B10 *Trading labour: a dilemma for migration regimes*

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While international migration is an old phenomenon, its link with trade is a recent one. Earlier trade economists were of the view that trade in products could be a perfect substitute for trade in capital and labour. However, with increasing industrialization and the importance of services sector-led growth, it has become apparent that trade in factors of production can complement trade in goods, in which case freeing both would yield greater gains. Evidence also suggests that the greatest gains have come to countries that opened both. These developments are proving to provide win-win solutions to both exporting countries and importing countries, but political dimensions often queer the pitch.

Global trade and investment have spin-off effects on labour mobility. Reinforcing these developments, communication technology and modern transportation systems offer faster mobility. Consequently, our world is undergoing substantial spatial transformations, at a pace faster than anybody could predict. Trade expedites movement of labour both nationally and internationally. Internal migration is towards cities and towns, drawing surplus labour from rural to urban, motivated by opportunities to climb up the economic ladder. Such agglomerations throw up an immense amount of opportunities for businesses as they become 'thick markets', act as incubators for innovation and provide access to a wide range of consumables which otherwise could not be imagined of.

Along with internal relocation to urban centres, incidence of cross-border and intercontinental migration has increased manifoldly. Unlike uncontrolled intra-national migration, stringent migration policy regimes are in place controlling international migration.

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Economically advanced nations offer better living standards and, given their first-mover advantage, they can afford to be selective in screening and absorbing skilled labour.

Human capital embodied in labour is the most valued factor of production today. Countries the world over are keen to plan and control both internal and external migration of labour. But it raises innumerable managerial issues: urbanization and congestion, remittances and brain drain, job displacements and wage rates, cultural and civic challenges and so on. Importantly, it also raises the crucial question of how migration affects the trade capability of a country.

Duration of migration as a cause for concern

The association of migration in modern times with specialization and trade is not unidirectional; it could be both cause and effect of international trade. Theoretically, trade in goods between nations sustains when labour is immobile across borders and at the same time mobile within borders. In other words, there exists a fear that migrants may take the comparative advantage away with them to a foreign country. On the other hand, the free flow of nationally locked-in labour to export sectors with comparative advantages is essential to engage in and tap the benefits of international trade. International migration in this context can be seen as a cause of trade and intra-national migration as its effect.

The conventional issue of brain drain is generally discussed in this context. Countries may want to restrict permanent movement of labour abroad, since it may hamper production capacity, especially as international migrants are generally skilled workers capable of contributing to value addition in the fastest-growing sectors. At the same time, repatriation of income by cross-border migrants constitutes an important source of economic expansion in developing countries like Bangladesh and Mexico. Very often, this trade-off is quite visible in the national contexts also. Within national boundaries, as in many areas in rural India, migration to the urban area does bring remittances to the impoverished hinterlands but migrants may drain out a substantial part of the productive activities left in such regions.

This brings us to the question of net gains from migration vis-à-vis trade. It is difficult to quantify the costs and benefits of migration in the long run for origin as well as destination countries. The question directly relates to skill levels of migrants, duration of migration and the amount of remittances. In specialized economies, skill locking and 'structural unemployment' is very common. It is counterintuitive for a nuclear physicist from the Maldives to stay in her homeland and practice her trade. A migration regime that permits labour trade so that skills may be best put to use avoids 'brain wastes' and is most certainly a win-win for trading partners.

The duration of migration and the amount of remittances are important points for migration regimes to consider from a practical point of view. It is essential to distinguish between long-term labour migration, which might lead to a change in the overall trade patterns of both origin and destination countries, and short-term migration, which in itself is trade in labour for the country of origin. The content of remittances defines the amount of trade in labour in both cases. Remittances are generally high in the latter case. As long-term migration translates into citizenry and becomes an integral part of all facets of national governance in the host country, and sometimes short-term migration becomes a pretext for long-term stay in attractive destinations, policy makers very often end up being disillusioned and over-rigid in screening even short-term migrants.

Treating migration in trade agreements

Trade renders certain sectors of production obsolete in an economy, but it also makes certain locales inhabitable. Freedom of physical mobility is an integral part of achieving efficiency through cross-border trade and investment. Should markets choose products, they must select places as well. In order to harvest the gains from consumption and production scale efficiencies, the migration of labour to centres where they deserve to be must be encouraged. By doing so, governments actually practice meritocracy at the international level for the benefit of businesses in their own jurisdiction.

Currently, cross-border labour migration of a short-term nature is negotiated in trade agreements through instruments of services trade liberalization. The origin of inclusion of such migration in trade talks is based on the premise that the delivery of service products in many cases entails physical proximity of the producer and consumer, and therefore the temporary movement of service providers is warranted. The principle for treating such movement is embedded in the definition of types of services (Mode 4) in the General Agreement on Trade in Services (GATS) under the WTO. Similar definitions are replicated in services negotiations in various Regional Trade Agreements.

The multilateral arrangement under the WTO system thus takes care of only short-term migration. Besides, the system only deals with labour movement associated with service industries like education, health, banking, etc. The scope and demand for migration goes far beyond this arrangement. While Mode 4 market access may prove to be crucial for opening up rigid migration regimes, alternative channels like exclusive bilateral labour agreements could be more effective in framing quick and orderly movement, as in the case of region-centric accords like the Canadian Seasonal Agricultural Workers Programme. Bilateral agreements like this are inescapable requirements of our time given the massive scale of inefficient distribution of skills worldwide and the fast-changing demographic profiles across countries.

Globalization has indeed stimulated the movement of goods, financial capital, information and technology, enhancing efficiency in the way businesses are conducted. But liberalization of human capital movement is yet to catch up with these developments. Job-related insecurity and political standoffs build up numerous barriers for cross-border migration. Looking at the future, while trade policy instruments are used to attune market topography at the one end, migration policies must be used to equitably assist people to move and tap markets at the other.