

Research Report

The Link between Migration and Trade – Policy Implications for Africa

The Link between Migration and Trade – Policy Implications for Africa

ADPC Research report

No. 2017/04

Author:

Peter Mudungwe

The African Diaspora Policy Centre (ADPC)

Laan van Meerdevoort 70

2517 AN, The Hague

The Netherlands

Office: +31 70 753 7730

Email: info@diaspora-centre.org

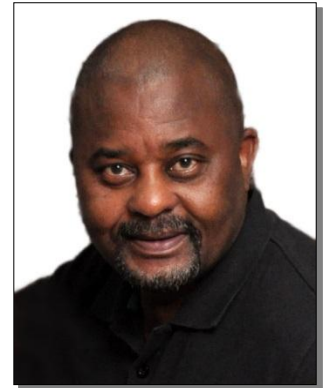
URL: <http://www.diaspora-centre.org/>

Research Report

The Link between Migration and Trade – Policy Implications for Africa

Bio Data: Peter Mudungwe

Peter Mudungwe has an honours degree in Economics from the University of Zimbabwe and a Masters degree in Human Resources Development from the University of Manchester. He is an international development expert with experience in Africa, and has over 10 years experience working on migration and development issues in the Southern and East Africa regions and the Horn of Africa. Between 2004 and 2014 Peter worked for the International Organization for Migration and the African, Caribbean and Pacific (ACP) Migration Facility managing migration and development projects. He has written numerous papers in the area of migration and development, has been commissioned by the Africa Diaspora Policy Centre (ADPC), the European Commission and International Organization for Migration to work on migration issues in Africa. Peter is currently a Migration Advisor at the African Union Commission¹.



¹**Disclaimer:** The opinions expressed are those of the author and do not necessarily reflect the policies or views of the African Union Commission. Excerpts may be reproduced without authorization, on condition that the source is cited. Contact the author via: pmudungwe@gmail.com.

Abstract

Hitherto the migration and development debate in Africa has largely excluded the implications of migration on trade and development. Existing literature on migration and trade has treated these two phenomena independently. However, the link between migration and trade (and development) has been established by recent literature on the subject in some countries in Europe and North America.

The migration and development discourse in Africa has to a large extent focused on the positive impact of migration on the migrant sending countries, with remittances and diaspora contribution to development topping the list, while the impact of trade on the both migrant sending and host countries has largely been ignored. Yet with the increase in migration on the continent and its impact on trade, it is imperative that the migration/trade nexus be examined, and its policy implications unravelled.

This paper makes a cursory review of literature on the links between migration and trade, and seeks to contribute to the migration/trade nexus debate on the continent. It also raises some trade related issues for consideration by policy makers, academics and practitioners in the area of migration and development.

Table of content

Abstract.....	5
Migration in Africa	7
The link between migration and trade	7
The African reality: Informal cross-border trade (with special reference to the SADC Region).....	8
Conclusions	9
Migration and trade: Some policy considerations.....	9
References	11

Migration in Africa

Migration in Africa is on the rise, is more dynamic and complex than ever before, and is characterized by increases in labour migration, feminization of migration, circular migration, irregular migration and an increase in refugees. More than 80% of migration is within the continent, and is characterized mainly by intra-regional migration. The rest of the migrants are heading north to Europe, and east to the Arabian Peninsula. In 2013 there were a total of 232 million migrants, and almost 20 million of these were in Africa² and this figure is increasing.

While migration on the continent is mainly intra-regional, there is also inter-regional migration, that is, from West Africa to Southern Africa, from East/Horn of Africa to Southern Africa.

The link between migration and trade

A common feature of the existing work on migration and trade networks is that they have treated these two phenomena independently. Yet the link between migration and trade has been well established by recent literature. Growing evidence has been found in support of the idea that migration has positive effects on trade between immigrants' host and home countries. Pioneering studies by Gould (1994) and Head and Ries (1998) document such immigrant-link effects for both imports and exports of the United States and Canada, respectively. Recent work by Dunlevy and Hutchinson (1999) also uncovered evidence of pro-trade impact of immigration on U.S. imports in the late nineteenth and early twentieth centuries, while Murat and Pistoiesi (2006) documented the links between migration and trade in Italy. These findings are important because they not only help us fully understand the economic impact of migration on host and home countries, but also might have some relevant policy implications, especially for host countries [Fagiolo and Mastrorilli: 2014].³ In the South, and indeed in Africa, much emphasis has been on the positive impact of migration on the sending country, with remittances topping the list, while the positive impact of trade on the host country has largely been ignored.

Cross-border human migration and international trade account for a large part of yearly mobility of people and goods across the planet, and their importance has been relentlessly growing during the last waves of globalization. Over the period 1960–2010, for example, the share of total world exports over real-domestic product (GDP) has increased by 172%, whereas human migration, in terms of number of world immigrants, more than doubled, with an estimated migrant population of more than 232 million in 2013. Despite this evidence, in the last decades governments have kept reducing barriers to trade without proportionally lowering those to immigration. Indeed, during the period 1960–2000, the number of newly-created export channels between world countries exhibited a threefold increase. Similarly,

² United Nations (2013), Trends in International Migrant Stock: The 2013 Revision: <https://www.oecd.org/els/mig/World-Migration-in-Figures.pdf>

³ In the South, and indeed in Africa, much emphasis has been on the positive impact of migration on the sending country, with remittances topping the list, while the positive impact of trade on the host country has largely been ignored.

calculations on World Development Indicators (WDI) data show that the number of new emigration corridors almost doubled [Ibid].

Existing literature suggests that the immigrant-link influences bilateral trade flows through two basic channels. First, immigrants bring with them a preference for home-country products. Second, immigrants can reduce transaction costs of bilateral trade with their home countries. Preference for home-country products could have an impact on imports of the host country, while the reduction in transaction costs of bilateral trade with home countries is potentially more important since it could affect both imports and exports. Immigrants can reduce the transaction costs of bilateral trade through individual immigrants' business connections or personal contacts with their home country. Secondly, transaction costs of bilateral trade are reduced because of additional knowledge brought by immigrants about foreign markets and different social institutions. Under the second mechanism, whether immigration would reduce the transaction costs of bilateral trade depends on which country the immigrants come from. If they originate from a country whose social and political institutions are similar to those in the host country, their impact on the reduction of transaction costs would be lower [Girma. and Yu, 2002].

The African reality: Informal cross-border trade (with special reference to the SADC Region)

Historically, informal cross-border trade has been an important part of the most regions in Africa; dating back to the pre-colonial period when people on the continent bartered goods informally. The erection of borders brought with it various tariff and non-tariff barriers, making informal trade illegal. This disrupted economic activities especially among communities living along border areas [Tekere *et al*, 2000, in Mudungwe 2014]. Despite these disruptions, informal cross-border trade has continued. Despite the barriers, informal cross-border trade plays a significant role in moving goods among countries on the continent. Notably, the cross-border trade sector has linkages with the formal sector, with informal cross-border traders buying goods from large companies in one country, and selling them to large companies in another country (for example motor spares, industrial machinery components, etc).

In the Southern African region informal cross-border trade increased with the cessation of wars of independence and the attainment of self-rule in Mozambique, Namibia, South Africa and Zimbabwe. In recent years, growing poverty, shrinking formal sector employment and unequal development in the various regions of the continent have seen the growth of informal cross-border trade; a sector that is mainly populated by women.

While some countries in the region have experienced relative poverty and declining living standards, the rigorous (and often cumbersome) import controls imposed on formal businesses, the liberalisation of exchange controls, economic prosperity and social and political stability in neighbouring countries have made informal cross-border trade attractive [Tekere *et al*, 2000, in Mudungwe 2014]. In some cases, low commodity prices and poor road/rail networks within countries encourage communities living along border areas to trade their commodities in neighbouring countries [UN: 2006 (a), in Mudungwe 2014].

Although the informal cross-border trade sector plays a significant role in food security (the movement of food and agricultural goods), is an important source of household income, employs a significant number

of women and constitutes a significant proportion of cross-border traffic in the region, informal cross-border traders are often not formally recognized nor included in migration legislation and regional/national trade policies. Because they mainly travel with their goods, informal cross-border traders face a myriad of bureaucratic and other obstacles at border posts, even with the region aiming for free trade [Crush *et al*, 2006, in Mudungwe 2014].

A salient, yet less recognizable (and perhaps unacknowledged) feature of the informal cross-border trade sector is the important role that informal cross-border traders play in integrating people of the SADC region. While building on the historical ties of the peoples of the region, the social networks that informal cross-border traders form in the different countries where they operate are a strong complement towards regional integration [Muzvidziwa, 2001, in Mudungwe 2014].

Conclusions

- i). Migration in Africa is substantial, and is mainly within the continent itself (intra-regional and inter-regional).
- ii). There is growing evidence that migration has positive effects on trade between migrants' home and host countries.
 - a. Firstly, immigrants have a preference for home-country products, and therefore increase demand for home-country products in the host country. The demand for home country products is greater the more there are differences in products between the two countries.
 - b. Secondly, due to their knowledge of both the home and host countries, immigrants can reduce transaction costs of bilateral trade between host and home countries.
- iii). The informal cross-border trade sector plays a significant role in a number of ways, namely:
 - a. It ensures food security;
 - b. It is a source of household income, especially for women who constitute the majority of players in the sector;
 - c. It plays a significant role in keeping the wheels of industry and commerce turning;
 - d. The social networks that informal cross-border traders forge in the different countries where they operate are a strong complement towards regional, and indeed continental integration.
- iv). Despite the role they play in the socio-economic development of their countries, regions and the continent, informal cross-border traders face numerous impediments, including:
 - a. Lack of formal recognition (and therefore exclusion from regional/national migration/trade policies/legislation) and
 - b. A myriad of bureaucratic obstacles (mainly customs related) at border posts.

Migration and trade: Some policy considerations

- i). In general, there is need for research to establish the extent to which trade is linked to migration, its impact on the economies of both migrant sending and receiving countries (and indeed the continent), and how this link can be better managed for the benefit of both sending and receiving countries;

- ii). Given the importance of the informal cross-border trade sector on the continent, there is need for on-going research to better understand this sector in terms of its extent and role in livelihood strategies and food security, its linkages with the formal sector, as well as an income earning opportunity for women;
- iii). There is need to develop migration, trade, customs and investment policies which are gender sensitive, inclusive of, and promote the informal cross-border trade sector;
- iv). The positive impact of migration on trade has implications on diaspora engagement strategies of migrant sending countries. The possibilities of opening up new export markets and lowering bilateral costs of trade with host countries call for appropriate deliberate diaspora engagement strategies by sending countries. Corollary, the demand for home products by immigrants has an impact on the import bill, and therefore balance of payments in destination countries. These analyses can be cascaded to the continental level, with the demand for goods from the continent by the African diaspora domiciled on other continents impacting on the African economy in similar ways;
- v). From the foregoing, it is apparent that migration policies at the continental, regional and national levels should consider factoring migration and trade as one of the thematic areas.

References

Fagiolo, G. and Mastrorill, M. (2014): *Does Human Migration Affect International Trade? A Complex-Network Perspective*;

<http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0097331>

Girma, S. and Yu, Z. (2002): *The Link between Immigration and Trade: Evidence from the UK*; Research Paper 2000/23; Centre for Research on Globalisation and Labour Markets, School of Economics, University of Nottingham; <https://www.nottingham.ac.uk/gep/documents/papers/2000/00-23.pdf>

Mudungwe, P. (2014): *Migration and Development in the SADC Region: The Case for a Coherent Approach*; ADPC Research Brief, The Hague.

Murat, M. and Pistoiesi, B. (2006): *Links Between Migration and Trade. Evidence from Italy*; Department of Economics, University of Modena and Reggio Emilia; http://morgana.unimore.it/bertocchi_graziella/bologna/murat.pdf

Silvio H. T. Tai (2010): *Market structure and the link between migration and trade*. Review of World Economics, Springer Verlag, 2009, 145 (2), pp.225-249. <https://hal.archives-ouvertes.fr/hal-00535217/document>