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Globalization and Interdependence

Role of the United Nations in promoting development in the context of globalization and interdependence

Report of the Secretary-General

Summary

The present report focuses on the effect of increasing linkages and interdependence among trade, finance, knowledge, technology and investment on poverty eradication and sustainable development in the context of globalization, making action-oriented recommendations, in response to General Assembly resolution 57/274 of 20 December 2002.

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III.C Linkages between international migration, financial flows, especially workers' remittances, and trade

35. Linkages between finance, technology and trade play an important role in realizing the benefits of international migration. While migration is not a new phenomenon, today it has become a global one, both across and within regions and not exclusively in a South to North direction: forty per cent of migrants are in developing countries. Approximately 175 million persons, or about 3 per cent of world population, currently live outside their country of birth and their number has more than doubled since 1975. International migration has broad economic, social and security ramifications for both the countries of origin and the countries of destination. While it carries great potential in terms of development, employment and wealth generation, it also presents numerous challenges, including in areas such as brain drain and brain gain, unemployment, racial discrimination, xenophobia, human trafficking, human rights protection and national security.

36. At present, there is a manifest discrepancy between the high degree of mobility of capital (an estimated $1 trillion crosses borders on a daily basis) and the limited international mobility of labour, especially among low-skilled workers. In recent decades the emphasis in receiving countries has been on policies aimed at curbing immigration – a trend that gained momentum in the wake of the terrorist attacks of 11 September 2001. Around 40 per cent of all countries have policies in place to limit immigration. Nonetheless, policymakers in these countries are becoming increasingly aware of the potential benefits of migration and of the need for comprehensive policies that maximize its contribution to alleviating labour shortages in their countries and reducing poverty and achieving sustainable development in home countries.

37. Globalization is affecting the character and impact of migration. Lower travel costs, ICTs and financial liberalization have made migration much more viable, the transfer of money and technology that is a result of migration much easier and temporary and circular migration more prevalent. In turn, tourism, transportation, telecommunication and the transfer of remittances have opened a range of commercial opportunities that – coupled with trade liberalization - enhance trade and investment links between countries of origin and destination. Demand for telecommunications products and services between the communities living abroad and their home countries has been spurred. For example, the volume of calls from the United States to Central America and the Caribbean have increased as the linkages have strengthened, with the diasporas opening opportunities for business expansion and investment in cellular telephony, Internet and electronic mail industries.

38. Workers' remittances are the most visible economic product of international migration. The steadily growing flow of official remittances reached an estimated $80 billion in 2002. Yet the real value of remittances is even greater, as further large (and unknown) sums are transferred through informal channels and thus go unrecorded. Not only are remittances critical as a source of foreign exchange for many labour-exporting countries, second in importance only to FDI and much larger than official development assistance, they are also vital to the consumption and investment behaviour of migrant households themselves in the countries of origin, including as an important social safety net for poor families. In addition, remittances are less volatile and less concentrated than private capital flows. They are also larger, as a share of GDP and imports, in low-income countries than in other developing countries. At the same time, remittances can encourage consumption of imported goods and create dependency among migrants' households in the countries of origin.

39. Evidence suggests that remittances help to reduce poverty and improve household welfare through their common use for education and health care purposes. Surveys in India, Latin America and the Caribbean show that poverty rates are lower and saving rates higher in emigrant households. Remittances are productively invested in micro-enterprises, used to build housing and local infrastructure, such as schools and clinics, to buy land or materials to work the land or seeds to plant. Owing to substantial multiplier effects, even consumer use of remittances stimulates economic development, particularly when households spend their remittances locally.

40. Government policies can promote further growth of remittances and their possible effects on socio-economic development. Transaction costs through official channels are much higher than through informal systems such as “hawala” or “hundi”, and often exceed 20 per cent. Moreover, official channels often lack the reach to the rural areas of the countries of origin that informal systems have. **Harmonization of remittance systems,** such as the one recently announced between Mexico and the United States; **increased competition among banks and wire transfer agencies; participation of alternative financial institutions in the transfer business**, such as micro-finance institutions and credit union cooperatives**; and technological improvements,** such as the use of debit/ATM cards by recipients, **are starting to reduce transaction costs and expand access in some markets but need to be more widely promoted. Strengthening of the financial infrastructure and sound exchange, monetary and fiscal policies can further augment official remittance flows. Finally, an environment that minimizes macro-economic uncertainty, fosters good governance and ensures the transparency and standardized regulation of financial institutions is critical to stimulating investment of any type, including remittances**.

41. Other kinds of financial flows associated with migration also have great development potential and contribute to the integration of countries into the global economy. Foreign direct investment from emigrants back to their countries of origin is already important for some countries. Tourism from immigrant communities to the home country is also rising. Philanthropy by "home town associations" (Mexico), "returnee associations" (Jamaica), charitable foundations (Egypt) or by individual expatriates provides significant resources for community development at the local level. Nostalgia for foods and products of the country of origin creates markets for those products in the country of destination, promoting local production and international trade. Such interactions are fostered by the growth of transnational networks that sustain deep relations among migrants, their countries of origin and the countries in which they have settled. These transnational networks are today an essential developmental resource associated with international migration.

42. Facilitating international labour mobility would greatly increase remittance and related financial flows to developing countries and foster progress towards the achievement of the MDGs. In this regard, Mode 4 of the General Agreement on Trade in Services (GATS), allows for greater freedom for the “temporary movement of individual service providers”. Rather than facilitating the movement of unskilled labour between countries with a surplus of such labour (developing countries) and those with a deficit (industrial countries), the actual commitments in the GATS on the movement of natural persons focus on professionals. The international community should give further consideration to the establishment of concrete measures and time frames for facilitating the temporary movement of natural persons, especially unskilled workers, and their eventual integration into receiving countries.

43. Ultimately, migration should not be seen in isolation from the other manifestations of globalization. Rather, it should be recognized as an important element for the overall management of globalization – as its impact on production and development in the countries of origin and destination is substantial and multifaceted. Labour migration should be fully included in the international development agenda.

The General Assembly could promote further discussions on these issues at the multilateral level and greater coordination and cooperation among the relevant international organizations. Consideration should be given to a new mechanism to help mobilize attention, assemble expertise, deepen understanding and identify areas of emerging consensus. These steps could encourage joint measures, including at the regional level, by countries of origin and destination, such as providing free and accessible information about the movement of labour; guaranteeing basic human rights to all foreign nationals; standardizing or harmonizing qualifications and experience with the help of agreements; and allowing transferability of pension and social security benefits. The Assembly should also encourage Member States – especially countries of destination - that have not yet done so to ratify the International Convention on the Protection of the Rights of All Migrant Workers and Their Families, entered into force in July 2003 and the two ILO conventions on the treatment of migrant workers (C97 and C 143).