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Timothy J. Hatton

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Should We Have a WTO
for International Migration?



Julian Simon Lecture Series

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Should We Have a WTO for International Migration?

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If we consider both the sending and the receiving countries as part of the same world, then – and on this every economist agrees – the overall effect of the migration on the average standard of living of the world's people is positive. The reason for this is that the migrant goes from a place where he or she is less productive to a place where he or she is more productive. This increased production benefits the standard of living of the community as a whole, as well as that of the migrating individual.

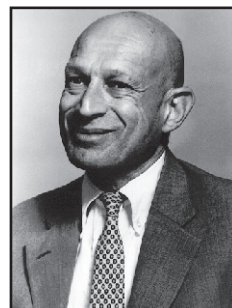
(Julian Simon, 1999, p. 299)

Policy Recommendation: Increase the volume of immigration in substantial steps unless there appear negative effects that are unknown at present.

(Julian Simon, 1999, p. 338)

* I am grateful for comments on earlier drafts to seminar participants at Australian National University, University of Essex, Carlos III University, and Trinity College, Dublin, and to participants at the conference on 'Immigration: Impacts, Integration and Intergenerational Issues, University College London. A revised version of this paper appeared under the same title in *Economic Policy*, 50, (2007), pp. 341–383.

About the IZA Annual Migration Meeting (AM²) and the Julian Simon Lecture:

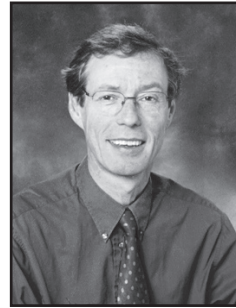


In June 2004, IZA hosted the first Annual Migration Meeting (AM²) in Bonn. It was created to foster migration research by bringing together international researchers and establishing the IZA migration group. AM² established the Julian Simon Keynote Lecture in honor of Julian Simon, in recognition of his research on the economic effects of population change.

Julian Simon was an optimist on population issues and a migration expert. He was Professor of Business Administration at the University of Maryland, Distinguished Senior Fellow at the Cato Institute, and a member of the Action Institute's Advisory Board. He died unexpectedly on February 5, 1998, four days short of his 66th birthday.

Dr. Simon graduated from Harvard University, where he completed the ROTC program, and later served as a naval officer before receiving an M.A. in Business Administration and a Ph.D. from the University of Chicago Graduate School of Business. An entrepreneur, he opened his own business before joining academia.

A prolific writer, Simon was the author of almost two hundred professional studies in technical journals, and he wrote dozens of articles in such mass media as the *Atlantic Monthly*, *Readers Digest*, *New York Times*, and *The Wall Street Journal*. In 1989 he published *The Economic Consequences of Immigration*, arguing that immigrants make “substantial net economic contributions to the United States.” Julian Simon was an advocate of an open-door immigration policy.



About the Author

Timothy J. Hatton is Professor of Economics at the Australian National University and the University of Essex, a Fellow of the Centre for Economic Policy Research, and one of the earlier IZA Research Fellows. His main research interests are the causes and effects of international migration, immigration and asylum policy. He has also worked extensively on the economic history of labor markets in Britain, the United States and elsewhere. He has published over 70 articles in various international refereed publications, numerous book chapters, two books, and edited three volumes.

In May 2006, Timothy J. Hatton delivered the Julian Simon Lecture at the third Annual Migration Meeting (AM²), which was held at IZA in Bonn in conjunction with the second Migrant Ethnicity Meeting (MEM) and the first Topic Week on Migration.

1. INTRODUCTION

We live in a world where policies towards international trade are very liberal while policies towards international migration are very restrictive. During the last half century economic globalisation has been fostered and underpinned by policy liberalisation in trade, capital markets and a number of other areas. In trade, the GATT/WTO has promoted liberalisation through multilateral negotiation but no such forum exists for international migration. Thus, international migration remains the least globalised and, as a result, it is the field in which the gains to liberalisation are likely to be the largest. As Dani Rodrik puts it:

The gains from liberalising labour movements across countries are enormous, and much larger than the likely benefits from further liberalisation in the traditional areas of goods and capital. If international policymakers were really interested in maximising worldwide efficiency, they would spend little of their energies on a new trade round or on the international financial architecture. They would all be busy at work liberalising immigration restrictions (2002, p. 314)

Recently, new thinking about enhanced co-operation over migration has been reflected in a number of policy forums, the most notable of which is the United Nations. In 2003 the UN set up a Global Commission on International Migration, which produced a report calling for greater international cooperation. One of its “principles for action” is that:

The governance of international migration should be enhanced by improved coherence and strengthened capacity at the national level; greater consultation and cooperation between states at the regional level, and more effective dialogue and cooperation among governments and between international organisations at the global level... (UN, 2005, p. 4).

A series of other high-level international consultations have also urged greater international coordination, but all have stopped short of recommending a forum for multilateral negotiation along the lines of the WTO.²

² Newland (2005, p. 1) documents various initiatives and conventions since 1999 and comments that “suddenly migration was everywhere one looked in the UN system and beyond.” A summary of UN resolutions and recommendations since 1990 is provided by the United Nations (2006) as background to its High Level Dialogue on migration and development at the General Assembly, scheduled for September 2006.

So, should we have a WTO for international migration? If it has been successful for trade, then why couldn't the same principles be adapted to migration? To answer this question we need to have a better understanding of why policies differ so much in the first place. Only then is it possible to suggest how such reforms might proceed and to evaluate whether they are likely to be successful.

2. MIGRATION AND TRADE POLICIES

2.1. Globalisation and liberalisation

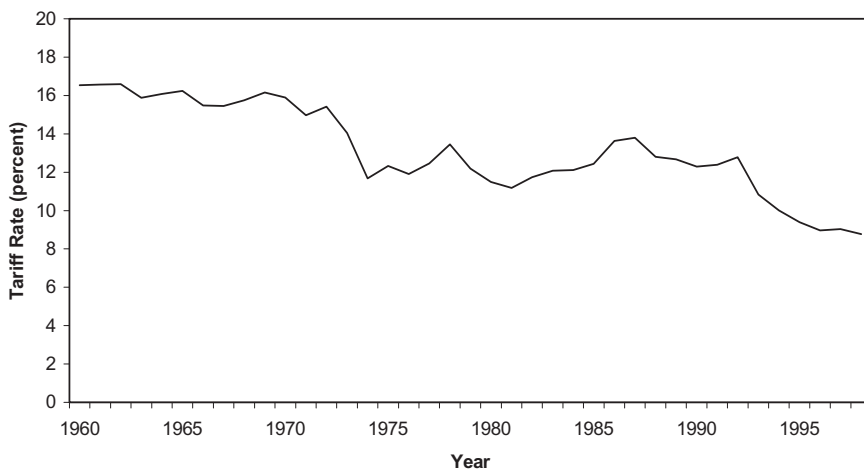
Most people would acknowledge that barriers to international migration are much higher than barriers to the international movement of goods. In most countries the ratio of imports to GDP far exceeds the ratio of immigrants to total population. Across the world the average share of immigrants in the population is about 3 percent; by contrast the ratio of imports to GDP is 10 percent. Across OECD countries the average share of immigrants to population is about 6 percent while the share of imports to GDP is 27.5 percent. Furthermore the trends in openness are very different; since 1970 the immigrants to population ratio has increased only marginally while the ratio of imports to GDP has doubled.

Immigration policies certainly appear to have remained a lot tougher than restrictions on trade, particularly in the developed world, and indices of policy support that view. Figure 1 shows the average (unweighted) tariff for 25 countries from 1960 onwards. On this measure, average tariffs fell from around 16 percent in the 1960s to less than 10 percent by the late 1990s. Tariffs on industrial goods fell by even more. Through successive rounds of negotiations, average tariffs on industrial goods have fallen over the last half-century from about 40 percent to a mere 3 percent. While a variety of non-tariff barriers still exist, the trend towards more liberal policy is clear.

Barriers to migration are even harder to measure. The best we can do is to use the data periodically collected by the United Nations from Governments about whether their policy aim is to reduce immigration,

increase it, or keep it the same. Table 1 shows the proportion of developed country governments aiming to reduce migration has increased from less than 20 percent in the mid-1970s to more than 40 percent in recent years. Among less developed countries, restrictiveness has also increased but from a much lower base. Of course this is not a measure of actual immigration policies and its interpretation is open to question. But for what it is worth, it suggests that policy intentions were becoming more restrictive, particularly up to the mid-1990s.

Figure 1
Average Tariff, 35 Countries, 1960–1998



Source: Hatton and Williamson, 2005b

Table 1. Government Immigration Policies, 1976–2001
(Percent of governments aiming to restrict immigration)

| Year | 1976 | 1986 | 1996 | 2001 |
|--------------------------|------|------|------|------|
| All countries | 7 | 20 | 40 | 40 |
| More developed countries | 18 | 38 | 60 | 44 |
| Less developed countries | 3 | 15 | 34 | 39 |

Source: United Nations (2002), p. 18

2.2. International policies

The correlation between policy liberalisation and globalisation is clear enough. But have reduced restrictions on trade actually been the cause of the rising trade to income ratios? And have international negotiations played an important part?

Turning to the first question, Table 2 shows the percentage reductions in industrial tariffs in various negotiating rounds of the GATT/WTO since 1948. These only apply to industrial goods and they fail to pick up changes in non-tariff barriers. But they are dramatic indeed and they surely account for much of the secular fall in trade barriers – particularly in recent decades as the number of participating countries has increased from 23 in the Geneva round of 1947 to 117 in the Uruguay round of 1986–94.

Table 2. MFN tariff cuts by industrial countries

| Implementation Period | Round | Weighted tariff reduction | Implied tariff at period beginning |
|-----------------------|---|---------------------------|------------------------------------|
| 1948-63 | First five GATT rounds (1947-62) ¹ | 36 percent | 15.4 |
| 1968-72 | Kennedy Round (1964-67) ² | 37 percent | 11.3 |
| 1980-87 | Tokyo Round (1973-79) ³ | 33 percent | 8.3 |
| 1995-99 | Uruguay Round (1986-94) ⁴ | 38 percent | 6.2 |

Notes: These are for tariffs on industrial goods excluding petroleum. (1) US only; (2) US, Japan EC(6) and UK; (3) US, EU(9), Japan, Austria, Finland, Norway, Sweden and Switzerland; (4) US, EU(12), Japan, Austria, Finland, Norway, Sweden and Switzerland.

Source: Subramanian and Wei (2003) p. 26.

Given that the GATT/WTO does seem to have been associated with lower tariffs, it is also associated with increased trade? Recent studies suggest that it is. Baier and Bergstrand (2001) find that membership of the GATT increased trade by 25 percent between 1956–8 and 1986–8 (or by three times as much as the fall in transport costs). Although two-thirds of the growth in world trade was due to the growth in per capita income, tariff declines account for three quarters of the increase in trade to GDP ratios.

More recently Subramanian and Wei (2003) used a gravity model of international trade to assess the effect of membership of the GATT/WTO. They found that, over successive rounds, it increased industrial country imports by 68 percent and world trade as a whole by 44 percent between 1950 and 2000.

2.3. The gains from liberalisation

How much could reducing barriers to trade and migration increase world welfare? And how would those gains be shared across the different regions of the world? A number of studies have calculated the benefits from specific trade liberalisations using multi-region, multi-sector computable general equilibrium models. Using this approach, Harrison et al. (1997) put the worldwide gains from all of the measures included in the Uruguay Round at 0.5 percent of world GDP (\$96 billion at 1992 prices) in the short-run and up to 0.8 percent of world GDP (\$171 billion) in the long-run. The larger long-run gains are principally due to the realisation of increasing returns to scale and capital accumulation. Although only a third of the gains accrue to developing countries, they are a larger proportion of GDP for them than for the industrialised countries. Other studies produce rather similar orders of magnitude (e.g. Francois et al., 1996).

What would be the benefits of total trade liberalisation? On the basis of 1997 when most of the provisions of the Uruguay Round were in place, and using a variant of the same (GTAP) model Cline (2004, p. 180) estimates that moving to complete free trade would increase world GDP by 0.93 percent of GDP (\$228 billion at 1997 prices), with nearly 40 percent of the gains going to developing countries. One scenario for the outcome of Doha suggests that it could achieve about 40 percent of the gains from total liberalisation (Cline, 2004, p. 185).

How do the gains from freeing up international migration compare with those from moving to free trade? One early estimate came to the astonishing conclusion that eliminating all barriers to migration would approximately double world GDP (Hamilton and Whalley, 1984). This estimate is based allowing labour to move until real wages are equalised worldwide, and it implies a massive transfer of population from poor to

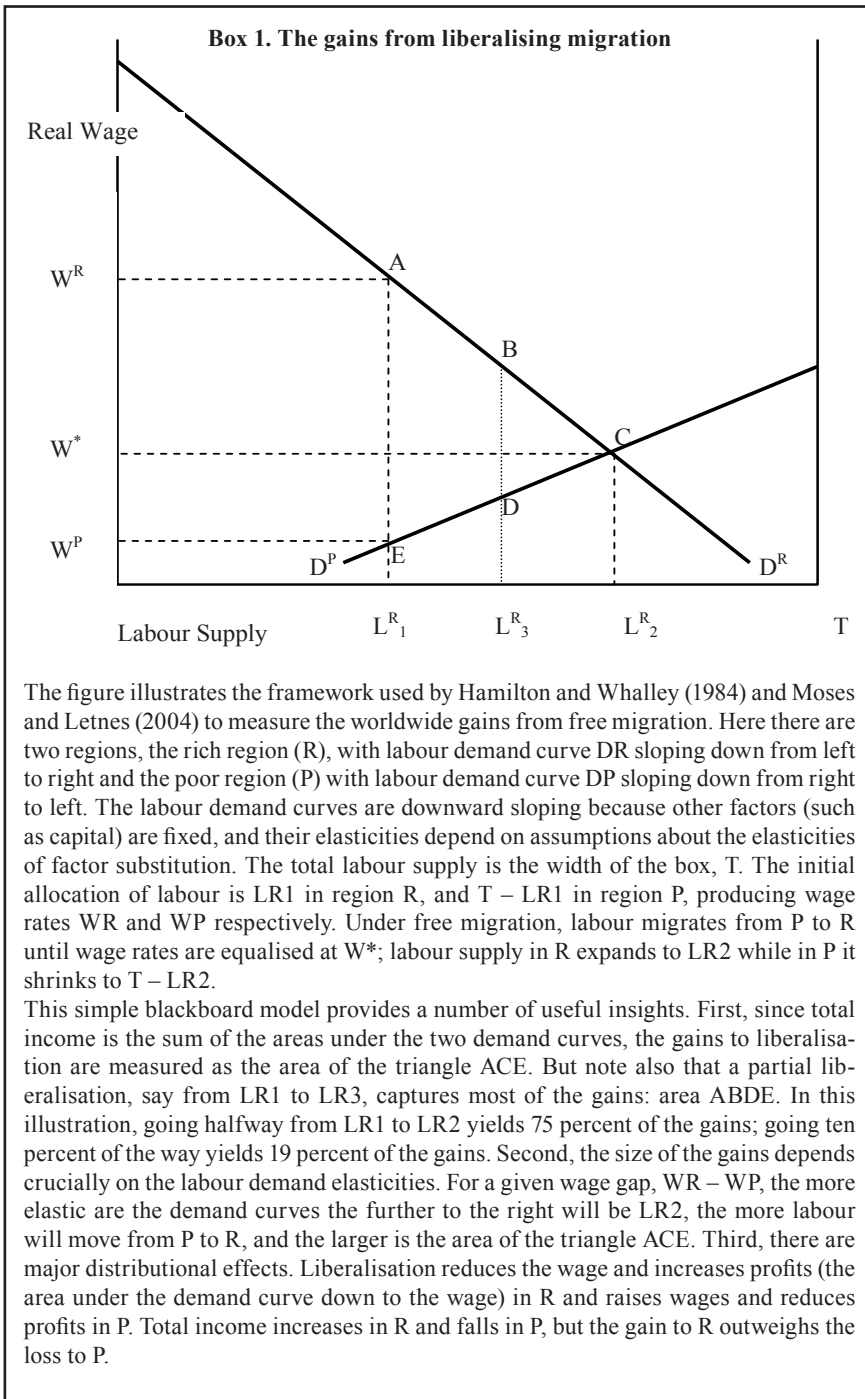
rich countries. More recent studies have produced more modest estimates. Using a similar methodology, but with different data and assumptions, Moses and Letnes (2004) estimate the gains at about 10 percent of world GDP in 1998 (\$3,390 billion). This estimate is much more modest, largely because workers in the developing world are assumed to be inherently much less productive than those in developed countries, and hence there is substantially less gain in shifting them from poor to rich countries. Even so, they imply that the gains from moving to free migration are ten times as large as those from moving to free trade.³

Other studies use multi-region CGE models that allow for trade and include two types of labour: skilled and unskilled. Using this approach Iregui (2005) finds that full liberalisation would increase world GDP by between 15 and 67 percent. Of particular interest is the study by Winters et al. (2003) who use a model (GTAP) similar to that used to evaluate the gains from liberalising trade. They consider a partial liberalisation that would involve a transfer of labour from developing countries to the OECD equivalent to 3 percent of its existing labour force and composed of equal numbers of skilled and unskilled workers. The total gain is about 0.6 percent of world income (\$156 billion at 1997 prices). Thus a relatively ‘small’ liberalisation—one that would raise the OECD’s foreign labour force by about a quarter—would deliver static gains that are comparable with those of removing all remaining restrictions on trade.

One further point to note is that a significant share of the gain accrues to the migrants themselves (see Box 1). According to the estimates of Winters et al. (2003, p. 1145) this could be nearly half of the total gain, even after allowing for remittances sent back to source country residents.

³ Hamilton and Whalley assumed efficiency ratios relative to countries with high human development of one half for countries with medium human development and one third for countries with low human development. By contrast, Moses and Letnes assume one third and one fifth respectively. Using the same assumptions as Hamilton and Whalley, they find that the gains in 1998 would be 96.5 percent of world GDP (\$34.08 trillion). Some calculations reviewed below in Box 3 suggest that the labour efficiency ratios are greater than some have assumed and thus the gains to migration are somewhat larger.

⁴ Winters et al also make an adjustment for differential labour efficiency, such that a migrant’s productivity increases by half the gap between source and host countries’ labour productivity.



3. PUBLIC OPINION TOWARDS IMPORTS AND IMMIGRANTS

In democratic countries governments must heed public opinion, and some observers see this as the reason why, in the developed world, trade has been liberalised more than migration. One possibility is that the average voter sees immigration as much more of a ‘threat’ than imports of goods that embody foreign labour. In that case policies that are more liberal towards trade than to migration simply reflect voter attitudes. An alternative view would be that opposition towards trade and towards immigration reflect a very different balance of social and economic considerations and that these concerns are held by different groups of voters. As a result they may translate into different policy outcomes.

3.1. Survey data on public attitudes

Opinion surveys make it possible to measure the intensity of attitudes towards trade and immigration across a range of countries. One such survey is the National Identity module of the International Social Survey Program (ISSP) that was conducted for 24 countries in 1995/6. Besides its multi-country coverage, the main advantage of the survey is that it contains questions on attitudes towards both trade and migration. Thus it is possible to compare the responses to each across the same group of individuals.

There are three questions on attitudes towards immigration and one question on attitudes towards imports. These questions are displayed in Table 3. The response to each question is on a five-point scale representing the intensity of agreement or opposition to the statement. The questions on whether immigrants are generally good for the economy and whether immigrants take jobs from natives do not relate directly to policy. But the final question asks whether immigration should be increased or decreased. This may be compared with the question that asks whether the country should limit imports. These questions are not quite the same in that the imports question asks specifically about the national economy while the question on immigration asks how much immigration should be increased or reduced (Box 2). Nevertheless they both relate to the country’s policy stance and the responses are each graduated on a five-point scale.

Table 3. Questions in the ISSP National Identity Surveys 1995/6

| |
|---|
| Limit Imports: |
| (Respondent's country should limit the import of foreign products in order to protect the national economy). |
| Immigrants Good |
| Immigrants are generally good for (respondent's country). |
| Immigrant Jobs |
| Immigrants take jobs away from people who were born in (respondent's country). |
| Reduce Immigration |
| Do you think the number of immigrants to (respondent's country) should be (increased/reduced)? |
| Coding of responses to the first three questions listed is: (1) agree strongly, (2) agree, (3) neither agree nor disagree, (4) disagree, (5) disagree strongly, (8) can't choose, don't know, (9) n.a., refused. Coding of responses to the last question is: (1) increased a lot, (2) increased a little, (3) remain the same as it is, (4) reduced a little, (5) reduced a lot. |

Source: Codebooks for the 1995/6 International Social Survey Module on National Identity.

Table 4. Attitudes Towards Imports and Immigration, 1995/6

| Country | Imports Limit | Immig Bad | Immig Jobs | Immig Reduce | No.Obs |
|----------------|---------------|-----------|------------|--------------|--------|
| Australia | 4.01 | 2.47 | 2.97 | 3.77 | 2291 |
| Germany W | 3.10 | 2.94 | 2.81 | 4.22 | 981 |
| Germany E | 3.56 | 3.15 | 3.43 | 4.36 | 485 |
| United Kingdom | 3.76 | 3.28 | 3.36 | 4.06 | 891 |
| United States | 3.76 | 3.01 | 3.32 | 3.88 | 1049 |
| Austria | 3.89 | 2.82 | 3.02 | 3.82 | 841 |
| Hungary | 4.08 | 3.81 | 3.85 | 4.41 | 889 |
| Italy | 3.61 | 3.59 | 2.92 | 4.16 | 985 |
| Ireland | 3.67 | 2.59 | 2.96 | 3.06 | 892 |
| Netherlands | 2.92 | 3.28 | 2.87 | 3.83 | 1730 |
| Norway | 3.13 | 3.52 | 2.68 | 3.87 | 1182 |
| Sweden | 3.19 | 3.25 | 2.54 | 3.95 | 980 |
| Czech Rep | 3.43 | 3.86 | 3.24 | 4.16 | 905 |
| Slovenia | 3.49 | 3.41 | 3.60 | 3.99 | 801 |
| Poland | 3.88 | 2.98 | 3.56 | 3.86 | 921 |
| Bulgaria | 4.33 | 3.93 | 3.92 | 4.19 | 592 |
| Russia | 3.78 | 3.48 | 3.44 | 3.74 | 862 |
| New Zealand | 3.38 | 2.66 | 3.13 | 3.73 | 909 |
| Canada | 3.28 | 2.41 | 2.62 | 3.30 | 1270 |
| Philippines | 3.63 | 3.09 | 2.99 | 3.79 | 1117 |
| Japan | 2.89 | 2.83 | 2.29 | 3.33 | 895 |
| Spain | 3.87 | 3.13 | 3.12 | 3.39 | 947 |
| Latvia | 4.13 | 3.69 | 3.58 | 4.23 | 746 |
| Slovakia | 3.57 | 3.80 | 3.53 | 4.00 | 1025 |
| U Mean | 3.60 | 3.21 | 3.16 | 3.88 | 24186 |
| W Mean | 3.57 | 3.15 | 3.10 | 3.85 | |

Source: Based on data from the 1995/6 International Social Survey (ISSP) module on national identity. These figures are the average attitude towards imports and immigration on a scale of increasing opposition from 1 to 5. The sample used here excludes cases where, for any of the four questions, there was a non-response or where the response was 'don't know'.

Box 2. Different Questions, Different Answers?

It is often argued that the responses to opinion questions depend on the precise way that the question is framed. As noted above, the ISSP questions on attitudes to imports and to immigration are framed differently, which could create the illusion that attitudes to imports are only a little less negative than attitudes to immigration. Unfortunately there appears to be no dataset in which the identical question is asked for both imports and immigration. However, it is possible to conduct some sensitivity analysis using surveys from a single country, in this case Australia.

The ISSP question on increase/reduce immigration in Table 3 produces an average value (on an increasing anti-immigration scale) of 3.77. In 1999 the Australian Constitutional Referendum Survey asked if the number of migrants allowed into Australia had: (1) gone much too far, (2) gone too far, (3) about right, (4) not gone far enough (5) not gone nearly far enough. This question did not ask how much immigration should be increased/reduced and it presented the options in a different order. When placed on an increasing anti-immigration scale, the 3350 responses produce an average of 3.53. But this still does not specifically ask about jobs or the economy. In 1995 the World Values Survey asked a question asked if the government should (1) let anyone come who wants to, (2) let people come as long as jobs are available, (3) place strict limits on the numbers, or (4) prohibit people coming here. Placing these on an equivalent five-point anti-immigration scale (applying the values 1.2, 2.4, 3.6, 4.8) gives an average value for 2029 respondents of 2.90.

The ISSP question on limiting imports produced an average value of anti-import sentiment of 4.05. Another question in the same survey for Australia asked how strongly the respondent agreed with the statement 'Opening up Australia's economy to foreign competition has a bad effect on job security in this country.' This question is closer to the one on immigration, which asked specifically about jobs (see Table 3) and it produced an average of 3.93 (as compared with 3.01 for the immigration-jobs question).

A 2005 survey on Public Opinion and Foreign Policy asked a question on imports that was framed more positively and not related to jobs: 'We should allow entry into Australia of the goods and services we import regardless of what other countries do because we benefit from having them available at the cheapest prices'. Asked if they were for or against, 63 percent of respondents were against. These responses are consistent with the 63 percent who answered in favour of 'restricting the goods and services that we import from overseas so that they don't sell more cheaply than Australian goods and services'. However when asked whether 'we should try to negotiate international agreements that open other countries' markets for our exports in return for their goods coming into Australia' 90 percent answered in the affirmative. Thus, for trade opinion, it is not the difference between the benefits to consumers and potential job losses that seems to matter, but rather, the issue of reciprocal arrangements with other countries. This is important to what follows below.

Note: The figures quoted here the exclude 'don't know' or no answer, but they differ slightly from those in Table 3, which exclude non-responses to either question.

Sources: All the surveys referred to here are available from the Australian Social Science Data Archive at: <http://assda.anu.edu.au/>

The average survey responses to these questions are presented in Table 4, where each question is scaled so that the most negative response takes the value 5 and the most positive response takes the value 1. According to these responses, average attitudes are mildly anti-immigration and anti-imports, with rather stronger opposition for the policy-related questions. Comparison of the two policy-related questions suggests that opposition to immigration is only slightly more intense than opposition to imports. On this basis it is hard to see why, over the last decade or so, trade policy has been so much more liberal than immigration policy. A further point is that the correlation between the responses to these two questions is positive but not particularly strong. Across the whole sample the correlation coefficient is 0.22. This suggests that there may be systematic differences between those who are opposed to immigration and those who are opposed to trade. If so, then this might help to explain how attitudes towards trade and immigration that are apparently similar on average nevertheless translate into very different policy outcomes.

3.2. Explaining Individual Attitudes

A number of recent studies have analysed opinion surveys in order to identify and measure the socio-economic basis of attitudes towards trade and migration. For my purposes the most interesting ones are those that have used the cross-country data summarised in Table 4 to study the determinants of public opinion towards immigration (Bauer et.al., 2000; Mayda, 2006; O'Rourke and Sinnott, 2006) and towards trade (O'Rourke and Sinnott, 2001; Mayda and Rodrik, 2005). The regressions in Table 4 follow the spirit of the specifications used in these studies, by using similar variables and including a full set of country dummies. Not surprisingly, the results are consistent with their findings. The dependent variable is on the one to five scale, either to limit imports or reduce immigration. These are ordinary least squares regressions in order to facilitate comparison across equations, but the ordered probit estimates in the appendix provide very similar results.

Following O'Rourke and Sinnott (2006), I characterise prejudice against things foreign in two variables labelled 'patriotism' and 'chauvinism'. Patriotism is measured as the average response to three questions that

capture the individual's sense of loyalty to his or her country. Chauvinism is the average response to four questions that elicit the extent to which the individual believes that his or her country is superior to others.⁵ As the first two columns of Table 5 illustrate, these variables each contribute strongly and positively to an individual's sentiment, both against immigration and against imports. And they provide compelling evidence that prejudice an important component of individual attitudes.

Table 5. The Determinants of Anti-Imports and Anti-Immigration Attitudes

| Variable | (1) Reduce Immigration | (2) Limit Imports | (3) Reduce Immigration | (4) Limit Imports |
|---|------------------------------|-------------------------|------------------------------|-------------------------|
| 'Patriotism' | 0.069 (4.05) | 0.179 (10.85) | 0.071 (4.22) | 0.180 (10.90) |
| 'Chauvinism' | 0.302 (7.84) | 0.343 (17.12) | 0.299 (7.75) | 0.303 (16.50) |
| Foreign-born | -0.163 (1.33) | -0.031 (0.55) | -0.163 (1.33) | -0.030 (0.55) |
| 2 nd Generation Immigrant | -0.285 (8.50) | -0.054 (1.38) | -0.284 (8.44) | -0.052 (1.35) |
| Female | 0.047 (1.97) | 0.247 (10.03) | 0.044 (1.86) | 0.246 (9.80) |
| Age | 0.001 (0.93) | 0.001 (1.13) | 0.001 (0.97) | 0.001 (1.13) |
| Employed | -0.009 (0.94) | -0.049 (2.39) | -0.010 (1.11) | -0.051 (2.46) |
| High Educated | -0.221 (10.0) | -0.278 (9.62) | -0.196 (1.18) | -0.084 (0.54) |
| High Educated × Inequality | | | 0.471 (1.21) | -0.022 (0.07) |
| High Educated × GDP Per Capita | | | -0.098 (2.17) | -0.102 (2.51) |
| R ² | 0.206 | 0.240 | 0.206 | 0.241 |
| No of obs | 20603 | 20603 | 20603 | 20603 |
| Country dummies | Yes | Yes | Yes | Yes |

Source: Data from the 1995/6 International Social Survey (ISSP) module on national identity.

Note: OLS with t statistics in parentheses based on robust standard errors clustered by country. The Philippines has been excluded.

⁵ These clusters of variables are those identified by O'Rourke and Sinnott (2006, p. 24) using principal components analysis. The components that comprise the patriotism index (appropriately scaled) are the responses (e.g. for a British respondent) to the questions: (1) "Generally speaking, Britain is a better country than most other countries," (2) "The world would be a better place if people from other countries were more like the British," and (3) "I would rather be a citizen of Britain than of any other country in the world." The components that comprise the chauvinism index are the (again, appropriately scaled) responses to: (1) "People should support their country even if the country is in the wrong," (2) "Britain should follow its own interests, even if this leads to conflicts with other nations," (3) "How important do you think each of the following is for being truly British".... "to have been born in Britain," and (4) "It is impossible for people who do not share British customs and traditions to become fully British."

Among individual characteristics being female is particularly associated with anti-trade opinion while being a first- or second-generation immigrant is particularly associated with positive opinion towards immigration. Being employed reduces anti-imports sentiment but is not significant for immigration opinion. Consistent with most other studies, those with more than secondary education are less opposed to liberalisation of both imports and immigration. One interpretation is that those with more education are more enlightened and therefore less xenophobic. But an alternative view is that those with higher skills are less threatened by direct competition from immigrants or by indirect competition from imports with high skill content.⁶

O'Rourke and Sinnott (2006) suggest that the effect of education on attitudes should vary with economy wide characteristics. The second and third columns interact education with two economy wide variables. The first is inequality as measured by the gini coefficient of household income.⁷ In the context of immigration this represents the Roy model: the greater is inequality (and the return to education) relative to the rest of the world, the greater the incentive to high-skilled immigrants, and therefore the greater the threat to high-skilled locals. It can also be interpreted in the context of import competition as reflecting the relative scarcity of skills: the greater is inequality, the greater the skill scarcity and the greater the threat from skill intensive imports. This interaction effect takes the expected positive coefficient in the immigration opinion equation (thus the highly educated are more against immigration the more unequal the income distribution) but it is not significant in either.

The second interaction is between high education and the country's (PPP adjusted) GDP per capita.⁸ This has also been given a factor scarcity interpretation: specifically that higher GDP largely reflects a greater abun-

⁶ See for example Scheve and Slaughter (2001), Dustmann and Preston, (2004a).

⁷ The gini coefficients are taken from World Bank (2003), Table 2.8 p. 64-66. Figures for Germany (East and West), Bulgaria, Russia and the Philippines were taken from the WIDER World Inequality Database WIIB2Beta (2004) at <http://www.wider.unu.edu/wiid/wiid.htm>.

⁸ Real GDP per capita at constant 1996 US dollars, purchasing power parity adjusted, from A. Heston, R. Summers and B. Aten, Penn World Table version 6.1, Center for International Comparisons at the University of Pennsylvania, October 2002, at: http://pwt.econ.upenn.edu/php_site/pwt61_form.php.

dance of skill and human capital (Mayda, 2006; O'Rourke and Sinnott, 2006). Hence the higher is GDP per head the lower is the threat to the highly skilled from skilled immigration and from imports that embody this abundant factor. As others have found, the predicted negative interaction between education and GNP per head is supported for both immigration opinion and trade opinion.

Two things stand out about these regressions. First, the signs of the coefficients are the same for every variable in columns (1) and (2). So, whatever interpretation we place on the individual coefficients, it appears that the same sorts of people are opposed to both imports and immigration, although not necessarily precisely the same individuals. Second, the coefficients on the variables representing patriotism and chauvinism are negative and significant, indicating that such prejudice has a larger influence on anti-import sentiment than on anti-trade sentiment. If, as is sometimes argued immigration policy is dominated, not by economic considerations, but by nationalism and prejudice then, according to these results, the effects on trade policy should be even greater.

3.3. Country-level effects

Across a broad range of countries attitudes are on balance against both imports and immigration, and the same types of people are against imports as are against immigration. If such attitudes map into policy, one would naturally predict that most countries would adopt policies that were restrictive towards both immigration and imports. And if nationalistic sentiments drive policy, one might even predict that trade policies would be tougher than immigration policies. However this takes no account of the actual stance of policy upon which these attitudes are conditioned. If actual immigration policies were more liberal then opposition to immigration might be more intense. Similarly, if barriers to imports were higher then perhaps opposition to imports would be less intense. This suggests that we should look at differences between countries rather than at differences between individuals within a country.

The regressions in Table 6 include the individual characteristics that appeared in the first two columns of Table 5 (not reported in Table 6),

Table 6. Country Effects on Anti-Imports and Anti-Immigration Attitudes

| Variable | (1) Reduce Immigration | (2) Limit Imports | (3) Reduce Immigration | (4) Limit Imports |
|---------------------------------|------------------------------|-------------------------|------------------------------|-------------------------|
| Percentage of Foreign Nationals | 0.037 (1.95) | | 0.038 (2.34) | |
| Import Percentage of GNP | | -0.004 (1.04) | | -0.004 (1.06) |
| Govt Welfare Expenditure/GNP | 0.028 (2.71) | -0.106 (1.04) | 0.028 (2.62) | |
| Unemployment Rate | -0.019 (2.03) | 0.032 (2.91) | | 0.032 (2.91) |
| Eastern Europe | 0.428 (3.35) | 0.291 (3.01) | 0.428 (3.01) | 0.320 (3.14) |
| R ² | 0.148 | 0.194 | 0.142 | 0.192 |
| No of obs | 20603 | 20603 | 20603 | 20603 |
| Individual effects | Yes | Yes | Yes | Yes |
| Country dummies | No | No | No | No |

Source: Data from the 1995/6 International Social Survey (ISSP) module on national identity.

Note: OLS with t statistics in parentheses based on robust standard errors clustered by country.

The Philippines has been excluded.

but they also include country- level variables rather than country dummies. Since there are only 23 countries the list of explanatory variables has to be kept to a minimum. The key question is whether higher levels of immigration or imports lead to public opinion becoming more negative. Column 1 shows that a higher percentage of foreign nationals in the population makes opinion more negative towards immigration, although the coefficient is barely significant. Another key variable is the size of the welfare state. The larger is the share of welfare expenditures in GDP the greater is opposition to immigration, presumably because of the belief that immigrants are likely to raise the cost of welfare.⁹ One might also have expected that higher unemployment would make attitudes towards immigration more negative, but the coefficient on the national unemployment rate is negative and significant. When this variable is excluded as in column (3) the coefficient on the share of foreign nationals becomes slightly stronger. Finally a dummy for Eastern Europe indicates that opinion is significantly

⁹ A number of recent studies have emphasised the importance of welfare state implications in shaping attitudes towards immigration, see for example Dustmann and Preston, (2004b), Hanson et al. (2005), Facchini and Mayda (2006).

more anti-immigration in those countries. This perhaps reflects the fact that these countries have only recently emerged into the global economy.

Column (2) introduces the share of imports in GNP as an explanatory variable for attitudes towards limiting imports. If attitudes harden as import penetration increases then the coefficient should be positive. In fact it is negative but very small and insignificant. Similarly, the variable for welfare expenditures to GDP produces a negative but insignificant coefficient. Leaving out the welfare state variable makes little difference to the coefficient on the import share. The two variables that do matter are the national unemployment rate which gives a coefficient that is positive and significant and, as for immigration opinion, the dummy for eastern Europe.

The country-level variables are limited, but they do suggest one thing: that anti-immigration opinion hardens when there are more immigrants but the same effect cannot be found for imports. The result for immigration is not particularly strong, but is consistent with other research, which finds that attitudes to immigrants become more negative as the proportion of immigrants increases (Dustmann and Preston, 2001). In the present dataset the average percentage of foreign nationals across the 23 countries is 4.3 percent. If that figure was doubled to 8.6 percent then opinion would become more negative by 0.16 points. By contrast the percentage of imports in GNP over the 23 countries is 34.8 percent. If the immigration share were raised to even half that level then anti immigration opinion would increase by half a point – a substantial amount.

4. NATIONAL POLITICS AND INTERNATIONAL POLICIES

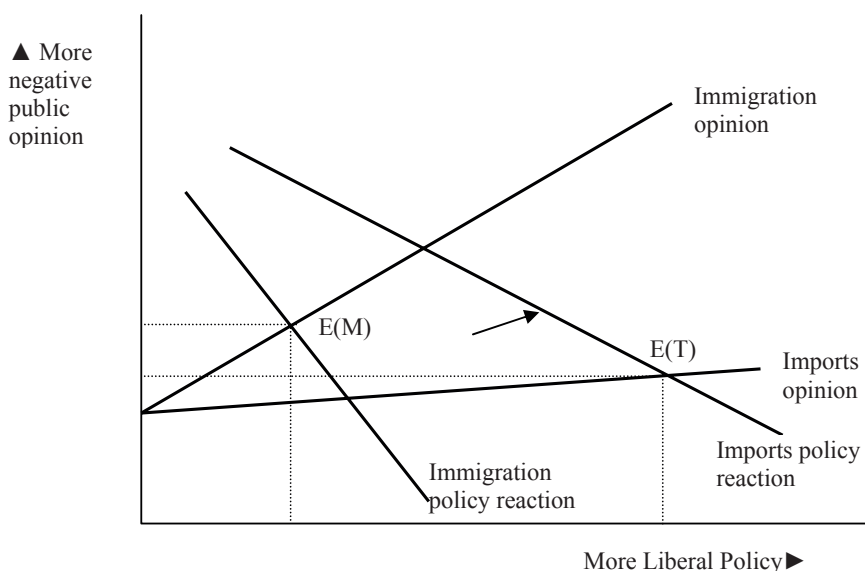
We have seen that attitudes to restricting imports and immigration are somewhat similar in intensity, although they are conditioned on the current situation. Clearly they could look very different under different policy counterfactuals. But what is the relationship between opinion and policy? How far are policy outcomes shaped by domestic politics and partisanship? And what shapes the differing styles of political discourse that seem to apply to trade and to migration?

4.1. Public opinion and policy

Let us assume, consistent with the results reported above, that opposition to immigration is an upward sloping function of the liberalness of policy. And suppose that there is a similar function relating opposition to imports to policy liberalness, but that the latter is much flatter. This situation is depicted in Figure 2. Suppose, further, that there is a downward sloping policy reaction function. It seems reasonable to think that this function is downward sloping – it simply says that governments respond to more negative public opinion with tougher policies. In Figure 2 there are two policy reaction functions, with the one for imports much further to the right. This gives rise to two equilibrium points, $E(M)$ for immigration and $E(T)$ for imports. Opinion is slightly more negative towards immigration than towards imports but immigration policy is much tougher than import policy. This seems to be a reasonable characterisation of the current situation in the typical developed country. But why should the equilibrium for imports be so much further to the right? And why have the two branches of policy drifted apart over the last 40 or 50 years, with migration policies becoming tougher and trade policies becoming more liberal?

In principle we could decide which set of curves – public opinion or policy reaction functions – moved apart the most by looking at trends in public opinion. This is difficult to do with any confidence. For the United States the evidence suggests that the percentage wanting immigration to be reduced is the same in 2004 as it was in 1977 (42 percent), but with temporary increases in the early 1980s and in the early 1990s (Simon, 2004, p.

Figure 2: Equilibrium Public Opinion and Policy



21). For imports the picture is rather less clear because of lack of consistency over time in the questions asked. For the United States the impression is one of hardening attitudes towards free(er) trade at least up to the 1990s (Phelps, 1993). The most that can be said on the basis of this evidence is that there are no particularly strong trends in public opinion. The best guess is therefore is that that opinion and policy curves for imports both shifted to the right relative to those for immigration.

Study of very long run trends suggests a number of reasons why immigration policies have become tougher relative to import policies (Hatton and Williamson 2005b). One relates to government budgets. When social security, public health and pension systems were in their infancy immigrants could not become a fiscal burden. But with the rise of the welfare state, public opinion and government policies have become much more concerned with keeping out immigrants who could be a potential welfare burden. By contrast until the twentieth century, tariffs were a major source of tax revenue. As the sources of tax revenue have widened, the 'need' for tariffs as a revenue-raising device has declined. Hence the evolution of fis-

cal systems has increased the pressure for immigration controls but eased the pressure for high tariffs. Second, economic development and rising incomes, combined with falling transport costs and improved communication has progressively enlarged the potential for long-distance migration from the poorest parts of the world. Hence the ‘threat’ of unskilled migration has increased and immigration barriers have risen in part because there is more migration pressure to hold back.

History also suggests that macroeconomic crises lead to sudden shifts in policy towards protectionism of one sort or another. For example, the Great Depression witnessed an enormous increase in tariffs worldwide and a parallel increase in immigration controls (Hatton and Williamson, 2005a, Ch. 8). Similarly, when the world economy moved into recession after the first oil shock of 1973/4, immigration policy became tougher in a number of countries, particularly in Europe, where guestworker policies abruptly ended. But tariff barriers continued to fall, and this despite the fact that higher unemployment seems to harden public opinion towards imports. Since the 1960s there appears to have been a rightward shift in the import policy function that cannot easily be accounted for.

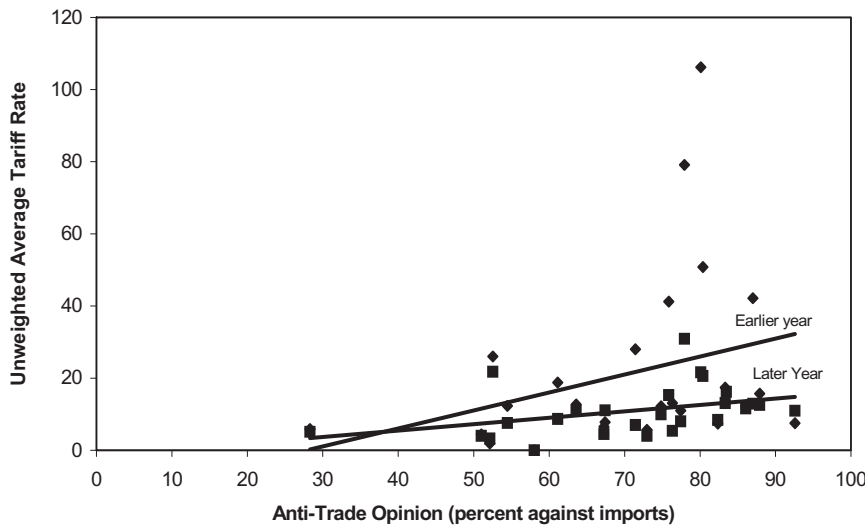
What evidence is there to suggest that the import policy function has shifted to the right? Unfortunately data to examine the link between public opinion and policy outcomes is scarce. However it is possible to compare opinion data such as that examined above with a measure of trade policy, the average tariff rate. Here I use a different survey, the World Values Survey, which covers a wide range of countries for 1995/6.¹⁰ The proportion expressing anti-import opinion is plotted along the horizontal axis. On the vertical axis is the unweighted average tariff calculated by the World Bank. Two tariff rates are included, one about five years earlier than the opinion data and one about five years later. On the assumption that opinion does not vary wildly from one year to

¹⁰ The WVS data are available at <http://www.wotldvaluessurvey.org>. One reason for preferring the WVS to the ISSP survey for the purposes of this comparison is that it is less weighted towards EU countries that share a common external tariff. The WVS question asked: Do you think it is better if (1) Goods made in other countries can be imported or sold here if people want to buy them; or that (2) There should be stricter limits on selling foreign goods here, to protect the jobs of people in this country. The percentage answering (2) above is plotted on the horizontal axis of Figure 2; EU countries are omitted.

another, this should give some indication of the changing relationship between anti-trade opinion and tariff policy.

There are only 23 countries for which we have both policy and opinion data and so any inference must be tentative. But the evidence from the plots in Figure 3 is suggestive. First, it suggests that the relationship between anti-trade opinion and the tariff (an inverse measure of liberalness) rate is positive, consistent with the policy reaction function in Figure 2. Second the relationship between opinion and the tariff rate is steeper for the earlier year tariff than for the later year tariff. Although the difference is not statistically significant, the result is consistent with the notion that tariff rates have become less responsive to domestic public opinion over time. Tariff rates were already relatively low in most countries by 1990 and we might speculate that the relationship would be steeper if we could go further back in time.

Figure 3
Trade Opinions and Tariffs



4.2. The Domestic Politics of Trade and Migration

Is the politics that surrounds immigration policy somehow different than that which provides the setting for debates over import restrictions? If so, that might explain why the latter has become so much more liberal over the last 30 years or so. One possibility is that governments see that immigration and imports are substitutes to some (possibly increasing) extent and therefore that there are economic gains from relaxing one of them, but that there is more political gain in limiting immigration than in limiting imports. As we have seen, similar sorts of people oppose both immigration and imports, and so freeing up the latter but not the former may represent a politically successful strategy. This could be because trade policy and immigration policy play out very differently in the political arena. Thus, for the United States, Greenaway and Nelson see trade policy as characterised by ‘group politics’ while immigration policy is characterised by ‘democratic politics’. According to them “The public politics of trade and immigration are distinctive,...trade is seen as national and essentially economic, while immigration is local and essentially social (2006, p. 25).

This is an important insight, but it is only a partial explanation. The main reason that trade is characterised by group politics is that there are clearly identifiable groups on both sides. Exporters (and their employees) stand to gain from greater access to foreign markets, while import competing firms (and their employees) stand to lose, and a political balance must be found between them. Although some groups, such as employers as a whole, stand to gain directly from immigration they simply do not have the votes, and those who stand to gain indirectly, such as consumers, are too dispersed.

The differences in the political frameworks that apply to trade policy and migration policy can be related directly to two key differences in the economic fundamentals. The first is that, to a first approximation, trade is based on comparative advantage while migration is based largely on absolute advantage. Thus for relatively rich countries immigration is much more of a one-way street than trade (see further below). While exporters often constitute a strong lobby group pressing for better ac-

cess to foreign markets, open immigration policy fails to gain political support because there is no clearly identified group lobbying for better access to foreign labour markets. The second fundamental difference is that (as Box 1 illustrated) the largest gains from migration accrue to the migrants themselves. Even though the gains from free(er) migration are greater than the gains to free(er) trade, those who stand to gain the most are not part of the political process in the destination country, at least *ex ante*.

This suggests that there are good reasons why trade policy is more often characterised by group politics. But it does not necessarily follow that group politics, by itself, will lead to trade liberalisation. After all there are powerful lobbies on both sides, and the balance could go either way. In the United States the political balance gradually swung away from protectionism:

From the days of the early American republic through the 1980s, US trade politics was dominated by economic interests and producer interests in particular. This gave policy a distinctly protectionist tilt up to the 1930s. But it also provided the foundation for the “system” of antiprotectionist counterweights, which turned the policy around from the Roosevelt administration onward. Reciprocal trade negotiations energized export interests that would gain from reducing overseas barriers. This balanced the power of import-threatened industries, which were also bought off in part by trade remedy procedures and special deals for the strongest sectors, particularly textiles (Destler, 2005, p. 253–4).

Thus, at least in the modern era, group politics is as much the result of the clash of interests over trade as its cause (Rogowski 1989). As Gilligan (1997) shows the Reciprocal Trade Agreements Act (RTAA) of 1934 gave the political edge to exporters by delegating the authority for trade negotiations away from Congress to the President.¹¹ This was an attempt to escape from beggar-thy-neighbour tariff polices of the

¹¹ In particular it led to the establishment of the post of Special Trade Representative (later the United States Trade Representative) located in the White House. This removed much of the political bargaining from the floor of the House to series of advisory committees in which export and import-competing interests were more evenly balanced. However the authority vested in the president was temporary and was subject to renewal for each round of GATT negotiations.

underemployed 1930s.¹² For exporters, the benefits of liberalisation were not seen as cheaper imports and lower costs, (in which case unilateral liberalisation would have sufficed) but as improved access to foreign markets. The RTAA was important, not just because it tilted the balance of power in the United States, but because by giving the President powers to negotiate reciprocal agreements, it paved the way for American leadership of GATT in the period after the Second World War.

The histories of trade politics have played out somewhat differently in other countries, But in most of them policy has been influenced by the interplay between industry-based groups or associations and associations and political parties or coalitions. As Hiscox (2002) shows, the degree to which policy is debated between industrial/sectoral groups or emerges from broader, class based, politics depends on the size and structure of the economy and the degree of internal factor mobility. The greater is internal mobility and the less specific are factors of production the more the style of politics resembles the class-based model proposed by Rogowski (1989). But whatever is the structure of the groups, they seem to be more evenly balanced for trade policy than for policy over migration.

¹² In particular it was a reaction from the Hawley Smoot tariff, that was introduced in 1930 and is seen by many as having led to widespread retaliation, which in turn contributed to the collapse of international trade in the 1930s.

5. DO INTERNATIONAL INSTITUTIONS MAKE A DIFFERENCE?

We have seen that while trade has been gradually liberalised over the last half century, international migration has not, and the question is why? One obvious answer is that tariff reductions have been largely achieved through multilateral negotiations in the GATT and the WTO while there have been no such organisational arrangements devoted to the multilateral lowering of barriers to migration. That leads to two questions. First, why has no such forum emerged for migration? And second, is there a basis for an organisation similar to the WTO, say, a World Migration Organisation?

5.1. A case of institutional failure?

It might be suggested that the particular historical circumstances that led to the creation of the GATT simply did not coalesce for international migration. Yet a variety of organisations have emerged for international cooperation on issues related to migration. The International Organisation for Migration (IOM) has been in existence under various different names since 1951, but the IOM has not established a track record anything like that of the GATT.¹³ The IOM has assisted some 11 million migrants (mainly refugees) since its creation but its mission has never been to broker multilateral migration agreements or to establish an architecture for reducing immigration controls on a global level. The same might be said of the International Labour Organisation (ILO), which was founded in 1946 and became an agency of the United Nations in 1946. The focus of the ILO is industrial relations, social justice and human rights and although it has developed an interest in global governance it has not provided a forum for multilateral negotiations over immigration controls.

¹³ It began as the Provisional Intergovernmental Committee for the Movements of Migrants from Europe and it quickly evolved into the Intergovernmental Committee for European Migration (ICCEM). It changed its name again to the Intergovernmental Committee for Migration in 1980 and then, with the amendment and ratification of the 1953 constitution, it became the IOM in 1989.

Appealing to accidents of history is not a very satisfying explanation for the fact that the ‘right’ institutional structure has failed to emerge. After all, the origins of the GATT were inauspicious. The GATT agreement of 1947 was originally linked to the Havana Charter that proposed the establishment of an International Trade Organization (ITO). Although the ITO was stillborn because it was never ratified by the United States, the GATT survived. And it took on a life of its own, gaining in authority and widening in influence, despite its lack of organisational status and weak legal foundations.¹⁴ Thus the GATT seems to have succeeded despite, rather than because of, the international legal architecture.¹⁵ It could hardly be argued that a similar organisation for migration would have been impossibly ambitious. After all, the earliest GATT negotiations included only 23 countries, a number that had risen to 117 for the Uruguay Round of 1986–94.

The crucial period of international institution building in the immediate postwar years that also gave birth to the United Nations, the International Monetary Fund and the World Bank can be read as an attempt to restore the liberal international order that was destroyed in the interwar period. It also spawned a number of agreements relating to migration including the ILO convention on migration in 1949, the antecedent of the IOM in 1951, and the Refugee Convention in 1951. Surely there was sufficient momentum in those early postwar years to generate an agreement for multilateral agreements over immigration controls. Nevertheless it did not happen, then or subsequently, and the question is: why?

5.2. The basis for multilateral negotiations

In order to answer this last question it is necessary to look at the basis for multilateral negotiations under the GATT/WTO. Some would argue

¹⁴ As one contemporary observer put it: “In legal and institutional patrimony, the GATT is one of the most humble, if not deprived, of the multitude of international bodies on the current world scene. But in positive accomplishments, the GATT must surely rank near the top” (Dam, 1970, p. 335). For more recent histories of the GATT/WTO see Beane (2000) and Brown (2003).

¹⁵ Irwin has argued that the failure of the ITO with its multifaceted agenda may have been a blessing in disguise. As he puts it: “The GATT was formed by carving out and implementing the commercial-policy sections of the Havana Charter that was to have guided the ITO. The narrow focus of the GATT served the process of trade liberalization (and the institution itself) well because the GATT’s mission was simple and straightforward.” (1995, p. 325).

that the need for multilateral negotiations is far from obvious in the first place, since countries stand to gain almost as much from unilateral trade liberalisation as from multilateral trade liberalisation. As Paul Krugman puts it:

If we nonetheless have a fairly liberal world trading system, it is only because countries have been persuaded to open their markets in return for comparable market-opening on the part of their trading partners. Never mind that the “concessions” that trade negotiators are so proud of wresting from other nations are almost always actions that these nations should have taken in their own interest anyway; in practice countries seem willing to do themselves good only if others promise to do the same (1997, p. 13).

On the other hand Bagwell and Staiger (2002) argue that the various provisions of the of the GATT/WTO can be better understood by abandoning the small country assumption and assuming that countries have some influence over their terms of trade. They interpret the central features of the GATT as motivated by governments’ attempts to escape from a terms of trade-driven prisoner’s dilemma.

It is useful to summarise the key principles that underlie the multilateral negotiations under the GATT/WTO to see if the same principles could be applied to international migration. These are reciprocity, non-discrimination and national treatment. Reciprocity means negotiating access to foreign markets in exchange for concessions of approximately equal value to foreign suppliers in domestic markets. Non-discrimination – the Most Favoured Nation clause – means that a concession granted to one party must be granted to all parties to the negotiations. And national treatment means that foreign firms must be able to sell in the domestic market on the same terms as domestic firms. Whether or not some rational economic basis can be found to explain these elements, could they nevertheless be applied to negotiations over international migration?

Turning first to non-discrimination, most countries already have immigration policies that do not discriminate among potential immigrants by country of origin. Among the major immigrant-receiving countries, policies that discriminated in favour of certain origins and against others largely disappeared in the 1960s and 1970s. In the United States, the

national origin quotas were abolished by the 1965 Amendments to the Immigration Act. Similarly in Canada and Australia preferences for European, and specifically British, immigrants were replaced by points systems that applied regardless of the immigrant's source country. And the European guestworker schemes that provided opportunities to migrants from specific source countries were largely abandoned in the 1970s. Of course, family reunification schemes, skilled worker programs and points systems do implicitly favour immigrants from some countries over others. Nevertheless, the principal of non-discrimination does not seem to be a major stumbling block to the setting up of a multilateral framework for immigration policy.

Secondly, permanent immigrants are accorded largely the same rights in receiving country labour markets as native-born workers, even before they become citizens. And in most countries that also includes equal access to public welfare, health and education systems.¹⁶ Of course there are many forms of discrimination against immigrants, but they are not part of the legal framework. Indeed, most developed countries have equal opportunities legislation that expressly forbids it. Thus the equivalent of national treatment (that immigrants can sell their labour on the same terms as the native-born) is a well-established principle in most immigration countries and it would not seem to be an impediment to international agreement over immigration policy.

The missing element is reciprocity. And the reason is that migration is much more of a one-way street than is trade. While, in a multilateral context, trade balances have to add up roughly to zero, net migration balances do not. If rich and poor countries were gathered around the negotiating table, it is difficult to see how improved terms of access to the labour markets of the poor(er) countries could be of equal value to similar conditions of access granted by rich(er) countries in return. Indeed, even the poorer countries may have little incentive to come to the bargaining table. Those in poor countries who have the greatest incentive to support such negotiations are precisely those who wish to leave.

¹⁶ It is notable that California's Proposition 187 of 1994, which sought to remove these benefits from illegal immigrants, was subsequently declared unconstitutional by a US District Court.

Box 3. Relative Wages, Endowments and Productivity

How far are differences in real wages across countries accounted for by differences in factor endowments as compared with differences in total factor productivity? A number of studies have shown that a large share of the gap is accounted for by productivity. In a recent study, Hendricks (2002) calculated the ratio of a given country's real wage to that for the US and then estimated the contributions of physical capital, measured skills and unmeasured skills to that gap. The remainder is therefore due to the differences in technology or total factor productivity.

**Real Wage and Total Factor Productivity Ratios
to the US for 67 Countries.**

| | Real Wage ratio to US (%) | | TFP ratio to US (%) | |
|-------------------------|---------------------------|------|---------------------|------|
| | Mean | CV | Mean | CV |
| Poorest countries | 13.5 | 1.9 | 30.2 | 6.4 |
| Middle income countries | 34.0 | 1.5 | 53.8 | 4.7 |
| Richest countries | 72.7 | 2.1 | 75.3 | 2.4 |
| All 67 countries | 39.7 | 17.1 | 52.8 | 10.4 |

Source: Calculated from Hendricks (2002), p.204–5.

As the Table shows, the poorest third of countries (ranked by GDP per capita) have real wages that average only 13.5 percent of the US. But some of that difference is attributable to lower skills and less physical capital per worker. Giving the workers in these countries the same capital and skill endowments as the US would raise their wages to 30.5 percent of the US level. Thus some of the difference is due to lower endowments of skill and capital. But even with identical factor proportions, labour productivity in poor countries still averages less than a third that of the US, and even for middle-income countries, TFP is little more than half.

This has important implications for trade versus migration. If factor proportions were the same the world over there would be no basis for trade (insofar as trade is based on relative factor scarcity). But the remaining wage differences still provide a basis for migration.

The adding up condition that applies to trade but not to migration is not a trivial point. It is the reason why, in the absence of barriers, comparative advantage is the most important determinant of trade flows, while absolute advantage is the most important determinant of migration. Thus labour productivity differences between countries that are not simply due to the endowments of other factors are a much more serious impediment to reaching reciprocal agreements over migration than over trade. As Box 3

shows, international wage gaps are largely due to differences in total factor productivity. It follows that failure to establish an international framework for migration that plays the same liberalising role that the GATT/WTO plays for trade is not simply an accident of institutional history.

6. IS THERE A WAY FORWARD?

What are the prospects for future multilateral agreements on international migration? The argument advanced here suggests that it will be hard, if not impossible, to reach the sorts of global agreements for migration as have been negotiated for trade. The fundamental reason is that while trade is driven largely by comparative advantage, migration is driven largely by absolute advantage. This is why the gains to freeing up migration are so much greater than the gains to liberalising trade. But it is precisely because migration is more of a one-way street than trade that agreements based on reciprocity will be hard to reach. And this is unlikely to change as long as the enormous gaps in economic development persist. Yet recent developments have led some observers to the view that a global framework for liberalising migration could be within reach. This optimism is reflected in the objectives of the Global Commission on International Migration, one of which is to “provide the framework for the formulation of a coherent, comprehensive and global response to migration issues”.¹⁷

Do these recent developments offer favourable portents for future liberalisation? One such development is the provisions for migration that are contained in Mode 4 of the General Agreement on Trade in Services (GATS) that came into effect in 1995. This provides for the ‘temporary movement of natural persons’ as a means of effecting trade in services. The fact that the only genuinely global agreement relating to migration has been engineered by the WTO, which has been so successful at liberalising trade, invites the idea that the ‘right’ international framework could do the trick for migration.¹⁸ But that would be misleading. Mode 4 does not cover migrants seeking access to employment abroad, nor does it include permanent residence or citizenship. It is not an agreement on migration per se, and its application remains very limited.¹⁹ Another recent trend is

¹⁷ See: <http://www.gcim.org/en/>.

¹⁸ For an optimistic assessment of the potential development of Mode 4, see UN (2004), pp. 136–138

¹⁹ One reason for this is that countries are permitted to apply admission criteria based on economic needs, labour market tests or qualifications. In other words it is constrained by the same policies that limit immigration.

the growth of bilateral agreements on migration, which some see as parallel to the growth in bilateral trade agreements. One recent report lists 176 such agreements currently in existence (OECD, 2004). But these too are typically agreements for the temporary migration of contract workers, seasonal workers, working holiday-makers and trainees. They do not seem to provide the foundation upon which a serious liberalisation of migration could be built.

Perhaps a more promising basis upon which to build is existing regional agreements. The best-known example is the European Union where there is free migration among member states. In Africa, the Economic Community of West African States (ECOWAS) and the Common Market for Eastern and Southern Africa (COMESA) have agreed protocols on free movement, but these have never been fully implemented. Similarly in South America, the Andean Community and the Southern Common Market (MERCOSUR) have agreements in principle to facilitate cross-border movement and residence (United Nations, 2004, p. 194). Such agreements have the potential to work because they are between countries at similar income levels and hence there is the prospect of two-way traffic. By contrast the North American Free Trade Agreement (NAFTA) has not been extended to embrace free migration. So, on the one hand regional agreements among neighbouring countries at similar income levels seems the most feasible path to freeing up migration. On the other hand such agreements will not exploit the largest gains: those that arise from migration from poor to rich countries.

Appendix Table
Ordered Probit Estimates of the Determinants of Anti-Imports
and Anti-Immigration Attitudes

| Variable | (1) Reduce Immigration | (2) Limit Imports | (3) Reduce Immigratio n | (4) Limit Imports |
|---|------------------------------|-------------------------|----------------------------------|-------------------------|
| ‘Patriotism’ | 0.086 (4.18) | 0.187 (12.05) | 0.088 (4.34) | 0.189 (12.04) |
| ‘Chauvinism’ | 0.370 (7.59) | 0.356 (14.39) | 0.367 (7.53) | 0.355 (14.11) |
| Foreign-born | -0.190 (1.29) | -0.013 (0.23) | -0.189 (1.29) | -0.013 (0.22) |
| 2 nd Generation Immigrant | -0.326 (7.92) | -0.060 (1.47) | -0.324 (7.90) | -0.058 (1.44) |
| Female | 0.056 (2.02) | 0.244 (8.83) | 0.053 (1.90) | 0.243 (8.74) |
| Age | 0.001 (0.97) | 0.001 (1.38) | 0.001 (1.02) | 0.001 (1.36) |
| Employed | -0.014 (1.29) | -0.054 (2.67) | -0.015 (1.43) | -0.055 (2.74) |
| High Educated | -0.254 (9.95) | -0.269 (9.17) | -0.282 (1.49) | -0.047 (0.32) |
| High Educated × Inequality | | | 0.645 (1.42) | -0.249 (0.78) |
| High Educated × GDP Per Capita | | | -0.100 (1.95) | -0.076 (2.17) |
| Cut 1 | -0.738 | -0.435 | -0.751 | -0.451 |
| Cut 2 | 0.006 | 0.571 | -0.006 | 0.555 |
| Cut 3 | 1.295 | 1.178 | 1.285 | 1.162 |
| Cut 4 | 2.137 | 2.226 | 2.126 | 2.211 |
| PseudoR ² | 0.086 | 0.093 | 0.086 | 0.093 |
| No of obs | 20603 | 20603 | 20603 | 20603 |
| Country dummies | Yes | Yes | Yes | Yes |

Note: Ordered probit with z statistics in parentheses based on robust standard errors clustered by country.

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