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Panel 4: Migration and Economic Globalization

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Panel 4: Migration and Economic Globalization

Migrations and the challenge of demographic and economic transitions in the new globalization era

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Migrations, particularly international migrations, have received growing attention on the international scene, and from the development community, since the late nineties, especially because its economic importance is both rapidly growing and clearly bigger than all donors' contribution (Maimbo & Ratha 2005, World Bank 2006, Ratha & Shaw 2007). Migrations will probably have an increasing role in the next years, in both helping poverty reduction and economic growth, even if political barriers are a clear concern.

The objective of this paper is to put migrations and globalization in historical perspective and to stress on “big figures” and stylized facts to provoke debate². This choice is justified by three main reasons. Firstly, the debate on globalization is relatively often a-historic and does not connect with the deep changes in the world economic and political order along the last century. Secondly, discussions on the economic aspects of globalization are frequently limited to trade liberalization and underestimate more structural processes. Thirdly, a common bias in development studies is to stress analysis on the country level, its factor endowments and its options to sustain economic growth. We will emphasize the analytical challenge of reconnecting the country level processes

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² This paper is based on arguments developed in an on-going study and research program implemented by the World Bank and funded by the World Bank, France, and IFAD. This 3-year program named RuralStruc (Structural dimensions of liberalization on agriculture and rural development) is a comparative study which focuses on the linkages between increasing integration processes in agriculture at the world level and their consequences in terms of differentiation among the productive structures in DCs, including specialization and diversification, marginalization and migrations.

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/0..menuPK:311690~pagePK:146732~piPK:64087638~theSitePK:258644,00.html>

The interpretations and conclusions expressed in this paper are of course entirely those of the author and do not necessarily reflect the view of the World Bank Group.

with an evolving global international context and show that the “moment” of the structural changes is not neutral with regard to the range of alternatives.

We will first underline the role of migrations in the global historical process of economic transformation as they have always been both a core issue and a core concern for governments. Then we will show that globalization increases the need for migration at the national and particularly international levels which is a consequence of a confrontation effect between different competitiveness levels and stages in the economic transition processes. Finally, we will put “big figures” in the global picture and show that the combination of unachieved economic and demographic transitions in a global open economy should propel the pressure for migrations at a new level in the world history.

1/ Migrations in the process of economic transformation

If today billions of people mainly spend their life in their birthplace, or in a relative proximity, hundred of millions have been engaged in migrations towards new home places, both at the national and the international level, and their number is increasing as a consequence of an increasingly connected world.

Migration of people from the place they live to other horizons appears clearly as a main characteristic of mankind, from the Neolithic people to the modern boat people or other more sophisticated high skills migrations. Means and pace have changed but the core objective stays the same: improve the living conditions for oneself, family and particularly children (Hatton and Williamson 2005).

In the historical process, economic structural change appears as a main driver. With various paths and paces existing in the world, economies and societies have progressively switched from primary activities (i.e. the first one: agriculture) to industry and services, this evolution being based on innovation, technical change, and their control. The well-known process has been an increasing productivity in agriculture, allowing labor and capital transfers towards new economic activities - a process accompanied by a progressive spatial restructuring with migration of labor and people from country to city, from scattered activities (typically agriculture) to concentrated activities (typically industry). As nicely said by Timmer (2007), challenging this powerful historical pathway is like challenging the tides.

In this process, *push and pull* effects accelerate the pace of change and have played an increasing role (growing with the efficiency of information systems): *push* effects caused by labor surplus in agriculture (real or felt), and *pull* effects created by attraction (mechanical or anticipated) of cities (jobs, level of incomes, way of life linked to service access, and emancipation from social local constraints allowed by the multitude).

Starting with the agricultural and industrial revolutions engaged first in Western Europe at the end of the 18th century, a rapid urbanization (originally associated to increasingly high rural depopulation) became rapidly a growing concern for governments. The pull effect of infant industries' labor needs was often exceeded by the push effect of rural

poverty; and risks associated with massive internal migrations were often feared by states and elites as they could endanger the social and political (urban) equilibrium. The image of uncontrollable masses of unemployed people (the “populace”) was a common vision in the 19th century. The answers were - and still are - multiple: restrictions to internal migrations (which is still the case in China today), specific public policies (typically protection of agriculture like in late 19th France or in Eastern Asia – broad sense – in the 1950-1980’s) and, also and particularly, encouragement to emigrate (or at least *laissez-faire* and facilitate the spontaneous wave).

This last option is of course of particular interest in the perspective of the economic transition because international migration played a role in the management of the differential between the European 19th century demographic transition and the absorption capacity of the European economies. From the mid-19th century to the early 20th, for many European countries (and with successive historical sequences), international migrations were a clear exit option to the increasing pressure related to rural depopulation and insufficient pace of job creation, despite a strong process of industrialization. Between 1850 and 1930, nearly 60 millions Europeans migrated to the New World(s)³ of which 35 millions in the United States only. In this later case, the pace of these “white migrations” (Rygiel 2007) was around 1.3 million per year in the decade preceding the WWI (Daniels 2003).

We need to keep in mind that these heavy processes could only occur because of the hegemonic position of Western Europe over the world and its specific relations with settler colonies (or former colonies). The characteristics of the Hobsbawian “long (European) 19th century”, which culminated with *The Age of Empire* (1875—1914) played a big role both in the process of industrialization itself (Hobsbawn 1987)⁴ and in the type of adjustments it required, among them migrations.

Today, growth differentials and job opportunities and wages gaps (often in a range of 1 to 10 against 1 to 2-4 in the past) continue to fuel strong push and pull effects and migrations flows– even if often illegal as a consequence of the current political order. These flows are particularly concentrated in “contact” regions between high income and low or middle income countries, where relative proximity and ground routes facilitate access. It is typically the case of the periphery of the USA and the EU: Mexico, Central America and the Caribbean; Eastern Europe⁵, Turkey, North Africa. In many countries of these regions the share of emigrants often reaches 10% of the total population. Elsewhere, long distance migrations are complicated by the police controls associated with long distance transportation.

³ USA and Canada, Argentina and Brazil, Australia and New-Zealand, South Africa, Algeria, and also Siberia.

⁴ Hobsbawn dates the end of this long 19th century with the WWI. One could argue that some features (colonial empires) remained till the end of WWII and the decolonization period and that these features still bear upon some characteristics of the current world order – with of course clear differences between continents.

⁵ The case of Eastern Europe is of course specific because the Eastward extension of the EU has internalized the migration flows.

2/ The “confrontation effects” of globalization and the pressure for migration

One of the main characteristics of the world today is its huge level of asymmetry: income inequalities – probably the most emphasized feature – but also unequal stages in the process of economic transformation, which means different assets and types of capital and capacities, different degrees of economic diversification and of institutional thickness, different factors’ productivity and competitiveness levels.

The last World Bank World Development Report 2008 has clearly emphasized the coexistence of three developing worlds characterized by their level of economic diversification (World Bank 2007): on one side “agriculture-based” countries (where agriculture plays the major role in the contribution to growth and in employment) – mainly Africa; on the other side urbanized countries (where industries and services have the biggest shares and allow higher levels of income) – typically Latin America; and the intermediate situation of the “transforming” countries, still concerned by high levels of rural population – illustrative of South and East Asia – and where diversification of the economic structure is broadly engaged with challenging results for the “Old World”. These three worlds have nevertheless to be interpreted in light of their different modalities and sequences of integration in the world economy.

The current globalization process is too often trivialized as a “second” globalization with reference to a first period between the 1860s and WWI, when increasing flows of goods, labor and capital connected Europe with its immediate periphery (Russia, Ottoman Empire) and, most of all, with the “New World” (Berger 2002). However, whereas the globalization of the early 20th century was mainly a process of convergence in the North Atlantic economy driven by migration flows (O’Rourke and Williamson 1999), with a clearly different geopolitical order, the attributes of globalization today are an increasing “global-world-integration” facilitated by continuous technical progresses in transportation of goods, capital and particularly information, with new financial instruments, a greater concentration of assets among global firms and institutional investors, and the development of intra-industry trade. The emerging result is a deeper interconnection of both markets and human societies which bears upon their structure.

This observation is an analytical challenge for the development community (Gore 2003) which broadly adheres to an evolutionist vision of the development process, as if history could repeat itself, with a recurring reference to the canonical path followed by Western Europe, and particularly England, in the 19th century. Today’s situation is original because it confronts different economic patterns referring to different structural change processes which occurred at different period of time. In that perspective, economic transformation at the national or regional/continental level must be articulated with the global world context.

The economic transformation of Western Europe is clearly embedded into its long lasting 19th century political hegemony, which was later and progressively replaced by the USA in a somewhat similar way. This political hegemony was notably marked by colonization,

influence zones and unequal treaties with nominally “independent” countries (Chang 2002). It facilitated international migrations, as previously noted, but it also eliminated broadly the competition and allowed attractive situations of both supply and demand, with captive markets⁶. This considerably facilitated the specialization of some European countries and then the competitiveness and the profitability of their businesses. The case of England which sacrificed its own agriculture based on its Empire and control of maritime routes is famous. This reminds us that the challenge faced by today’s “agriculture-based” countries, confronted to both OECD countries - and China - is another story.

For both cases of Latin America and Asia, the structural changes was managed in decisive steps during the period of self-centered development which was the world international regime, starting with the 1929 crisis and running till the current new globalization era - dated at the end of the 1970s⁷. Everywhere in the world, nation-states adhered to import-substitution and protection, strong state intervention, and national development projects⁸, and Latin America and Asia were able to take advantage of this momentum, even if partially. Latin America countries were – at least formally – independent since the beginning of the 19th century and adopted the new pattern with strong import-substitution policies. The case of Asia is clearly different but we can say that Asian states are nearly all heirs of old national histories – with a lighter European colonial stamp – which gave them the opportunity to take advantage of the self-centered period (from the 1950s, when they became independent, to the late 1970s, beginning of the new regime). One can also remind that the specific context of Cold war provided strong supports (and funding) to nation-states of these two regions (Gabas & Losch 2008).

The situation of Sub-Saharan Africa (SSA) is unequivocally different because its integration in the world economy was delayed but also because this insertion occurred under a clear submission to European powers. Then it only obtained its independence - based on the colonial boundaries and nearly without nation-state history - in the early sixties. As a consequence, SSA young states were not really able to benefit from these three decisive decades of strong self-centered development (1950s-1970s) and they were quickly caught up by globalization. This rapid confrontation occurred under the constraints of structural adjustment with an economic structure which was and is still

⁶ The colonial regime banned any type of industrialization in the colonies. And Bairoch (1997) reminds us that early stages of industrialization in India and China were blocked by European takeover. He estimates the share of these two countries to half of the global manufacturing around 1750. Their come back is of course amazing.

⁷ This regime was the nation-state answer to the world economic crisis. It primarily based the growth process on the extension of the domestic markets fueled by the development of both waged labor and mass consumption. The crisis of this regime – qualified as fordism by the regulationist school (Boyer & Saillard 2002) – occurred when domestic consumption growth went out of steam and encouraged firms (followed by states and donors) to reengage firmly in international trade and competition: the current period (the picture is of course terribly simplified).

⁸ This appears as the founding moment of “development” and all the development studies which emerged after WWII are clearly rooted in this development project. See McMichael (1996) who opposes the development project and the “globalization project”. Also Giraud (1996).

characterized by agriculture and primary exports and where today, in average, 65% of the economically active population (EAP) is still occupied in agriculture.

Chart 1 shows the very little change in the EAP structure over the last 45 years (around 20-25% change)⁹. It tells us that agriculture in Africa has played the major role in the absorption of its growing population (230 millions people in 1960 and 770 millions today). This situation is really challenging because African agriculture is today and will increasingly be in competition with world markets, both for exports and imports in its domestic markets, and it has to deal with huge productivity and competitiveness gaps¹⁰. This competition is increased by a deep restructuring of the global agro-food markets, where heavy processes of vertical and horizontal integration (among commodity chains or through distribution systems) are progressively and sometimes rapidly changing the rules of the game (Reardon and Timmer 2007). The development of contractualization - marked by norms and standards - is one of the main features. This process of change offers huge opportunities for the economic agents who have capital and skills to adapt, but it is also an increasing constraint for those who cannot reach the new requirements. The consequence of this on-going change is a progressive differentiation or segmentation process within the agricultural sector which allows growing insertion and inclusion for the few and possible progressive marginalization and sometimes exclusion for the many.

The genuine question in the context of poorly diversified economies (which is the case of SSA and also of other low income and some lower-middle income countries) is: what are the alternatives and what are the exit options for the population marginalized by the processes of confrontation which characterize this new globalization era? The WDR08 stresses three main pathways out of rural poverty which are: specialization in agriculture (for those who have the necessary skills and assets with reference to the period), participation in non-farm activities, and migration. The last two options are historical pathways out of the “agriculture world”, confirmed by the statistical evidence¹¹, but they are also confronted with the sharp reality of the existing constraints at the national and world levels.

With the world population nearly reaching the “tipping point” and 50% of the mankind living in cities, many suggest that the growth process will be sustained by the urban dynamics which proved so powerful in the past. However, one major characteristic of the strong urbanization process in Africa (and also in many parts of the developing world today) is urbanization without industrialization (UN-Habitat 2003, Davis 2006). This is a main difference with Europe and the USA, and with some regions of the developing world previously engaged in structural change (typically China, India) where industrialization fueled internal migrations. It clearly points out the difficulty of

⁹ Chart 1 shows that if other Latin American or Asian countries have seen a 60-70% drop of the share of the agricultural EAP, China and India are in the SSA average. This must obviously be discussed in absolute terms because these two countries have seen hundreds millions workers exiting agriculture.

¹⁰ The productivity gap in cereals between manual agriculture with no “green revolution package” and heavily intensified and mechanized agriculture (not mentioning subsidized) is a minimum of 1 to 1000 (Mazoyer 2001).

¹¹ Timmer (2007) proposes a brilliant demonstration on this issue.

alternatives and the core issue of employment. Simultaneously, international migration remains difficult due to recurring barriers to international movement of people and appears to be a significant option only for the periphery of the core developed countries.

This context reinforces the possibility of trapped populations who could have no alternatives to sustain their livelihood and it also increases all the associated social and political risks of such situations. This is the scenario developed by Pritchett (2006) who does not hesitate to refer to “zombie states”.

3/ The challenge of delayed transitions in a globalized world

For different regions and countries today, and mainly SSA, the challenge is to face delayed transitions in a globalized world.

SSA is the latest continent to have engaged its demographic transition (a high population growth explained by the time difference in the fall of the mortality rate and the birth rate). With a population growth of 2.5% per year during four decades and a peak of 3% in the 1980s, the continent is characterized by an extremely strong dependency ratio (around 1 inactive per 1 active) when for instance East Asia had nearly 2.5 active people for 1 inactive which means a large demographic dividend which clearly helped the growth process (see chart 2).

The consequence of this demographic transition in SSA is that the continent will have to deal with increasing numbers (an increase of 1 billion people is expected from now to 2050). Particularly, SSA will face large yearly cohorts of new EAP: around 10 millions today with a peak of near 20 millions in 2025 (see chart 3). For a median SSA country – 15 millions inhabitants – it means 250,000 people today and around 400,000 people per year in 20 years (Losch 2006, Giordano & Losch 2007).

This is a huge pressure which offers opportunities in terms of growing domestic markets but in a context of very low diversified economies with few alternatives, confronted by a huge and increasing competition, in a situation of clear asymmetry in terms of competitiveness. This situation is absolutely new and original in the world history. It will drive a big push for migration which will strongly challenge the continental political order (what will be the resistance of the inherited colonial boundaries?). It will also present a strong international pressure particularly targeting the European Union.

What are the options to deal with in such a unique context?

The reasoned analysis of the world population trends could provide an answer. If SSA still faces its demographic transition and has its demographic dividend ahead (perhaps too far ahead), the other regions of the world will have to deal with increasing dependency ratios, particularly East Asia and Europe, and will face a fall in their EAP with aging population. This is particularly the case of China with an expected population of around 330 millions people over 65 years in 2050. This demographic asymmetry could provide huge opportunities for international migrations and allow a better allocation of the labor

factor around the world – labor being clearly today the only one factor escaping the global liberalization.

We cannot however expect the same mass migration type as it occurred at the end of the 19th and early 20th centuries. First – again – the world order has changed and the figures at stake are clearly different. Then social and cultural acceptance is an issue and politicians are clearly reluctant to deal with unpopular decisions. For instance, could Europe absorb 1 million SSA people every year – the size of migrant cohorts in the USA in the early 20th century – which will correspond to around 5-8% of its yearly additional EAP in the 2020s?

The emerging option – which could also clearly be managed by the WTO agreement under the GATS treaty mode 4 related to “presence of a natural person” – is the management of temporary migrants workers through bilateral or regional agreements – solutions which existed in the past for instance between Mexico and the USA (the Bracero program) or between Turkey and Germany (the Gastarbeiter program). This option could clearly decrease pressure (Pritchett 2007) but the clear challenge here will be the scaling-up.

A part of the answer is of course also clearly at the country level. In the case of SSA, strong policy responses in terms of support to an inclusive development in agriculture – which will remain the main absorption sector for at least two decades – are critical. It means accompanying the transition with policies targeted to the “big numbers”, i.e. producers of food crops (more than 90% of the rural population is engaged in the production of staples). Another big option is regional integration (economic and probably political) because economies of scale are necessary to deal with the challenges of globalization. In that perspective – and due to their specific trajectories – many African nation-states will clearly need to join forces.

Our concluding remark of this rapid overview of demographic and economic transitions confronting globalization is related to the analytical challenge mentioned earlier. In the nation-state design of today’s world order, every society has its own diachrony marked by the pace of events of its historical trajectory. To understand the origins and causes of development lags, to identify room for maneuver and to design adequate policies, there is an imperative collective need to deal with this difficult task of simultaneously thinking of different “diachronies” within this same synchronization process named globalization. This is the condition for essential tailor-made policies which can only manage the growing asymmetries of the current period.

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Chart 1 [source: FAOSTAT 2007]

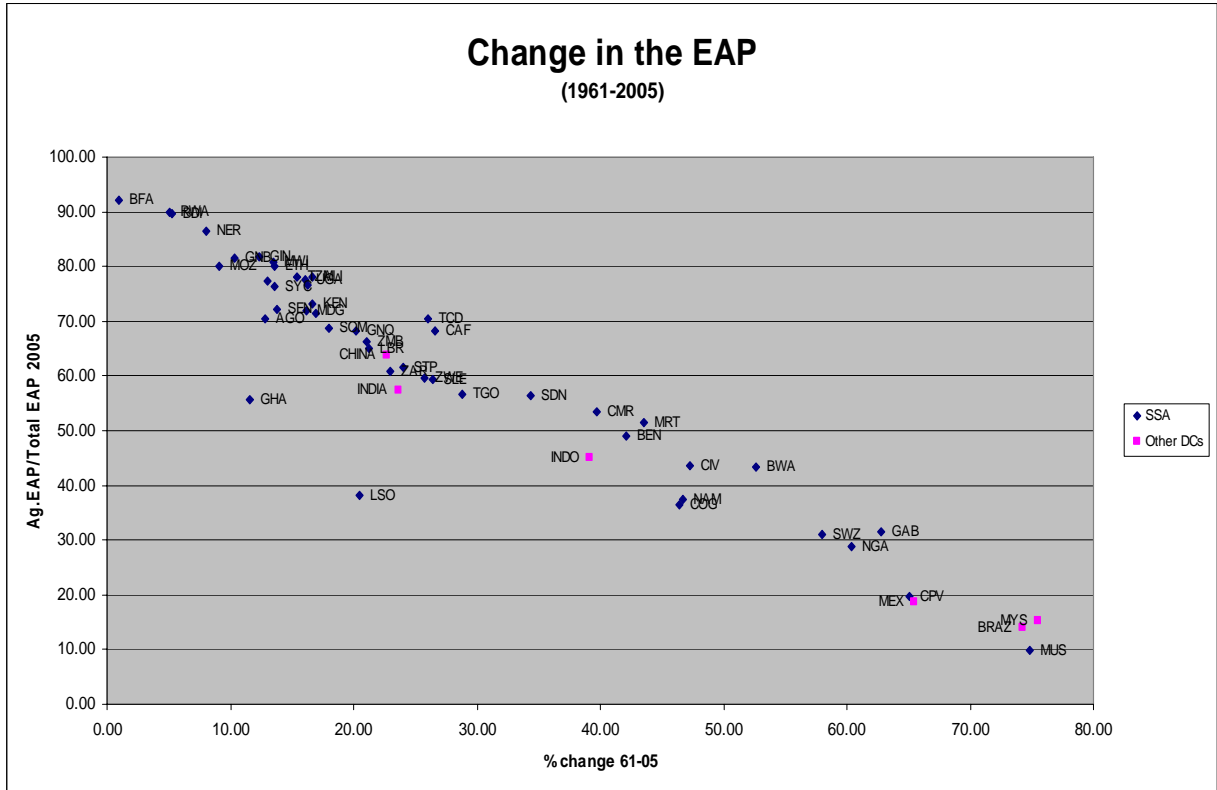


Chart 2 [UN, World Population Prospects, The 2006 revision]

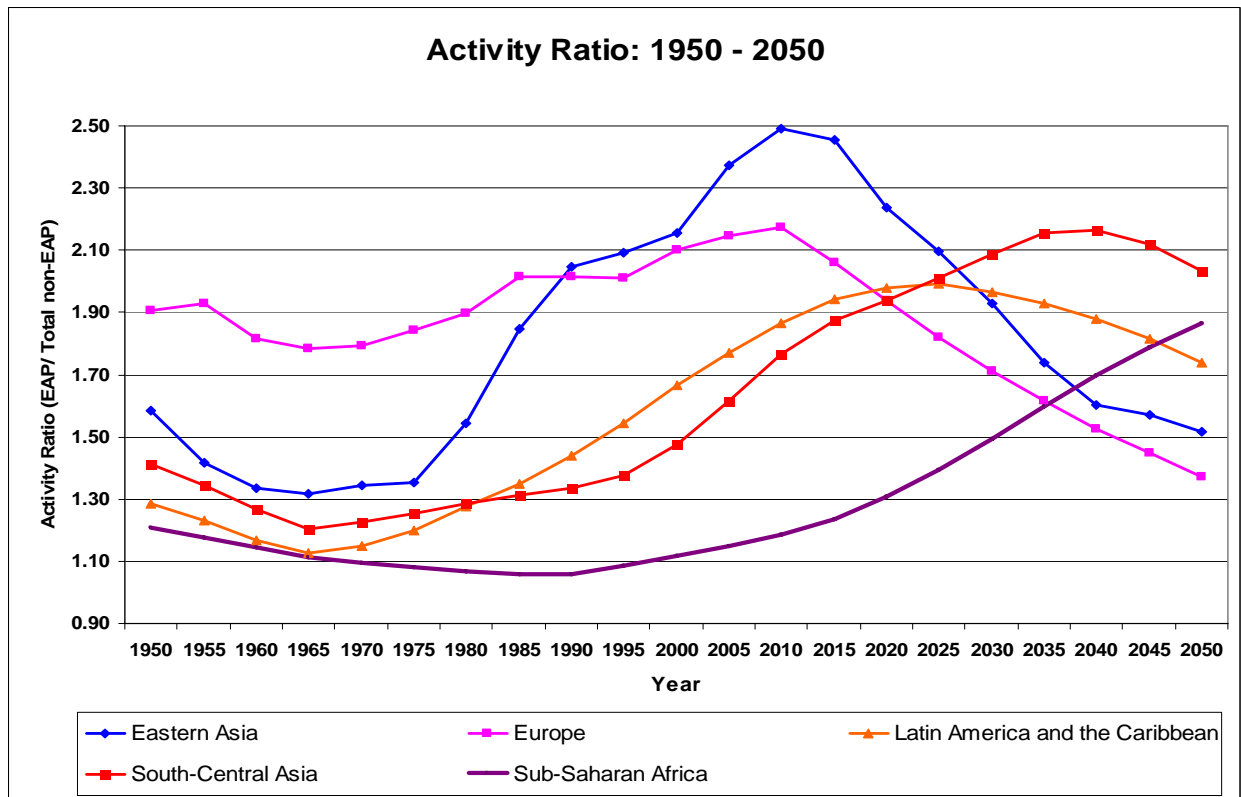


Chart 3 [UN, World Population Prospects, The 2006 revision]

