

Introductory comments
by Prof. Louka T. Katseli, Director, OECD Development Centre

Good morning ladies and gentlemen

I would like to welcome you to this session on “Migration and Development: What role for the WTO?” organised by the OECD’s Development Centre, which I represent here as its Director.

To avoid any misunderstanding, let me clarify that the Development Centre, being the OECD’s think tank on development issues, enjoys by its very nature intellectual independence; thus the opinions that I will express here do not necessarily reflect those of the OECD or of our Governing Board comprising 21 OECD and 6 non-OECD member countries. They are reflections that would hopefully provoke evidence-based policy dialogue on the interlinkages between trade and migration and the implications of such interlinkages for policy making. They are based on the findings of our current programme of work and more specifically its two activities entitled “Gaining from Migration” and “Policy Coherence for Development”. The material disseminated in the entrance hall can provide you with useful information references concerning our work. All are available on our website: www.oecd.org/dev.

In the short period at my disposal I will structure my comments around four questions:

- 1) What are the arguments for discussing migration issues in a multilateral context?
- 2) What is the possible role for the WTO?
- 3) Is such a role desirable?
- 4) Which way can we move the agenda forward?

On the first question:

- a) There is growing consensus that international migration flows are likely to increase considerably in the years to come as a consequence of three factors: increased globalization, persistent labour demand/shortages in OECD markets and push factors in developing countries. Free capital movements and the relocation of production is likely to increase both trade and the interdependence of labour markets; demographic ageing coupled with labour market segmentation will continue to result in job vacancies in OECD countries that cannot be easily filled by native workers. Demand for workers in many low-skilled occupations particularly in caring services, agriculture, construction and tourism is likely to remain high as long as large income differentials persist between countries; at the same time, residents of developing countries, confronted with poverty, insecurity and vulnerability, will seek these jobs and a better life for them and their families.

Migration flows, as experience has shown, cannot be easily controlled even if more effective border controls are put in place. This is simply too costly a proposition. The issue therefore is if they can be managed more effectively. In fact there is a growing concern, that if they are not managed, they will become unmanageable thus further violating human rights, increasing insecurity and destabilizing further communities, labour markets and societies of both home and host countries. The risks are global: turning migration into a global public good as opposed to a global public bad is a challenge that can be addressed only in a multilateral as opposed to a bilateral context.

To start thinking about better management of migration flows, we need to reconsider gains and losses from migration. Since few of us in this room would question the benefits of high-skilled migration, let me focus on the really difficult issue – that of migration of less qualified migrants. There is substantial evidence that in view of actual and expected labour shortages in OECD countries, migration of low-skilled migrants can indeed confer important advantages upon many receiving countries provided they are managed properly. Low-skilled migrants, usually coming from lower income families and communities in developing countries, also tend to contribute more to poverty reduction and development in their country of origin than do professionals: not only do they remit more per person but also open up more opportunities for other low-skilled workers to replace them at home.

Migrants need not relocate permanently. The gains from temporary migration are considerable. Temporary migrants tend to save more while working in the OECD and transfer more of their earnings home in the form of remittances, especially if their families are left behind. Return migrants also bring freshly acquired skills to the home labour market, even if these skills may not be readily transferable to their country of origin.

Will they go back or will they choose to settle permanently in their host countries, legally or not? Well the answer will depend on whether they are offered some reasonable options to engage in what is called “circular migration”, that is, to come and go across borders in an organised fashion under contracts of limited duration which ensure the possibility of subsequent return to the host country. Examples do exist of successful bilateral management of such schemes, most notably in Germany, involving significant numbers of workers. Evidence exists that given the choice, and with sufficiently low transport costs, many workers, especially those bread winners with large families living in neighboring countries would in fact prefer temporary migration over permanent relocation, especially since this option offers substantial gains in their living standards and lowers the costs of separation from their families and communities.

b) So, why the WTO?

Because under the General Agreement on Trade in Services, one of the modes by which services can be provided by suppliers in one country to consumers in another is through the mode 4 supply, namely the movement of natural persons to the country of the consumer. A standard view of mode 4 movements for service provision, one compatible with trade as defined conventionally and with national accounts, would encompass temporary movements, which involve self-employed persons based in the country of origin and/or employees of a contract service provider also based in the country of origin. For the latter, transfer pricing rules would apply. In fact some GATS signatory members have, in practice, made commitments regarding mode 4 movements in the area of intra-corporate transfers, H1B visas or special permits that go beyond this rather narrow definition, thus providing an even broader scope of action under Mode 4. Even however under the standard view, Mode 4 provides a unique opportunity for more effective

management of the temporary movement of workers across borders for the supply of needed services in another country.

This is so because the notion of trade carries with it the connotation of a distinct transaction that is carried out over a well specified period. Hence, Mode 4 necessarily pertains to *temporary* services by imported labour for services provided in the host country governed by a contract held on the home country.

Many issues remain to be discussed especially in view of the fact that GATS has been designed to address market access issues and not the mobility of labour.

- What is the optimal length of period that countries are willing to consider for contracts under Mode 4 provisions?
- What should be the terms and conditions for such contracts relative to employment contracts held in the host country?
- What might be the structure of incentives that would ensure that workers respect such contracts and return to their countries of origin at the end of the specified period?
- Can foreign employers be entrusted with the task of cycling in and out short-term temporary workers, with each new cohort replacing those returning to the home country?

Answering such questions would require extensive dialogue and consultations with all relevant stakeholders.

The point however that should be stressed is that contract service provision involving low-skilled workers under Mode 4 does provide us with a unique opportunity to seek to manage temporary migration flows more effectively and more efficiently.

Why is such liberalization potentially so desirable?

Because by implicating directly foreign enterprises in the management of service provision on the territory of the receiving country, Mode 4 creates interesting opportunities for innovative risk-sharing. In the presence of foreign enterprises assuming

the role of intermediaries, the ultimate responsibility for ensuring both the return to the country of origin and/or the continued employment of the imported worker can be borne credibly by the foreign employer, the country of origin or a combination of the host-country and home-country employers. Working arrangements can specify appropriate remuneration, length of stay and working conditions. Appropriate insurance schemes can be designed. An orderly market for temporary service providers can be created.

Multilateral regulation of such contract service provision under Mode 4 could provide the agreed framework for such contracts and the needed guidelines for both bilateral and regional initiatives. Further liberalization of trade in services under Mode 4 can then confer important gains to both sending and receiving countries. It can prove to be a powerful instrument for development, migration management and trade promotion.

There is indeed growing recognition that migration and trade are complements rather than substitutes. It is estimated that it takes approximately 35 years for trade alone to equalize factor returns. In the meantime, expanded trade goes hand-in-hand with increased labor mobility. In the presence of new global actors such as China and India and in view of the likely prospects of sustained growth and increased trade, trade and migration policies need to be jointly considered. Such policies also need to be complemented by appropriate capacity building. Developing countries need to be able to use financial resources, including aid, to promote export diversification, build their trade capacity, increase labor absorption and defuse the benefits of migration. It is only then that they can reap substantial gains from increased trade liberalization and greater integration into world markets.

How can we then move the agenda forward?

Most OECD countries have limited experience with Mode 4 movements. Opening formal negotiations on further liberalization of trade in services under Mode 4 would be premature and rather counterproductive today. What is probably needed is the initiation of an informal but inclusive policy dialogue among all relevant stakeholders to explore the conditions under which contract service provision could allow receiving countries to better manage migration flows and sending countries to profit from labor circularity. This will in fact be the principle challenge for policy making in the next decade: how to resolve existing incoherencies between trade, migration and development policies and how to promote policy coherence for expanded trade, better management of migration and

sustainable development. The WTO should rise to the challenge of making the global order more effective and more inclusive.