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FEMISE RESEARCH PAPERS

"The Role of Vicinity Linkages in the EU-MED Region for Trade Growth: Focus on Migration, Level of Education, and Social Integration"

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FEMISE FEM41-13 RESEARCH PROJECT:

THE ROLE OF VICINITY LINKAGES IN THE EU-MED REGION FOR TRADE GROWTH: FOCUS ON MIGRATION, LEVEL OF EDUCATION, AND SOCIAL INTEGRATION

by Andres Artal-Tur, Vicente Pallardó-Lopez (University of Valencia, Spain) & John Salevurakis, and Mona Said (American University of Cairo, Egypt)

EXECUTIVE SUMMARY

This project explores some important aspects of the trade-migration nexus in the Euro-Med region. It focuses upon the role of historical ties and proximity issues between countries in fostering the trade effects of migrants. More specifically, the research addresses the effect of historical bilateral ties and how they ensure a higher number of social interactions between migrants and natives, increasing the size of the pro-trade effects of migrants. In this setting, the effect of other variables in shaping trade-migration linkages are explored, including the role of immigrants' characteristics and social integration issues at destination countries.

OECD countries have been experiencing high and rising flows of migrants from different regions of the world. Specifically, 2015 has seen a stock of 125 million foreign-born people in OECD countries and it is the position of this project that flows of immigrants have a positive economic impact at host countries. Despite of the benefits of immigration, the recent notable influx of immigrants and global changes in the political environment have resulted in a more restrictive migration policy in OECD countries and a revised migration legislation.

The existing literature on the migration-trade nexus has identified two main channels through which migration affects trade, namely the preference and the network channels. The "preference" for some home-produced products results in an increase in imports for the host countries. Conversely, "networks" of immigrants promote new business opportunities by reducing transaction trade costs, improving information channels, or moderating institutional failures in business relationships. Networks are therefore able to reduce the entry costs of firms when establishing themselves in a new market or decrease the costs of commercialisation of products given the information flows provided, thus contributing to more sales in existing markets.

Two case studies are used to test for the aforementioned hypotheses, namely France (as a country of destination) and Egypt (as a country of origin). France has a stock of 7.5 million immigrants, forming approximately 12% of the population and making it one of the six top OECD destinations in 2014. France was selected for our purposes due to the existence of historical ties with countries of origin from which the majority of its immigrants originate, specifically Maghreb and EU countries. Conversely, emigrants account for roughly 4 million Egyptians living around the world. Egyptians in Arab countries account for 72% of total national stock abroad in 2013 with Western destinations accounting for 10%.

Addressing the aforementioned hypotheses, the influence of individual profiles of immigrants in shaping trade effects are studied in terms of the level of education, degree of language proficiency, and professional situation (self-employed vs. wage-earning workers). Further, we also explore the effects of social integration of immigrants at destination countries focusing on the length of stay, age of arrival, and acquisition of the citizenship. Finally, we explore the statistical interaction between the characteristics of migrants and the migration process with the proximity and historical links between countries thus seeking a deeper understanding of the features involving the trade-migration linkages.

The study shows that the stock of migrants in France has been increasing since the 1960s, with two decades of stabilization. The most recent stock of migrants has reached 7.6 million in 2013. This means that roughly 220,000 individuals entered annually during the period of analysis 2000-2013, with 51% coming from Africa, and 34% from Europe. Family reunification represents the main motivation for immigration to France.

Egypt data shows 4 million people living around the world. Egyptians living in the Arab countries mostly migrate in response to economic and material factors while migrants in Western countries seek professional development and escape from the perceived corruption and social prejudices existing in Egypt

Trade figures for France show that the main destinations of exports are EU countries with exported commodities being mostly manufactured goods. In regard to import flows, EU countries again occupy the top of the ranking as main providers together with the USA. Exports and imports to and from MENA3 countries (Algeria, Morocco, and Tunisia), show a particular share of around 1% of total exports and imports although exports have significantly grown in volume over the period of analysis.

Similar figures for Egypt between 2000 and 2013 show that export partners of Egypt have shifted towards Arab countries from an emphasis on the EU. For imports, in 2013 The UAE and Kuwait take a leading role as providers replacing Western countries. Trade flows between Egypt and Arab countries include bilateral exchanges of manufactured goods and some imports of natural resource (petroleum) based products. Trade flows with the EU, USA, Canada and the remaining commercial partners show exchanges of manufactured goods and some exports of food products.

Literature has extended the gravity equation framework by introducing the stock of migrants as an additional covariate able to increase the volume of bilateral trade. We extend the analysis by introducing some features pertaining to migrants, related to their particular profile and social integration features, and allowing them to interact with proximity. Building on an extended gravity model, the role of proximity on the trade creation effects of migrants is therefore tested.

Results for France:

Generally, the stock of migrants shows a positive effect in creating new trade flows. Moreover, results also show how historical ties of some regions with France, namely the MENA and EU countries, provide an additional pro-trade effect (higher in the case of EU countries). Results show both network and preference effects arising in the trade-migration linkage in exports and imports equations tested, showing how immigrants are able to promote new exchanges of manufactures and intra-industry trade, as well as food-related and home-based stuff from home countries of migrants. Results also show that skill endowed immigrants create more trade connections and exchanges with their home countries than low educated ones, and language proficiency is important in launching new bilateral business between home and host countries of migrants. However, social integration of people at host countries exhibit a downturn effect in facilitating new trade exchanges, as they go losing their ties with home countries. In this way, proximity and historical ties and their interactions with personal and social integration issues of immigrants seem to matter in creating additional trade flows between countries, contributing with an additional effect around 8% of total trade in France.

Results for Egypt:

In the case of Egypt the focus of the research for proximity issues splits between Western (USA, Canada) and Gulf countries as important destinations of immigrants. Results show a clear pro-trade effect of emigrants in these two sets of destinations too, but higher for the Gulf countries settlements. The case of Egypt would be reinforcing findings on the role of historical ties and proximity in promoting new trade exchanges of migrants. Personal characteristics of migrants appear to be important variables shaping trade creation, mainly level of education and duration of stay.

In sum, the present investigation continues to highlight the economic benefits of immigration. With the changing political views of migration and the changes to migration legislations in many of the OECD countries, the conclusions of this paper add a dimension to be taken into consideration. The main results show that historical ties lead to higher stocks of migrants at particular destinations and the networks of immigrants have a clear capacity of giving rise to new trade exchanges, a pivotal result for the MED region nowadays. Proximity matters, and not only geographical, but cultural, and mainly social, that allows to take advantage of networks of people in fostering new trade exchanges. The Med region offers, in this way, opportunities for understanding, cooperation, and income generation.

In policy terms, the results flag important issues. In general, immigrants show benefits to both destination and origin countries by creating new economic benefits through trade. Selective migration policies could render other economic outcomes in the trade-migration linkage. Favoring skilled immigration leads to higher income creation, language proficiency and education emerges in this respect as important integration policies for immigrants, with evident social and economic benefits for host societies. Trade effects of migrants appear to be higher in the first years of arrival, while ties with the home countries appear to weaken the most integrated the immigrant is at host societies. An interesting finding of the project is that Common Migration and Trade Policies could be considered as interdependent issues, with migration showing important economic effects for receiving and sending countries but also serving as networks for the transmission of other political and social matters to home countries. According to findings in the research, host societies also benefit from cultural interactions with migrants, enriching in this way their customs and daily lives.

FEMISE FEM41-13 RAPPORT DE RECHERCHE

LE ROLE DES LIAISONS VOISINAGE DANS LA REGION EURO-MEDITERRANEENNE POUR LA CROISSANCE DU COMMERCE : FOCUS SUR LA MIGRATION, LE NIVEAU D'EDUCATION, ET L'INTEGRATION SOCIALE.

pour Andres Artal-Tur, Vicente Pallardó-Lopez (University of Valencia, Spain) & John Salevurakis, and Mona Said (American University of Cairo, Egypt)

RESUME EXECUTIF

Cet essai étudie quelques aspects importants à propos de la migration du commerce entre les pays localisés dans la zone Euro-Méditerranéenne. Il se concentre sur le rôle des liaisons historiques et les questions de proximité entre les pays afin de favoriser les effets du commerce des migrants. Plus spécifiquement, ce travail adresse l'effet des grandes relations historiques bilatérales sur la taille de pro-commerce et la création de nouveaux échanges commerciaux, tout en assurant un plus grand nombre d'interactions sociales entre les migrants et les originaires du pays en question. Ceci est en addition au rôle des caractéristiques des immigrants ainsi que leurs expériences personnelles (intégration sociale) pour former des effets commerciaux.

Les pays de l'OCDE, d'une part ont expérimentés une haute augmentation du flux des migrants de différentes régions du monde. L'année 2015 a enregistré un stock de 125 millions de personnes nées à l'étranger dans les pays de L'OCDE. Désormais les bénéfices de l'immigration, l'afflux récent et les variations globales de l'environnement politique ont forcés une politique de migration plus restrictive dans les pays de l'OCDE et une législation révisée de la migration.

La littérature existante sur la relation migration-commerce a identifié deux canaux, la préférence et les réseaux, parmi lesquels la migration affecte le commerce. L'augmentation des importations des pays hôtes résulte de la «préférence» de quelques produits de terroir. De l'autre côté, les «réseaux» des immigrants favorisent de nouvelles opportunités de commerce soit en réduisant les couts de transactions de commerce, soit en améliorant les informations des réseaux ou bien en modérant les échecs institutionnels des relations commerciales. Les réseaux sont capables de réduire les couts intrants des entreprises lors de leurs fondations dans un nouveau marché ou de diminuer les couts de commercialisation des produits au cas où des informations des flux sont fournies, puis contribuer à l'augmentation des ventes dans des marchés existants.

Deux études de cas ont été établies pour tester les hypothèses déjà mentionnées. Elles incluent la France (étant le pays de destination) et l'Égypte (étant le pays d'origine). La France contient un stock de 7.5 million d'immigrants, formant approximativement 12% de la population, ce qui rend la France l'un des six premières destinations de l'OCDE en 2014. La France a été choisie dans cette étude vue l'existence de relations historiques avec les majorité des pays d'origine de ses immigrants tels que le Maghreb et L'Union Européenne. Par contre, on compte environs 4 millions d'émigrants égyptiens vivants à travers le monde. Les égyptiens présent dans le monde arabe consistent de 72% du stock total national à l'étranger en 2013, tandis qu'ils ne représentent que 10% dans les destinations Anglo-saxonnes.

Adressant les hypothèses mentionnées, l'influence des profils individuels des immigrants dans la formation des effets commerciaux est étudiée tout en considérant le niveau d'éducation, le degré de maîtrise de la langue, et la situation professionnelle (travailleurs indépendants contre travailleurs salariés). De même, une analyse des effets de l'intégration sociale des immigrants dans les pays de destinations est effectuée en se concentrant sur la durée d'habitation, l'âge d'arrivée, et l'acquisition de la citoyenneté. Finalement, une interaction des caractéristiques des migrants et le processus de migration accompagnés de la proximité et relations historiques entre les pays sont établis afin de trouver une meilleure compréhension des caractéristiques impliquant le lien entre le commerce et la migration.

Les données montrent que le stock de migrants en France a continué d'augmenter depuis les années 1960, avec 2 décennies de stabilisation. Le stock des migrants le plus récent a atteint 7,6 millions en 2013. En outre, en termes d'entrées annuelles moyennes, environ 220 000 personnes le long de la période d'analyse 2000-2013, avec 51 % en provenance de l'Afrique, et 34 % de l'Europe. Le regroupement familial représente la principale motivation pour l'immigration en France. Égypte, d'autre part, a enregistré quelque 4 millions de personnes vivant dans le monde entier. Égyptiens vivant dans les pays arabes principalement migrent car ils sont forcés par des facteurs économiques et matériels, alors que les migrants dans les pays occidentaux cherchent le développement professionnel et échappent à la corruption perçue et les préjugés sociaux existants en Égypte. Les chiffres du commerce pour la France montrent que les principales destinations des exportations sont des pays de l'UE. Les produits exportés sont la plupart du temps manufacturés. En ce qui concerne les flux d'importation, les pays de

L'UE occupent à nouveau le haut du classement en tant que fournisseurs principaux, ainsi que les Etats-Unis. Les exportations et les importations à destination et en provenance des pays MENA3 (Algérie, Maroc et Tunisie), montrent en particulier une action d'environ 1% du total des exportations et des importations, bien que les exportations ont augmenté de façon significative en volumes le long de la période d'analyse.

Des chiffres similaires pour l'Egypte entre 2000 et 2013 montrent que les partenaires à l'exportation de l'Egypte se sont déplacées vers les pays arabes, par opposition à ceux de l'UE. Par rapport aux importations, en 2013 Emirats Arabes Unis et le Koweït jouent un rôle de premier plan en tant que fournisseurs remplaçant les pays Anglo. Les flux commerciaux entre l'Egypte et les pays arabes comprennent des échanges bilatéraux de produits manufacturés et des importations de ressources naturelles (produits à base pétrolière). Les flux commerciaux avec l'UE, les Etats-Unis, le Canada et le reste des partenaires commerciaux montrent des échanges de produits manufacturés et des exportations de produits alimentaires et des préparatifs.

Cherchant à accueillir l'effet des préférences et des réseaux susmentionnés, la littérature disponible a étendu le cadre de l'équation de gravité en introduisant le stock des migrants comme une variable supplémentaire en mesure d'augmenter le volume du commerce bilatéral. Nous étendons l'analyse en introduisant des caractéristiques relatives aux migrants, liées à leur profil particulier et les caractéristiques d'intégration sociale et de leur interaction avec la proximité. Construisant sur un modèle de gravité étendu, le rôle de la proximité sur les effets de création d'échanges de migrants est testé. Des équations supplémentaires ont été utilisées pour tester les effets des profils des migrants sur la relation entre le commerce et la migration. Le niveau d'éducation (enseignement supérieur par rapport à l'éducation non tertiaire), activité professionnelle (travailleur autonome par rapport salarié), et le niveau de compétence linguistique montré par les migrants ont été utilisés à cet effet. De plus, les équations permettant d'enquêter sur le rôle de la durée d'habitation, l'âge d'arrivée au pays d'accueil, et l'acquisition de la nationalité par les immigrants, ont également été utilisés pour tester l'impact de l'intégration sociale.

Résultats pour la France

Collectivement, le stock de migrants montre un effet positif dans la création de nouveaux flux commerciaux. Les résultats montrent comment les principales régions

d'origine des immigrants en France, à savoir les pays de la région MENA et de l'UE, montrent un effet favorable supplémentaire au commerce (plus élevé dans le cas des pays de l'UE). Les résultats montrent la présence des effets des réseaux et des effets des préférences à propos de la liaison commerce-migration. Ces résultats montrent également que les immigrants bien dotés créent plus de connexions et échanges commerciaux avec leurs pays d'origine. Cependant, ceux qui sont hautement intégrés vont subir un effet de ralentissement en facilitant de nouveaux échanges commerciaux. Les attachements historiques et leurs interactions avec les issues sociales et personnelles des immigrants semblent être un obstacle dans la création de nouveaux flux commerciaux entre les pays.

Résultats pour l'Égypte

Sachant que l'Égypte est le pays d'origine, l'intérêt principal dans ce cas varie. Les flux des immigrants de l'Égypte, les exportations et importations de ce pays forment l'intérêt principal. Un effet pro-commerce des émigrants égyptiens qui permet d'augmenter les exportations de l'Égypte pourrait refléter l'existence d'effet préférence et réseaux, tandis qu'une augmentation des importations montrerait un effet de réseaux sur le net.

Les résultats montrent clairement un effet pro-commerce d'émigrants installés autour du monde pour le stock total de émigrants dans le modèle. Le cas de l'Égypte pourrait renforcer les données du rôle des attachements de proximité et des attachements historiques, en promouvant de nouveaux échanges commerciaux des migrants. Les caractéristiques personnelles des migrants semblent être d'importantes variables formant la création du commerce.

L'enquête existante continue de surligner les bénéfices économiques de l'immigration. Avec le changement des opinions politiques de la migration et les modifications apportées aux législations de migration dans la plupart des pays de l'OCDE, les conclusions de ce document ajoutent une dimension à prendre en considération. Les principaux résultats montrent que les liens historiques conduisent à des stocks de migrants plus élevés à des destinations particulières et les réseaux d'immigrants ont une claire capacité de donner lieu à de nouveaux échanges commerciaux.

En termes de politiques, les résultats identifient d'importantes questions. En général, les immigrants signalent des avantages évidents pour les pays de destination et d'origine en créant de nouveaux échanges économiques sur les marchés internationaux, une question importante en période de crise économique et des turbulences politiques. Les liens

historiques entre les pays ont été également avéré avoir un impact, d'une vue économique, mais aussi des dimensions sociales et politiques.

La migration commune et les politiques commerciales devraient être mieux pensé en tant que des questions interdépendantes, avec la migration montrant des effets économiques importants pour les pays d'émigration et immigration, mais aussi servir comme des réseaux pour la transmission d'autres questions politiques et sociales.

CHAPTER 1: RESEARCH PAPER

THE ROLE OF VICINITY LINKAGES IN THE EU-MED REGION FOR TRADE GROWTH: FOCUS ON MIGRATION, LEVEL OF EDUCATION, AND SOCIAL INTEGRATION

by Andres Artal-Tur, Vicente Pallardó-Lopez, John Salevurakis, Mona Said

Abstract

In this paper we explore the role of proximity and vicinity ties in the trade-migration nexus for the Mediterranean (MED) region. First, we test if a long-lasting history of immigration flows towards particular destinations influences the size of trade creation effects. Second, we investigate the role of migrants' characteristics in this process, including the level of education, language proficiency, and professional background. Third, we explore how social integration of migrants impacts on related trade effects according to the length of stay at host countries, the age of arrival, and the acquisition of the national citizenship. Our methodology builds on gravity extended equations through panel data techniques in order to cope with unobserved heterogeneity issues. We also address endogeneity problems through an Instrumental Variables (IV) approach. Results provide policy recommendations for the MED region, showing how granting access to specific groups of migrants can result in positive economic outcomes for host and home countries.

Keywords: historical corridors, trade-migration nexus, individual profiles, social integration, economic impact.

JEL class: F14, O15, O24.

1. Introduction

The stock of foreign-born people in OECD countries was 125 million in 2015 with international flows regaining pre-financial crisis levels (OECD, 2016). Inflows of foreign people make important contributions to Western societies. Migrants push technological progress, with foreign-born people representing 22% of entries into strongly growing occupations in the United States and 15% in Europe, including health-care occupations and STEM-related jobs (Science, Technology, Engineering and Mathematics). Simultaneously, migrants are filling jobs seen by domestic workers as unattractive or lacking career prospects, including a quarter of new entries to the most declining occupations in Europe (24%) and the United States (28%). In this way, migrants contribute to higher levels of labour market flexibility in OECD countries, notably in Europe (OECD, 2014a). Migrants help to refashion ageing Western population structures, altering existing age pyramids, as new arrivals tend to be more concentrated in the younger and economically active age groups. Migrants therefore contribute to reduce the dependency ratios (Gagnon, 2014), and

by providing skills and abilities increase the stock of human capital (OECD, 2014b). The proportion of highly educated immigrants in OECD countries is rising sharply with the number of tertiary-educated people increasing over the past decade by 70%, reaching 33 million in 2014, with about 7 million arriving in the past five years (Damas de Matos, 2014).

Recent work on the fiscal impact of migration for advanced OECD countries also suggests that people arriving over the past fifteen years have on average an impact close to zero, rarely exceeding 0.5% of GDP in either positive or negative terms (Liebig and Mo, 2013). In many countries, except those with a larger share of older migrants, migrants often add more in taxes and social contributions than they receive in individual benefits. This is particularly evident when the migrant population arrives for working purposes. Even in the case of less-educated immigrants, the difference between their contributions and the benefits they receive in relative terms to their native-born peers averaged net positive positions (OECD, 2013).

All those issues help to illustrate the positive contributions of immigrants to their host countries, a common topic revisited in academic literature (see, i.e., Artal, Peri and Requena-Silvente, 2014). However, migration policy has become more restrictive in OECD countries since the beginning of the financial crisis, with a number of countries revising their migration legislation in response to evolving patterns of migration and to the changing geopolitical environment (OECD, 2015a). In this context, it is important that scientific research continues highlighting the positive effects linked to migration flows for host and home countries. In particular, and in the context of the European Union countries and their neighbourhood, the present paper focuses upon the economic contribution of immigrants through the trade-migration nexus. After this introduction, section 2 reviews the specific literature on the trade-migration linkages, and how proximity ties between countries could be amplifying the positive outcomes of migrants. Section 3 introduces data for the two case studies, France and Egypt. Section 4 explains the empirical model and estimation procedure. Section 5 presents and discusses the main findings of the analysis, while section 6 concludes and offers policy recommendations.

2. Literature review

After the pioneering work of Gould (1994), academic literature began exploring the relationship between trade and migration flows (Rauch, 1999; Head and Ries, 1998). Migrants arriving at new destinations maintain links with their origin countries, being able

to reduce bilateral fixed trade costs (Rauch, 2001). The pro-trade impacts of migration flows arise via two main channels. The first is the "preference" of immigrants for some type of familiar "home-made" products, foodstuff, tools and apparels. This results in host countries experiencing an increase in imports. The second path impacts both import and export flows and is defined as the "network" channel. In this case, networks of immigrants promote new business opportunities by reducing transaction trade costs, i.e. improving information channels or moderating institutional failures in business relationships. Examples of this would be security and/or arbitrage issues. In the "network approach", the basic idea is that information costs are a major component of the fixed costs firms have to pay to enter a new market. International networks of people should obviously be a great help in reducing these costs. Arrivals from a foreign country open new business opportunities. People can then identify new products still not present in their home markets, help foreign firms to learn about consumer preferences, and develop the necessary contacts to build a distribution network for foreign products. Migrants might even help with the financial constrains faced by companies abroad (Briant et al, 2014; Egger et al., 2012). Seeking to accommodate this type of effect, the literature has extended the gravity equation framework by introducing the stock of migrants as an additional covariate affecting the volumes of bilateral trade (Bratti et al, 2014).

Particularly, people's networks can increase trade through the intensive and extensive margins. Networks are able to reduce the entry costs of firms when establishing a presence in a new market (extensive margin). Networks also decrease the costs of commercialisation of products given the information flows provided and contribute to more sales in existing markets (intensive margin) (Coughlin and Wall, 2011). More recent literature on firm-level data has shown the existence of an important degree of heterogeneity in foreign markets which must be understood when starting to export (Eaton et al, 2011). Some specific relationship between firms and migrants of the same origin country could then be influencing the internationalisation of companies thus increasing the likelihood of new export entries (Lawless, 2009; Eaton et al, 2011). Conditional upon entry, the presence of migrants in a foreign market also appears to explain how much a firm is selling there. Larger stocks of immigrants in a given destination would help firms to overcome such start-up and commercialisation costs thereby increasing the intensity of exports. Countries with closer historical ties, resulting in larger stocks of immigrants, would then be expected to show higher trade effects (Bastos and Silva, 2012).

Building on a previous investigation of the authors (Artal-Tur, Ghoneim and Peridy, 2015), the present paper continues exploring the role of historical ties and proximity issues between countries in fostering the pro-trade effect of migrants.

A good laboratory for testing the effect of relatedness in the trade-migration linkage is by selecting a case study. In our case, we focus on that of France and Egypt. France has a stock of 7.5 million immigrants living in the country, around 12% of the population, being one of the six top OECD destinations in 2014. It therefore accounts for a significant number of Maghreb and EU immigrants, constituting around 70% of total stock of foreign people in this country, with these two regions exhibiting closer historical ties with France (INSEE and OECD databases). In the case of Egypt, emigrants account for some 4 million people living around the world. Main destinations are those of neighbouring Arab oil-exporting countries, and more distant Anglo-Saxon nations as the USA and Canada. In Arab countries, Egyptian emigrants present lower education levels on average and the migratory experience is historically temporary, accounting for 72% of total national stock abroad in 2013. In Anglo-Saxon destinations, migrants self-select, showing higher levels of education and usually arriving for more permanent purposes, then accounting for 10% of people abroad (IOM, 2010; OECD databases).

The analysis of these two cases will allow us to address some important issues. First, we are interested in knowing how historical ties impact the size of the pro-trade effects encountered. We wonder specifically, as the theoretical literature suggests, if such bilateral relationship and migration corridors create additional trade-enhancing effects linked to market specificities (Bastos and Silva, 2012). Moreover, recent empirical research points to the existence of a minimum threshold of migrants such that, when the percentage of migrants in the host territory is relatively small, migrants would not be showing any significant impact on trade. This literature also shows the role played by social features of immigrants in shaping the size of the referred threshold, as determining the degree of interaction between foreign-born people and natives. In this way, that threshold appears to be sensitive to the nationality of migrants, suggesting that cultural differences matter in the trade-migration nexus (Barra et al., 2016). In this context, historical corridors of people leading to higher stocks of particular origin immigrants at particular destinations would be resulting into an additional trade effect. This is the first hypothesis in our investigation. The second hypothesis focuses on the potential influence of the profile of the immigrant and his/her degree of social integration in affecting the size of the pro-trade effect arising.

In this framework, the effect of the profile of migrants would be tested according to level of education, language proficiency, and professional situation (self-employed or wage-earner). The effect of social integration of immigrants on trade creation is then approached by the length of stay at destination, the age of arrival, and the acquisition of country citizenship. Finally, we will combine these particular characteristics of migrants and the migration process with proximity and historical linkages between countries to get a deeper understanding of the migration and trade linkages.

3. Trade and migration data sources and key features

3.1 Data sources

In this section we describe data on migration and trade flows for France and Egypt. We have tried to build a quite homogeneous data set for the study, despite employing several information sources. However, we are aware of the limitations that usually characterize migration data, given the difficulties appearing while collecting statistics, or the lack of an established international guiding methodology for building data (Fargues, 2014).

In the case of France, migration data has been extracted from four main sources, OECD migration databases on-line¹, International Migration database², and National Census data³, together with UN migration database. Data account for annual stocks in the period 2000 and 2013.⁴ Data only include legal entrances, defining a migrant as a foreign-born person, that is, an individual born abroad with foreign citizenship at birth.

Migration flows from Egypt are extracted from several sources, including International Organization for Migration (IOM), Central Agency for Public Mobilization and Statistics (CAPMAS), OECD migration databases, and UN migration database (see next section for further details). Egypt is one of the largest emigrating countries in the world, although the existing figures of people's flows might be underestimated, given existing differences between official statistics in sending and receiving countries of emigrants.⁵

Other data sources for France include the following: Trade data comes from UN COMTRADE database in HS 2007 classification.⁶ GDPs are from WDI-World Bank

¹ Database on Immigrants in OECD countries (DIOC).

² <http://www.oecd.org/migration/mig/oecdmigrationdatabases.htm>

³ INSEE database: <http://www.insee.fr/en/bases-de-donnees/default.asp?page=recensements.htm>

⁴ 2013 is the last year with available information to the date of writing the paper.

⁵ As an example, according to Egyptian consular statistics, in 2009 there were 6.5 million Egyptian migrants abroad, while official statistics account for around 3 million (Fargues, 2013, p. 75).

⁶ <http://comtrade.un.org/data/>

database.⁷ Bilateral trade agreements dataset is taken from Prof. Jeffrey H. Bergstrand website⁸ and World Trade Organization.⁹ Euclidean distance, common official language, and past colony matrices are taken from CEPII database¹⁰ and data set from website of Prof. Thierry Mayer.¹¹ The border dummy is built for every country according to its geographical location.

Trade and gravity-type data for Egypt come from the same sources as in the French case. Regarding migration stocks, level of education of emigrants and stay length at destinations for Egyptian emigrants, we employ data from several sources, including National Census (CAPMAS), International Organization for Migration (IOM), UN database¹², CARIM Project (European University Institute), OECD databases, and ILO.¹³ Definitions for these variables follow the French case. The analysis is somehow more limited than in the case of France given the data restrictions faced in the case of Egyptian emigrants in foreign countries.

In the case of France, educational level of immigrants uses data from INSEE, OECD (2014, 2015) and OECD databases. Data on shares of self-employment of migrants comes from the European Union Labour Force Survey (EU-LFS), OECD databases, Eurostat, and DG Migration and Home Affairs of the European Union. Data for language proficiency of immigrants comes from OECD/EU (2015), European Union Labour Force Survey (EU-LFS), DIOC database and Eurostat (2011). Social integration measures of immigrants employ data from INSEE, the European Union Labour Force Survey (EU-LFS), OECD databases, Eurostat, OECD (2012) and PIAAC (2012).

3.2 Summary statistics

Tables 1 to 4 show the main trends of people and trade flows in the two countries of study, France and Egypt. The stock of migrants in France sharply increased from 1960 to 1980, from 3.5 to 6 million, stabilizing until the early 2000s, when it slightly return to grow again up to 7.6 million recorded in 2013. It currently accounts for about 12% of the French population. In terms of average annual entrances, they are of about 220,000 individuals

⁷ <http://databank.worldbank.org>

⁸ <http://kellogg.nd.edu/faculty/fellows/bergstrand.shtml>

⁹ <http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx>

¹⁰ http://www.cepii.fr/CEPII/fr/bdd_modele/bdd.asp

¹¹ <http://econ.sciences-po.fr/thierry-mayer/data>

¹² <http://www.un.org/en/development/desa/population/migration/data/index.shtml>

¹³ <http://www.ilo.org/>

along the period of analysis 2000-2013. Table 1 shows that among immigrants' stock, 51% comes from Africa, and 34% from Europe, mainly from the EU countries. In the first group, migrants are mostly from Algeria, Morocco, Tunisia, and Turkey, while in the second group they arrive from Portugal, Italy, Spain and to a lesser extent from Germany, the United Kingdom and Belgium. Family reunification still represents the principal motivation of immigrants arriving to France, for 59% of total inflows in 2013, down from 73% in 2004. Conversely, people's inflow for working purposes have increased from 5% to 22% over the same period, mainly originating from non-EU countries (Africa (50%), Asia (30%) and Europe (20%)). The 80% of the permanent workers include migrants in the country changing their status (i.e. from student to permanent worker). Free-movement (EU space) immigration also account for an important number of arrivals in the country, roughly 20% of arrivals (35% in 2012) (Peridy, 2012).

In general, table 1 let us see that African and European people use to find citizenship to a certain extent (61% and 40%, respectively), they show longer stays of more than 10 years (72% and 62%, respectively), their educational attainment is secondary or lower (85% and 71%, respectively), being self-employed exceptionally (14% and 10%, respectively). Half of them show native-speaker competences for both origin of migrants, and arrived adult in 60% of cases, with age of 15 years old or higher. EU8 countries inflows as defined in table 1 accounted for 26% of total stocks of migrants in France, while this number was of 40% for MENA5-born people.

Table 2 presents the migration flows of Egyptians. In the early 1990s more than 1 million people returned to Egypt from Kuwait and Iraq due to the Gulf War. However, with the end of the war, the number of emigrants increased again reaching 2.9 million in 1999, remaining relatively constant until today. The stock of legal migrants abroad roughly represents 4.5% of the Egyptian population (United Nations, 2013). Historical differences exist between permanent and temporary migrants from Egypt. Temporary emigrants settle in Arab countries, where they arrive for working purposes. The main reason for this move is accumulate savings for investments and marriage purposes among return. Emigrants of this type are 97% males, with 42% of them having primary and low-secondary education level, and showing mean stay duration of around 9 years. This type of emigrants forms the bulk of Egyptian emigrants abroad (Sika, 2010).

On the contrary, permanent emigrants choose Anglo-Saxon countries to live, such as USA, Canada or Australia. Permanent migrants expect to bring their whole family along with

them in the near future. This type of migrants are highly self-selected, where 78% per cent of migrants to the USA have finished tertiary education or 70% to Australia, in contrast with nationals living in Egypt, where just 10% of the population have a university degree. Gender diversity is more persistent in permanent migration, with 40% of migrants being females. The mean stay for permanent migrants is 15 years, and cultural assimilation appears to be higher for a number of reasons such as higher distance to home society, younger age of people, or more liberal ideas characterising this group of emigrants (Bachi, 2014; Fargues, 2013).

Emigrants in Anglo-Saxon countries show higher potential in finding a job in the whole spectrum of industries, meanwhile in Arab countries access to jobs is a more regulated issue¹⁴. This fact could improve the life conditions by expanding assimilation opportunities of emigrants while being abroad, fostering the duration of the stay. Egyptians living in the Arab countries mostly declare to migrate responding to economic and material needs, while migrants in the Western countries declare to seek for achieving professional development, living an adventure, and escaping the perceived corruption and social prejudices existing in Egypt (Bachi, 2014; IOM, 2010).

Table 2 further shows stocks of Egyptian migrants in Arab countries to be mainly located in Saudi Arabia (with around 1.3 million emigrants), Jordan (711000), United Arab Emirates (276000), Kuwait (182000), Qatar (143000) and Lebanon (102000). In Western countries emigrants prefer to settle in the USA (389000 emigrants), Canada (141000), Italy (108000), Australia and the United Kingdom (around 40000 each). The share of emigrants in Arab countries account for 72% of total people abroad, while Egyptians in Anglo-Saxon countries represent 8% of the total.

According to official IOM data, the number of temporary migrants in 2013 was of around 2.2 million people. Egypt is the largest country of origin of the migrant workers to Arab countries, with 10% of Egyptian labour force residing in Arab countries (Wahba, 2007). Migrants to European countries represented 3% of temporary migrants for the same year, of whom 72% arrived to Italy, and 17% to Greece. Regarding Egyptian permanent migrants, and contrary to the French case, these are not as important as temporary migrants, preferring to go to Western countries, including the EU and Anglo-Saxon ones, although Gulf countries are increasingly becoming place of permanent residence of

¹⁴ In Arab countries Egyptian and other immigrants work under the *Kafeel* system, where local sponsors, both public and private, organise their working conditions (IOM, 2010).

Egyptian emigrants. From all migrants, those with tertiary education represent around 38% of total, while low educated are about 32% of them. Finally, the current situation in most Arab and North African countries, such as Libya, Tunisia, Jordan, Syria, or some countries in the Gulf, has brought many uncertainties to people's movements in the area, with more than 500,000 refugees staying at the Libyan-Egyptian border (Ghoneim and El-Deken, 2012).

Trade figures for France show that the five main destinations of exports are EU countries, i.e. Germany, Italy, Spain, and the UK, as well as the USA (table 3). Exported commodities are mostly manufactures, including aircrafts, electrical and electronic equipment, mechanical appliances, motor vehicles, chemical, plastics, pharmaceutical products, textiles, iron and steel, as well as optical devices. Exports to MENA 3 countries (Algeria, Morocco, and Tunisia), show a particular share of around 1% of total exports, although they have grown significantly along the period of analysis.

In regards to import flows, EU countries again occupy the top of the ranking as main providers, together with the USA. The MENA 3 countries show a similar share for imports and exports, although sales to France do not show the same growth trend than in the case of exports. The import structure by product category includes the same type of manufactures, in a typical intra-industry two-way trade with their main partners. Some food products and aliment preparations can be distinguished in trade flows with MENA countries in the case of imports.

In the case of Egypt, data in table 4 shows that the main trade partners are Italy, USA, France and Saudi Arabia for exports, adding Germany for imports. Between 2000 and 2013, export partners of Egypt have shifted towards Arab countries versus the EU ones. For imports, in 2013 Anglo-Saxon countries were losing ground as providers, while UAE and Kuwait took a leading role. Trade flows between Egypt and Arab countries include bilateral exchanges of manufactures and some imports of natural resource (oil)-based products. Trade flows with the EU, the USA, Canada and the rest of commercial partners show exchanges of manufactures and some exports of food-items and preparations.

4. Econometric model and definition of variables

In this section we define the empirical framework to study the trade creation effects of migrants. Prior to discuss the model specification, table 5 provides information on the variables employed in the estimation procedure. Proximity and historical ties between

countries consolidate a regular flow of people. Larger stocks of immigrants at particular countries increase their economic effects, i. e. mobilizing new trade exchanges. Building on a gravity extended model, we test for the role of proximity issues in the migration-trade linkage. We extend the analysis by introducing some attributes of migrants, related to their particular profile and social integration features, interacting them with proximity issues.

Equation (1) shows the general specification of the extended gravity model of trade:

$$\ln(\text{Trade}_{ijt}) = \beta_1 \ln IM_{ijt} + \beta'_1 \ln IM * \text{REGION}_{ijt} + \beta_2 \text{GDP}_{it} * \text{GDP}_{jt} + \beta_3 \text{trade agreement}_{ijt} + \beta_4 \ln \text{distance}_{ij} + \beta_5 \text{common lang}_{ij} + \beta_6 \text{past colony}_{ij} + \beta_7 \text{border}_{ij} + \beta_{it} + \beta_{jt} + \beta_{ij} + \varepsilon_{ijt} \quad (1)$$

The parameters of interest in the investigation include (β_1), showing the trade effect of the whole stock of migrants for France and Egypt, and (β'_1) capturing the additional trade effect of each particular region of origin specified in the model. The sets of dummies in the model ($\beta_{it}, \beta_{jt}, \beta_{ij}$) help deal with common problems arising in panel data exercises, such as omitted variables, third-party effects, multilateral resistance, or any remaining heterogeneity bias (Baier and Bergstrand, 2007; Egger et al, 2012).

Further, we test for additional effects related to the profile of migrants and social integration treats of people living in France, or leaving Egypt, in order to obtain deeper understanding about how these variables affect the trade creation process. In particular, for the case of France we will test for the following specifications of the model:

$$\ln(\text{Trade}_{ijt}) = \beta_1 \ln IM \text{tert_edu}_{ijt} + \beta_2 \ln IM \text{non tert_edu}_{ijt} + \beta'_1 \ln IM \text{tert_edu} * \text{REGION}_{*ijt} + \beta'_2 \ln IM \text{non tert_edu} * \text{REGION}_{ijt} + \beta_3 \text{GDP}_{it} * \text{GDP}_{jt} + \beta_3 \text{trade agreement}_{ijt} + \beta_{it} + \beta_{jt} + \beta_{ij} + \varepsilon_{ijt} \quad (2)$$

$$\ln(\text{Trade}_{ijt}) = \beta_1 \ln IM \text{self_employed}_{ijt} + \beta_2 \ln IM \text{non self_employed}_{ijt} + \beta'_1 \ln IM \text{self_employed} * \text{REGION}_{ijt} + \beta'_2 \ln IM \text{non self_employed} * \text{REGION}_{ijt} + \beta_3 \text{GDP}_{it} * \text{GDP}_{jt} + \beta_3 \text{trade agreement}_{ijt} + \beta_{it} + \beta_{jt} + \beta_{ij} + \varepsilon_{ijt} \quad (3)$$

$$\ln(\text{Trade}_{ijt}) = \beta_1 \ln IM \text{language_proficiency}_{ijt} + \beta_2 \ln IM \text{non language_proficiency}_{ijt} + \beta'_1 \ln IM \text{language_proficiency} * \text{REGION}_{ijt} + \beta'_2 \ln IM \text{non language_proficiency} * \text{REGION}_{ijt} + \beta_3 \text{GDP}_{it} * \text{GDP}_{jt} + \beta_3 \text{trade agreement}_{ijt} + \beta_{it} + \beta_{jt} + \beta_{ij} + \varepsilon_{ijt} \quad (4)$$

Equations (2), (3) and (4) test for the individual effects linked to the profile of migrants on the trade-migration nexus, according to their level of education (tertiary versus non-tertiary education), professional occupation (self-employed versus wage-earner), and level of language proficiency shown by the migrants, respectively.

Additional specifications are defined in equations (5), (6) and (7) allowing to investigate the role of stay duration, age of arrival at host countries, and acquisition of the citizenship by immigrants, respectively. In particular, equations to be tested are as follows:

$$\begin{aligned} \ln(\text{Trade}_{ijt}) = & \beta_1 \ln \text{IM long_stay}_{ijt} + \beta_2 \ln \text{IM short_stay}_{ijt} + \beta'_1 \ln \text{IM long_stay} * \text{REGION}_{ijt} \\ & + \beta'_2 \ln \text{IM short_stay} * \text{REGION}_{ijt} + \beta_3 \text{GDP}_{it} * \text{GDP}_{jt} + \beta_3 \text{trade agreement}_{ijt} + \beta_{it} \\ & + \beta_{jt} + \beta_{ij} + \varepsilon_{ijt} \end{aligned} \quad (5)$$

$$\begin{aligned} \ln(\text{Trade}_{ijt}) = & \beta_1 \ln \text{IM arrived_children}_{ijt} + \beta_2 \ln \text{IM arrived_adults}_{ijt} \\ & + \beta'_1 \ln \text{IM arrived_children}_{ijt} * \text{REGION}_{ijt} + \beta'_2 \ln \text{IM arrived_adults}_{ijt} * \text{REGION}_{ijt} \\ & + \beta_3 \text{GDP}_{it} * \text{GDP}_{jt} + \beta_3 \text{trade agreement}_{ijt} + \beta_{it} + \beta_{jt} + \beta_{ij} + \varepsilon_{ijt} \end{aligned} \quad (6)$$

$$\begin{aligned} \ln(\text{Trade}_{ijt}) = & \beta_1 \ln \text{IM citizenship}_{ijt} + \beta_2 \ln \text{IM non_citizenship}_{ijt} + \beta'_1 \ln \text{IM citizenship} * \text{REGION}_{ijt} \\ & + \beta'_2 \ln \text{IM non_citizenship} * \text{REGION}_{ijt} + \beta_3 \text{GDP}_{it} * \text{GDP}_{jt} + \beta_3 \text{trade agreement}_{ijt} \\ & + \beta_{it} + \beta_{jt} + \beta_{ij} + \varepsilon_{ijt} \end{aligned} \quad (7)$$

Composition of REGION(s) are defined for each equation in the footnotes of particular tables of results. In general these include MENA countries, Arab countries, EU countries, and North American countries (USA and Canada). Regional groups defined in each table would highly depend on data availability. In any case we are also interested in extending the knowledge on how proximity issues in the trade-migration framework could be influenced by personal characteristics of migrants and social integration issues at host countries. In the case of Egypt and given data limitations we will test for equations (1), (2) and (5). The model is estimated for the period 2000-2013 for bilateral annual trade flows between France and 92 partner countries, including OECD countries, MENA countries, South American countries, and Asian countries. In the case of Egypt, we employ the same time period (2000-2013), with 68 commercial partners, including Arab, European, Asian and American countries.

As in the case of education, we choose to define variables employing a significant threshold that could provide interesting results in policy terms, so stay of immigrants reflects a long period (10 years or more) and level of education shows the higher attainment level (tertiary¹⁵) in the education system. Foreign-born people arrived children includes those below 15 years old, while those arriving adult include the rest of foreign-born immigrants (OECD, 2015a). Regarding data on citizenship acquisition by immigrants we have employed further information from Eurostat (2011).

¹⁵ Tertiary educational level is defined as those people attaining ISCED levels of 6, 7 and 8 according to UNESCO (2011) classification, showing data on individuals holding a Bachelor Degree or higher.

Once defined the methodological issues in the investigation, we start by estimating trade equations for exports and imports, testing for the role of proximity issues in the linkage between migration and trade. As we estimate equations for imports and exports separately, we can observe the predominant channel through which this linkage operates, network or preference. If we obtain a positive coefficient of immigration on imports, but not on exports, it will reveal that mostly the preference effect arises. If we obtain a positive coefficient for both trade flows, but bigger for imports, network, cost and information related, channel can be thought to be symmetrical in exports and imports, while the preference effect will account for the difference between these two coefficients. If the coefficient appears to be bigger or even similar for exports than for imports, the network effect can be thought as the prevailing one.¹⁶ However, it is important to note that the focus of the present paper is not in identifying the particular channels driving the migration-trade link, but on getting new evidence on the role played by proximity and historical ties between countries in this setting (Eaton et al, 2011; Bastos and Silva, 2012).

5. Results and discussion

5.1 Results for France

Results of the general model specification for France are presented in table 6. Column (1) for exports shows the OLS results of the gravity equation, and given that the model follows a log-log specification, estimated parameter values represent elasticities. Aggregate effect of the stock of immigrants is shown to be positive in creating new trade flows, with an increase of the whole stock of immigrants in 10% leading to a growth in exports of around 2.0% (0.2 elasticity). Breaking-down the stock of immigrants by particular regions, we get a deeper understanding of the role played by historical relationships and proximity ties in promoting new trade exchanges. Results show how the main origin regions of immigrants in France, MENA5 and EU8 countries, present an additional pro-trade effect, this being larger in the case of EU countries. Elasticities are shown to be important for these two regions, with a value of 6.8% for the former group and 8.3% for the latter. Gravity covariates, as GDPs and distance, behave in the expected direction with positive and

¹⁶ These results rely on the assumption of symmetry of the network effect in both imports and exports equations. This is a common point in this literature that allows to identify the two existing channels of the migration-trade link, based on the conclusions of the studies of White and Tedesse (2007) and Rauch (2001). However, as discussed later, we can also hypothesise non-symmetric network effects in the model, or even preference effects embodied in exports of host country coming from home-based consumption of nationals living abroad (see i.e. Tai, 2009 for a discussion along this line).

negative signs respectively. Other control variables for bilateral ties in trade relationships, such as trade agreements, common language, colonial links, or sharing borders, also appear to influence trade flows in all cases, reflecting the role of geography, history, and international agreements in promoting economic exchanges.

Column (2) of table 6 shows the PPML specification, with fixed effects seeking to capture the remaining unobserved ties between countries, including multilateral resistance terms (it, jt), and any other joint-countries commonalities (ij). In this way the model controls for unobserved heterogeneity and omitted variables issues (Baldwin and Taglioni, 2006; Felbermayr and Jung, 2009). The PPML estimator also faces loss of efficiency, due to the presence of zeros in trade and migration vectors, and heteroskedasticity issues as shown by Santos-Silva and Tenreyro (2006). Regarding time-variant measures, we maintain terms of bilateral trade agreements and country GDPs for comparability, and our variable of interest, the stock of migrants. Coefficients in column (2) show some improvements in robustness of estimates reflected in the R-sq value. The coefficient for total pro-trade effect of immigrants in exports for France drops to 14% showing some bias in OLS estimates, and the proximity ties of MENA5 and EU8 regions reduce their value to 5% and 2.5%, respectively. The additional effect on exports of ethnic networks remain slightly higher for EU than for MENA inflows of people, reflecting the relative position that both regions (MENA and EU) occupy as source countries of migrants to France and as destination markets for French exports.

Columns (3), (4) and (5) in table 6 address the issue of potential reverse causality and endogeneity problems between trade and migration variables in the model. Following the literature, we start by employing a GMM-IV panel data model taking the stocks of immigrants for year 1990 as instruments in column (3). Despite this type of instruments has been criticized, still represent useful instruments and small data demanding tools in this type of exercises. In fact, they have been extensively used for dealing with endogeneity problems in this type of models (see i.e. Clark et al, 2007; Peri and Requena-Silvente, 2010), with recent contributions showing how using stocks instead of flows reduces endogeneity problems due to reverse causality (Tai, 2009). Including the non-recent stock of immigrants of a given origin in a country allows to control for unobserved preferences of particular immigrants for some specific locations, for example those linked to income, trade and employment opportunities. More technically, stocks of non-recent immigrants could be correlated with present inflows of people, but uncorrelated with present trade

flows, showing the necessary exogeneity features to become a useful instrument in the IV approach (Steingress, 2015). Column (3) shows results for the model with non-recent stocks of immigrants as instruments for France as a whole and by selected nationalities (Briant et al, 2014). Moreover, standard errors are robust to arbitrary heteroskedasticity and autocorrelation issues (Baum et al, 2007).

The coefficient for the total stock of immigrants in France slightly reduces its value regarding column (2), as well as those related to specific areas in the study (MENA5 and EU8 countries). Drop in coefficients is of small magnitude regarding PPML estimates, showing zero problems in data not to be acute as presumed, given that this is an study for one single country and this type of problems are more present in larger datasets for multi-country analysis. Instruments appear to behave well in equation (3), with Kleibergen-Paap rk LM statistic rejecting the null hypothesis of underidentification, Wald F test rejecting the null of weak instruments or small correlation between 1990 stocks of immigrants and current stocks in the model, according to Stock-Yogo weak ID test critical values, and Hansen J test for validity of instrumental restrictions not being rejected, showing orthogonality between instruments and error term (Baum et al, 2007). Goodness of fit also improves in this equation, and results point towards direction of causation going from migration to trade, in line with previous literature (Gould, 1994; Hatzigeorgiou, 2010; Sangita, 2013). The result confirms the presence of additional trade effects for closer groups of immigrants in France, higher for the EU8 inflows than for MENA5 ones, a similar finding than in previous columns.

Columns (4) and (5) present additional strategy for coping with endogeneity problems in the model. In the spirit of Tai (2009), that instruments Swiss immigrant stock by relying on French immigrant stocks given their closer profiles, we opt for the reverse strategy by using Swiss stocks for instrumenting French ones. Immigration in France and Switzerland is very important for EU immigrants linked to free movements, including entrances from Germany, Italy, Spain and Portugal, despite France shows additional inflows from MENA countries as previously shown (see i.e. country notes in OECD, 2016). In this way, Swiss stocks are correlated with French ones, but not with French trade flows, making this a potential good instrument. Data for Swiss stocks of immigrants is taken from The Swiss Federal Statistics Office and the Swiss Federal Department of Foreign Affairs, following Tai (2009). Given that MENA5 immigrants are not represented in Switzerland stocks of migrants, we also employ stocks of MENA5 people in Spain to instrument for stocks of

MENA people in France, only for this particular covariate. Data from Spain is taken from INE (National Institute of Statistics), including Population Census data, Encuesta Nacional de Inmigrantes and Padrón Municipal. Instruments reflect again a good behaviour in terms of the three tests employed previously, with no problems in terms of under or overidentification issues, important correlations between instruments and migration covariates, and orthogonality between instruments and the error term. Pro-trade effects in column (4) maintain the value of the coefficient around 13%, with high level of significance. MENA5 additional effect is now of around 2.9% and those of EU8 immigrants account for 4.2%. Main findings of the model show Swiss migration to be a good instrument to cope with endogeneity of migrant's stocks in France as in the case of Tai (2009). Column (5) jointly instruments for lagged stocks of immigrants and Swiss, and Spanish, stocks, in line for example with Hatzigeorgiou and Lodefalk (2015). Results are very similar to PPML and columns (3) and (4), showing robustness of results regarding endogeneity due to reverse causality issues, with direction of effects being from migration to trade as shown by previous literature. In general, the three sets of instruments appear to perform reasonable well empirically, with over identification restrictions in column (5) appearing to be valid, with six instruments for three endogenous covariates (Baum et al, 2007), and results being in line with those of the literature.¹⁷

Columns (6) to (10) in table 6 present results for the imports equation. Stocks of immigrants appear to promote new imports in France, slightly of smaller magnitude than in the exports case, with elasticities around 9%-11% for the whole stock. Additional effects of immigrants from MENA5 and EU8 countries show coefficients of around 3% and 4%, respectively. IV Panel specifications in columns (8) to (10) show good behaviour of instruments. In general, results in table 6 show the role of business and social networks in creating new trade exchanges in France. Historical links and proximity ties between France, MENA5 and EU8 countries appear to be relevant in fostering trade flows, once controlled for potential endogeneity by using dummy and instrumental variables. General discussion of the results in table 6 in light of recent contributions of the literature brings a number of questions to the forefront. First, trade effects of immigrants in France as a whole appear to be higher in exports than in imports, what would be showing higher network (trade costs and information channels) versus preference (home-tastes) effects. However,

¹⁷ Tai (2009) even mixes immigrants stocks in France and Switzerland building a single instrument. In the present paper we take the spirit of Tai (2009) in selecting the instruments, but implement an IV approach in line with the recent proposal of Hatzigeorgiou and Lodefalk (2015).

as Tai (2009) noted, effects in exports could also be including some preference effects from French expatriates living abroad that would be demanding home-based goods, making both sources of trade creation more balanced in this case.

Second, regarding results for immigrants coming from MENA5 countries, coefficients for imports overcome those of exports, showing clear preference effects. Following theoretical framework in Tai (2009), the preference for home-based products of MENA immigrants could also be shared by French citizens, that would be acquiring these tastes in a "cultural transmission" effect. This fact would result in a (transplanted) preference effect reinforcing the increase in French imports. Such a process will lead to an enrichment of the national culture, with immigration seen as a way of adding new customs, and imports consumption, to host societies (Bowles, 1998). Third, in line with literature, the preference effect is usually linked to specific or differentiated goods coming from abroad (new products or new varieties), the kind of goods that nationals could more easily identify as coming from foreign countries, and immigrants miss and demand when they reach host countries. As a result, those merchandise exchanges are the first arising when new immigrants arrive to host countries, as they represent the most obvious opportunities for promoting new trade flows through immigrants networks and not along established international markets (Rauch and Trindade, 2002). In this way, preference effects would be related to networks of immigrants sharing information about demands for home-based products.

In sum, recent contributions in the literature would be showing how the boundaries between preference and network effects become less clear, as well as the impact of these two channels on imports and exports. In this regard it is interesting to note how all this brings to the debate the role played by the capacity of immigrants for promoting new consumption, and trade, at host countries, and that of the nationals in adopting such new customs or products brought by foreigners. At the same time, new products in France, for example, would be sent to MENA and EU countries, opening new markets for French exports. As a result, interaction, tolerance and cooperation, and permeability between cultures, becomes a key piece of the trade creation effects of networks of migrants, what brings back the focus to the core of this paper, trying to understand how proximity issues improves trade creation effects, once controlled for other potential sources pushing trade flows. In fact, results of the model provide evidence on the role played by such transmission process and receptive capacity between closer societies resulting in new trade flows, both through the preference and network channels, further from other traditional

proximity factors in literature such as colonial links or shared language. Further from this, trade creation in intra-industry and more complex goods or varieties would surely require higher qualification of immigrants or better access conditions to financial markets in order to develop their import-export entrepreneurial activity. To investigate such an important issue, along next section we will study how the profile of immigrant affects the trade creation effects.

In what regards trade effects of EU8 citizens in France, results in table 6 show similar coefficients for exports and imports of around 4%-5%, with business networks and information channels, majorly explaining the creation of new exchanges. Industrial and differentiated products compound the bulk of French trade exchanges, as shown in table 3, although as previously shown we cannot deny the existence of some preference home-based effects in exports and imports for some European citizens living in France and French people living in EU countries. In any case, pro-trade effects seem to be stronger for EU8 immigrants than for MENA5 ones, given the higher levels of proximity existing between French and EU people.

5.2 Individual profile of migrants and social integration effects

Previous findings on the trade-migration nexus and the role of proximity between countries have shown interesting results. However, emigrants differ in their personal characteristics, surely behaving in a different way once established at destination countries. In order to continue extending our knowledge on these issues, in this section we introduce new concepts in the analysis. First, we study how some characteristics of the immigrant, particularly the level of education (tertiary vs non-tertiary level of attainment), professional status (self-employed or not), and language proficiency, could influence the magnitude of the trade effect arising. Second, we extend the specification of the gravity model by testing for the role of social integration issues. In this way, we analyse how migrants enhance trade according to their length of stay at destinations (10 years or more being defined as a "long stay"), their age of arrival at the host country (when children, less than 15 years old, or when adults), and whether they receive the citizenship of the host country or not. In all cases, we also explore the interaction between the profile and social integration traits of the immigrant with proximity issues linked to their region of origin.

Table 7 shows results for the set of variables related to the profile of immigrants in France. All equations are IV panel estimates, with sets of instruments including both lagged stocks

of immigrants for each source region in the model (EU and MENA) and Swiss and Spanish stocks, according to the methodology defined in table 6. Data availability in this case leads us to restrict the regional approach to EU5 immigrants and MENA3.¹⁸ In general, results show that immigrants with tertiary education (Bachelor's degrees or higher) present the highest trade effects, although lower-educated arrivals also show positive and significant effects.¹⁹ Effects upon the exports side are shown to be higher than in the imports side (columns (1) and (4)). Tertiary educated pro-trade effects are shown to be higher for EU5 immigrants than for those coming from MENA3 countries both for exports and imports flows, showing perhaps the dissimilar opportunities faced by these two collectives when arriving to France, given overqualification problems of immigrants when joining labour markets in the first years of arrival (OECD/EU, 2015; OECD, 2013). Coefficients for non-tertiary educated immigrants are closer for MENA3 and EU5 inflows, showing positive trade creation effects of this collective too.

Columns (2) and (5) of table 7 include results for labour status of immigrants (self or non-self employed). For aggregate effect of immigrants, self-employed show half trade effects in exports (4%) than non self-employed (8%). In the imports side, self-employed by the contrary show higher coefficients and level of significance, apparently promoting the preference channel of trade. By regions, non-self employed immigrants, that account for 86% of MENA stock of immigrants in France and 90% of Europeans according to table 1, would be showing higher relative pro-trade effects versus self-employed, mainly in the exports side. In this way, it seems that immigrants entrepreneurs arriving to France would promote trade majorly of home-based goods through imports, and employees or wage earners would be fostering cost-and-information related exports with their origin countries. Size of the companies funded by immigrants use to be much smaller than those of nationals in the EU countries, what perhaps could partly explain their lower capacity of exporting (OECD/EU, 2015). Proximity issues continue creating additional trade flows, although majorly by employees working in companies where they can exploit business opportunities with their home countries.

The analysis of trade effects by immigrants according to their language proficiency is shown in columns (3) and (6) of table 7. Results show the higher capacity of people able to

¹⁸ See table 7 footnotes for the country composition of these two groups.

¹⁹ We have tested the effects of other "formative level" variables such as literacy level or job qualification following the approach in the OECD/EU (2015) Report. However, educational attainment seems to be the best performing variable capturing this personal dimension of the immigrant, so we decide to keep this covariate as our preferred one in table 7.

fluently speak the host country language in mobilizing exports and imports with their home countries, as they would be acting as real bilateral networks, moreover if the language differs between origin and destination countries of migrants. The effect of language proficiency appears to be higher in the MENA3 case, given usual proficiency of EU immigrants in English and French languages. Proximity issues appear to play an additional role in this case as well. In general, table 7 shows good behaviour of covariates and instruments in the model. Results show that particular profiles of immigrants are important for trade creation effects and even could influence the magnitude of such effects. The trade creation process appears to be higher for the more educated, for the proficient in the language of the host country, and for those employed in a presumably domestic company. However, it is important to note that the remaining collectives of immigrants in the sample, that is, non-tertiary educated people, self-employed, and non proficient in the host country language also show pro-trade effects, despite these being of a smaller magnitude.

Policy implications of these findings point to the positive economic effects, pro-trade in this case, that selective migration policies could offer. One recent example would be that of policies promoting easier access to EU countries of highly educated immigrants. In April 2014, while on campaign for the Presidency of the European Commission, Jean Claude Juncker launched a "Five-point Plan for Immigration" based on the general idea that skilled immigrants are more than ever necessary for promoting future growth in the EU countries. In this way, the recent "Revision of the EU Blue Card Directive", launched in June 2016 by the Commission, pursues to increase the flexibility of hiring process of foreign workers, improving their living conditions at hosting societies, and enabling higher short-term mobility inside the EU space for working purposes.²⁰ However, all studies and experts convey now that low educated or low skilled workers are playing a key role in filling jobs that no nationals want to pursue, but the society needs, as home-service tasks, or low profile occupations in the health and service sectors. In this way, they facilitate the conciliation of work and family duties, for example being in charge of the nursing of children and ageing members.²¹ Moreover, immigrants with lower levels of education have been proven to provide pro-trade effects too, although of smaller magnitude, perhaps given low number of opportunities they would be facing in the host country economy.

²⁰ See document COM 2016/378 final, 2016/0176 (COD).

²¹ Regarding the role of immigrant's women in domestic and care services in the EU countries, see i.e. European Commission (2007: 22-23).

Other policy guidelines related to results in the paper include the necessity of improving language proficiency of immigrants living in the country, for children, parents and most obviously for increasing the employability of young immigrants in the transition from schooling to the job market. This is a key element of the OECD policies focus on improving the integration of immigrants at host countries, what at the same time could be rendering important economic effects for host countries as shown in the case of France.²² The necessity of planning legal immigration policies with third-party countries, in particular with North African ones, is another priority of the Juncker Commission, as stated in his five-point plan for immigration.²³ All these policies result in economic benefits for the home and host countries, for example through enhanced trade exchanges, as shown by this research.

Continuing with the analysis, table 8 presents results on how social integration features of immigrants affect their pro-trade effects. Integration treats include the duration of stay, age of arrival to the country, and acquisition of citizenship. As shown in table 1, around 30% of MENA immigrants in the country arrived less than ten years ago, this share being 40% for EU immigrants. Around 60% of immigrants from both source regions arrived adults with more than 15 years old to France, and 60% of MENA people and 40% of EU ones hold French citizenship. Results in table 9 show that immigrants with shorter stays show the highest pro-trade effects, both in exports and imports, and for people coming from MENA3 and EU5 regions. The trade creation effect is however also positive but smaller for long-stayers. Differential effects in the capacity of creating new trade flows according to the duration of stay appear to be higher for the exports side and for those people coming from MENA3 countries.

Regarding the age of arrival of immigrants to France, foreign-born children, with 14 years old or less, show much lower trade effects than those people arrived adult. Higher, and significant, coefficients are shown in the exports side and for EU inflows. MENA3 people show some preference effects in the imports side. Finally, in the case of citizenship, not holding this appears to render higher pro-trade effects, mainly for exports, and both for MENA3 and EU5 people.

In sum, results would be showing that the higher the duration of stay, and integration in the host society, linkages with home countries and related trade-creation effects decrease and

²² Regarding this policy recommendation for France see i. e. OECD (2015b).

²³ See <http://juncker.epp.eu/my-priorities>

business opportunities decrease for exchanges novel products and new varieties of existing ones between home and host countries of migrants. At the same time, immigrants become more focused in their host societies losing ties with their home countries at least in economic terms. One policy prescription here suggest that new flows of immigrants show higher potential of economic benefits for host countries than most integrated ones, mainly for highly educated immigrants with language proficiency skills, as shown previously.

5.3 Results for Egypt

Moving to the case of Egypt, table 9 presents estimates of the general trade model specification. We are dealing with flows of emigrants from Egypt as well as exports and imports from this country. Results are to be read as a mirror image of the French case. That is to say that a pro-trade effect of Egyptian emigrants increasing Egyptian exports would be reflecting the existence of preference plus network effects while the increase of imports would be showing some kind of network effect in net. OLS results in table 9 columns (1) and (4) show a clear pro-trade effect of emigrants settled around the world, with an estimated elasticity of around 18% for imports and 23% for exports, showing preference effects in net. Other covariates in the model also influence trade flows, including geographical distance between Egypt and their commercial partners that decreases the size of exchanges, and GDPs that increases them. The existence of bilateral trade agreements, past colonial joint history, common language, and border effects all appear to increase the bilateral volume of trade between this country and their partners. For proximity issues with ARAB8 and ANGLO2 countries, we see an additional pro-trade effect of emigrants, larger in exports than in imports, confirming in this way the preference effect in net, together with other network (cost and information channel) effects. Proximity trade effects appear to be larger for immigrants in ARAB8 countries than for those in USA and Canada (ANGLO2).

PPML and GMM-IV Panel estimates improves robustness of results, with higher R-sq value, and slightly lower coefficients for the total pro-trade effects in imports and exports regarding OLS ones. Coefficients for the proximity regions slightly increase for Egyptian imports and decrease for exports, with higher coefficients in the case of ARAB8 countries, but preference effects arising for these two sets of regions (ARAB8 and ANGLO2). Instruments in columns (3) and (6) of table 9 include lagged stocks for the whole stock of immigrants abroad and those staying at ARAB8 countries and Canada + USA (ANGLO2).

All instruments appear to behave well according to tests regarding underidentification, correlation of instruments and endogenous covariates, and orthogonality between instruments and error term or dependent variable, showing the suitability of instruments for the trade equation. Causality appears once more to go from migration to trade as pointed out by literature and French results.

In the case of Egypt, results show again that networks of migrants present some country-specific features, and historical ties between countries help to better face destination market heterogeneity in the internationalisation of firms and business. Particular for this country case study would be reflecting the existence of outstanding preference effects (home-transplanted bias in consumption) linked to new Egyptian exports towards these two geographical areas. Arab and North American Anglo countries show an important degree of proximity with Egypt. However, as we have seen previously, circumstances of emigration are very different at these destinations. In the case of Arab countries, migration is mainly temporary and education of emigrants is more balanced between low-middle and high education levels (see table 2). The average stay is of nine years, males constituting the bulk of arrivals in 92% of cases, and the authorities roughly monitoring the job-seeking process. In the case of the USA and Canada, the gender of emigrants is much more balanced, with migrants self-selecting before moving for highly educated collective. Further, job-seeking is done by following professional vocations. Western destinations are generally associated with family reunification processes inside a permanent migration pattern with an average stay of 15 years at these destinations. In this way, preference effects arise for the whole set of immigrants from Egypt abroad and specifically for ARAB8 countries and relatively higher for ANGLO2 ones. Emigrants at these two groups of countries show preference for home-based goods that foster Egyptian exports. Cost related and information channels would also be fuelling both imports and exports from the country as shown in table 9.

Table 10 finally includes results for the trade-migration link by level of education of Egyptian emigrants and duration of the stay. Information is scarcer for this case study, so we are able to analyse only these two features of the Egyptian emigrants. Despite this constraint, results are in line with those of the French case, showing that tertiary educated migrants enhance higher new trade exchanges, mainly through increases in exports (columns (1) and (3)). Low-educated migrants also exhibit positive and significant trade effects although of a smaller extent. Additional effects are shown for tertiary educated

reaching ANGLO2 countries and ARAB8 nations, smaller in the latter case. Self-selection of emigrants has net economic effects as shown in table 10, mainly through the preference channel, via new exports, in the Egyptian case. Additional exports also shown to be greater in the case of tertiary-educated migrants in USA and Canada, than in the Arab countries case. Columns (2) and (4) of table 10 show that those staying for a shorter period of time would be again showing the highest pro-trade effects, both through the network (information, business opportunities, and procurement channels) and preference scenarios. Those staying longer, more than 10 years at destination, show an important decline of the preference channel for Egyptians in Canada and the USA, in exports, illustrating perhaps some social integration and assimilation issues of younger and more educated migrants in those countries. In general, those residing longer periods show declining trade effects with time, thus providing some evidence of assimilation of migrants that acquire the customs of the host country, very clearly in the case of column (4) for the long-stay immigrants in USA and Canada.

In sum, the case of Egypt would be reinforcing findings on the role of historical ties and proximity issues in fostering new trade exchanges of migrants. Networks of emigrants help to overcome fixed trade costs, and higher bilateral ties correlate with larger pro-trade effects. Moreover, in this case stocks of emigrants in particular destinations, i.e. the USA and Canada, lead some to preference effects for particular home-related products. Own characteristics of the migrants also appear to be important variables shaping the trade creation effects. Tertiary-educated emigrants show again higher trade effects, mainly in Egyptian exports, and more remarkably in Anglo-Saxon countries of America, where immigrants more intensively self-select themselves. Those staying for shorter durations show the highest effects in general, with higher effects in the case of USA and Canada perhaps given the higher number of opportunities shown in these markets no more the immigrants arrives, as well as the probable existence of additional informational advantages they could have access to. Higher purchasing power of emigrants in these particular destinations could also explain their preference for importing some home-produced goods. Further, the particular profile shown by emigrants to Western countries (e.g. younger, a permanent purpose of the migration process, and a tertiary level of education) would also help explaining the higher degree of assimilation characterising this group when years go by. In this way, market specificities would be interacting with the characteristics of emigrants affecting the trade creation effect of people's networks.

6. Conclusions and policy issues

The Mediterranean region is facing a number of challenges nowadays. Events occurring in the north side of Africa have been recently accelerating flows of people or even the desperate arrival of refugees to the European continent. The combination of poor general economic conditions in Europe, high unemployment levels, and the increasing flow of immigrants fleeing conflict in Syria, Libya, and other nations in the area has resulted in the rise of nationalist/protectionist and populist messages throughout much of the European continent. Politically extreme parties with an anti-immigrant discourse alarmingly arise across Europe, achieving significant support from depressed groups in the society. Migration policy has also become more restrictive in OECD countries since the beginning of the financial crisis with a number of countries revising and tightening their entrance legislation even for high-skilled immigrants. In this context, the present investigation has been directed to highlight some of the economic benefits of immigration for host and home countries, including the capacity of exploiting the historical ties existing among the countries in the Mediterranean, in order to add informed elements to this debate from an academic position. The analysis has been focused particularly in the setting of the migration-trade nexus.

In order to illustrate such an issue, we have built on two case studies, namely France and Egypt, countries that have become very sensitive to the immigration discourse. Results have shown that networks of immigrants present a clear capacity for giving rise to new trade exchanges with estimates of effects at 10%-20% of total trade exchanges for the case studies followed. As it is well-known, historical ties lead to higher stocks of migrants at particular destinations. The historical presence of immigrants from particular origins, such as Maghreb people in France or Egyptian migrants in Gulf countries, increases the probability of social interactions between immigrants and natives, and among immigrants themselves, at destination countries. This leads to additional pro-trade effects, once controlled for other covariates pushing trade in the model and endogeneity issues arising. This proximity effect, as we have termed it, has been shown to be greater for the EU immigrants in the case of France, but also important for the MENA inflows. These account for an additional 8% of total French exports and imports. In the case of Egypt, the trade effects of immigrants appear to be even higher, with proximity issues more pronounced in the case of Arab partners than for the USA and Canada. IV regressions show robustness of

results in both case studies, with causality going from migration to trade flows as in previous literature.

In order to account for some heterogeneity issues, we have tested how the profile of the migrant and social integration measures at destination could be shaping the migration-trade linkage. In general, econometric results have shown that the level of education is an important variable in this framework, with tertiary educated migrants showing the highest trade effect in the sample. Self-employment definitively does not prompt significant new trade exchanges, perhaps because the number of self-employed is very low at destination countries, or because immigrants' entrepreneurs face important problems to become internationalized, as access to funding or technical advice in this process. Language proficiency, however, appears as a clear competence necessary to engage in international business when arriving to a new country. Regarding social integration issues, longer stays seem to reduce the capacity of people's networks to foster new commercial exchanges, as shown by for the case of France, and particularly for Egyptian migrants in more distant destinations of Canada and the USA. Information channels seem however to remain open for some more complex intra-industrial type of trade flows with the EU partners, for example in the case of France. In this context, assimilation and social integration issues appear to reduce the connection of immigrants with their home countries, hence resulting in lower pro-trade effects, as shown by the lower effects linked to foreign-born people arrived while children or those obtaining citizenship after longer periods at destination countries.

In policy terms, results raise a number of important options. In general, immigrants report evident benefits to both destination and origin countries by creating new economic exchanges in the international markets, this obviously representing an important issue in times of economic crisis and political turbulence. Historical linkages between countries have been proven to have an impact, from an economic view, but also from social and political dimensions. The MENA region and Europe are at a historical cross-roads. The Arab Spring movements and counter revolutions taking place, the Brexit situation, terrorist attacks in France and Turkey, populism rising in the USA and Europe, all pose crucial challenges for the future of the greater Mediterranean region and the capacity of their people to maintain and strengthen their shared links of history and culture. The number of positive externalities that could be reached with a joint development of the neighbouring regions in the Mediterranean region transcends the objective of this paper, but constituting

an important target for the present and the future of this region. In times of globalization, protectionist or autarkic positions make no sense. Mediterranean countries are clearly linked by history and geography, with Europe having a clear responsibility in promoting economic and social advances in the area. European Policies and Institutions must address such an issue with no delay.

In regards to our results, Common Migration and Trade Policies should be better thought of as interdependent issues, with migration showing important economic effects for receiving and sending countries, but also serving as a chain for the transmission of other political and social matters. Migration Policy is presently at the forefront of the debate inside Europe, with present decisions making an impact in fashioning the socio-political and economic reality of these societies. Education is always a desirable investment for immigrants, and for the host societies, with evident effects in the economic outcomes but in the personal horizon of people too. It appears to be one of the most influential policies for integration of immigrants at Western societies, as shown by recent OECD and EU Reports. Selective migration policies in the EU countries, for example, are becoming a norm in present times. European societies fear for their Welfare systems, seeing the foreigners as individuals that could ruin those achievements of the whole society. Selective migratory policies could have an impact in economic terms according to results of the investigation. Improving access to highly skilled immigrants is not only a need, but a must for the future of European and US economic growth, as stated by all experts in the field. The "EU Blue Card" policy has been trying to address such an issue recently. The launching of bilateral agreements with strategical partners able to guarantee ordered legal access of people for working purposes, as North African countries for example, are pivotal for the EU area as well. A joint global approach to confront crises of refugees due to extraordinary situations, as civil wars or coups d'état in developing countries, is another need for the future. Recent efforts of Canadian or Swedish governments in that direction prove this policy to be necessary in the near future, as stated by the OECD Secretary General Mr. Ángel Gurría (OECD, 2016).

The assimilation and social integration of people seems to be another urgent challenge for Western countries, for example in France. As immigrants use to locate at specific places in the country, they can exert important pressure on social institutions such as education or health public facilities, so local governments become overcome by facts. In this way the strategy would need a national or even regional focus to be successful. Taking into account

how integration policies, as education and training for example, can unfold all potential of immigrants arriving to host countries is important, not only for ensure economic benefits to this societies, but for promoting the social peace and coexistence. Contributions of immigrants differ according to their situation and profile, as shown by the investigation, as the complexity surrounding migration issues is evident. In this way, policy responses need to be thought and designed in a similar complex way. These are hard times for the Mediterranean region, but handling international flows of people in an accurate way would surely provide important benefits in the mid- and long-run.

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FEM41-13, “The Role of Vicinity Linkages in the EU-MED Region for Trade Growth: Focus on Migration, Level of Education, and Social Integration”

Table 1: Characteristics of the foreign-born population arriving to France

a) Composition of stock of foreign-born population in France in 2013

	Africa	Europe	Total
% of foreign-born population	51%	34%	-
With citizenship	61%	40%	52%
Less than 10 years of stay	28%	38%	25%
Tertiary education (ISCED 4 to 8)	15%	29%	24%
Self-employed	14%	10%	12%
Native-speaker	50%	56%	42%
Foreign-born arrived adult	63%	60%	72%

Source: Own elaboration from National Institute for Statistics and Economic Studies (INSEE, France) and OECD Migration database.

b) Foreign-born population by nationality in France

	Inflows of immigrants (people)			Stock of immigrants (people)	
	2000	2005	2013	2013	%
Algeria	15000	25400	27100	1411000	19%
Morocco	19100	20200	21500	918000	12%
Portugal	7010	3510	4200	635000	8%
Tunisia	6600	8200	13200	387000	5%
Italy	2255	2264	2200	355000	5%
Spain	4231	11127	15600	296000	4%
Turkey	6900	8900	6100	264000	3.5%
Germany	15276	12260	10917	226000	3.0%
UK	14668	10768	8452	174000	2.3%
Belgium	8108	10378	9839	152000	2.0%
Senegal	3400	2300	5015	118000	1.6%
Switzerland	6607	6869	4472	90864	1.2%
China	2300	2800	7200	98600	1.3%
Cameroun	2400	4100	4100	76573	1.0%
DR Congo	1700	1900	6233	59883	0.8%
USA	3542	4516	3400	56745	0.7%
Lebanon	1121	1097	1353	47753	0.6%
Netherlands	2166	1823	2342	40064	0.5%
Total	204578	217284	235877	7577208	100%
% of immigrants from Europe 8	29%	27%	25%	26%	
% of immigrants from MENA 5	24%	29%	29%	40%	
Total Population France (thousands)	59062	61181	62917		

Notes: Europe 8 countries include the United Kingdom, Belgium, Switzerland, The Netherlands, Portugal, Spain, Italy, and Germany.

MENA 5 countries include Morocco, Algeria, Tunisia, Turkey, and Lebanon.

Source: Own elaboration from OECD, INSEE and UN databases.

Table 2: Characteristics of emigrants leaving Egypt

Foreign population from Egypt by destination country

	Outflows by country of destination*			Stock of immigrants	
	2000	2005	2013	2010	2013
Saudi Arabia	30205	28967	45291	1208043	1298388
UAE	14528	22671	2693	665474	711894
USA	4450	5522	10294	358775	389227
Jordan	19623	13552	9835	328492	276950
Kuwait	16335	15569	3687	168270	182342
Qatar	7966	6522	4429	130941	143960
Canada	1737	2061	3575	130523	141831
Italy	6228	5569	9900	92001	108426
Lebanon	25147	12487	8633	99001	102507
Libya	45824	2682	13	15218	56328
Australia	384	576	1585	42990	41870
Oman	3229	2884	1083	37856	41365
UK	19557	8416	1800	28182	39688
France	566	781	1331	30190	37426
Sudan	1888	2647	1682	35261	28961
Germany	1774	2498	5465	13558	20151
Total	199441	133404	111296	3785691	4016825
% of emigrants to Arab 8 countries	40%	60%	68%	73%	72%
% of emigrants to Anglo-Saxon 4 countries	40%	17%	13%	7%	8%
Total Population Egypt (thousands)	67250	74200	87548		

(*): Including permanent + temporary flows

Notes: Anglo-Saxon 4 countries include the UK, Canada, Australia, and the USA.

Arab 8 countries include Saudi Arabia, Qatar, Oman, UAE, Kuwait, Jordan, Lebanon, Libya.

Source: Own elaboration from IOM, CAPMAS, OECD and UN databases.

Egyptian emigrants at destination country by level of education in 2013 (% of total stocks)

	primary and secondary	tertiary
Canada	20	80
USA	22	78
Australia	30	70
UK	50	50
France	57	43
UAE	60	40
Italy	64	36
Germany	69	31
Kuwait	70	30
Saudi Arabia	78	22
Jordan	82	18
Iraq	91	9
Lebanon	92	8
<i>All Arab Countries</i>	68	32
<i>Anglo-Saxon 4</i>	27	73
Total	62	38

Source: Own elaboration from IOM, CAPMAS, UN and OECD databases.

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Table 3: Main trade partners and exchanged commodities of France 2000-2013

FRANCE

Exports to	Trade Value (Million US\$ 2000=100)		Change 2000-2013		Main commodities by partner (HS 2007 code)		
	2000	%	2013	%			
World	295345	100%	567987	100%	92%		
Germany	44461	15,1%	93524	16,5%	110%	88,84,85,87,62, 39,72	Textiles, fabrics, coats. Articles of apparel and clothing accessories, not knitted or crocheted (62)
Italy	26329	8,9%	40380	7,1%	53%	84,85,87,27,29,72,30,33	Machinery and mechanic appliance. Refrigerators, air conditioners, office printers, milling machines. Nuclear reactor boilers (84)
Spain	28566	9,7%	38591	6,8%	35%	84,87,62,30,90	Electrical and electronic equipment, sound and TV machinery. Magnetic tapes, sound reproducers (85)
UK	29075	9,8%	39093	6,9%	34%	87,85,84,62,39,30	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof. Trailers for housing or camping (87)
USA	25936	8,8%	35765	6,3%	38%	85,84,87,62	Aircrafts, spacecrafts and parts thereof (88)
Algeria	2656	0,9%	7843	1,4%	195%	84,85,87	Pharmaceutical products (30)
Morocco	2739	0,9%	5120	0,9%	87%	84,85,87,62	Articles of apparel and clothing accessories, knitted or crocheted (61)
Tunisia	2397	0,8%	4916	0,9%	105%	84,85,72	Plastics and articles thereof (39)
China	2970	1,0%	19572	3,4%	559%	84,62,61	Iron and Steel (72)
<i>Subtotal sample</i>	<i>165129</i>	<i>56%</i>	<i>284804</i>	<i>50%</i>			Organic chemicals (29)
% of exports to EU 4		43,5%		37,3%	165%		Optical, medical instruments, parts and accesories thereof (90)
% of exports to MENA 3		2,6%		3,1%	229%		

Note: MENA 3 countries include Algeria, Morocco and Tunisia. EU 4 countries include Germany, Italy, Spain, and the UK.

Imports from	Trade Value (Million US\$ 2000=100)		Change 2000-2013		Main commodities by partner (HS 2007 code)		
	2000	%	2013	%			
World	303757	100%	671253	100%	121%		
Germany	49231	16,2%	115130	17,2%	134%	84,85,87,88,62	Textiles, fabrics, coats. Articles of apparel and clothing accessories, not knitted or crocheted (62)
Italy	26429	8,7%	48154	7,2%	82%	84,85,87,39,73,62	Machinery and mechanic appliance. Refrigerators, air conditioners, office printers, milling machines. Nuclear reactor boilers (84)
Spain	20635	6,8%	40939	6,1%	98%	84,85,87,62	Electrical and electronic equipment, sound and TV machinery. Magnetic tapes, sound reproducers (85)
UK	24193	8,0%	27602	4,1%	14%	84,85,87,62	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof. Trailers for housing or camping (87)
USA	26735	8,8%	43526	6,5%	63%	84,85,87,62	Aircrafts, spacecrafts and parts thereof (88)
Algeria	2311	0,8%	5632	0,8%	144%	84,85,87,19,20	Articles of apparel and clothing accessories, knitted or crocheted (61)
Morocco	2318	0,8%	4416	0,7%	91%	84,62,20	Plastics and articles thereof (39)
Tunisia	1793	0,6%	4966	0,7%	177%	84,62,20	Articles of iron or steel (73)
China	9640	3,2%	54221	8,1%	462%	84,85,62, 61, 42	Articles of leather, saddlery and harness, travel goods, handbags, articles of animal gut (42)
<i>Subtotal sample</i>	<i>163285</i>	<i>54%</i>	<i>344586</i>	<i>51%</i>			Cereal, flour, starch, milk preparations and products (19)
% of imports to EU 4		40,0%		36,0%	192%		Vegetable, fruit, nuts, and food preparations (20)
% of imports to MENA 3		2,0%		2,0%	234%		

Source: Own elaboration from UN COMTRADE database.

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Table 4: Main trade partners and exchanged commodities of Egypt 2000-2013

EGYPT

	Trade Value (Million US\$ 2000=100)		Change 2000-2013		Main commodities by partner (HS 2007 code)		
	2000	%	2013	%			
Exports to							
World	4693	100%	28779	100%	513%	84,85, 87,62,09,19,20	Textiles, fabrics, coats. Articles of apparel and clothing accessories, not knitted or crocheted (62)
Italy	764	16,3%	2702	9,4%	254%	84	
USA	399	8,5%	1182	4,1%	196%	84,62,09	Vegetable, fruit, nuts, and food preparations (20)
France	278	5,9%	966	3,4%	247%	84	
Saudi Arabia	139	3,0%	1975	6,9%	1321%	84,85,94	Refrigerators, air conditioners, office printers, milling machines. Nuclear reactor boilers machinery (84)
Germany	123	2,6%	638	2,2%	419%	84,09	
UK	116	2,5%	969	3,4%	735%	84	
Libya	62	1,3%	1277	4,4%	1960%	84,85,87	Coffee, tea, mate and spices (09)
Lebanon	58	1,2%	704	2,4%	1114%	84	
UAE	58	1,2%	764	2,7%	1217%	84,87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof. Trailers for housing or camping (87)
Jordan	18	0,4%	851	3,0%	4628%	84,85,87	Cereal, flour, starch, milk preparations and products (19)
Kuwait	17	0,4%	277	1,0%	1529%	84,87	
Canada	10	0,2%	547	1,9%	5370%	84,09,19,62	
Qatar	5	0,1%	218	0,8%	4260%	84,62	Furniture, bedding, cushions and similar stuffed furnishings; lamps and lighting fittings (94)
Oman	4	0,1%	102	0,4%	2450%	84,85	Electrical and electronic equipment, sound and TV machinery. Magnetic tapes, sound reproducers (85)
Australia	2	0,0%	23	0,1%	1050%	62,20,19	
<i>Subtotal sample</i>	2053	44%	13195	46%			
% of exports to EU3 countries		25%		15%	370%		
% of exports to Arab countries 8		7,7%		21,4%	1709%		
% of exports to Anglo-Saxon 4		11,2%		9,5%	516%		
Imports from							
World	13963	100%	66667	100%	377%	84,87,62,27	
USA	2088	15%	5214	8%	150%	84, 87, 62	
Germany	1233	9%	5246	8%	325%	84,62,39,29	
Saudi Arabia	1033	7%	3042	5%	194%	84,27	Textiles, fabrics, coats. Articles of apparel and clothing accessories, not knitted or crocheted (62)
Italy	929	7%	3549	5%	282%	84	
France	578	4%	2128	3%	268%	84	
Australia	472	3,4%	419	1%	-11%	84	
UK	359	3%	1412	2%	293%	84,62	
Canada	84	0,6%	395	1%	370%	84	
UAE	78	0,6%	1113	2%	1327%	84,27	Refrigerators, air conditioners, office printers, milling machines. Nuclear reactor boilers machinery (84)
Libya	52	0,4%	99	0%	90%	84,27	Organic chemicals (29)
Lebanon	36	0,3%	113	0%	214%	84	
Kuwait	30	0,2%	2602	4%	8573%	84,27	
Jordan	26	0,2%	123	0%	373%	84	Fuels, oils, gas, distillation products, etc (27)
Qatar	12	0%	41	0%	242%	84,27	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof. Trailers for housing or camping (87)
Oman	9	0%	182	0%	1922%	84	Plastics and articles thereof (39)
<i>Subtotal sample</i>	7019	50%	25678	39%			
% of imports to EU3 countries		20%		16%	399%		
% of imports to Arab countries 8		9,1%		11,0%	573%		
% of imports to Anglo-Saxon 4		21,5%		11,2%	248%		

Source: Own elaboration from UN COMTRADE database.

Table 5: Variables and definitions

Variable	Definition
$\ln Trade_{ijt}$ (imports or exports)	The log of the bilateral trade flows between country i (France/Egypt) and country j at time t .
$\ln IM_{ijt}$	The log of the bilateral migration stocks. The number of immigrants (IM) of country of origin j living in France at year t . We add data in IV regressions for stocks of immigrants in Switzerland and stocks of MENA5 immigrants in Spain.
$\ln EM_{ijt}$	The log of the bilateral migration stocks. The number of emigrants (EM) from Egypt living in the country of destination j at year t
$\ln IM * REGION_{ijt}$	The interaction variable designed for capturing the particular trade creation effects of stocks of immigrants (in logs) (IM) coming from one particular REGION j (MENA, EU), showing historical relationships with France.
$\ln EM * REGION_{ijt}$	The interaction variable designed for capturing the particular trade creation effects of stocks of emigrants in logs (EM) going to one particular REGION j (Anglo-Saxon, Arab countries), showing historical relationships with Egypt.
$\ln GDP_{ij} * \ln GDP_{jt}$	The product of the logs of the Gross Domestic Products of the two countries that trade (i and j).
trade agreement $_{ijt}$	=1 if partner countries i and j share a trade agreement in time t , =0 otherwise.
$\ln distance_{ij}$	the bilateral euclidean distance between countries i and j .
common language $_{ij}$	=1 if a common official language exists between countries i and j , =0 otherwise.
past colony $_{ij}$	=1 if past colonial relationship exists between countries i and j , =0 otherwise.
border $_{ij}$	=1 if sharing a common border exists between countries i and j , =0 otherwise.
β_{it}	Country-time effects.
β_{jt}	Country-time effects.
β_{ij}	Captures any additional country-pair fixed effect in the model.

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Table 6: Trade effects of immigrants in France by closer partner countries. Years 2000-2013

Dep var: ln Tijt (X or M)	FRENCH EXPORTS					FRENCH IMPORTS				
	Pooled	PPML ^a	GMM-IV	GMM-IV	GMM-IV	Pooled	PPML ^a	GMM-IV	GMM-IV	GMM-IV
	OLS		Panel	Panel	Panel	OLS		Panel	Panel	Panel
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
ln IM _{ijt}	0.2018***	0.1418***	0.1377***	0.1316**	0.1422**	0.1733***	0.1065***	0.0923***	0.1009***	0.1126***
ln IM*MENA5 _{ijt}	0.0582**	0.0258***	0.0212***	0.0293***	0.0256***	0.0592***	0.0348***	0.0319***	0.3224***	0.0382***
ln IM*EU8 _{ijt}	0.0837***	0.0524***	0.0488***	0.0422***	0.0538***	0.0770***	0.0418***	0.0403***	0.0432***	0.0446***
ln GDPit*GDPjt	1.1963***	0.9871**	0.9629***	0.9417**	1.1228***	1.1928***	1.0122***	0.9614***	0.9429***	1.0293***
trade agreement _{ijt}	0.7022***	0.6041**	0.5882**	0.6122**	0.6273**	0.4562**	0.4143**	0.4055**	0.4424**	0.4680**
ln distance _{ij}	-0.9892***					-1.1820***				
common language _{ij}	1.0234***					0.9348***				
past colony _{ij}	0.4672**					0.4772***				
border _{ij}	0.5739***					0.5621***				
Instrumented: Excluded instruments:			for eqs. (3), (4) and (5):	IM total, IM MENA5, IM EU8				for eqs. (8), (9) and (10):	IM total, IM MENA5, IM EU8	
			for eq. (3):	IM total 1990, IM MENA5 1990, IM EU8 1990				for eq. (8):	IM total 1990, IM MENA5 1990, IM EU8 1990	
			for eq. (4):	IM Switz total, IM Spain MENA5, IM Switz EU8				for eq. (9):	IM Switz total, IM Spain MENA5, IM Switz EU8	
			for eq. (5):	IM total 1990, IM MENA5 1990, IM EU8 1990 & IM Switz total, IM Spain MENA5, IM Switz EU8				for eq. (10):	IM total 1990, IM MENA5 1990, IM EU8 1990 & IM Switz total, IM Spain MENA5, IM Switz EU8	
N	1288	1288	1288	1288	1288	1288	1288	1288	1288	1288
R ²	0.82	0.86	0.89	0.88	0.89	0.81	0.82	0.89	0.89	0.89
Kleibergen-Paap rk LM stat (p-value)			7.923	7.721	7.893			7.780	7.548	7.873
Wald F-test (Kleibergen-Paap rk)			24.71	28.39	27.30			29.84	28.47	27.33
Hansen J stat (p-value)			2.253	2.362	2.471			2.173	2.485	2.329
			0.4284	0.4421	0.4662			0.5291	0.5373	0.4924

Significant at 1% (***), 5% (**) and 10% (*) level.

All panel estimates with standard errors robust to heteroskedasticity and autocorrelation.

Panel and PPML equations include country-time and country-pairs fixed effects.

a: Mfx are computed for PPML results to make comparable output with the rest of columns in table 6

Hansen J test: H0: Overidentifying restrictions are valid.

Kleibergen-Paap rk-stat (H0: Matrix of reduced form coefficients is underidentified)

Wald F-test (Kleibergen-Paap rk) (H0: Equation is weakly identified)

MENA 5 includes Algeria, Morocco, Tunisia, Turkey and Lebanon.

EU8 includes Portugal, Italy, Spain, UK, Germany, Belgium, Switzerland and The Netherlands.

Table 7: Trade effects of immigrants in France by level of education, self-employment and language proficiency. Years 2000-2013

Dep var: ln Tijt (X or M)	FRENCH EXPORTS			FRENCH IMPORTS		
	(1)	(2)	(3)	(4)	(5)	(6)
ln IM tert_edu ijt	0.1021***			0.0780***		
ln IM nontert_edu ijt	0.0601***			0.0549***		
ln IM tert_edu*MENA3 ijt	0.0383**			0.0226**		
ln IM nontert_edu* MENA3 ijt	0.0293***			0.0182**		
ln IM tert_edu*EU5 ijt	0.0482**			0.0241***		
ln IM nontert_edu* EU5 ijt	0.0320***			0.0117		
ln IM self_emp ijt		0.0422*			0.0593***	
ln IM nonself_emp ijt		0.0881**			0.0429*	
ln IM self_emp*MENA3 ijt		0.0111*			0.0184*	
ln IM nonself_emp*MENA3 ijt		0.0249**			0.0290**	
ln IM self_emp*EU5 ijt		0.0521			0.4337	
ln IM nonself_emp*EU5 ijt		0.0373***			0.0207**	
ln IM lang_prof ijt			0.0849***			0.0751***
ln IM nonlang_prof ijt			0.0251**			0.0292**
ln IM lang_prof*MENA3 ijt			0.0449***			0.0377***
ln IM nonlang_prof*MENA3 ijt			0.0229**			0.0191**
ln IM lang_prof*EU5 ijt			0.0203**			0.0126**
ln IM nonlang_prof*EU5 ijt			0.0191			0.0140*
ln GDPit*GDPjt	1.2924***	1.0216***	1.1727***	1.2836***	1.1671***	1.3721***
trade agreement ijt	0.7280***	0.5326***	0.5492***	0.6410***	0.5782***	0.6136***
N	1288	1288	1288	1288	1288	1288
R ²	0.85	0.77	0.80	0.82	0.75	0.79
Kleibergen-Paap rk LM stat	9.3258	9.6251	9.8298	8.5687	8.2342	8.2183
(p-value)	0.0593	0.0438	0.0574	0.0650	0.0573	0.0591
Wald F-test (Kleibergen-Paap rk)	27.32	27.63	27.41	28.92	28.48	28.53
Hansen J stat	3.206	3.673	3.563	3.259	3.641	3.642
(p-value)	0.3821	0.3539	0.3290	0.3920	0.2732	0.3263

Significant at 1% (***) , 5% (**) and 10% (*) level.

All models are estimated by GMM-IV Panel procedure with standard errors robust to heteroskedasticity and autocorrelation.

All equations include country-time and country-pairs fixed effects.

Hansen J test: H0: Overidentifying restrictions are valid.

Kleibergen-Paap rk-stat (H0: Matrix of reduced form coefficients is underidentified)

Wald F-test (Kleibergen-Paap rk) (H0: Equation is weakly identified)

Note: Education level includes non-tertiary level of studies (nontert_edu) defined as ISCED 0 to 5 levels, and tertiary level (tert_edu)

as ISCED 6 to 8 according to UNESCO (2011) classification. Self_emp means self-employed immigrants.

Language proficiency (lang_prof) includes foreign-born immigrants with native-language skills, as defined in OECD Skills Outlook 2013,

with data from the OECD Programme for the International Assessment of Adult Competencies (PIAAC).

MENA 3 includes Algeria, Morocco and Tunisia.

EU 5 includes Portugal, Italy, Spain, UK and Germany.

Table 8: Trade effects of immigrants in France and measures of social integration. Years 2000-2013

Dep var: ln Tijt (X or M)	FRENCH EXPORTS			FRENCH IMPORTS		
	(1)	(2)	(3)	(4)	(5)	(6)
ln IM long-stay ijt	0.0622**			0.0482**		
ln IM short-stay ijt	0.0891***			0.0529***		
ln IM long-stay*MENA3 ijt	0.0228**			0.0044**		
ln IM short-stay*MENA3 ijt	0.0481***			0.0229***		
ln IM long-stay*EU5 ijt	0.0442**			0.0202		
ln IM short-stay*EU5 ijt	0.0553***			0.0272***		
ln IM foreign-born arrived children		0.0309***			0.0292***	
ln IM foreign-born arrived adults		0.0829***			0.0447***	
ln IM foreign-born arrived children*MENA3		0.0141			0.0189	
ln IM foreign-born arrived adults*MENA3		0.0163*			0.0236***	
ln IM foreign-born arrived children*EU5		0.0207			0.0328	
ln IM foreign-born arrived adults*EU5		0.0328*			0.0462	
ln IM citizenship			0.0593***			0.0287***
ln IM non_ citizenship			0.0844**			0.0463***
ln IM citizenship*MENA3			0.0191			0.0129**
ln IM non_ citizenship*MENA3			0.0421*			0.0248*
ln IM citizenship*EU5			0.0289**			0.0202*
ln IM non_ citizenship*EU5			0.0441**			0.0282**
ln GDPit*GDPjt	1.2810***	1.1952***	1.2962***	1.2285***	1.1263***	1.1632***
trade agreement ijt	0.6181***	0.5728***	0.5832***	0.5003***	0.5382***	0.5043***
N	1288	1288	1288	1288	1288	1288
R ²	0.87	0.79	0.86	0.88	0.82	0.80
Kleibergen-Paap rk LM stat	8.3293	8.2721	8.7229	8.4127	8.7839	8.8280
(p-value)	0.0582	0.0552	0.0579	0.0547	0.0526	0.0540
Wald F-test (Kleibergen-Paap rk)	22.31	22.42	24.29	26.45	26.71	27.85
Hansen J stat	3.771	3.829	3.718	3.454	3.682	3.821
(p-value)	0.3233	0.3449	0.2738	0.3829	0.3621	0.2805

Significant at 1% (***), 5% (**) and 10% (*) level.

All models are estimated by GMM-IV Panel procedure with standard errors robust to heteroskedasticity and autocorrelation.

All equations include country-time and country-pairs fixed effects.

Hansen J test: H0: Overidentifying restrictions are valid.

Kleibergen-Paap rk-stat (H0: Matrix of reduced form coefficients is underidentified)

Wald F-test (Kleibergen-Paap rk) (H0: Equation is weakly identified)

Note: Long-stay means more than 10 years at host country, short-stay means until 10 years of stay.

MENA 3 includes Algeria, Morocco, and Tunisia.

EU5 includes Portugal, Italy, Spain, UK, and Germany.

Table 9: Trade effects of Egyptian emigrants with closer partner countries. Years 2000-2013

Dep var: ln Tijt (X or M)	EGYPTIAN IMPORTS			EGYPTIAN EXPORTS		
	Pooled	PPML ^a	GMM-IV	Pooled	PPML ^a	GMM-IV
	OLS		Panel	OLS		Panel
	(1)	(2)	(3)	(4)	(5)	(6)
ln EM ijt	0.1847***	0.1629***	0.1681***	0.2368***	0.2033***	0.1880***
ln EM*ARAB8 ijt	0.0421***	0.0562***	0.0557***	0.0732***	0.0604**	0.0613***
ln EM*ANGLO2 ijt	0.0355***	0.0330***	0.0348***	0.0545***	0.0552***	0.0559***
ln GDPit*GDPjt	1.217***	1.1981***	1.1886***	1.0917***	1.1236***	1.2025***
trade agreement ijt	0.8331**	0.7557**	0.7712**	0.8721**	0.8044**	0.7832**
ln distance ij	-1.1630***			-1.1998***		
common language ij	0.8029**			0.8671**		
past colony ij	0.5922***			0.5623***		
border ij	0.5228***			0.5890***		
Instrumented:	for eqs. (3) and (6): IM total, IM ARAB8, IM ANGLO2					
Excluded instruments:	for eqs. (3) and (6): IM total 1990, IM ARAB8 1990, IM ANGLO2 1990					
N	952	952	952	952	952	952
R ²	0.88	0.91	0.92	0.87	0.89	0.91
Kleibergen-Paap rk LM stat			7.8822			7.9229
(p-value)			0.0033			0.0047
Wald F-test (Kleibergen-Paap rk)			31.25			29.36
Hansen J stat			2.883			2.282
(p-value)			0.3492			0.3327

Significant at 1% (***), 5% (**) and 10% (*) level.

PPML and IV Panel equations include country-time & country-pair fixed effects.

All equations with standard errors robust to heteroskedasticity and autocorrelation.

a: Mfx are computed for PPML results to make comparable output with the rest of columns in table 9

Hansen J test: H0: Overidentifying restrictions are valid.

Kleibergen-Paap rk-stat (H0: Matrix of reduced form coefficients is underidentified)

Wald F-test (Kleibergen-Paap rk) (H0: Equation is weakly identified)

ANGLO2 includes Canada and USA.

ARAB8 includes Saudi Arabia, Jordan, UAE, Kuwait, Lebanon, Qatar, Oman and Lybia.

Table 10: Trade effects of Egyptian emigrants by level of education and length of stay. Years 2000-2013

Dep var: ln Tijt (X or M)	EGYPTIAN IMPORTS		EGYPTIAN EXPORTS	
	(1)	(2)	(3)	(4)
ln EM tert_edu ijt	0.1217***		0.1741***	
ln EM nontert_edu ijt	0.0566***		0.0366***	
ln EM tert_edu*ARAB8 ijt	0.0231***		0.0532***	
ln EM nontert_edu*ARAB8 ijt	0.0209***		0.0265***	
ln EM tert_edu*ANGLO2 ijt	0.0436***		0.0682***	
ln EM nontert_edu*ANGLO2 ijt	0.0271***		0.0332***	
ln EM long-stay ijt		0.0311***		0.0261***
ln EM short-stay ijt		0.0846***		0.1191***
ln EM ARAB8*long-stay ijt		0.0235**		0.0209***
ln EM ARAB8*short-stay ijt		0.0465***		0.0520**
ln EM ANGLO2*long-stay ijt		0.0173***		0.0029***
ln EM ANGLO2*short-stay ijt		0.0782***		0.0563***
ln GDPit*GDPjt	1.1772***	1.1828***	1.2281***	1.2310***
trade agreement ijt	0.8202***	0.8285***	0.7718***	0.8216***
N	952	952	952	952
R ²	0.92	0.90	0.90	0.88
Kleibergen-Paap rk LM stat	7.627	7.5539	7.445	7.521
(p-value)	0.0038	0.0047	0.0032	0.0051
Wald F-test (Kleibergen-Paap rk)	32.28	34.29	31.15	32.09
Hansen J stat	2.112	2.327	2.441	2.271
(p-value)	0.3893	0.3428	0.3026	0.3381

Significant at 1% (***), 5% (**) and 10% (*) level.

All models are estimated by GMM-IV Panel procedure with standard errors robust to heteroskedasticity and autocorrelation.

All equations with standard errors robust to heteroskedasticity and autocorrelation & country-time and country-pairs fixed effects.

Hansen J test: H0: Overidentifying restrictions are valid.

Kleibergen-Paap rk-stat (H0: Matrix of reduced form coefficients is underidentified)

Wald F-test (Kleibergen-Paap rk) (H0: Equation is weakly identified)

Note: Education level includes non-tertiary level of studies (nontert_edu) defined as ISCED 0 to 5 levels, and tertiary level (tert_edu) as ISCED 6 to 8 according to UNESCO (2011) classification.

Long-stay means more than 10 years at host country, short-stay means until 10 years of stay.

ANGLO2 includes Canada and USA.

ARAB8 includes Saudi Arabia, Jordan, UAE, Kuwait, Lebanon, Qatar, Oman and Lybia.

CHAPTER 2: *POLICY PAPER*

CLOSING THE GAP ON INTERNATIONAL MIGRATION: THE POSITIVE ECONOMIC EFFECTS versus THE NEGATIVE SOCIAL PERCEPTION

by Vicente Pallardó-López, Andres Artal-Tur, John Salevurakis, and Mona Said

Around one tenth of residents in Western countries are foreign-born people. Despite the contemporary stereotypes regarding migration, skilled immigrants are actively contributing to OECD nations developing the most dynamic sectors of their economies. New immigrants represented 22% of entries into strongly growing occupations in the United States and 15% in Europe including health-care occupations and STEM-related jobs (Science, Technology, Engineering and Mathematics). Simultaneously, immigrants constituted a quarter of entries into the most declining occupations in Europe (24%) and the United States (28%). In these areas, immigrants are filling jobs seen by domestic workers as unattractive or lacking career prospects (OECD, 2014a).

The economic effects of international migration have been largely discussed in literature¹ (see, for instance, EEAG, 2015; OECD, 2014a; and Kerr and Kerr, 2011). In general, those effects have been found to be positive for the sending countries (remittances, brain gains after temporary brain drains), for the host countries (improvement in the demographic dynamics, introduction of a degree of flexibility in the labour market, higher returns for entrepreneurs, or skilled immigrants increasing the national stock of human capital), or for both types of countries (new bilateral trade and investment flows). In some critical aspects, such as GDP growth or fiscal impact, the results are less clear, depending upon the stage of the business cycle in which people arrive to host countries or their usage of the domestic welfare state services (health and education services, unemployment fees). Even for those topics with an *a priori* expectation of a negative impact of immigration, for instance the depressing native workers' wages in certain industries, the literature offers a consistent result showing a very small and essentially null effect (see Peri, 2014, for a recent review on the sign and magnitude of this type of effects and the reasons for that negligible impact). However, it is true that the global benefits from migration do not affect equally either to all economic sectors or all social groups (see the survey by Kerr and Kerr, 2011, in this sense).

¹ The recent flood of refugees arriving in Europe after fleeing Syria would make interesting to build a future comparison between results already proved in the literature about migrants' effects on receiving societies and those link to these new flow of foreigners, since probably both the motivation to move, the conditions of departing and arrival and the desire and ability to integrate in the host countries could be pretty different. However, the temporal dimension of our data excludes the recent flood of refugees, so we do not offer separate data on them in our empirical paper and we do concentrate our policy proposals in immigrants, since, until that tragic and recent episode, the number of refugees was not significant in comparison with the number of immigrants. See Aiyar et al. (2016) for a preliminary evaluation of the refugee surge in Europe.

Despite that last caution, for a significant number of economists the net contribution of immigrants is undoubtedly positive for receiving and sending countries (Artal-Tur, Peri, and Requena-Silvente, 2014). From this perspective, immigration is understood as a resource and an opportunity even if it implies a challenge in terms of policymaking. As pointed out by Stefano Scarpetta, OECD Director of Employment Labour and Social Affairs, "Migrants need to be seen as a resource rather than a problem, and integration policies as an investment to make the best use of their skills" (OECD, 2014b, p. 11). A good example of the favourable bilateral impact of migration, as proven by the academic literature, is the positive effect of networks of migrants in creating new trade flows. In particular, more recent studies emphasise how vicinity linkages could reinforce this trade creation effect (Artal-Tur, Ghoneim, and Peridy, 2015; Bastos and Silva, 2012).

Notwithstanding that impact on trade and in the economy as a whole, the social perception of immigration in many Western countries is quite negative and worsening in line with the ascent of various xenophobic movements. Feelings about the fiscal impact of immigrants given the existing job competition between foreign and native people in times of acute crisis, scarce information in the media on the positive outcomes of migration according to rigorous research, and a fuelled sensation of insecurity after the terrorist attacks in Europe and the USA, seem to be influencing the opinion of citizens regarding immigrants. Recent electoral choices in these two regions clearly show the importance that such an issue is acquiring, with an increasing number of politicians and citizens advocating for the partial closing of national borders to immigrants.

A recent survey of the Eurobarometer (EC, 2015) shows that the level of concern about immigration in the European Union is the highest among all issues, clearly above topics as sensitive as the economic situation or terrorism, and the negative feeling about immigration from outside the EU almost doubles the positive feeling. Even if most citizens in developed countries understand the need for migrants to depart from less developed economies, an increasing perception about the negative impact upon the host countries has been spreading at least since the beginning of the so-called Great Recession. The fact that the impact of immigration is felt to be more immediate for host societies and the benefits are less obvious since they take some time to arise, surely underlie this unfavourable view. Socio-cultural factors also seem to be playing a role in shaping the negative perceptions towards immigration, mainly when inflows of people disrupt the ethnic and religious homogeneity in traditionally closed societies (Card, Dustman and Preston, 2009; Dustmann and Preston, 2007).

In this context, it becomes important to develop a set of policies helping to highlight the real effects of migrants at the economic and social levels, while giving them the highest visibility. Policies aiming at a sustainable recovery from the Great Recession would prove very useful in this direction. More specifically, analysis improving our understanding of the aspects of migratory processes and features of migrants that better give rise to such positive outcomes are necessary. Finally, an effective communication

policy able to spread this information within host societies should be a key ingredient in that set of policies. This policy paper seeks to walk in that direction. We start by presenting a classical example of positive outcomes of migration for host and sending countries, the migration-trade nexus, providing new evidence on the issue. Then, we seek to delineate a policy strategy that could help start closing the gap between economic facts and social perceptions of migration flows.

Migration and Trade linkages: exploring a win-win situation for sending and host countries

The relationship between migration and trade has been studied since the seminal work by Gould (1994). Most results show a significant pro-trade effect of international migrations coming via two different channels. First, the so-called "preference channel" is due to the preference of immigrants for the features of home-produced products, which pushes imports by the host countries. Simultaneously, the "network channel" appears as the networks of immigrants promoting new business opportunities in a bilateral manner (exports and imports), due to their ability to reduce transaction costs as they moderate institutional deficiencies and improve information channels (see Rauch, 2001, for a review).

The fixed costs of getting accurate information for a successful entry (and further growth) to new markets is a key component for firms that want to develop an international strategy. Foreign migrants could (and do) play a useful role in helping to reduce such fixed costs. Since the immigrants establish an information network between the sending and the host countries, they support firms in terms of informing about consumer preferences, setting up the necessary contacts, and dealing with administrative or legal requirements.

Recent literature, using firm-level data, has emphasised the existing complexity arising at the industry and market levels when companies want to engage in new international activities (Eaton et al. 2011). Given this, countries with closer historical ties, resulting in larger stocks of migrants, could enjoy higher trade-enhancing effects from migration since the critical mass of migrants would be high enough to help firms in overcoming country-specific entry and expansion costs (Bastos and Silva, 2012).

The idea of proximity reinforcing the pro-trade effects of international migration flows due to complex market singularities is analysed in two recent works (Artal et al., 2015, 2016). Both papers result in important policy contributions and ultimately reveal the relevant questions to be, "Are there any particular features of migrants making them more efficient in enhancing bilateral trade?" and "How much does proximity effect matter?" In this setting, finding an additional pro-trade effect for historically closer countries and immigrants would result in higher valuing of vicinity linkages. An example is to be found in the European Union through the Neighbouring Policy in the Mediterranean and Near East regions. Specific personal features of immigrants determining their capacity for promoting new trade activities would call for much

focused measures in order to strengthen, if possible, those features through more selective immigration policy.

We offer two contributions presenting case studies for France and Egypt. France is chosen as a typical destination for many international migrants², particularly from Maghreb, as well as intra-EU migrants coming from Southern and closer EU countries. Egypt is selected as a relevant sending country, with emigrants going to two quite different types of destinations, one being neighbouring Arab oil-exporting countries and the other being distant Western countries. Regarding immigrants characteristics, factors such as the level of education, the duration of stay in the host country, the language proficiency, and the relevance of self-employment are addressed.

The main conclusions from these case studies are quite informative in terms of policy prescriptions. Regarding the role of close cultural and historical links, additional pro-trade effects of migrants are found both for France (with EU as well as with North African partners) and for Egypt, given historical proximity issues with some particular countries, resulting in additional bilateral trade creation effects.

The highly educated migrants (those with tertiary education) are shown to generate a larger pro-trade effect for both case studies³, with the French case showing a trade effect mainly driven by the network channel, and the Egyptian case showing a higher role of the preference or home-biased consumption effect. However, it is interesting to note that the pro-trade effect of less educated migrants is also shown to be positive, but of a lesser extent. The duration of immigrant stay at host countries also seems to be an interesting factor driving the magnitude of their economic, pro-trade, effects. Medium-term stayers, between 3 and 10 years, show the largest trade-creation effects, since trade-enhancing networks need time to be developed. Conversely, long-time migrants become increasingly assimilated hence relaxing their links with origin countries.

Additionally, the relevance of migrants' host-language proficiency is shown to have an impact, and, for a subsample of data, the lack of that proficiency seems to erase the positive effect of migrants upon trade. Finally, it appears that self-employed immigrants show lower trade effects meaning that migrants working for settled firms stimulate links much more intensively than those with their own firms. However, this could be due to the type of business owned by immigrants, which are mostly devoted to activities linked to personal services and not very frequently to export/import of products. This could also be because of the size of the companies formed, much smaller on average in the case of self-employed activities.

² France is typified as a long-standing destination with many settled low-educated migrants by OECD/EU (2015).

³ Obviously, the idea of high-skilled immigration being positive for domestic residents is mostly accepted (see EEAG, 2015, for a compelling description of all the effects supporting this idea). However, most economic analyses unveil net (though lower) benefits also from the rest of education levels of migrants, results which are not so generally accepted.

The quoted studies extending previous literature on the issue will be showing that reinforcing the proximity ties between international partners⁴ could result in trade and economic bilateral gains. Heterogeneity is also shown to be important with the magnitude of trade-enhancing effects relying upon particularities of the profile of migrants, and the dynamics of these people at host countries. These findings point again towards an economic benefit arising when ethnic networks support the development of business activities.

Once we have highlighted the clear benefits brought by migrants for closer host and home countries in terms of additional trade effects, we will attempt in the following section to form a strategy aimed at reinforcing the visibility of these results within European and Western societies.

Policy strategy

The integration of foreign immigrants is a relevant issue which deserves specific policies aimed to improve the socio-economic results of that process not only for the people directly involved (migrants, employers, social educators and advisers...) but for the whole receiving society.

In the European Union, much like the migration policy itself⁵, the strategy to enhance migrants' integration and positive impact is a mix of national choices and ideas – some similar, other more differentiated – under a common European framework. Taking as an example the French integration strategy⁶ (see Escafré-Dublet, 2014), it is focused only on immigrants' first five years in France, a period of time which is probably too short for the correct implementation and evaluation of some of the ideas in our strategy (see below). Main areas of interest for French integration policies are those of education – so youth is probably the group of immigrants who receives a more in depth treatment, employment and social cohesion, with a singular interest in promoting a reduction in inherent inequality between immigrants and native population.

Although the critical fields related to the integration process in our strategy are pretty similar to those just mentioned for the French approach, and some of the proposals are targeted to get the same results – i.e., improvement and, as much as possible, fluency at the host country's language, other measures aim at less so-common issues in an integration policy (for example, the financing of SMEs created by immigrants). But we

⁴ Particularly, in these studies, links among countries inside European Union (EU) and between EU and Northern African countries, as well as links between Egypt and both the Arab countries and its traditional Anglo-Saxon partners.

⁵ The European Union has been developing and, up to a point, implementing, a common migratory policy since 1999. The EU-wide immigration, asylum and visa rules are set out in the Treaty on the Functioning of the European Union, but even this general framework does not apply in Denmark and are subject to case-by-case decision in the United Kingdom and Ireland. National governments decide alone in key elements of the migration policy, such as the total number of migrants that can be admitted to the country to look for work, the final decisions on migrant applications, the rules on long-term visas and the conditions to obtain residence and work permits when no EU-wide rules have been adopted.

⁶ Note that France is the country for which the empirical results of migrants' effects on trade previously reported are obtained.

start dealing with the need of transmitting a precise and balance perspective about immigrant's economic impact in the receiving countries.

a) Communication strategy

The confluence of two main structural processes (globalization and automation) with an extremely serious cyclical crisis has provoked a protectionist/nationalist response in wide segments of many Western societies. The impact of the crisis has proven to be very serious in the US and Europe harming not only the low-educated class and low-qualified workers but also the middle class. The West has experienced increasing social inequalities and poverty levels not seen for decades. Protectionism is the typical response one might expect in times of crisis and the parallel xenophobia has led to the surge of radical political views and parties. A general result has been that all manner of international flows are currently under suspicion. This is true for movements of financial capital, goods, and labour.

As noted previously, there is much commentary by anti-immigration groups on highly sensitive topics such as the reduction of employment opportunities for domestic labour, the negative impact upon wages (especially for low-qualified workers), the deterioration in the quality of education at schools with a high number of immigrants, and the burden that these new inhabitants exert upon the Welfare State (Fanjul, 2015). The non-economic problem related to security and terrorism is only reinforcing this trend. In order to change this type of rising discourse, the provisioning of real data to policy makers, mass media, and social networks becomes of the utmost importance.

Currently, a first useful step could be changing the emphasis from security to prosperity, and providing, in a non-technical but concise way, results of many studies – some of them already mentioned in this paper – showing the positive contribution of migration or challenging some of the allegedly high costs associated with migrants. Surely, gaining ground through accurate numbers over popular myths is not an easy task but it is only part of a very necessary comprehensive strategy to change the perception regarding population flows.

Social and cultural programs to promote the integration of both communities, native and immigrant, in which both parts must accept that mutual effort and respect is required, would support this first round of our policy strategy. This approach is particularly necessary when and where rapid immigration happens, since in this type of situations trust across society could be undermined due to new cultures and practices causing the native population to retreat within itself (Collier, 2013). It must be noted that those programs have to include not only recent migrants and native populations but also native-born children of immigrants, since this collective could feel more discriminated against than their foreign-born counterparts (OECD/UE, 2015).

b) Measures for the Host Countries' Strategy: Enforcing pluses from immigration

Fortunately, activities by immigrants which contribute to growth and welfare in the host countries have been identified in the literature and the features of immigrants which reinforce those positive effects are increasingly stressed. The pro-trade effect of migration is a clear example of these outcomes. Knowledge of the key variables underlying these results allows us to make them stronger. These actions require a focus upon specific features of immigrants in order to amplify the effects of people's networks upon economic activity. For instance, the proficiency at a host country's language is a crucial determinant to enhance the effect of immigrants upon trade but it is probably also a need for successful immigrant integration. Additional public investment in educational programs would simultaneously facilitate opportunities for business and better social inclusiveness. The employment of a higher number of previously well-integrated language-proficient migrants in such programs could offer both an employment niche for them and a model of integration in the receiving countries for the new immigrants. More fluency at host country's language would also improve those migrants' chances of being employed by native firms thus allowing some of them to facilitate extensive (new relations) and/or intensive (deepness of previous relations) trade or investment activities with home countries.

Conversely, the quoted results of Artal-Tur et al. (2016) show that the effect on trade of immigrants who are self-employed could be less significant than for the wage-earners immigrants working at domestic companies. However, this result could be the consequence of the type of businesses that immigrants have the chance to initiate when reaching a new country. As shown in Fiscal Policy Institute (2012), the overwhelming majority of businesses owned by immigrants are in the service sector with very few of them linked to activities in which foreign trade or manufacturing are relevant. A recent study by the OECD and the European Union (OECD/UE, 2015) reveals that the "share of self-employed" as a variable is one of the few categories in which differences between immigrants and the children of immigrants (and native-born and their children) show less importance. This implies a high propensity of immigrants to start-up their own businesses. Specific programs to support immigrants to be engaged in more and better companies when reaching host countries could therefore lead to improved trade and investment links between sending and host countries, thus providing further benefits in times of slow growth scenarios. This type of specific measures should require closer coordination actions between neighbouring countries, e.g., those in the European Union and in the North of Africa, extending in this way bilateral linkages further from the economic side. This is clearly something very important in times when social and economic turbulence is being exhibited on all shores of the Mediterranean.

Other measures, even if useful for an economically profitable integration of immigrants (which many times also support a socially smooth integration), should also be extended to the native population as they are known to be necessary to keep or improve the competitiveness of the Western (in our case, EU) economies.

For example, the average size of firms is a key determinant of their productivity and ultimately of their competitiveness (see, for instance, OECD, 2013). The dominance of the micro-size firms in the South of Europe is well-known and it is worrying since they are less productive and less profitable (Rubini et al., 2012). Policies directed to cut barriers to firm growth, specifically tax barriers, labour market regulations, and generally issues of a "red tape" nature, would be highly beneficial in many European countries, majorly at places such as Italy or Spain in which very small firms are so dominant. Since immigrants, with less available resources, usually own this type of firms, this new population could also benefit from such measures. In this way actions aimed at promoting opportunities for immigrants would also spread across the rest of the host society.

The same argument could be easily employed regarding the way of financing business activities. Obviously, the bank-based type of financial system historically dominates European financial markets and the financial crisis starting in 2007 has seriously harmed many banking institutions in Europe. A reduction in the number of establishments, and more exigent regulation and intense supervision (as well as the newly developed macroprudential policy) has basically ensured that the waves of easy and cheap credit arising in many European countries before the crisis will not take place again. A side-effect of a more secure and prudent banking system will however be the larger difficulty in achieving financing for developing business activities, especially for Small and Medium Enterprises (SMEs). In this new framework, public policies should be oriented to ensure ways of financing economic activity alternative to banking credit. An example might be the development of both fixed and variable markets focused on SMEs or to increase of quality and quantity of venture capital. Both should be a new priority for European countries. For immigrants, who usually lack the required collateral to get a loan, this policy approach (even if not focused specifically on them) would become truly valuable.

c) Measures for the Sending Countries' Strategy: Improving qualification of migrants and the general environment for the whole population

A similar strategy can be chosen for the countries sending a relevant fraction of their population abroad. Always under the umbrella of international cooperation and coordination with partners in the Western world – which must include the provisioning of funds for well-targeted policies and the external auditing of the results– a combination of measures focused upon developing partner and neighbour countries should improve the benefits coming from the migration process. General measures for emergent and developing countries should start by focusing on improving the public governance as a key pre-condition to free the resources needed for success of the programs suggested below (and other similar measures). The loss of output due to the misallocation of resources, distortions of incentives, funds directly stolen, and other inefficiencies caused by corruption generate the shrinkage of opportunities for the

society to develop. Improving the rule of law, government effectiveness, and regulatory quality is a cornerstone to continue with a more specific set of measures.

Even if programs focused upon the progress of particular sectors/types of industries (maybe those with an historical competitive advantage or appealing for foreign direct investment) could be useful or even necessary for a relatively early payback for such programs, a more horizontal type of measures would be preferable in terms of widening the opportunities for a majority of the local population. Below are examples related with trade, migrations, and their benefits⁷.

Once again, education and training (including an emphasis at international languages where required) constitutes a key element in our approach and also in the emigrants' countries of origin. Apart from the bonus of growth, which is provided by a more-educated labour force, fulfilling this need of better education increases the ability of people to migrate. Moreover, their capacity to intensify economic flows between the sending and receiving countries also becomes higher as we have noted before for the case of trade.

In the short-run this approach could be understood as a use of public resources in favour of a particular segment of the population, namely the middle class. Moreover, the improvement of the personal features enforcing the ability of sending countries' citizens to migrate and get a larger profit from migration is a source of "brain drain".

However, at least four powerful counterarguments to these criticisms must be underlined. First, that bet for education and training must be global, reaching all social segments and all levels of education, including less advantaged people and absolutely primary education for all children in the country. From our point of view, this should be the highest priority for European (and international) programs of cooperation with less developed partners, as education and institutions become two of the pivotal tools to development in today's world (Acemoglu and Robinson, 2012).

Second, this approach may potentially lead (in the medium term) to a "brain gain" process⁸. Those remaining at home will likely note that well-qualified migrants improve their situation in the host countries and this perception may then become a very strong incentive to further their education and also obtain new opportunities. Of course, not all are going to leave their home country (and some of the increasing number of those emigrants with good qualifications and experience abroad are going to return) thus increasing the stock of remaining human capital and improving productivity and growth at home. The case of Indian engineers is a great example of this evolution. Temporary migration and return flows also lead to brain drain turning into future brain gains for sending countries.

Third, already noted, there are clear benefits of increasing international trade enhanced by migrants shown not only for the host countries but also for the sending countries.

⁷ Loewe (2015) provides evidence for Egypt on a more comprehensive strategy for stimulating growth.

⁸ A formal presentation of the "brain gain" process can be found, for instance, in Mayr and Peri (2008).

Finally, the contribution of emigrants to their home countries through flows of remittances is another key factor in the development of new opportunities to family, relatives, and the home economy in general (Artal-Tur et al., 2014). A greater stock of migrants ensures a wider return in terms of remittances as well as stronger indirect effects from those remittances upon the overall economy. As noted, for example, by Khoudour (2015), in addition to the money sent by emigrants, we must talk also about some relevant "social remittances"⁹. When returning home or talking with their families and friends, emigrants introduce new ideas, learned in the receiving countries, which can support the progressive development of better, more transparent, and more efficient practices and behaviours in their home societies and productive systems. Better institutions could also be promoted by emigrants staying in touch and even returning to their home countries (Docquier et al., 2014).

Surely, all these benefits could be reinforced with some more targeted, well-known, but not always applied type of policies. An example of this might be those programs related to making transnational remittances easier/cheaper or the development of assistance programs for emigrants' children similar to the programs already working in The Philippines or Sri Lanka.

A second kind of horizontal policy that should be implemented, again in favour not only of those involved in the migratory process but also for the rest of sending countries' economies, is the promotion of the legal, administrative, and financial changes needed to support the creation of SMEs. This would include measures devoted to increase the number of this type of firms (the ones which create most of employment all around the world) by reducing red tape and unnecessary regulations, helping to bring the many existing SMEs in the "black economy" into the formal one, to facilitate banking credit and/or alternative ways of financing (especially those with new good ideas but a scarcity of money to put them into practice) and to support innovative activities, education, and creativity by small and medium size firm owners.

This set of proposals (others can be added and more details are obviously required for their implementation given idiosyncratic features of each country) entails a non-easily implemented pro-competitiveness strategy, which, as pointed out, would benefit emigrants' home countries as well as receiving countries.

Concluding remarks

Section 7 of the 10th United Nations Sustainable Development Goals states: "Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies"¹⁰. Achieving these aims surely implies the integration of immigrants and their children into the labour market (and the business activities) of the host countries. This

⁹ A wide analysis of the "social remittances" topic is offered in Lacroix et al. (org.) (2014).

¹⁰ <https://sustainabledevelopment.un.org/?menu=1300>

integration will also promote social cohesion and economic growth in receiving countries. Additionally, well-coordinated strategies should improve the economic and social situation in the emigrants' countries.

In this paper, we have suggested a combination of policies, to be developed between all partners (sending and receiving countries), aimed at underlining the already relevant and significant positive contributions made by migrants with a particular focus on strengthen this contribution. Some of these policies are specifically focused upon migrants, while others present a wider scope while also appearing to be particularly useful for migrating people: The need for a better communication strategy about the real facts pertaining to the impact of migrants in order to offset negative myths about immigration is also underlined here.

The alternative has historically been merely playing the card of humanitarian reasons for allowing (instead of supporting) immigration. Even if this remains a strong argument from an ethical point of view, such overreliance upon it could easily become a sad failure when facing a multitude of (often erroneous) ideas underlining the perceived cost of immigration for Western societies. The current challenges faced by the EU countries and neighbouring MENA region in these times of uncertainty and profound shocks for their people make this message even more necessary and valuable in order to create a space of mutual help and understanding for future generations.

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FEMISE 41-13 Research Project: POLICY BRIEF

The role of vicinity linkages in the EU-MED region for trade growth: focus on migration, level of education, and social integration

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The year 2015 has seen a stock of 125 million foreign-born people in OECD countries. While inflows of foreign people offer undoubtedly important contributions to hosting societies, migration is simultaneously believed to have mixed impacts. It is hoped however that changes in the demographic structures of the OECD countries might overshadow extant or created negative imbalances. However, as shown by recent OECD studies, migrants contribute on net to tax revenues and offer socioeconomic contributions to destination countries.

A generalized opinion in Western societies sees migration flows as exerting pressure on labour markets at receiving countries, while countries of origin majorly enjoy the pecuniary and non-pecuniary benefits of migration. By the contrary, empirical evidence would be showing that both origin and destination countries share the benefits of migration flows, majorly becoming of the high skilled type, while development of Western societies would increasingly need to rely on flows of foreign people to face all challenges posed by the near future.

Western nations, especially OECD ones, are considered the main receiving countries of migrants from different regions of the world. With the current socio-political turbulences, OECD countries have devised more restrictive policies towards arrivals of foreign people. Looking at migration from this angle likely ignores some of the clear benefits of opening to migration flows. The USA constitutes a good example of this, with the country being the first receiver of immigrants in the world with one million people per year occupying many jobs at home and health services that allow the nationals to conciliate their family and working lives. In this research we focus on the analysis of the trade-migration nexus to highlight some of the positive economic impacts linked to international migration flows.

The role of networks of migrants in creating new trade flows between host and home countries is investigated. Evidence is provided on how historical ties and proximity issues between countries strengthens this trade-migration nexus. The role played by the profile of migrants (level of education, language proficiency and occupational status) and their level of social integration at host countries is also explored. Two main case studies illustrate the study, namely the case of France and Egypt.

Migration and trade facts for France and Egypt

France is one of the six top OECD destinations of migrants in 2014 with a stock of 7.5 million foreign-born people, approximately 12% of the total population, exhibiting close historical ties with some origin countries such as Maghreb and EU ones. People's inflow for working purposes have clearly increased from 5% to 22% between 2004-2013.

Conversely, Egyptian official emigrants constitute roughly 4 million people living around the world. Egyptians in Arab and Western countries account for 72% and 10%, respectively, of

total national stock abroad in 2013. Interestingly, the characteristics of Egyptian migrants differ based upon the destination and, historically speaking, differences exist between permanent and temporary migrants from Egypt. Temporary emigrants settle in Arab countries, mainly Gulf countries, where they generally arrive for work purposes. The main reason for this move is to accumulate savings for investments and marriage upon their repatriation. Permanent emigrants however generally choose Western countries and ultimately expect to bring their whole family along with them in the near future.

Egyptian migrants in Arab countries present lower education levels on average as opposed to higher levels of education for those migrating to Western destinations. The mean stay for permanent migrants is also fifteen years, as opposed to nine years for temporary migrants, with higher migrants' integration mainly explained by the higher distance to one's home society, the younger average age of migrants, and more liberal ideas characterising this group.

Trade figures for France show that the five main destinations for its exports are EU countries, and exported commodities are mostly manufactured goods. Regarding import flows, EU countries again occupy the top of the ranking as main providers. Exports and imports to and from MENA3 countries (Algeria, Morocco, and Tunisia), show a particular share of around 1% of total exports with a significant growth in volume of exports along the period of analysis.

In the case of Egypt, the main trade partners are Italy, the USA, France, and Saudi Arabia for exports and adding Germany for the imports. Between years 2000 and 2013, export partners of Egypt have shifted toward Arab countries as opposed to the EU. Trade flows between Egypt and Arab countries, the EU, the USA, and Canada include bilateral exchanges of manufactured goods and some imports of natural resource (petroleum) products from Arab countries and also the export of food-items to the non-Arab partners.

Data and approach

Methodological difficulties usually appear while collecting statistics on migration due to the lack of an established international approach for migration related institutions. Being aware of the limitations, several information sources were employed achieving a rather homogeneous data set for the study. New variables were also added for the framework of analysis compared to the available literature on the topic. Some characteristics of the immigrants, such as level of education, language proficiency, and professional status, could influence the magnitude of the trade effect arising.

The specification of the gravity model tests for the role of social integration issues (length of stay at destinations, their age at arrival, and if gaining citizenship) in the trade-migration nexus too. Interactions of the social profile with proximity issues linked to the origin/destination countries allows to test for additional economic effects of international migrants. Gravity equations include annual data for the period 2000-2013 for bilateral trade flows between France and 92 partner countries (OECD, MENA, South American, and Asian countries). In the case of Egypt, we employ the same time period (2000-2013), with 68 commercial partners (Arab, European, Asian, and American countries).

Results and policy recommendations

Collectively, the stock of migrants shows a positive effect in creating trade flows, with additional effects for countries with closer ties and proximity, both for France and Egypt. In this way, results point to the potential of Neighbour Policies in the Mediterranean region in fostering and benefiting from deeper historical partnership and cultural ties in the region.

Results also show that well-endowed educated immigrants create higher trade connections and exchanges with their home countries, although highly assimilated and integrated people would be reducing their economic impact internationally, as they go losing connections from abroad and focusing on host country activities. Proximity and historical ties in this way seem to matter in creating additional trade flows between countries even when allowed to interact with the personal and social integration issues of immigrants. These results provide important policy recommendations for the future of countries in the EU and MENA region. Results show different outcomes regarding the profile of the immigrant and their social integration at receiving countries, what opens scope for a range of selective migration policy with dissimilar economic impact for host societies. Education has to be seen in this respect as the best way of integrating immigrants at host societies, providing them with tools for their development as human beings and workers, and rendering the highest economic impact. Language training courses are also key for unfolding the potential of immigrants in creating new businesses, as well as taking advantage of networks of immigrants in the first years of their arrival, all these being policy recommendations arising from the research findings.

In general, results for France show that business and social networks enhance trade exchanges, while historical links promote additional pro-trade effects of migrants. In this way, both EU and MENA immigrants show additional economic effects, higher for the former area, with around 8% additional trade creation effects for both sets of countries jointly.

The case of Egypt reinforces findings on historical ties and proximity issues able to promote new trade exchanges via migrants. Networks of emigrants help to overcome fixed trade costs and higher bilateral ties come to exist in larger stocks of emigrants yielding larger pro-trade effects. Results show a clear pro-trade effect of emigrants with a higher effect for migrants in Arab countries relative to those in USA and Canada. Geographical distance appears to decrease exchanges, while trade bilateral agreements, past colonial joint history, common language, and border effects all appear to increase them. Personal characteristics of migrants also appear to be important in shaping trade effects, which grow with the level of education of migrants and decrease with the length of stay at destinations.

In sum, the present investigation continues to highlight the economic benefits of migration flows. With the changing political views relating to migration and the recent proposed changes to migration legislations in many of the OECD countries, the conclusions of this paper add an important dimension to the debate. Main results show that historical ties lead to higher stocks of migrants at particular destinations, these networks of immigrants showing clear pro-trade and business effects bilaterally. Selective policies for high skilled, but not only, and language proficiency allowing communication and interaction would result in higher economic impact of immigrants, particularly in the first years of their arrival to host countries.

Policy views resulting from the research should also focus upon other important issues. In general, immigrants correlate with evident economic benefits to both destination and origin countries by creating new economic exchanges in the international markets, an important issue in times of economic crisis and political turbulences. Historical linkages between countries have been shown to have an impact, from an economic view, but also could be used to offer additional key social and political improvements resulting from closer ties of host and home historical partners in the MED region. Common Migration Policy should therefore be strongly considered as a complex set of interdependent social, political, historical, and economic issues, likely offering substantial benefits to both host and sending countries, beyond those immediately perceived. In this framework, personal characteristics and social integration of immigrants must be taken into account when designing migration guidelines and legislation, and trying to quantify their economic benefits for home and host countries.

In order to enhance the benefits from migration – and the perception of that positive contribution among citizens in the receiving countries – several policy recommendations have been suggested in our policy paper. Firstly, a communication strategy devoted to align the social perception of migration with the results of many studies showing the positive contribution of migration or challenging some of the allegedly high costs associated with migrants. Secondly, several measures to enforce immigrants' contribution to host societies have also been proposed. Some of them are specific to migrants, from educational programs employing a higher number of previously well-integrated language-proficient migrants in such programs in order to offer not only education but a model of integration for the new immigrants, to specific programs to support immigrants' high propensity to start-up their own businesses, but also to facilitate them to be engaged in more and better companies with activity in their home countries. Other measures being useful for immigrants' integration should probably be extended to native citizens to improve European competitiveness, such as policies directed to cut barriers to firm growth or policies oriented to ensure ways of financing economic activity alternative to banking credit. Finally, since emigration constitutes a potential source of wealth for sending countries, some policy recommendations are also suggested for them in our policy paper, starting with new agreements that favour ordered and legal inflows of people, particularly for those with higher impact on host economies, but for family reunification too. Any general measures directed to improve conditions at home countries of immigrants, such as helping to promote better public governance, education and entrepreneurship would also promote a good environment for business practices, mostly between closer partner in the Med region showing higher economic outcomes, as shown by the research findings. Other bilateral aid could provide assistance for the promotion of the legal, administrative, and financial changes needed to support the creation of SMEs at home countries of immigrants, resulting in higher business opportunities for the Western societies as well.