Forum Euroméditerranéen
des Instituts de Sciences Economiques

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THE ROLE OF VICINITY LINKAGES IN THE EU-MED REGION FOR TRADE GROWTH: FOCUS ON MIGRATION, LEVEL OF EDUCATION, AND SOCIAL INTEGRATION
FEM41-13 Research Project

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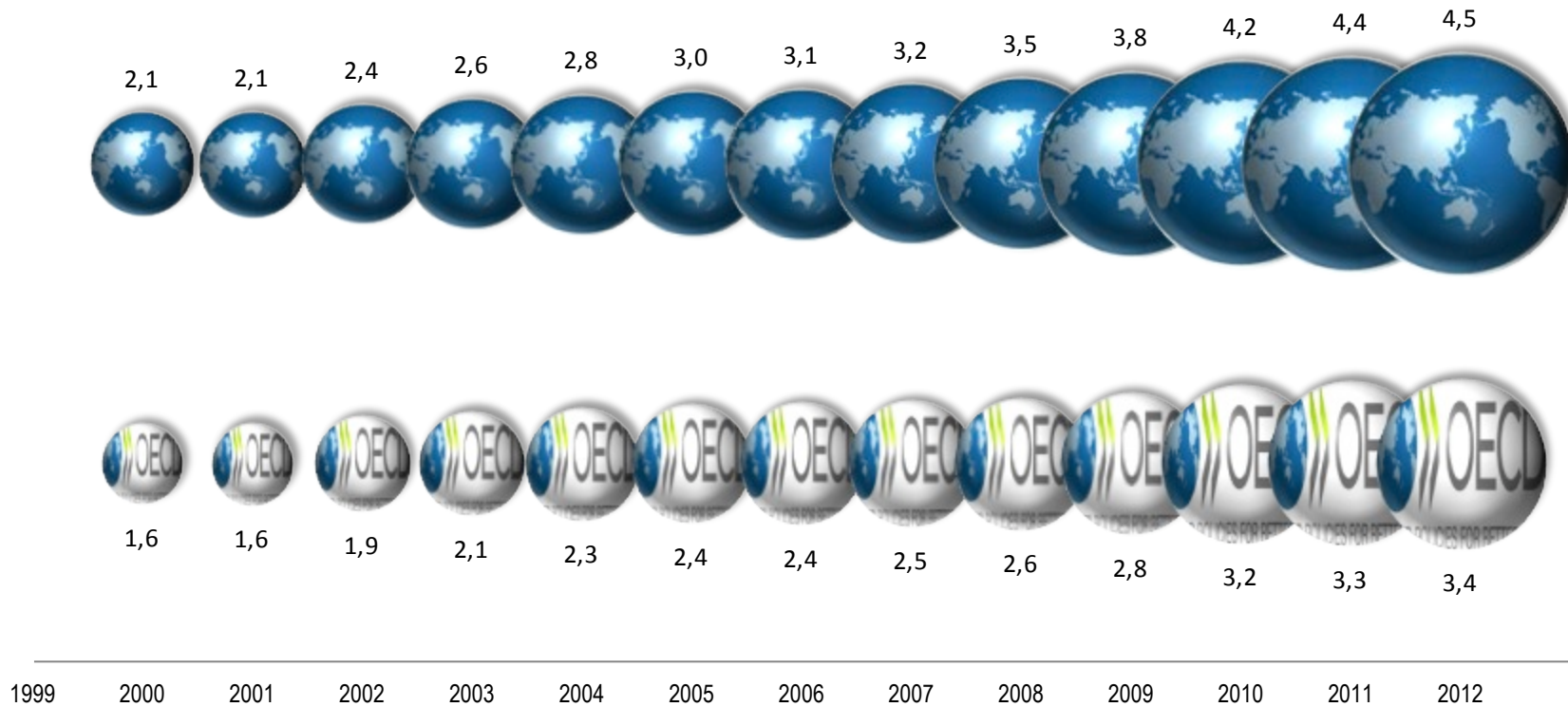
Introduction

MEDIA IS SAYING THAT:

- 15 million MENA people living in EU countries (Farges et al., 2011).

- Refugees started to be a problem because of huge instability and war situation on the MED region (Syria, Lybia, Arab Spring).

- 1 million crossed Mediterranean Sea to seek for protection in EU countries in 2015; 1.5 claimed asylum in OECD countries in 2015

- **Twice the number of 2014 and highest number ever!!!**

- Some nations closing boundaries or reducing access

BUT REALITY IS THAT (Intern. Migration Outlook 2014, OECD):

- High skilled are *unprecedently* increasing their share in total flows !!! (35M tertiary edu in OECD, +70% in 2000-2010

- Asylum seekers only represent 0.1% of OECD population and 0.3% of EU population.

- Immigrants accounted for 40% of total population growth in OECD countries between 2001-2013

Figure 6. Foreign students worlwide and in OECD countries, 2000-12
Millions

Source OECD Education database.

"*Far from a problem, refugees can and should be part of the solution to many of the challenges our societies confront. Firstly, they bring hope with them*".
(*Mr. Ángel Gurría*- OECD Secretary-General, joint Conference OECD-UNHCR, Paris, 28th January 2016).

BETTER POLICIES FOR A BETTER LIFE
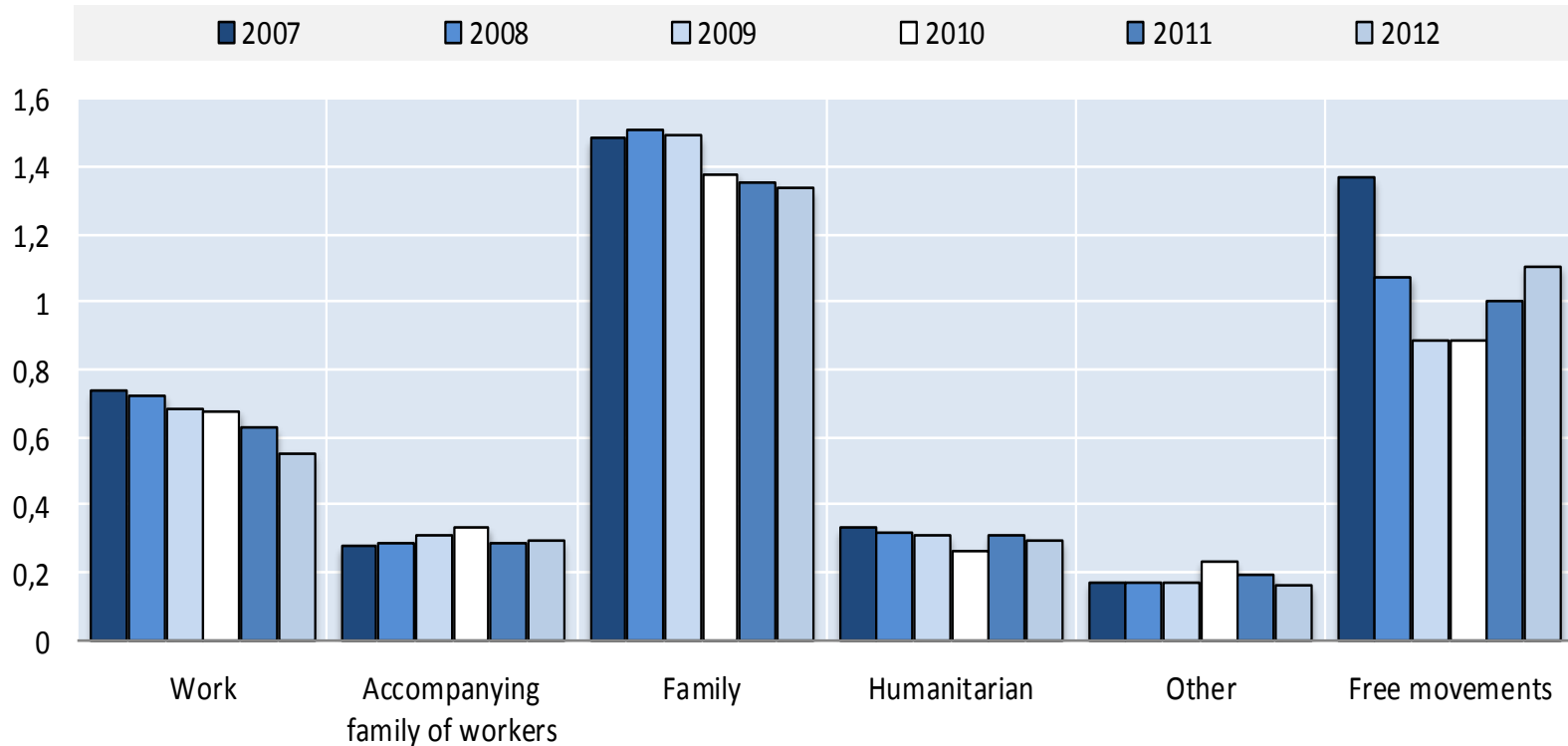
(Moto of the joint Conference OECD-UNHCR)

"*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*"
(Mr. Stefano Scarpetta, OECD Director for Employment, Labour and Social Affairs- OECD Migration Yearbook 2014).

One last remark on global migration flows....

Figure 2. Permanent immigration in OECD countries by category of entry, standardised statistics, 2007-2012
Millions

Source: OECD International Migration Database.

Last available data shows 4.3 M of new (official) arrivals to OECD countries in 2014, making a stock of 117 M, with 35% for family reunion, and 30% due to free movement inside EU space (OECD, 2015).

Our aim in FEM 41-13:

To continue addressing "the positive effects" of migration for *sending* and *receiving* countries (Artal-Tur et al, 2012, 2013):

We focus on one channel: *Trade creation effects*

Seeking to extend the literature in the following ways

- **Better understanding of the role of proximity issues: geographical distance, history, shared culture.**

- **Introducing new variables: education and assimilation, self-selection effects, brain-drain debate, temporary-permanent migration, market heterogenity.**

- **Providing new evidence for the EU-MED-MENA region.**

Literature

2 main channels (Rauch, 1999, 2001)

Original: Preference effect: Home bias in demand of immigrants (M)

Extension: Network effect: Information and security issues for new business (M+X)

Introducing Market heterogeneity:

Recent literature has shown the existence of an important degree of heterogeneity in foreign markets, that must be understood when starting to export (Eaton et al, 2011).

There is some specific relationship between firms and migrants of the same origin country that would be influencing the internationalization of companies (Lawless, 2009).

Countries with closer historical ties, resulting in larger stocks of immigrants, will be showing higher trade enhancing effects. Larger stocks of migrants in a given destination would help firms to overcome start-up and commercialization costs in foreign markets. (Bastos and Silva, 2012).

How to identify some of these effects in EU-MED: 2 case-studies:

1. France: As an important destination country, we will address:

a) Role of education: high (information) versus low edu (home-bias)

b) Role of assimilation (3rd/4th generation) through preference channel

c) Comparing effects by origin: NA (Algeria-Morocco-Tunisia) vs EU arrivals

d) Interaction between country of origin-education-assimilation

e) Policy guidelines taking into account market heterogeneity issues

2. Egypt: As an interesting origin country to OECD and Middle East (Gulf):

a) Education effects and self-selection by destination: Canada-USA, Saudi Arabia-UAE-Kuwait, Italy-Germany

b) Trade effects by level of education: assimilation in NAM countries, and decoupling effects with mother countries (higher status and wages, younger people, tertiary educated, work place assimilation)

c) Temporary (Gulf) versus permanent (America) migration

d) Stay duration interacted with level of education

The empirical model: Extended Gravity equation: (Bratti et al, 2014)

$Trade_{ijt} = f$ (gravity factors + $migrants_{ijt}$ + $migrants_{ikt}*edu$ + $migrants_{ikt}*stay$) + $MR_{ij, it}$ + country-pair effects$_{ij}$ + ε_{ijt})

i: France, j: partners, k: selected origin countries of migrants (*additional effects*??)

i´: Egypt, k´: selected destination countries of migrants (EU-NA-ME-NAM)

Edu: level of education (up to primary, secondary, tertiary)

Stay: Duration of stay at host country (0-5 years, 6-10 years, >10 years)

We control for heterogeneity and endogeneity issues: Panel data and IV estimators. Log-log specification- zero inflated regression.

Policy issues:

Migration and Trade policy related issues:

- Important to highlight positive effects of Migrants for France in current times, mainly for the Muslim connection (Morocco, Algeria, Tunisia)

- Role of assimilation + Education issues: how integration policies could shape the economic outcomes of networks of migrants

- Brain-Drain positive outcomes for origin countries of migrants (MENA): increasing bilateral trade-related effects that evolve with time

- Differing effects of high and low educated, self-selection effects for high educated (information channel versus preference one)

- In general, we focus on understanding how historical linkages and proximity ties (colonial links, cultural similarities between Gulf and Egypt, 3rd and 4th generations living in France and Canada) influence the type and size of the pro-trade effects of immigrants, given the special relevance of these collectives of migrants at host countries (stocks).

- **Extending the literature and providing evidence for the common MED space: mutual benefits, shared region, role for EU policies.**

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THANK YOU VERY MUCH FOR YOUR KIND ATTENTION

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