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**Workshop 7**

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*Europe, North Africa, Middle East: Diverging Trends, Overlapping Interests  
and Possible Arbitrage through Migration*

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*Workshop abstract*

Europe and its neighboring regions in North Africa, the Middle East(MENA) and Central Asia are characterized by mayor discrepancies in demographic and labor market trends. Both have a considerable impact on the size and composition of the economically active population during the next 50 years, and beyond. Europe (EU 25+, European CIS, and Balkans) is confronted with stagnating or declining working age populations and the prospect of shrinking native labor forces. During the same period the MENA region will experience sustained demographic growth and a growing number of people entering the labor force. This leads to a discussion about potential demographic and migratory arbitrage between these neighboring regions, separated only by the Mediterranean, the Black Sea and the Caspian Sea. In mere quantitative terms the challenges and opportunities to create win-win situations seem tangible and feasible between EU 27+ and European CIS on the one hand and the MENA region and Central Asia on the other hand. This is much less the case between EU 27+, the Balkans and Eastern Europe.

Migration and the underlying potential for arbitrage are driven by three main imbalances: Economic, demographic and political. At economic level the key drivers for migration are differences in current income level, differences in expectations about future income levels and their probability (including

unemployment), and the costs of migration which is linked to geographic proximity. The discrepancies for all these variables will eventually decrease. But for now, the economic differential is considerable and creates a major push and pull effect between the "North" and the "South". Demographic disequilibria between countries are a second driver of migration and closely linked to economic considerations. When strong youth cohorts enter the labor market for which no enough jobs can be created this leads to a strong pressure for emigration which is enhanced by the simple fact that it is predominately the younger age cohorts which migrate. Differences in changes in total labor force create a third important demographic driver. As labor force in the North is stagnating and eventually shrinking while substantially expanding in the South the potential impact on migration becomes clear. Last but not least do political disequilibria have an impact on migration flows.

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The seminar will:

- Analyze existing demographic and economic imbalances between Europe, Turkey and the MENA region;
- Discuss the implications of those imbalances for current and future migration flows; Assess costs and benefits of migration to Europe; Assess net-migration needs in Europe and capacity of provision in the MENA region and Turkey;
- Look beyond this assessment by also discussing strategies to counterbalance labor force decline in Europe by higher labor force participation rates and later retirement;
- Explore development opportunities for the MENA region linked to demographic change and migration;

### *Workshop description*

Europe and its neighboring regions in North Africa, the Middle East (MENA) and Central Asia are characterized by mayor discrepancies in demographic and labor market trends. Both have a considerable impact on the size and composition of the economically active population during the next 45-50 years, and beyond. Europe (EU 27, European CIS, and Balkans) is confronted with stagnating or declining working age populations and the prospect of shrinking native labor forces. During the same period the MENA region, Turkey and Central Asia will experience sustained demographic growth and a growing number of people entering the labor force. This leads to a discussion about potential demographic and migratory arbitrage between these neighboring regions, separated only by the Mediterranean, the Black Sea and the Caspian Sea. In mere quantitative terms the challenges and opportunities to create win-win situations seem tangible and feasible between EU 25+ and European CIS on the one hand and the MENA region and Central Asia on the other hand. This is much less the case between EU 27, the Balkans and Eastern Europe.

Migration and the underlying potential for arbitrage are driven by three main imbalances: Economic, demographic and political. At economic level the key drivers for migration are differences in current income level, differences in expectations about future income levels and their probability (including unemployment), and the costs of migration which is linked to geographic proximity. The

discrepancies for all these variables will eventually decrease but is currently very high and creates a major push and pull effect between the “North” and the “South”. Demographic disequilibria between countries are a second driver of migration and closely linked to economic considerations. When strong youth cohorts enter the labor market for which no enough jobs can be created this leads to a strong pressure for emigration which is enhanced by the simple fact that it is predominately the younger age cohorts which migrate. Differences in changes in total labor force create a second important demographic driver. As labor force in the North is stagnating and eventually shrinking while substantially expanding in the South the potential impact on migration becomes clear. Last but not least do political disequilibria impact migration flows, most visible at the time of armed conflicts but also resulting from low levels of democratization and disrespect of civil and human rights. Also in this area are the differences between the North and South still sizable.

The broad effects of these disequilibria, and the challenges and opportunities of migration between the EU27 and the Middle-East and Northern African Countries have been investigated in a number of studies (including efforts of the CARIM project, the World Bank and the EU). The proposed work shop extends the analysis in three directions. First, should have a broader geographic coverage and extend the analysis into the European CIS and the Balkans. Second, it should also investigate the domestic alternatives in the North to migration, that is how increased labor force participation policies are able to compensate, and it should also move from a mere net demographic gap analysis to one which takes account that many migrants will return to their home countries. And last but not least the analysis should move from mere quantities of migration flows to questions of qualities of migrants, i.e. their skill levels and composition and their importance for the net benefits of migration and what can be done to improve.

International migration is caused by major economic, demographic, labor market and social security gaps between sending and receiving countries. But international migration is also a process with the potential to reduce such gaps. Therefore, sending and receiving countries should explore win-win solutions that allow the countries and economies involved as well as the migrants to gain from geographic mobility of labor and skills.

For EU 27 it is clear that labor market related reforms leading to higher labor force participation rates – in line with the Lisbon targets and beyond – are unavoidable. At the same time such reforms will probably not be sufficient to fully counterbalance shrinking native work forces. On the other hand North Africa, the Middle East and Central Asia will not be able to solve their employment problems by just “exporting” surplus labor. Europe’s neighboring regions also need economic and labor market reforms to cope with rapid increase of working age populations.

In this context immigration should only be seen as a partial answer to aging and eventually shrinking domestic societies in Europe and growth of working age populations in neighboring regions. Migration can play such a role only if Europe is able to attract migrants with needed skill levels and these migrants have access to formal labor markets and the possibility to establish their own businesses. Availability of people, however, is not enough. Availability of qualifications and skills matters to a great extent.

Europe will have to develop a comprehensive migration policy that balances economic and humanitarian aspects and incorporates selection and admission procedures for people who qualify for economic reasons as temporary migrants or as permanent immigrants. Experiences of traditional countries of immigration (TCI’s) in particular, Australia, Canada, and New Zealand—should be analyzed and adapted. In this context, the EU and its member states also have to review and improve

integration policies and arrangements regulating claims of migrants to social security benefits (including the portability of such claims in case of remigration) and services such as education and health care.

A permanent dialogue between the EU and neighboring countries should explore the possibility of cooperation in various migration-related fields. Among them are visa regimes, residence and work permits, living and working conditions of migrant workers and permanent immigrants, brain drain and skill formation, co-financing of educational systems, transferability and portability of acquired rights/claims toward social security. Such migration-related issues should also become elements of future formal agreements between the EU and its neighboring regions.

In light of these findings and conclusions the authors of this paper would like to suggest the following policy measures:

- Developing a platform for institutional dialogue between sending and receiving countries
- Extending the Bologna process to MENA and CIS countries
- Extending certification and peer review process to vocational education and technical training (VET)
- Improving portability of social benefits and acquired rights for migrants
- Exploring the possibility for joint development of skills
- Exploring the possibility for joint recruitment strategies
- Exploring the possibility for capacity building and co-financing
- joint recruitment strategies
- Developing “package deals” between sending countries and EU 25+ that would allow for “give and take”

No sound policy advice can be given and no knowledge base can be expanded in the fields of international migration, cooperation between sending and receiving countries and the identification of win-win solutions without accurate data and information. Therefore further research and analytical efforts are necessary in following areas:

- *Improvement of data quality.* Today research and policy making are restricted due to the poor quality and scarce availability of data on certain crucial aspects of migration, particularly the most basic data on the quantity and composition of migration flows and financial data on remittances.
- *Learning from traditional countries of immigration.* Australia, Canada, New Zealand and – to a somewhat smaller extent also – the USA have a long tradition of pro-active recruitment of immigrants. Comparative analysis should focus on these experiences and help to identify pro-active strategies that could be of relevance to Europe.
- *Labor market effects.* The effects of international migration on the labor markets are of major concern to both sending and receiving countries. Research is needed on the implications of temporary versus permanent migration, skilled versus unskilled migration with the goal of deriving best practices and policy recommendations for migration issues associated with regional agreements on migration and free-trade negotiations. In this context it would also be important to learn to what extent skills and/or flexibility of migrants enhance economic integration.

- *Brain drain vs. helpful export of labor and skills.* The emigration of highly skilled workers has been accelerated by the introduction of selective policies in various receiving countries. This is a topic of great concern to low-income and middle-income countries. Further research should help identifying under which circumstances labor-sending countries suffer from the outflow of human capital and under which circumstances the associated remittance flows and skill transfers benefit sending countries. Further research should explore what kind of export of labor and skills can be helpful for a country with rapid increase of working age populations.
- *Access to social services and transferability of social benefits and entitlements.* From a research point of view social protection of international migrants is a largely unexplored field. Among the core issues are labor standards, the access of migrant workers to such social services as health care and education, and the transferability of such social benefits as health insurance and entitlement for old-age pension.
- *Development impact and poverty reduction.* Migration could be seen as an important tool to cope with demand shocks and economic depressions. For a few developing countries, no substantial development may be possible without significant out-migration. Under such circumstances it is desirable to explore best practices of migration management ideally based on cooperation and agreements between sending and receiving countries.

### *Directors' individual paper abstracts*

#### *Demographic Change in EU27 and in Neighboring Regions*

##### **Rainer Muenz**

EU 27 member states and other countries of Europe (EEA, Balkans, Russia, Ukraine) experience the lowest fertility worldwide. And most EU 27 member states as well as all other countries of Western Europe belong to the group of countries with the highest life expectancy world wide. As a consequence, at the beginning of the 21st century, already 14 out of 27 EU member states reported an excess of deaths over births and therefore a decline of their native populations. In the future the majority of EU member states will experience such an excess of deaths over births. Future population size will therefore depend upon net migration.

Most experts assume that immigrants will only partly compensate for the declining native population and work force. As a consequence medium-term population projections of Eurostat and the UN population division for EU 27 expect a moderate decline in EU total population after the year 2025. Both projections assume a continuing increase from today level until 2025 and a subsequent decline until 2050, with most of the new EU member states in Central Europe and some old member states—Germany and Southern Europe in particular—anticipated to have a marked decrease of native populations.

Based on the UN population projection (medium variant) total population for EU 27 will increase and then start to decline. During the same period, in the absence of mass migration Western and Central Europe's total population would gradually start to decline after the year 2010.

Neighboring Balkan countries of South-Eastern Europe—including EU candidate countries—already have population decline and will continue to do so. A similar decline is likely to occur in Russia and

other European CIS countries. During the same period Central Asian CIS countries will continue to have demographic growth. According to the analyzed projection the number of inhabitants will increase. Neighboring Turkey's population is expected to grow at a similar pace.

Among the world regions analyzed in this paper, the largest growth will occur in the Middle East and North Africa. Labor importing Gulf States will double their total population. The remaining countries of North Africa and the Middle East (MENA) region will also experience dramatic increase.

The paper will explore these trends and assess possibilities for demographic and labor market arbitrage between these regions.

### ***Does the skill mix matter?***

#### **Heba Nassar**

Past research has classified Arab migration according to its two distinct migratory patterns: intra-regional migration and extra-regional migration. Regarding intra-regional migration, the complementarity of supply and demand of Arab migrant labor within the region has mostly been perceived as mutually beneficial. On the other hand, extra-regional migration has shown somewhat different patterns, *inter alia* in terms of the time-horizon of the migrants. The main trend being observed regarding mobility from the Southern Mediterranean MENA countries to the Northern Mediterranean European countries is the increase in the volume of such migration, despite all pressures to reduce it. The demographic changes in both Northern and Southern Mediterranean countries have been major concerns for academic as well as policy-oriented research. The demographic situation in the MENA region varies considerably among the countries of the region and between the region itself and the Northern Mediterranean European countries. Whereas Northern Mediterranean European countries have completed their demographic transition, those in the MENA region are still encountering substantial demographic changes. Not only mortality, fertility and infant mortality rates differ considerably, but also the size and the structure of these populations.

Economic considerations suggest that the (net) benefit of migration and their distributive effects between countries and within countries depend on the skill composition of migrants as well as that of the labor force in the sending and receiving countries. . The education these migrants have received is at the expense of their country of origin (at a cost varying with the level of education) and will be beneficial to the country, where they migrate, if they will be employed. Migration, however, also generates financial flows on the international level and it might foster as well the building of cross-border transfer of products.

Financial transfers to countries of origin possibly might offset the initial investment on education. This happens in particular, if savings from income earned abroad, remitted to the families of origin, are greater than the income that would have been earned in the countries of origin (weighted by the probability of being employed). In addition, the initial investment on human capital at home might be offset when additional skills are gained in countries of destination and benefit the countries of origin, either directly in case of return migration during their productive life, or indirectly through economic activities undertaken by migrants in their home countries.

Finally on the theoretical level, the relationship between trade and migration, though deeply investigated, has remained ambiguous. The conventional theoretical Heckscher-Ohlin-Samuelson model (factor-price-equalization theorem) identified a substitution type of relationship between trade and migration. Changing the assumptions of the model, and especially imposing imperfect competition and increasing returns to scale instead of perfect competition and constant returns to scale, might alternate the substitution type relationship into a complementary one.

On the empirical level, economic research did not reach a concrete relationship between the two variables. The problem is mainly embedded in the large number of variables that affect such type of relationship and cannot be controlled for either because of the absence of data or the inability to quantify them.

This study aims at reviewing the different factors affecting the implication of the MENA extra regional migration to the Southern European Countries to address the following questions: (1) How efficient are the socio-economic and demographic policies in converting the youth bulge into productive human resources, through increasing investment in education, in empowering women, and in adopting good governance? (2) How do money flows of finance and flows of skills interact with each other in addition to product flows? (3) How can global markets offer greater opportunities for people and goods to tap into more and larger markets around the world?