Opening Mediterranean Trade and Migration

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The free-trade agreements which the European Union has signed with various countries around the Mediterranean Basin are primarily designed to encourage further regional economic integration. They also reflect new thinking on migration, which emphasises promoting development in the sending countries to reduce unregulated flows.¹

In the current debate on European-Mediterranean partnership, considerable weight is attached to free trade between the European Union (EU) and third countries bordering the Mediterranean. Migration is an issue in these discussions, but it is not adequately covered in the agreements signed so far or in the negotiations still underway. If one looks at the precedent established by the accession of Greece in 1981 and Portugal and Spain in 1986 to the European Economic Community (EEC), it is clear that these countries had developed close links over a long period with the countries of western Europe, not least through migration. The political project to make the EEC countries, by stages, an area in which goods, services, capital and people could move freely helped to strengthen and speed up the economic integration of the three new members. The incentive to emigrate was considerably reduced because economic convergence and inflows of foreign investment boosted job creation and narrowed wage differentials. All three countries have recently become places of immigration.²

At present the regional integration of third countries in the Mediterranean Basin (in particular, the Maghreb countries and Turkey) with those of the European Union is not being discussed, officially at least, in the context of an accession process or with any declared aim, over the medium term, of free movement of people. Yet some of these countries have substantial trade with various EU countries, mainly those where large numbers of their nationals reside. In building stronger European-Mediterranean ties, the issue of migration is central, for at least two reasons. The first is that the EU countries hope, more or less explicitly, that unregulated migration flows from the southern and eastern Mediterranean to the North will diminish as a result of the beneficial impact of trade liberalisation on employment and living standards in the

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¹ Migration, Free Trade and Regional Integration in the Mediterranean Basin, OECD Publications, Paris, forthcoming 1998. Seminars on migration, free trade and regional integration were held in March 1996 in Vienna (Central and Eastern Europe) and November 1996 in Athens (Mediterranean Basin). A third, on North America, is to be held in Mexico in January 1998. An international conference in Portugal in November 1998 will draw conclusions from these three regional approaches and the analytical work conducted over the past three years by the OECD, ILO and the Japanese government on the same topics in East and South-East Asia.

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Sending countries. The second reason is that the presence in EU countries of significant numbers of Mediterranean Basin third-country nationals (Table) raises, from the standpoint of regional integration, the issue of their rights, status and movement within an expanded Europe.

North-South: Asymmetrical Relations

The project to liberalise, in phases, trade between Mediterranean Basin countries and the European Union by the year 2010 shows similarities, and differences, with the precedent of the integration of the three southern European countries into the EEC. The first similarity is that the candidates for integration – Greece, Portugal and Spain previously, now the Maghreb countries and Turkey – are not as yet deeply integrated among themselves. The bulk of their trade has been directly with particular countries in western Europe, with migration flows preceding, and then accompanying, trade flows. Like the southern European countries, the Mediterranean Basin third countries accounted for a substantial share of the total number of migrants, particularly in western Europe, during the 1960s and ’70s. These movements continue today, though on a smaller scale and, with the exception of Algeria (where flows remain heavily concentrated on France), now concern other OECD countries in Europe, such as Italy and Spain.

In contrast to the Southern Europe-EEC precedent, however, the ties formed through trade and migration are asymmetrical. Movements from the Maghreb and Turkey are mainly to particular EU countries, a trend which has become more marked over the last 15 years. Exports from these third countries have followed the same pattern and account for a very high percentage of their total foreign trade. But much less is at stake for the EU countries, because the bulk of their non-EU trade is conducted with other OECD countries. In addition, sending countries are now more diverse, and the proportion of immigrants from central and eastern Europe and parts of Asia is increasing (Figure).

Other differences should be highlighted, too. The demographic situation around the Mediterranean Basin is one of contrasts. The countries along the northern shore have completed their demographic transition and their populations are aging. Those on the southern shore, on the other hand, continue to have very high fertility rates and substantial cohorts of young people are entering their labour markets. The potential for migration is likely to remain high until 2010, the proposed date when the free-trade area between the European Union and some Mediterranean third countries is to come into effect.

The economic context in western Europe is unlike the conditions that prevailed in the 1960s and ’70s. Economic growth is weaker, unemploy-
ment is higher and migration policies are fairly restrictive, in particular for new workers.

But the most important difference lies elsewhere. The stage of economic development reached today by the Maghreb countries and, to a lesser extent, Turkey is below that in the three southern European countries at the time they were negotiating their accession to the European Community. This difference is not because of migration flows, or any disparity in the beneficial effects of emigration on the development of the sending country (chiefly through remittances by emigrants). Nor is it because of less openness in the economies of the Maghreb countries and Turkey; indeed, they are generally more dependent on foreign trade than the southern European countries were before accession. The main reasons for the difference lie in the inadequacy of economic and financial infrastructures to attract foreign capital, the shortcomings of administrative arrangements, and the lack of educational and training institutions to develop human resources and teach the skills required on the labour market as technology changes.

It is clear that migration, on its own, is not enough to create the conditions for sustainable development in the sending country. That underscores the importance of the issues raised by the prospect of growing liberalisation of trade and fuller regional economic integration.

**Closer Regional Integration**

In the medium term the transition to free trade will have adverse consequences for the Mediterranean third countries concerned. It will mean lower government revenue because of the removal of customs duties, and a heavier trade deficit as imports rise more quickly than exports. Adjustment will therefore be called for higher domestic taxes and external devaluations, for example. Unemployment and poverty will not diminish, and modelling exercises suggest that the traditional specialisations of Mediterranean third countries are likely to become more marked.

Trade liberalisation will have to be accompanied by a major shift in flows of foreign investment. Foreign investment would bring in its train large positive spillovers to the Mediterranean countries: access to a larger pool of knowledge and innovation, for example, and enhanced labour skills. That is likely to lead to appreciable increases in prosperity, more job-creation and, over the longer run, a reduction...
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Trends in International Migration

The annual report Trends in International Migration confirms the stabilisation (and in some cases the decline) of legal immigration flows in OECD countries over the past four years.1 The number of requests for asylum fell back. Immigration for family reasons continues to predominate, although temporary migration is gaining in importance. Migration still plays an important role in annual population growth, via the migration balance and the natural increase in the foreign or foreign-born population.

In the course of the last decade, the impact of the acceleration of migration movements on the total growth of the population has been considerable, not least in Canada, Sweden, Denmark, Italy, Portugal and Spain. The trend is all the more marked when it occurs in countries where fertility rates are low such as Germany, Italy, Greece, Switzerland and Portugal (in decreasing order).

Foreign and immigrant workers represent an important proportion of the total labour force in a number of OECD countries, in particular (and in decreasing order) Luxembourg, Austria, Switzerland, Canada, Austria, Belgium and Germany. They are present in a wider range of economic sectors – in services to business and households, for example. At the same time, foreign workers have become more vulnerable to unemployment than their national counterparts, but the gap between the rates of unemployment for the two groups is stable. In connection with the public debate in various OECD countries, the report uses empirical data to explore the links between the volume of unemployment and the scale of the foreign presence in the total labour force of the host country. It also compares trends in gross immigration flows over the last ten years and unemployment trends in host countries. It finds that any empirical relationship between foreign workers and the overall unemployment rate is weak, and that no close correlation can be established between growth in entry of foreigners to a country and changes in the unemployment rate. In addition, the idea that the rate of unemployment would decline if immigration were halted or sharply reduced is not confirmed by available data.

An overview of migration policies first outlines policies to strengthen the control of flows (redefinition of conditions of entry and stay, revision of legislation and procedures related to the right of asylum, reinforcement of control systems at borders and within the country to combat illegal migration). Other major objectives of migration policy include integrating immigrants (helping new arrivals settle in, school enrolment for children, integrating immigrants into the labour market and urban areas, rights of foreigners and their political participation).


in the incentive to emigrate. Closer regional integration in institutional terms, and financial transfers targeted on productive public expenditure, could well stimulate productivity gains and thus help to attract further foreign investment.

Opening-up is thus a venture worth the risk, but trade liberalisation will have to be accompanied by measures that will speed social and institutional change, attract a larger inflow of foreign direct investment, help develop and modernise the economic and social infrastructure, and establish appropriate forms of management and training. Modernising the education system and developing enterprise should enable the economies of Mediterranean Basin third countries to overcome the heightened traditional specialisation to which free trade is bound to lead in present circumstances, and to produce advanced technological goods more attuned to world demand.

Immigrants from the southern and eastern Mediterranean Basin, because of the long history of migration flows to Europe and the proximity of their countries of origin, could contribute much more than has been imagined to the process of regional integration now underway, in particular through their entrepreneurial spirit, the technical skills acquired abroad and the mobilisation of some or all of their savings.

Freedom of movement which would enable them to play a full part in European-Mediterranean integration has not yet been accorded. The low rate of economic growth, and the persistence of unemployment, particularly among foreigners, have not prompted the OECD countries in Europe to develop a new, active migration policy tailored to the objectives and the realities of regional economic integration. For their part, the southern Mediterranean countries are having difficulty in coming to terms with the new constraints imposed by sluggish economic performance in the North and the declining demand for unskilled labour.

In this context new migration policy could well develop. It would allow more scope for skilled workers to move between the two shores of the Mediterranean so that they can actively participate in furthering economic development and job creation in the Mediterranean Basin.

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