

UNCTAD's inputs to the UN's Secretary-General report on the global compact for safe, orderly and regular migration

1. Trade and services elements of a global compact for safe, orderly and regular migration

Trade and the trading system address root causes of mobility of people as they contribute to poverty reduction, regional stability and security and thus to the promotion of migration as a choice. Along with cooperative arrangements, they can also provide the tools to better migration governance, promoting the recognition of qualifications and with the potential to support, for example, the portability of earned benefits. This twofold linkage of trade and migration can be enabled by international trade related policies that can enhance the effects on economic growth thus being of relevance to a holistic approach to address the drivers of migration.

Services trade through the temporary movement of natural persons, or mode 4 of supplying services- supply of a service by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member -, relates even closely to regional and international migration as a sub-set concerning temporary migration. It is particularly important in professional and business services, as well in services related to agriculture, manufacturing and mining. In particular, the General Agreement on Trade in Services (GATS) article VI.4 envisages the establishment of disciplines, based on objective and transparent criteria, to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services, including temporary mobility of persons. Given the continued growth of remittances, it would appear that trade through mode 4 is on a rising trend. In 2016, migrants sent home \$575 billion, of which \$429 billion to developing countries¹. These values are considered an underestimation, since they accounts only for formal channels². The relevance of the services sector for migration is also underscored by the fact that around 71 per cent of migrant workers are concentrated on services. Migrant workers accounted for 150 million of the 232 million migrants in 2013³. Furthermore, in many countries, services account for an important part of the informal economy where many migrants find employment.

Temporary trade-related labour mobility has important benefits for both origin and host countries. For the country of origin of the temporary migrants, it creates a formal avenue for temporary migration reducing the incentives for irregular migration and promoting brain circulation instead of brain drain. Benefits accrue from remittances and from the incentives that may occur to invest in human capital and education. The temporary presence of persons in the host country of the temporary migrants can also contribute to gains from trade and often attend to demographic needs or labour shortages thus enabling market expansion rather than replacing employment.

The temporary presence of persons can also trigger benefits for origin and host countries by promoting other avenues for trade as, for example, what is sometimes referred to as "nostalgia trade". This involves such things as trade in tourism services, when people go back home to visit,

¹ The World Bank, 2017, *Migration and Development Brief 27*.

² UNCTAD, 2014, *Report of the Expert Meeting on the Impact of Access to Financial Services, including by Highlighting Remittances on Development: Economic Empowerment of Women and Youth*, TD/B/C.I/EM.6/3.

³ ILO, 2015, *ILO Global estimates on migrant workers*.

or trade in home country goods. This consumption of tourism services and home country goods has often stronger links to the local economy in the home country, promoting inclusion. Exports by the temporary movement of persons can also boost trade flows between countries by leveraging diaspora networks that can transmit skills, technology, know-how and information. This may provide information on work, business and education opportunities, financing, the circumvention of trade barriers and the reduction of trade-related transaction costs. This mechanism can be harnessed by diaspora engagement policies.

Empirical evidence has shown that both permanent and temporary mobility promote bilateral trade flows. However, while permanent mobility may provide more integration in the host country it has been demonstrated that temporary mobility tends to have a stronger and more significant effect on imports and exports, partly because it provides a more up-to-date knowledge of the home country. Therefore, the linkages of trade in services, particularly mode 4, with migration contribute to target 10.7 of Sustainable Development Goals (SDGs) on facilitating orderly, safe, regular and responsible migration and mobility of people.

Exploring the linkages of multilateral, regional and bilateral trade agreements with the global compact for safe, orderly and regular migration importantly addresses the development dimension of migration and mobility of people. Trade agreements and cooperative arrangements have longstanding mechanisms that already facilitate or envisage better mobility of people, particularly on services. Still, trade and services policies need to be backed by other flanking policies, enabling regulatory environments and adjustment mechanisms to ensure that the opportunities brought by trade and trade-related movement of people are associated with inclusivity and not by exacerbating vulnerabilities of migrants and people worse-off.

Financial inclusion should also be a dimension of this global compact as it contributes to a holistic approach to migration by supporting poverty reduction and economic and social development by facilitating domestic and international transactions, mobilizing and channelling savings, and broadening credit availability. Of particular importance to migrants and migration, the relevance of financial inclusion is enhanced by linkages between access to financial services and remittances, a particularly meaningful source of private financial flows for many developing countries. Financial services may contribute to facilitated, speedier, safer and less costly remittance flows⁴. This debate is important from a development perspective as a 10 per cent rise in remittances may contribute to 3.5 per cent reduction in the share of people living in poverty⁵. This directly relates to goal 10 of the 2030 Agenda for Sustainable Development (Agenda 2030), in particular target 10.c on reducing to less than 3 per cent the transaction costs of migrant remittances and eliminating remittance corridors with costs higher than 5 per cent.

Furthermore, if remittances are spent in consumption and other non-productive expenses, the funds received are not leveraged and dependency is created. In this sense, financial inclusion is important to maximize the development role of remittances. It links remittances to financial services such as savings, loans and insurances, together with scalable models of investment for migrants and their

⁴ UNCTAD, 2015, Access to Financial Services as a Driver for the post-2015 Development Agenda, *Policy Brief No.35*, UNCTAD.

⁵ UNCTAD, 2014, *Impact of access to financial services, including by highlighting remittances on development: Economic empowerment of women and youth*, 3 September, TD/B/C.I/EM.6/2.

families⁶. Financial inclusion facilitates options to invest these private funds in productive activities, social services and infrastructure. These investment options may comprise diaspora funds and bonds and this channelling may be enhanced through financial education and tax and credit incentives.

Access to financial services and maximising the development impact of remittances should be part of an overall strategy of managing reintegration. This needs to be based on a holistic and coherent set of policies applicable not only to the return but also to previous stages, including engaging with the diaspora to strengthen links between the country of origin and migrants and between migrants. This requires a multi-stakeholder approach, including foreign affairs structures and trade and investment agencies, to reach out, inform and support diaspora. This contributes to protect the rights of migrants, reduce costs and risks of migration, improve migrants' welfare and facilitate sustainable reintegration. Moreover, a multi-stakeholder approach from countries of origin to diaspora engagement in countries of destination may provide not only important channels for the transmission of remittances, skills, technology, and know-how, but also information on work, business and education opportunities. This will facilitate matching with labour needs, new conduits for trade and investment, and focused labour migration targeting existing needs.

2. Trade and services actionable commitments

The global compact for safe, orderly and regular migration could consider the following trade and services-related commitments, acknowledging the importance of trade and services to address root causes of mobility of people and to provide tools for better migration governance.

- Promote a coherent approach between development frameworks, including trade and services strategies, and approaches to migration. This comprises the recognition and advocacy of the development benefits of trade- and services-related migration for origin, transit and host countries and also of the importance of trade-led cooperation to support the development of origin countries, addressing root causes of migration and promoting migration as a choice.
- Explore the potential of trade and trade in services agreements and cooperative frameworks for better migration governance, including through their tools to promote the recognition of qualifications and establish objective, transparent, and non-discriminatory criteria for qualifications requirements and procedures, and licensing requirements. Coherent and mutually supportive trade and migration policy frameworks are called for at national and regional level.
- Promote financial inclusion as it addresses root causes of migration, facilitates migrant remittances, and facilitates options to maximise the positive impact of remittances, including as a part of managing reintegration.
- Manage diasporas through a multi-stakeholder approach, including foreign affairs structures and trade and investment agencies, to contribute to protect migrants' rights, reduce costs and risks of migration, improve migrants' welfare, facilitate sustainable reintegration, provide channels for remittances, and provide information on work, business and education opportunities thereby facilitating labour migration matched with labour needs.

⁶ Mashayekhi, Mina, 2013, Maximizing the Development Impact of Remittances, *Maximising the Development Impact of Remittances*, UNCTAD/DITC/TNCD/2011/8, UNCTAD.