transitions.) Improved telecommunications and diaspora communities, however, can lessen these costs.

Intermediaries are often a key element in the migration landscape. They can play a positive role in facilitating labour migration by addressing 'market failures' such as a lack of information on job opportunities amongst would-be migrants. They can also help with administrative arrangements such as obtaining visas. Many such agencies exist: the Philippines has over 1,500 and India over 2,000 (UNDP, 2009). Cases of abuse do exist, for instance where migrants pay high fees for 'guaranteed' work placements that do not exist. However, there are efforts underway to better regulate migration agencies. The high costs of some intermediaries can also encourage illegal or undocumented migration. One UNDP study writes: "Under agreements between Thailand, Cambodia and the Lao People's Democratic Republic, recruitment fees are equivalent to 4–5 months' salary, processing time averages about four months and 15 per cent of wages are withheld pending the migrant's return home. In contrast, smugglers in these corridors reportedly charge the equivalent of one month's salary. Given these cost differences, it is not surprising that only 26 per cent of migrant workers in Thailand were registered in 2006." (UNDP, 2009)

Incomes do not depend solely on labour market earnings. In countries with welfare and social security systems, labour migrants may also be eligible for social transfer payments, for instance unemployment assistance or pensions. Rules and eligibility vary substantially across countries. One reason for resistance to increased labour migration in recipient countries, especially of low-skilled workers from developing countries, is the fear that they will be a net burden on taxpayers. Calculating the overall impact fiscal impacts of migrants is complex and depends strongly on the composition of migrant flows in terms of age and skills, and whether they also have dependants. To overcome the political obstacle this represents, some advocates of greater labour mobility as a development tool have therefore argued for more clearly defined temporary labour mobility arrangements with

restricted access to welfare systems. While this would represent ‘second-class’ treatment of migrant workers in host country labour markets, overall gains for migrants from increased mobility could still be substantial.

Of course, income is not the sole measure of welfare. While this report focuses primarily on the consequences of migration for economic development, we should bear in mind that there may be labour mobility can also impact on the health of migrants, and the educational opportunities available for them and their families. UNDP estimates that migrants to OECD countries had an HDI score around 24 per cent higher than people remaining in their country of origin (UNDP, 2009).

3.2. Development impacts of remittance flows

Beyond the direct benefits to migrants from higher wages, remittances are one of the major channels through which migration can impact economic development in the country of origin. Financial remittances typically outweigh the initial outlay cost of the ‘investment’ of moving. These transfers can in turn finance both consumption and investment needs in the country of origin. Remittances can improve the livelihood of millions and contribute to poverty reduction. Increasingly accurate data on bilateral remittance flows produced by the World Bank is also allowing their scale and impact to be better estimated. But even when the total volume of remittances is large, their direct poverty-reducing impact depends on the socio-economic background of those who move, as well as the policy frameworks in place that govern how remittance funds are used.

While remittance flows into developing countries *prima facie* are a positive for development, the actual impact on poverty rates and inclusive growth prospects is more complex. Most directly, remittances increase household incomes and support consumption (ADB, 2012). This can lead to falls in poverty rates (De and Ratha, 2012; Ratha, 2007). Because they flow directly to family members, they can be allocated by households towards their most pressing needs. The absence of intermediaries also reduces losses from the corruption all too often associated with public spending and ODA (de Haas, 2007). Evidence linking remittances with poverty reduction is plentiful. Remittances have been found to explain 6 per cent of the reduction in the poverty head count in Bangladesh, and may explain up to half of the reduction in poverty head count in Nepal (Ratha, 2007). The most notable declines in poverty have been documented in South Asia; where a large share of remittance flows originate from the overseas labour force in the Persian Gulf (Lucas, 2008). In Kerala, India, for example, a 2003 survey found that remittances reduced the share of poor in the population by 3.1 per cent (Rajan, 2011).

However, when only a limited number of households receive remittances, their initial impact can worsen inequality. As previously noted, because migration is expensive, often the very poorest households are effectively excluded (Alonso, 2011; Adhikari, 2011). Kelegama, for instance, notes the experiences in Kerala, India - the state with the highest number of overseas migrants: only 26 per cent of households were direct beneficiaries of remittances, resulting in increased inequality and rising social tensions (Kelegama, 2009).

Further, policies in many countries restrict entry to higher-skilled workers, thereby excluding many of the poorest people who have the most to gain from labour mobility. In practice, migrants and their families may come from the middle- or upper-end of the local income distribution. Consequentially, remittances may not flow directly to the poorest families, or the poorest regions. In China, one study

found only a 1 per cent fall in the poverty headcount because migrants did not come from the poorest households (Zhu and Lou, 2008).

Nevertheless, the immediate impact on measures of equality is often mitigated over time. Even non-remittance receiving households stand to benefit economically via employment creation and other multiplier effects resulting from increased local consumption and investment by remittance-receiving households (OECD, 2009; de Haas, 2007). In a study of Sri Lanka, De and Ratha (2005) found that remittances had a levelling effect on income inequalities. For example, in communities with high concentrations of migrant-sending households, increased demand for health and education services has increased private investments (Arunatilake, 2011). Moreover, in some instances, families may still receive remittances even if the household itself has not sent a member away for overseas labour. A 2005 World Bank funded survey of non-migrant households in Tonga and Fiji found that 80 per cent of households in Tonga and 20 per cent in Fiji received remittances (Brown, 2008).

Remittances, compared to other sources of external income for a country, can be uniquely inclusive (Alonso, 2011). Trade liberalization, for example, has been shown to generally benefit city-dwellers disproportionately compared to rural populations, increasing the income and consumption divide (Ravaillon, 2006). Also, in comparison to FDI, remittances are more likely to be geographically inclusive (DESA, 2012). When rural populations are able to send household members abroad to work, remittances can compensate for the costs associated with liberalization shouldered by the rural poor.

Remittances both from and to women can also promote gender equality. By earning income abroad and sending it home to the person of their choice, women can potentially circumvent the influence of their husbands in decisions concerning allocation of financial resources. In fact, female migrants are more likely to send remittances to the person taking care of their children, which is often another woman, rather than the migrant's husband (IOM, 2004). A Bangladeshi household survey found that although 68 per cent of migrant workers in the sample were married, only 28 per cent remitted to their husbands (Rahman and Bélanger, 2012).

A major challenge to increasing the value of remittances sent by women is the high-level of barriers to female labour mobility. For example, until 2007 Nepali women were banned from working in the Middle East in the informal sector (Adhikari, 2011; Ozaki, 2012), and now still require written permission from a male guardian or husband to migrate. Bangladesh has commonly discouraged female migration; women were explicitly banned from migrating for domestic work until 2003 (Martin, 2009; Ozaki, 2012; Rahmand and Bélanger, 2012). Within one year of lifting the ban, the female composition of deployed workers increased from less than 1 per cent to 5 per cent (Kibria, 2011). Barring women from migration increases the likelihood that they will migrate via illegal channels, increasing vulnerability due to limited access to insurance, wage guarantees and leave.

Another important function of remittances is to diversify sources of household income. Remittances can cushion family finances when households are exposed to shocks. For instance, remittances can help see families through unexpected events like unforeseen medical expenses, periods of unemployment, or broader downturns caused by political conflict or natural disasters. Furthermore, remittances can also create a store of capital to fund further migration, years after the first family member has left. Lastly, some studies have found that remittance recipients exhibit greater entrepreneurship and a higher marginal propensity to invest than households without a migrant.

3.3. Impacts via sending country labour markets and on incentives for human capital formation

In contrast to the large literature on the labour-market impacts of immigration in recipient countries (see below), economic theory offers few unambiguous hypotheses on the labour market effects of outward migration. It is plausible to assume that emigration reduces labour supply overall and more specifically, the supply of the particular categories of emigrating workers, at least in the short-run. Whether this will diminish unemployment pressures and fiscal demands on the government budget (from social support programmes) or increase wages depends upon migrants' employment status prior to departure, in particular whether they were employed or unemployed. Assuming the former, the effects on labour markets in the country of origin will depend upon: the prevalence of surplus labour of a particular type; the institutional barriers to wage flexibility market; and the ability of those left behind to acquire skills or move to where the vacant positions are.

When workers leave to seek jobs abroad this can create a scarcity of available labour remaining behind. This in turn can have a positive upward impact on wages as employers bid up the price of labour. One study of the outflow of construction workers and factory labourers from the Philippines and Pakistan found wages for similarly skilled workers who remained behind rose by around one third (Lucas, 2005).

When people have realistic prospects of migration, this can also enhance human capital development. Many developing countries suffer from a lack of skilled human capital. A frequently expressed fear is that easier outward migration of these workers would deprive developing countries of their most talented and productive employees. This 'brain drain,' it is alleged, would not only reduce the talent pool available to employers in the source country, but also act as an effective subsidy for rich countries as they would reap the benefits of the skilled workers while avoiding the costs of educating them. Indeed, reports show that developing Asia-Pacific countries do see considerable outflows of educated workers in the fields of medicine, science, engineering, management, and education. For example, 40% of permanent emigrants from the Philippines had a college education (Lowell and Findlay, 2002).

However, while the evidence is somewhat mixed, there is good reason to believe that the impacts of outward migration of skilled labourers are not just beneficial for the emigrating workers themselves but also for source countries. In particular, when skilled workers can emigrate for higher salaries abroad, there is a stronger incentive for all workers to acquire skills and training. There can thus be a net increase in the skills of the workforce left behind, even after many have emigrated; indeed, there is no evidence that higher levels of emigration are associated with lower local stocks of human capital (Easterly and Nyarko, 2009). Emigration may therefore actually enhance overall skill levels in the domestic population rather than deplete them (Stark, 2004). For instance, the Philippines is the world's largest exporter of nurses. But despite these outflows, because many qualified candidates choose not to emigrate or are unable to do so, the Philippines have more nurses relative to population than Austria (Clemens and Pritchett, 2008). Cross-country analysis also supports the proposition that the overall loss of skills through emigration was more than compensated by the extra skills acquired by those incentivised by the prospect of labour migration (Beine et al, 2009).

Under some conditions, however, the impacts of skilled migration may be less beneficial. One estimate is that when more than 20 per cent of college graduates emigrate this starts to hamper the economic performance of the sending countries (Beine et al, 2009). There also seem to be differences in emigration rates between small countries (with populations of less than 2.5 million) and large countries (over 25 million). Small developing states experience an extremely high level of skilled emigration rate of 43 per cent, this rate is 2.8 times as large as the 15 per cent overall migration rate

from developing countries; this impact of country size on the brain drain seems robust across a wide range of incomes. Indeed, small states often lose a larger proportion of their skilled labour force and exhibit stronger reactions to standard push factors. The evidence suggests that small states are more successful in producing skilled natives and less successful in retaining them.

Problems may also be concentrated in specific sectors. For instance, contrary to the experience of the Philippines, some countries have suffered shortages of medical personnel because of high rates of migration (Mohapatra et al, 2011). There may therefore be a need for targeted interventions to address shortages in some countries. However, economic growth to increase opportunities at home – for which migration can help – is likely to be the most effective long-term solution.

In addition to direct incentive effects, migration can also support human capital development via less direct channels. Remittances sent home by overseas family members can also help families invest in education and thus further boost human capital formation. Families with migrants appear more likely to send their children to school, using cash from remittances to pay fees and other costs. This reduces child labour. And, once there, the children of migrants are more likely to finish school, as the better prospects associated with migration affect social norms and incentives.

Remittances are sometimes criticised because they ‘only’ incentivize current consumption, rather than long-term investment, the supposition being that long-term development depends on channelling resources into investments which raise productivity such as roads, electrification, and hospitals. Such commentary is usually accompanied by recommendations that policymakers seek to channel remittances into vehicles to provide investment capital – for instance new types of government bonds. While not downplaying the importance of capital investment, more recognition is needed that ‘mere consumption’ can be inherently valuable in alleviating extreme poverty and in human capital development. Additionally, in poor communities ‘consumption’ can have long-term investment-like impacts. For instance, purchasing food so that children avoid malnutrition raises their performance in school and contributes to human capital formation. UNESCO estimates that global poverty could be cut by 12 per cent if all students in low income countries acquired basic reading skills (UNESCO, 2011). A survey of households in Fiji (Brown, 2008) and another one in the Philippines (Yang and Martinez, 2005) found a correlation between higher remittance receipts and additional investment in education. Furthermore, studies in Sri Lanka have found that remittance-receiving households are associated with lower rates of school drop-out and higher spending on private school tuitions for children (UNDP, 2011).

Spending on healthcare, supported by remittances, also contributes to the health and overall productivity of the workforce. Spending on nutrition, in addition to financing treatment for existing medical problems, supports longer-term health and productivity. For example, the 2005 Bangladesh Bureau of Statistics found in a household income and expenditure survey that households receiving remittances spent on average 47 Bangladeshi taka (\$0.6) more per month on health than non-remittance-receiving households (Raihan and Uddin, 2011). Furthermore, studies based on household surveys in Sri Lanka found that children in remittance receiving households have a higher birth weight, signifying better overall health (UNDP, 2011; Ratha, 2007).

3.4. Effects on recipient country labour markets

Political debate on labour migration in recipient countries is often centred on concerns that migration will harm local workers either in the form of downward pressure on wages or through displacement in

employment by migrants. Thus, it is not surprising that a sizable body of research is on the impacts on the labour markets of recipient economies. However, the empirical evidence suggests that these fears are largely misplaced. Most studies find evidence that the impacts of migration on wages and employment in recipient labour markets are small or negligible (Gaston and Nelson, 2002; Dustmann et al., 2008; and Okkerse, 2008).

These findings could be explained by a number of reasons. One possibility, suggested by standard trade theories, is that adjustment occurs at the output margin rather than the wage margin: the composition of output may change in response to an endowment shock (such as an increase in labour supply), in such a way that factor prices are unchanged. In trade theoretical frameworks, the underlying general equilibrium framework supposes factor movements will have factor market effects unless there is a change in international prices or a change in the structure of production.

An important implication from the research on trade and migration is that immigration tends to have small wage effects; migration will produce changes other than through wage adjustment. Namely, immigration may be followed by an expansion of labour-intensive outputs while outputs of other industries in the recipient country fall. The mechanism of adjustment is captured by the Rybczynski theorem (Rybczynski, 1955).⁹ Key assumptions are that countries are subject to the same technology, and there are more items of goods than factors of production. Based on this standard setting, the changes in labour stock will not affect relative factor prices unless there is a change in the world prices of goods. Leamer (1995) calls this result the factor price intensity theorem.¹⁰ There is some empirical evidence of these effects on output margins. For example Hanson and Slaughter (2002) document the rapid growth in apparel, textiles, food products and other labour-intensive industries in California after the arrival of Mexican migrants.

In addition, recent research found that immigration possibly generates endogenous technological changes. Hanson and Slaughter (2002) present evidence that, skilled migration to the United States has been absorbed via skill-biased technological change in addition to the change in output mix. Similarly, Gandel et al (2004) find the global changes in technology were more than sufficient to absorb the huge, relatively skilled influx of immigrants from Russia into Israel. An important implication of these findings is that the impacts of rising immigration are absorbed by technological changes. Thus, there tends to be small effects on wages in a host country.

Of course immigration has impacts on the recipient country beyond the purely economic. Host country governments need also to be attentive to broader issues of social cohesion. In this they may face a paradox: the economic benefits to a country through migration may be greatest when migrants and locals are the least similar. However, this is most likely the case when the social costs of migration are the largest: where customs, culture, values and language differ most substantially integration may be the most difficult and inward migration can have negative externalities or adverse consequences (Borjas, 1999). On the other hand, diversity can foster a more vibrant and entrepreneurial society. Host countries need to consider the considerable developmental benefits that increased migration can deliver and weigh these against possible social impacts on cohesion and identity. In general, however, it would be a mistake to restrict further liberalization of labour markets in the belief that doing so prevents harm to wage levels of local workers.

⁹ The theorem states that, with the same technology and fixed world prices of goods, an increase in the endowment of a factor of production results in an increase in the output of the commodity whose production uses that factor intensively and a fall in the output of the other commodity, with the changes in output being proportionately greater than the endowment change.

¹⁰ The theorem states that so long as more than one good is produced and factor intensity reversals do not occur, each price vector corresponds to a unique factor price vector.

4. Governing labour mobility in the Asia-Pacific

4.1. Governance of international migration

Migration is increasingly on the global agenda for policymakers as demonstrated by the 2013 High-Level Dialogue at the United Nations General Assembly. The evidence suggests potentially very large welfare gains are available from further liberalization of labour movements, and that labour mobility could be a powerful driver of development. Indeed, the gains from increased migration are potentially more substantial than those available from further liberalization of goods or services trade. However, despite these large potential benefits and clear linkages between trade and migration, labour market liberalization and associated issues has not been pursued consistently through international agreements.

For each government, there is the necessity of striking the right balance between maintaining national sovereignty on migration issues and engaging in a “whole spectrum of supranational initiatives, ranging from informal dialogues to international legal instruments” (IOM, 2011). As with other issues that are inherently cross-border, unilateral approaches are limited in effectiveness and numerous forms of cooperation are required. These can include bilateral and regional agreements between countries (for example, on labour mobility and re-admission), new forms of informal and non-binding regional and multilateral cooperation, and various forums dedicated to migration policy dialogue on a wide range of migration issues.

This section discusses why migration remains an area where international governance has lagged behind, for instance trade, in the development of strong forms of international co-operation. It reviews the current state of international co-operation on this issue with a particular focus on the Asia-Pacific, and on the use of trade agreements as a means of governing migration, before finally offering some suggestions on enhancing governance to further boost the development impact of migration.

4.2. Multilateral governance of migration: the ‘missing regime’

International trade operates under a well-developed system of agreements known as the world trading system the centrepiece being the World Trade Organization. Collectively, these agreements have done much to facilitate the freer flow of goods and services in recent decades - as a result global economic integration has proceeded rapidly. In contrast, the movement of people is still far more restricted; there are also fewer binding international or multilateral mechanisms governing migration. Frameworks for managing increasing migratory flows remain fragmented, leading to claims that there is a “missing regime” for governance of international migration (Panizzon, 2010). In general, countries determine for themselves the levels of labour market access they are prepared to grant and administer their rules accordingly: for example through setting visa policy and issuing visas, policing of borders, and enforcing returns. Concomitantly, sending countries are generally little involved in determining the suitability of workers moving overseas, protecting their welfare while abroad, and assisting with their timely return.

Several international bodies have some role in migration, though this is often little more than advisory. The Global Commission for International Migration (GCIM) has described international responsibilities for migration management as ‘diffuse’: many UN agencies and other organizations each have responsibilities for managing some aspects of international migration but there is no single entity that can facilitate a coherent global approach. Notable bodies with a role in migration include: the International Labour Organization (ILO) which focuses predominantly on the rights of workers, including migrants; the World Bank, which addresses remittances, and has worked to reduce their

cost; the WTO, which facilitated negotiations for the GATS Mode 4 protocol governing the supply of services across borders; the United Nations High Commissioner on Refugees (UNHCR) which intervenes with national governments to address refugee crises and coordinates efforts to resettle displaced persons; and the International Organization for Migration (IOM) which has existed since 1951 and provides valuable analytical work and advocacy on migration issues. Since 2001 the IOM has also held its own forum activities at the global level – namely, the annual International Dialogue on Migration.

A variety of international legal arrangements in relation to migration do exist, though to-date these have mainly been geared towards protecting the rights of workers rather than facilitating migration flows or enhancing their developmental impact. For instance, International Labour Organization (ILO) Convention No. 97 concerns migration for employment, and Convention No. 143 concerns migrations in abusive conditions and the promotion of equality of opportunity and treatment of migrant workers. The United Nations Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children, and the United Nations Protocol against the Smuggling of Migrants by Land, Sea and Air were both agreed in 2000.

Recently a range of international fora have emerged to develop guidelines for migration and evaluate and disseminate best practices. However, at present none of these multilateral bodies or processes has produced a single accord binding participating governments. The UN General Assembly held its first High Level Dialogue on International Migration and Development in 2006 with a follow up held in 2013. The 2006 event led to the creation of the Global Forum for Migration and Development (GFMD). In addition, in April 2003, together with the International Labour Organization (ILO), the Office of the High Commissioner for Human Rights (OHCHR), the United Nations Conference on Trade and Development (UNCTAD), the United Nations High Commissioner for Refugees (UNHCR) and the United Nations Office on Drugs and Crime (UNODC), IOM created the Geneva Migration Group, which became the Global Migration Group.

Thus to date, migration for employment is the subject of only two multilateral treaties: the International Convention on the Rights of All Migrant Workers (1990) and the WTO's General Agreement on Trade in Services (GATS) (see box 1). The absence of multilateral agreements for dealing with the regulation of migration, including labour market access, harmonization, and visa and work permit issues has led to some preferential trade agreements dealing with the movement of people explicitly, usually under separate chapters of the agreement text (see below), as well as separate bilateral labour agreements.

The absence of more binding multilateral agreements on migration is a function of the very different political economy dynamics that operate in relation to migration when compared with trade. Although there are some parallels between the movement across border of goods and people, as Gordon (2010) writes: "the flow of human beings has political, cultural, social, and economic effects that differ from the flow of money and goods, and these effects play out politically in developed nations in distinct ways." Of most importance, the overall economic gains from migration are distributed differently to the gains from trade. As noted above, the majority of the gains from migration may accrue to the migrants and the country of origin. The benefits for receiving countries, especially developed ones are seen as lower than for trade. Further, the gains for developed countries of admitting more migrants, such as they are, would be available through unilateral action (i.e. changing visa policies and admitting more migrants) and do not require negotiation. This largely explains why there have been limited incentives for major destination countries to participate in global agreements on labour mobility. Instead, recipient countries have preferred to pursue bilateral agreements either within

preferential trade agreements or as free-standing bilateral labour agreements or memorandums of understanding (these are covered in more detail below).

While further liberalization of migration in a multilateral setting remains politically difficult, the advantage of using trade vehicles like GATS mode 4 or FTAs, to liberalize the temporary movement of natural persons, is that they offer a broader bargaining space in which trade-offs can be made; for instance, labour market access can be traded off against access for goods or services, or progress on other issues such as IPRs or procurement rules.

Box 1: Labour Mobility under GATS Mode 4: Limited Potential for Further Liberalization

The General Agreement on Trade in Services (GATS) is one of the central pillars of the WTO. GATS identifies four ‘modes’ of cross-border supply of services. Mode 4 covers the ‘temporary movement of natural persons’ i.e. persons of one Member entering the territory of another Member to supply a service (for instance accountants, doctors or teachers). This applies only in relation to the provision of services: employment in other sectors is excluded, for example in agriculture or manufacturing. Also, under Mode 4 workers are self-employed or employed by a firm in the country of origin; they do not move to obtain employment in the destination country. The Annex on Movement of Natural Persons specifies that Members remain free to operate measures regarding citizenship, residence or access to the employment market on a permanent basis. Commitments under Mode 4 provide for access to services markets by dealing with border barriers like visas, or behind the border issues like qualification requirements or licenses.

To date, with the exception the *non-refoulement* principle in refugee law, GATS Mode 4 is the only binding multilateral agreement touching on the movement of persons across borders for economic purposes which places limits on national sovereignty over the admission of foreigners. However, destination countries have so far neglected to use Mode 4 to liberalize the movement of service suppliers on a broader scale; this hesitation has been particularly marked in the case of low-skilled labour. Several notable barriers to movement of persons continue under GATS mode 4. The most significant are: immigration policy (visas) and social security issues; potential discriminatory treatment of foreign service suppliers; and insufficient mutual recognition of qualifications

Under GATS members retain the flexibility not to open certain services sectors or to limit and qualify access. Most developed countries have used these flexibilities to restrict access to labour markets and to reduce migration flows (developing countries have also protected infant services sectors). Mode 4 commitments account for less than 4 per cent of all GATS commitments and estimates put Mode 4 flows at less than 5 per cent of world services trade (Panizzon, 2010). Most countries have more liberal national level migration policies than under GATS (Poot et al, 2008). The largest share of commitments in Mode 4 relates to Intra-corporate transferees (43%) with business visitors being the next largest category (24%) (Mamdouh, 2008). From the perspective of migration authorities these categories are seen as relatively low-risk for overstaying. Additionally, as a further protection of the local labour force, many recipient countries have limited the ability of low-cost suppliers in developing countries to compete by introducing wage parity requirements. Developing countries themselves have introduced requirements that Mode 4 entrants train local staff as a way of enhancing the development contribution of inbound temporary migrants.

While the movement of persons supplying services under GATS Mode 4 has so far been limited, could a reformed GATS be a vehicle for expanded multilateral liberalization? Given the present structure of GATS this seems unlikely. GATS was conceived as part of a trade liberalization process and the

scheduling structure of GATS commitments was not designed to be a vehicle for more comprehensive regulation of migration by covering, for instance, risk management around timely and orderly return of migrants.

If we accept as a political reality that major potential labour recipient countries are unlikely to agree to greater labour market access without greater regulatory commitments from sending countries to assist in migration management, then the structure of GATS at present makes it an awkward vehicle for further liberalization. As MFN commitments under GATS are applied “unconditionally”, members could not qualify further liberalization with requirements that WTO members sign onto bilateral migration agreements including provisions on, for example, ensuring compliance with return conditions. GATS also makes future adjustments of given commitments difficult, which is likely to deter countries from making substantive openings in a policy area where they will prefer to maintain flexibility to respond to sudden shocks. Thus, as a consequence GATS Mode 4 remains an underused channel for further liberalization and regulation of migration flows.

4.3. Growing but limited regional governance of labour migration

As regional agreements have grown in importance in the field of trade and investment, there have been some corresponding efforts to co-operate on migration. Indeed, agreements on free labour movement are much more likely among countries that have similar levels of development. The EU has gone furthest in facilitating free movement of its citizens, but other regional agreements are also creating mechanisms to allow more labour mobility. However, many of these agreements are concentrated on high-skilled labour and do little to encourage the movement of low-skilled workers - or they encompass temporary worker programmes which are sector specific and time-limited. These policies are consistent with a general trend of increasing openness towards skilled labour while retaining or increasing restrictions on the movement of low-skilled workers. The ASEAN Economic Community embodies this approach: high-skilled labour is increasingly free while tough restrictions remain on lower skilled labour (see box 2). This has the consequence of exacerbating illegal migrant flows, for instance into Thailand from Myanmar and Laos PDR.

Recent years have also seen the development of several regional consultative processes on migration. These policy dialogues address a wide range of issues, such as labour migration, migration and development, migration and trade, integration of migrants, protection of migrants’ rights, human smuggling and trafficking and migration and health (Solomon, 2005). They are “repeated, informal, non-binding and government-led regional meetings of States, purposefully created to discuss migration issues that result from the strong desire of States to maintain discretion and flexibility in the area of migration management” (IOM, 2011). In these fora, States “try to find partial consensus on regional migration policies and initiate cooperative projects” (Georgi, 2010).

In the Asia-Pacific two regional processes are particularly worth noting. First, the Colombo Process is a Regional Consultative Process (RCP) on the management of overseas employment and contractual labour for countries of origin in Asia. In response to calls from several Asian labour sending countries, Ministerial Consultations for Asian Labour Sending Countries were held in 2003 in Colombo, Sri Lanka. The ten initial participating states - Bangladesh, China, India, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand and Vietnam - made recommendations for the effective management of overseas employment programmes and agreed to regular follow-up meetings. Since the meeting, the member states of the Colombo Process have met regularly in Manila, Bali and

Dhaka in 2004, 2005 and 2011 respectively, to review and monitor the implementation of previous recommendations and identify areas of future actions.

Second, the Abu Dhabi Dialogue was launched in 2008. This brought together for the first time the Colombo Process countries with the Gulf Cooperation Council (GCC) states, plus Yemen and two additional Asian countries of destination, namely Malaysia and Singapore. The broad purpose of the Abu Dhabi Dialogue was to provide a forum for the discussion of new ideas and concrete activities towards the development of a comprehensive and practical framework for the management of temporary contractual labour mobility in Asia.

Together these regional processes have made some valuable steps towards improving the conditions for migrating workers, particularly by clamping down on some of the worst abuses associated with migrant labour in the Gulf such as the holding of passports by employers and the non-payment of wages. To the extent that they bring together both sending and receiving country governments and look to creatively involve the private sector, particularly recruitment agencies, they can serve as a limited but useful model for more widespread regional arrangements.

Box 2: Movement of natural persons under the ASEAN Economic Community

The ASEAN region is notable for its significant internal flows of migrants. In 2010 over 10 million citizens migrated from ASEAN members: of these 37% went to other ASEAN countries (Pasadilla, 2011). Recognizing that mobility of labour is an important part of constructing an integrated economic community, ASEAN has gone further than other regional arrangements in the Asia-Pacific region in facilitating labour market access. Indeed, one of the goals set in the ASEAN Economic Community (AEC) Blueprint is the free flow of skilled labour. This builds on the ASEAN Framework Agreement on Services (AFAS) which was signed in 1995, and aimed to liberalize trade in services across the four modes of supply given in GATS, including Mode 4 on Movement of Natural Persons. However, progress to date has mainly focused on skilled labour, for instance for business visitors, and many ASEAN countries still fall short of specified goals on labour market liberalization, even in relation to high-skilled labour. For instance, in Thailand the Alien Employment Act imposes work permit requirements for ASEAN workers and 39 occupations also remain reserved for Thai nationals. Likewise, little has been done to promote the mobility of lower-skilled labour which potentially has the greatest development potential. The failure to provide channels for legal migration, combined with substantial disparities in wages among ASEAN members, continues to exacerbate illegal migration flows with attendant social problems including a lack of protections of migrants' rights.

Currently, in terms of facilitating managed mobility, ASEAN is working to both: (i) facilitate the issuance of visas and employment passes for ASEAN professionals and skilled labor who are engaged in cross-border trade and investment-related activities; and (ii) increase harmonization and standardization of labour market regulations, with a view to facilitate the movement of skilled labor within the region by 2015. Harmonization and standardization of professional qualifications is an important step towards genuine liberalization. The ASEAN summit in Bali in 2003 saw member states agree to push forward with Mutual Recognition Arrangements (MRAs) applicable to individual sectors. These MRAs go beyond simple joint acceptance of qualifications and contain defined responsibilities for the country of origin, host country and the workers themselves. In general, to be eligible to work in the host country, the skilled laborer must meet the requirements applicable in the skilled laborer's country of origin for example for qualifications, registrations or medical examinations. Eligibility in the host country, however, remains subject to host country laws and

regulations. To date, MRAs have been adopted for the following professions: nurses, architects, engineers, medical practitioners, and dental practitioners. For accountants and surveyors, the member countries have agreed to a framework by which their qualifications could be recognized, and have encouraged member states to negotiate MRAs among themselves, covering these lines of work.

Challenges remain in developing MRAs given the disparities in educational standards among ASEAN members. Addressing this requires the development of core competences and qualifications. The ASEAN University Network is also looking at ways to increase mobility for staff and students. In practical terms, member countries can still impose significant restrictions on the movement of natural persons. In Thailand, for instance, the Alien Employment Act means foreign employees still need visas and work permits. Given other issues like language barriers it may be difficult for potential migrants to comply with professional requirements. Without further facilitation of migration, above and beyond what is given in AFAS and in the 2009 ASEAN Comprehensive Investment Agreement, ASEAN will not maximize the potential benefits in terms of economic growth and development.

4.4. Increasing uses of bilateral governance arrangements

Progress in multilateral trade negotiations has been slow in recent years and the Doha round has proved difficult to conclude, the partial deal agreed in Bali in December 2013 notwithstanding. Responding to this lack of headway, many countries have pursued their trade and market access ambitions outside the framework of the WTO through the negotiation and conclusion of preferential trade agreements between two or more countries. While many economists have argued that trade liberalization through multilateral channels is more welfare enhancing than preferential deals that can produce trade displacement, bilateral trade agreements (and economic partnership accords) do provide an additional channel for cross-border co-operation on migration. Indeed, given the difficulties for further liberalization and appropriate regulation inherent in the current structure of the multilateral system considered above, labour migration through bilateral agreements (both within and outside trade deals) offers an avenue for progress. In terms of regulating labour mobility PTAs may be more appropriate than multilateral treaties; GATS was never intended to provide a framework for comprehensive management of labour migration. Bilateral agreements can be designed to address the specific issues and sectors most relevant for migration between the parties. The section below considers the use of trade agreements as a vehicle for liberalization and regulation of migration, subsequently the use of free standing bilateral labour agreements (BLAs) and memoranda of understanding (MOU) are considered.

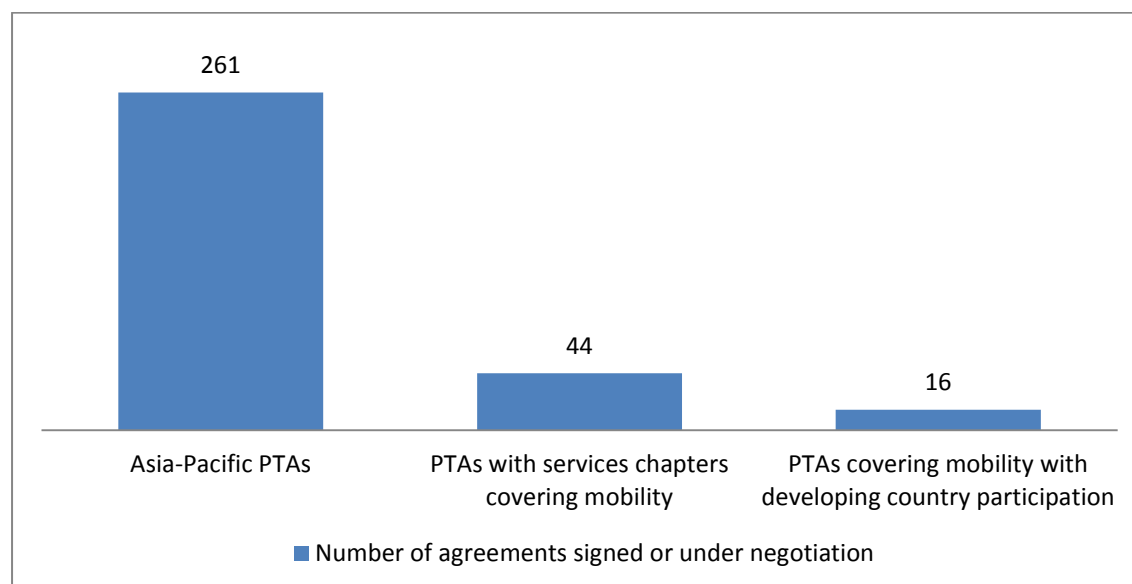
4.4.1. Migration in bilateral preferential trade agreements

Countries in the Asia-Pacific have been active participants in the global trend towards increasing use of PTAs. On average, countries in the Asia-Pacific region have implemented over seven PTAs each, while some developing countries have more than 20 PTAs at various stages of ratification and implementation.¹¹ Large numbers of these PTAs include partners from outside the Asia-Pacific region. Of the PTAs currently in force or under negotiation, less than 17 per cent include the temporary movement of natural persons as service providers. However, only a small fraction of these agreements have an Asia-Pacific developing country as a partner to the agreement (figure 17; table 1). Additionally most of these agreements cover labour mobility in the same manner as the GATS, that is, only in regard to the temporary movement of service providers. The exclusions or carve outs are in

¹¹ This document follows the WTO's categorization of countries into developed or developing countries, which relies largely on a self-selection and designation process and the subsequent approval of their negotiating partners in the WTO.

general similar to those under the GATS: permanent migration is excluded and protections for local workers are included. Overall, the review of the region's PTAs reveals that none provide for full mobility of labour (full market access and full national treatment) as for example in the EU.

Figure 17. PTAs involving Asia-Pacific countries and those with labour mobility provisions



Source: ADB ARIC FTA Database, accessed May 2014

Horn et al. (2010) detail the various types of migration related measures that can be included in PTAs. Not all PTAs address all three areas. For example, the Australia-Singapore agreement (2003) includes provisions on visa-and-asylum and GATS, but not on labour market harmonization. The main areas included are:

- Visa-and-asylum: PTAs can detail the numbers of visas to be issued to nationals of a particular country (possibly restricted to those working a particular sector). Targeted nationals may also enjoy simplified or expedited visa application processes: these provisions potentially affect the non-monetary cost of migration and thus migration flows among PTAs' member countries.
- Labour market harmonization: where labour markets operate under different standards, for instance in relation to required qualifications, harmonization can make labour mobility easier. Harmonization within the context of PTAs, could favour migration into participating countries by removing barriers to employment.
- GATS related: Where PTAs follow GATS provisions and expand access for temporary service providers, this can allow new migrants to join labour market. It may also have longer term effects by fostering business networks and encouraging demand for longer-term migration.

Additionally, regional PTAs demonstrate a clear preference for liberalization in relation primarily to high-skilled workers, and this is particularly the case when agreements are between high-income countries. For instance the Australia-New Zealand agreement and the Singapore-Japan agreement both contain provisions on facilitating high-skilled labour including through streamlining of visa procedures. Other categories that often benefit from the streamlining of regulatory measures under PTAs include business executives, managers, intra-corporate transferees and business investors. These

are covered in GATS Mode 4 as supporting supply Mode 3 (commercial presence). The inclusion of business visitors and investors in PTAs reflects the willingness of states to attract FDI and greater involvement in global market places.

Table 1. Selected PTAs covering labour mobility with developing country participation

Participating States	Date	Labour mobility provisions within the agreement
Australia-Thailand	2005	The main objectives of the agreement are to facilitate temporary business entry and establish simplified and transparent immigration formalities for business persons including via granting of temporary entry for business visitors. In particular, business visitors are granted the right to temporary entry in the other party's territory for a period of up to 90 days. In addition temporary entry should be granted by either party to intra-corporate transferees or a contractual service supplier.
India-Singapore	2005	This agreement applies to service sellers (business visitors), service suppliers, sellers of goods, investors or employed by an investor, or advisors. Business visitors who otherwise meet the criteria for the grant of a five-year multiple journey visa, should be granted an immigration visa. Also short-term service suppliers are supposed to be granted single immigration visas and the right to temporary entry for an initial period of up to 90 days, with the possibility for a further period of up to 90 days provided that the total sum of the initial period and the extended period shall not exceed 180 days. Moreover, each party is obliged to grant temporary entry and stay for up to one year or the duration of contract, whichever is less, to a natural person seeking to engage in a business activity as a professional, or to perform training functions related to a particular profession, including conducting seminars
New Zealand-Thailand	2005	The agreement facilitates movement of Thai chefs entering New Zealand for a period of up to three years, and for New Zealand business visitors coming to Thailand for investment or business purposes. New Zealand business visitors who hold a non-immigrant visa will be permitted to attend business meetings, seminars or to conduct business contacts without engaging in making direct sales of goods and services to the general public, supplying services, or acquiring remuneration in Thailand, for up to 15 days each time, unless such business visitors hold an APEC Business Travel Card, in which case the stay may be for up to 90 days each time. New Zealand intra corporate transferees who are seeking temporary entry to work as managers, executives, or specialists and satisfy requirements under laws and regulations of Thailand will be permitted to enter Thailand and stay for an initial period of one year which will be extended on a yearly basis for a total period of not more than five years.
Japan-Malaysia	2006	The agreement focuses on facilitation of the movement of investors, executives, managers and members of the board of directors of an enterprise of the other country, for the purpose of establishing, developing, administering or advising on the operation in the former country. Each country is supposed, to the extent possible, to make publicly available, requirements and procedures for application for a renewal of the period of temporary stay, a change of status of temporary stay or an issuance of a work permit.
Japan-Thailand	2007	The agreement applies to movement of natural persons of the other party who engage in business activities, which require technology or knowledge at an advanced level or which require specialised skills belonging to particular fields of industry, on the basis of a personal contract with public or private organisations; and short-term business visitors; intra-corporate transferees and investors of the other party. One of the main objectives is to make the information about requirements and procedures necessary for effective application public and accessible for all. Also, the agreement promotes mutual recognition of the education or experience obtained, requirements met, or licences or certifications granted in the other party. Also a Sub-Committee on Movement of Natural Persons was established in order to effectively manage implementation of this Chapter.

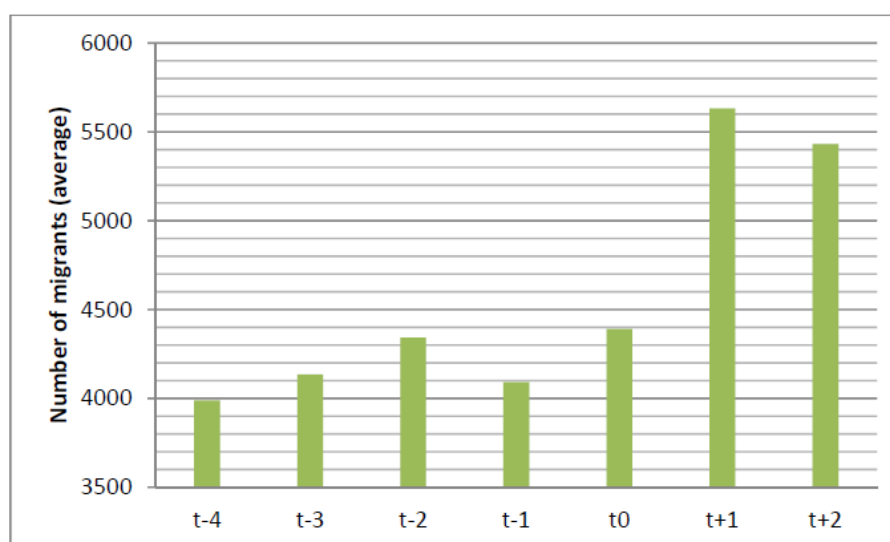
China-New Zealand	2008	The agreement is focused on the facilitation of movement for business visitors, contractual services suppliers, intra-corporate transferees and skilled workers. The objective is to establish transparent criteria and streamlined procedures for temporary entry and temporary employment entry. Also it stresses importance of fast processing of immigration formalities - specifically each party shall, within 10 working days after an application requesting temporary entry or temporary employment is considered complete, inform the applicant of the decision concerning the application, or advise the applicant when a decision will be made. In addition, the agreement promotes granting of temporary employment visas to the nationals of either party without any numerical restrictions, labour market tests or economic needs tests.
Japan-Philippines	2008	The agreement facilitates movement of short-term business visitors; intra-corporate transferees; investors; professional; service suppliers; natural persons of the other party who engage in supplying services, which require technology or knowledge at an advanced level or which require specialized skills belonging to particular fields of industry, nurses or certified careworkers or related activities. These persons are to be granted entry and temporary stay. Each party is also obliged to establish and make publicly available requirements and procedures for application for a renewal of the period of temporary stay, a change of status of temporary stay or an issuance of a work permit for a natural person of the other party. The agreement promotes mutual recognition of the education or experience obtained, requirements met, or licenses or certifications granted in the other party.

Source: PTA texts sourced through the Asia-Pacific Trade and Investment Agreements Database

Although the treatment of labour migration within regional PTAs remains relatively limited, the existence of PTAs may impact on labour migration patterns, over and beyond the effects expected from improved direct labour market access. Indeed, paradoxically, the impacts of PTAs on migration flows may be greater than the impact on trade flows. A study by Orefice (2012) considered bilateral flows of migrants before and after the entry into force of a PTA (for those signed between 1998 and 2008) and observed a significant spike in migrant flows following the signing of the treaty (figure 18). He concludes that the role of PTAs in stimulating bilateral trade in goods is marginal compared with their role in stimulating bilateral migration flows. One possible interpretation is that trade in goods is already widely liberalized and the role for PTAs is thus marginal, whereas international migration is still heavily constrained and PTAs might thus do more to boost flows.

These findings are supportive of the intuition that the content of PTAs with regards to labour migration will be important in affecting bilateral migration flows. Some PTAs contain visa and asylum provisions that can reduce the non-monetary cost of migration by simplifying procedures for obtaining stay permits and other documents. Orefice finds that the content of PTAs matter in affecting bilateral migration flows: when visa and asylum issues and labour market provisions are included, bilateral migration flows are boosted. In contrast, when only provisions replicating GATS are included, migration flows are deterred: “The extensive margin of migration (i.e. the probability of having positive bilateral migration flows) is affected only by the contents of PTAs and not by the presence of a PTA itself” (Orefice, 2012).

Figure 18. Average value of bilateral migration flows before and after the signature of a PTA



Source: Orefice, 2012

PTAs can thus be a valuable tool for influencing migration flows. From a political economy standpoint public opinion within recipient countries is generally more pro-trade than pro-migration. In countries where demographic or other pressures are producing labour shortages, this could potentially make PTAs easier to put in place than bilateral migration agreements.

While PTAs can thus play a role in the regulation of international labour migration, the distributional and regulatory asymmetries between countries cannot be ignored. The fragmentation of migration governance into trade and non-trade components allows destination countries to pick and choose with which countries to conclude PTAs and with whom to conclude BLAs. As one commentator notes: “it further exacerbates the increasing divide within migration for work: high-skilled labour migration being facilitated by special FTA visas, while low-skilled migration if liberalized, serves to uphold the border security of destination countries and is conditioned on readmission.” (Panizzon, 2010). While managing international migration through bilateral trade agreements does not solve the missing multilateral regime it can be a useful temporary replacement.

4.4.2. Bilateral labour agreements

In the absence of other mechanisms governing low-wage labour migration, bilateral agreements are on the rise with “an unprecedented burst since 1991” (IOM, 2003). Bilateral agreements are generally non-binding, and they collectively regulate only a small percentage of the world’s labour migration. However, they can be helpful, for both sending and receiving countries, by guaranteeing conditions for workers and providing mechanisms for repatriation of temporary workers, thereby reassuring host countries that labour migration will not lead to permanent settlement. This, in turn, can encourage more open attitudes towards labour market opening. When assessing the value of bilateral agreements, given the absence of more substantive multilateral or regional arrangements, in the words of one scholar: “something is better than nothing” (Wickramasekara, 2012).

Bilateral agreements can take a number of forms although two are most common: the nonbinding Memorandum of Understanding (MOU), and the binding bilateral treaty or accord. The effectiveness of BLAs, however, is determined less by their legal form and more by how they are implemented and enforced. Bilateral labour agreements exhibit considerable diversity in scope and specificity, though

in general they require destination countries to accept a certain number of temporary migrants. Sectors in which migrants are allowed to work, such as agriculture or fisheries, are frequently specified. Some agreements are general; others contain details on how recruitment processes will operate and the role of agents and intermediaries. Some agreements outline the length of time migrants are permitted to remain, and the procedures for their return. Bilateral agreements rarely include enforcement provisions to be used in case one party does not comply with the agreement. The ILO has been promoting BLAs and offers a model agreement which has already been used as the basis for agreements by several states, including, in Asia: Korea, India, and Myanmar.¹²

Sector specific MoUs are also increasingly common alongside BLAs. These can be between the government of the country of origin and employer representatives from a specific industry. For instance, until recently a MoU was in effect between the Government of the Philippines and the UK Department of Health (representing employers in the UK National Health Service). Provisions in sector based MoUs may include measures, such as training, that employers are to take to ensure that in the longer-term demand for workers can be met domestically. In this sense, while they may facilitate short-term migration flows they work to prevent migration becoming a permanent solution to labour shortages within the sector.

For destination countries, BLAs and MoUs can help meet labour needs quickly in areas where domestic workers are lacking. They have particularly been deployed to manage flows of low-skilled seasonal workers required in agriculture, tourism or construction. Further, they can reduce or prevent irregular migration by offering improved legal channels for migration for employment. This can “provide a negotiation tool to secure the willingness of the country of origin to co-operate on managing irregular migration (particularly on readmission of their nationals)” (OSCE, 2005). Particular provisions to incentivize timely return can also be included. For instance, under some of its BLAs, Korea gives priority in issuing work permits to those workers who have already have prior work experience in Korea and who complied with the requirement to return at the end of the authorized period. Thailand has also experimented with schemes to withhold a portion of migrants’ earnings which will only be released to them once they return to their country of origin.

For origin countries, BLAs and MoUs can be a vehicle for expanding access to overseas labour markets for their nationals while at the same time seeking to secure adequate wages, worker protection and job security for their nationals abroad. BLAs can thus be a platform to deliver some of the developmental benefits of migration in terms of remittance flows, technology transfers and human capital development, as discussed above. Indeed, some origin countries have successfully insisted on provision governing training and development of their nationals while working overseas, thereby encouraging the eventual repatriation of skills and knowledge.

The overall effectiveness of BLAs and MoUs has not been widely studied (OSCE, 2005). Furthermore, ‘effectiveness’ itself can be hard to measure as BLAs often have multiple goals including economic, political and developmental aspects. Many BLAs go unenforced or unimplemented. Designing and negotiating effective BLAs can also be a time-consuming process. The Philippines in recent years has therefore moved away from pursuing general agreements towards more targeted agreements which are easier to negotiate and make operational in host countries (box 3). Some major destination countries also remain wary of entering agreements.

BLAs can be helpful in creating transparent mechanisms which bring together different interested parties in the design and implementation of the agreement. Gordon (2010) writes “Increasingly,

¹² ILO, Migration for Employment Recommendation (Revised) 1949 (No. 86), Annex

[bilateral agreements] are incorporating a role for or regulating the behaviour of nongovernmental actors, including recruitment firms, employers' associations, civil society organizations, and unions. Recently, some bilateral agreements have begun to include model contracts or statements regarding minimum workplace standards in response to pressure from migrants' rights advocates and from origin countries responding to domestic political outcry about the treatment of migrants abroad. A few agreements now incorporate programs to inform migrants of their rights, while a small minority create special claims and enforcement mechanisms for those rights."

A comparison of bilateral labour agreements with their counterparts for trade and investment is instructive. Trade and investment agreements are considerably stronger across multiple dimensions, they are: more comprehensive; require more openness; are more likely to supplant domestic law; are more likely to exceed the protections of multilateral agreements; and are more binding and enforceable. Trade agreements usually regulate most movements of goods between the participating countries. By contrast, labour agreements specify the terms of movements only for narrow classes of migrants (such as those in a particular sector); often large numbers of migrants between the two countries will remain outside the agreement.

Box 3: The use of bilateral labour agreements by the Philippines

The Philippines has long been known as a major source country for labour migrants. According to the Commission on Filipinos Overseas in 2011, around 10.5 million Filipino migrants were working overseas. Remittances sent home by these workers were estimated at USD 23 billion, an amount close to 10 per cent of the GDP. Given the importance of outward migration to the economy, the Government of the Philippines has also been active in seeking access to overseas labour markets for its citizens, as well as seeking reassurances on the protection of their labour rights and good treatment while overseas. To this end, the Philippines have been one of the most proactive countries in the world in pursuing bilateral labour agreements.

According to the Philippine Overseas Employment Administration (POEA) database, the Philippines has signed bilateral labour agreements (BLAs) with 17 labour receiving countries and, more recently, has also concluded 3 agreements with labour sending countries such as Indonesia and Lao PDR (POEA, 2012). Most of these agreements are in the form of Memoranda of Understanding (MOUs), which are less legally binding than formal treaties. Nonetheless, as noted by Blank (2011), the effectiveness of BLAs hinges more on the rigor of implementation and less on their formal status.

The focus of BLAs between the Philippines and other countries varies according to the labour needs and concerns of the signatory partners. For instance, the agreements with Kuwait and the United Arab Emirates (UAE) intend to facilitate the exchange of information on employment opportunities and migrant returns via the creation of a joint committee. The agreements with Taiwan and Korea take a further step by eliminating the role of recruitment agencies in order to reduce the search and transaction costs for migrant workers. The Philippines-Jordan agreement signed in 2012 is the first labour agreement which aims at protecting Filipino domestic helpers from exploitation by employers. The Philippines-Qatar agreement signed in 2008 was particularly notable as it guarantees minimum wages for Filipino workers and also outlines standards for paid holidays and working conditions.

Agreements with Western countries tend to be more targeted at market access for skilled labour and are often sector specific. As demand for healthcare workers grows in developed countries with aging populations, the United Kingdom, Spain and Norway have entered into BLAs agreements with the Philippines to facilitate the deployment of Filipino healthcare professionals. In addition to promoting

legal access, the agreement with Bahrain also provides scholarships to Filipino healthcare professionals conditional on their subsequent return to the Philippines upon completion of the program. The Philippines-Switzerland agreement (2002) fosters the exchange of health, IT and hotel professionals and trainees for short-term employment. The guarantee of legal access to these countries may have a significant impact on the total remittance received by the Philippines (World Bank, 2013b). For example, in 2010, the Filipino workers in the United Kingdom sent home USD 890 million to the Philippines; around 60 per cent of the deployed workers to the UK are nurses (POEA, 2013).

The Philippines has also pursued labour cooperation under bilateral trade agreements. The 2009 Japan-Philippines Economic Partnership Agreement (JPEPA) contains a chapter on “Movement of Natural Persons”; this agreement gives qualified nurses and caregivers a renewable residence status beyond that extended to other nationalities. The Philippines still faces multiple challenges in enhancing the welfare of its migrant workers; the majority of overseas Filipino workers remain uncovered by the existing agreements. For instance, JPETA does not cover entertainment workers who accounted for 80 per cent of new hires in Japan in 2009. More progress is required in extending protections to low-skilled workers in jurisdictions such as Singapore; Hong Kong, China; Malaysia and Saudi Arabia.

Another contrast is between the comparative strengths of regional and bilateral agreements. In trade and investment agreements, bilateral deals often go beyond regional or multilateral agreements in requiring more openness. Bilateral labour deals are often the opposite: they are often weaker than regional deals (EU, ASEAN) and allow restrictions on migration greater than proposed in regional deals.

While BLAs represent a ‘second best’ solution to the problem of labour market liberalization and regulation, in the absence of meaningful agreements at the global or regional levels they can provide an important mechanism for enhancing access to labour markets, protecting migrant workers’ rights, and channelling labour to needed sectors while minimizing the dangers associated with irregular migration. BLAs are particularly effective when they: (i) target sectors with identified labour shortages; (ii) have clear quotas or ceilings; (iii) bring recruiters, intermediaries and employers into the design and implementation processes; (iv) and successfully facilitate return and circulation of labour. Some ideas for further improving BLAs within the context of more development friendly migration policy are offered below.

5. Towards a more ‘development-friendly’ migration policy

Increased migration can be a powerful tool for development. Even a modest expansion in labour mobility could lead to substantial gains for the poorest. But current international structures for managing migration and promoting openness are weak when compared to their counterparts in the fields of trade and investment. It is likely that in negotiating future agreements on economic integration, developing countries will increasingly seek access to labour markets of developed countries as a condition for opening their own markets to goods trade and professional services.

Reforms are possible that would allow greater access to labour markets, especially in developed countries, while providing reassurances that migration will be well-managed. Solutions must be practical. Whereas, some scholars (see for example Bhagwati, 2003) have called for a World Migration Organization to parallel the WTO, such a top-down approach is unlikely to lead to substantial liberalization of migration flows as countries will not willingly acquiesce to be bound by international agreements in an area which is so central to national conceptions of sovereignty. Likewise, further liberalization through the GATS is not presently expected. As long as the GATS retains its current structure it is not well suited to be the vehicle for the comprehensive migration management regime which needs to accompany any liberalization.

Instead, progress can be better made by enhancing existing bilateral and regional arrangements, as well as concluding new agreements between different partners. In these venues it is more likely that negotiations linking temporary labour mobility to market access for goods and services have a better chance to succeed. There may also be increasing demands to cover permanent labour movements, especially when agreements already cover some temporary work policies. Countries will want to adopt flexible approaches that allow them to reverse or modify the policy if outcomes are unsatisfactory, particularly in sensitive sectors such as health. Below some priorities for policymakers are suggested.

5.1. Facilitate more temporary labour mobility, particularly for the low-skilled

Many countries have been happy to attract high-skilled immigrants, and even compete to do so. But migration can have the biggest impact on development when higher numbers of low-skilled workers are permitted to move and seek jobs abroad. If recipient countries are to accept this, however, low-skilled migration will need, in many cases, to be done through schemes allowing explicitly temporary movements. Time-bound agreements in certain sectors, already present in some bilateral agreements, can be expanded into economy-wide temporary provisions. While temporary ‘guest-worker’ programmes in Western Europe in the 1960s have been widely criticized for generating large permanent populations (though at time lacking the rights of full citizenship), there is now renewed increase in expanding short-term migration (Pritchett, 2006; Guest, 2011) along with better information systems to monitor cross-border movements and policies for regulation including incentives for return (see below).

For the source country the benefits from temporary or ‘circular’ migration will be higher if workers return with new skills, knowledge and capital. In the recipient country, a well-enforced temporary migration regime can lower social tensions, and address concerns about potential fiscal impacts from migration, for instance through welfare payments. Further, Jansen and Piermartini (2009) find that trade flows are more strongly affected by temporary migrants than permanent migrants; as noted above, knowledge of the home country products and markets is important for export facilitation.

Therefore, liberalizing temporary admissions may be politically easier in recipient countries where populations have concerns over migration, while at the same time allowing countries to meet specific labour market needs.

But temporary migration also has downsides. These include higher training costs for employers and the inability to keep productive workers at the end of their permitted period. Migrants themselves may prefer to seek moves which have at least the possibility of converting temporary status into permanent residence in the future. The incentives for migrants to integrate into local societies, for example by the acquisition of language skills, are also diminished when their stays are short-term. Temporary migration also has a tendency to spill into permanent migration as workers meet partners or begin to settle in the host country after working or studying. This can, however, be advantageous to host countries and it is gradually becoming a preferred policy in some jurisdictions. In this sense, temporary migration can be used as a ‘first sieve’ for selecting permanent residents rather than directly granting residency to applicants from abroad.

Temporary migration should take place under well-managed programmes that involve co-operation between sending and receiving countries. To reassure recipient countries that migration will be properly managed, participation of sending country governments is essential. If temporary labour migration is to be encouraged, then limits of workers’ stays must be genuine. To incentivize sending countries to participate, for example by working with labour agencies or brokers, one option would be to create savings schemes that hold a portion of the worker’s remitted income in an escrow account which is released upon their return. This might also provide a vehicle for channelling these remitted funds into savings and investment vehicles. Conditions should not, however, be so onerous that migrants are encouraged to opt for irregular status.

5.2. Enhance regional and bilateral agreements on labour mobility

Given the low prospects for larger multilateral agreements, the best prospects for reform lie in enhancing bilateral and regional agreements. The current trend for bilateral agreements and regional consultative processes shows that there is increasing recognition among governments in the region that more co-ordination is necessary. However, current arrangements need to be reformed to allow for higher total flows of labour, particularly low-skilled labour, as well as the application of best practices in the protection of workers’ rights.

To date, trade agreements that involve substantial labour liberalization have been mainly between developed countries and have targeted higher skilled labour as well as business visitors and investors. In contrast, bilateral labour agreements have been deployed to manage migration between developed and developing parties. While there are some advantages to this ‘dual track’ approach, developing countries will need to consider pushing for the incorporation of labour mobility in future trade agreements. When labour market access can be traded off against market access for goods and services, developing countries are likely to have the best prospects of securing meaningful liberalization. Likewise, so far bilateral agreements between developing countries have been limited in number. As South-South migration increases in importance, more attention should be given to securing access to labour markets in important migration destinations, and ensuring that the rights of workers there are clear and well-protected.

With regards to agreements on labour mobility, quality matters as much as, or more than, quantity. Parties should examine existing arrangements to evaluate their effectiveness, and new agreements

should be prepared according to international best practice. The United Nations Population Division has produced guidelines (Abella, 2006) for best practice in the management of temporary migration which can be developed in enhanced agreements:

- proper management of labour demand, combining long-term forecast of supply deficits with practical methods for responding to current demands of industry,
- transparency of the admissions criteria for selection and length of approval process,
- recognition of qualifications to enhance utilization of migrants' skills,
- cooperation between origin and destination countries especially in supervising recruitment and employment,
- protection of the fundamental rights of migrant workers,
- flexibility in determining periods of stay to allow for differences in the type of work to be performed and conditions in the labour market,
- allowing for change of employers within certain limits, and;
- avoiding creating conditions which will motivate migrants to opt for irregular status.

In the longer term, the experiences gained for managing the externalities of migration within bilateral and regional settings can be a platform for linking trade and migration more effectively at the multilateral level. For instance, bilateral or regional approaches can help build trust and provide grounds for testing of administrative solutions that can be scaled up and applied more widely. Since countries generally wish to preserve sovereignty over the size and source of inward migration it is unlikely that anything approaching MFN treatment could be achieved in the realm of migration in the foreseeable future. Additionally, considerable scope for expansion of successful bilateral schemes to the regional level exists.

5.3. Maximize the development impacts of labour mobility for the sending country

While migration for work often provides significant benefits to workers themselves, as well as to sending and receiving countries, the benefits for sending countries can be maximized through pursuit of particular policies. For instance, measures to make the market for remittances work more effectively to drive down the costs would increase the impact of the higher incomes received by labour migrants (World Bank 2005a). This can be done by enhancing competition among remittance agencies and assisting with the deployment of new technologies, like mobile payments. More broadly, more can also be done to provide savings and investment instruments for remitted funds. Another approach would be to provide sending country governments with a small share in the tax take of their citizens' earnings while overseas. This money could be used to develop social security funds. Some labour agreements contain provisions that ensure that skills transfers occur for migrant workers while abroad. These provisions should be adopted more widely so that employers of migrant labour are obliged where feasible to provide training or education towards qualifications. This would ensure that 'circular' migration would produce genuine benefits in terms of human capital development when workers return home. These requirements can be included in bilateral or regional agreements.

Overall, labour mobility has huge potential to enhance development in the Asia-Pacific region. These brief ideas provide a short outline of strategies to enhance the current framework for managing labour migration. ESCAP as the United Nations Regional Economic Commission for Asia and the Pacific can help by acting as a platform for regional co-operation. More specifically, ESCAP can provide specific advice and capacity building for countries negotiating preferential trade agreements or

economic partnerships so that they secure, as far as possible, the full developmental benefits of labour mobility.

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