

Migration in the MENA Region: An Overview

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Economic growth has been fairly robust over the past decade as, with the exception of the United Arab Emirates (UAE) and Kuwait, nearly all Arab countries were able to achieve positive average growth of GDP per capita over the period (1995-2005). This came in contrast to the declining record of the 1980-1995 period, when average living standards declined annually by 1%. However, it is obvious that in most Arab countries, economic growth could not catch up with the increasing unemployment rate (Lawrence, 2006). Savings and investment rates in the Arab countries are generally lower than in other areas, especially East Asia, excluding the oil-exporting countries. The relatively low savings rates in the region were accompanied by an insignificant increase in the average investment rate by 1.1% in the 1990s. This increase was concentrated in Algeria, Egypt, Lebanon, Mauritania, Morocco, Tunisia and the UAE. Several studies showed that the collapse in investment was the reason for the low growth rates for the majority of countries in spite of the average increase of total factor productivity (TFP) growth by 1.3% annually during the 1980s (Nabli, 2002). Moreover, accumulation and productivity have proven to be in opposite directions. According to Nabli (2002), the 1970s pattern of growth was characterized by higher levels of accumulation accompanied by declining productivity in many of the economies within the region such as Egypt, which almost doubled its rate of physical capital accumulation and more than doubled its rate of human capital accumulation, but faced a decline in total factor productivity growth by about one-quarter. Morocco and Algeria also doubled their rate of

accumulation, but TFP growth turned from positive (4.6% in Morocco, 1.4% in Algeria) to negative rates (Nassar, 2004).

However, economic activity among the MENA resource-rich economies had gathered substantial momentum by 2006, from the preceding years of escalating oil prices and heightened external revenue flows. To a degree, the accrual of further oil receipts in 2006 offered an opportunity to engage in shifting expenditure – from consumption to capital outlays – and to intensify efforts to encourage spillovers from the oil to the non-oil economy by involving the domestic private sector. Additional revenues also supported a move to pay off outstanding overseas or domestic debt, clearing financial overhang for several large economies. For the resource-poor economies, developments in the external environment offered the prospect of reviving growth in goods exports, as well as other critical revenue flows – including tourism and remittances. In broader terms, the “growth rotation” taking place in the context of the global economy – the engine of growth shifting from the United States toward Europe, Japan and East Asia – began to offer more support for growth among diversified economies.

For the MENA region as a whole, merchandise exports grew 28% in 2006, though falling below the growth boom of 2004-5, when exports achieved 38% gains on the back of the hydrocarbons market. For the MENA region as a whole, imports of goods advanced 23% in 2006. This, in combination with the export performance, yielded an aggregate trade surplus of 24.6% of regional GDP.

Growth of tourism revenues rose to 14.5% in 2006, up from a 12.6% growth rate in 2005. In retrospect, the 2006 results for MENA show strong performance, especially in light of heightened tensions associated with the ongoing conflict in Iraq, as well as the mid-July 2006 conflict in Lebanon, where promising prospects for tourism in 2006 came to a halt.

For the countries noted earlier, tourism revenues increased to 8.1% of the group's GDP.

For the MENA region as a whole, the current account of the balance of payments (BOP) improved to almost 21% of GDP, but changes in current account positions showed wide variation in 2006, with continued widening of surplus positions for the resource-rich countries, contrasting with a very small deterioration for the resource-poor economies. Dominated by the oil-exporting countries, the surplus position of the region increased from some \$90 billion in 2006, to nearly \$290 billion.

Moreover the MENA Region experienced a sharp increase in Foreign Direct Investment (FDI) flows in 2006 – to a record \$24.4 billion – up almost 40% in the year, and triples the level of 2004. This is due in part to the completion of major privatization deals and increased investments in the energy sector. Intra-regional FDI flows increased not only in the energy sector, but also in sectors such as infrastructure, real estate and tourism.

In spite of the previous promising trends absorptive capacity of labour force in the MENA region is still limited and it is experiencing one of the highest unemployment rates.

The high youth unemployment rate in the MENA Region is strongly linked to the deteriorating conditions of education. Although the Arab Region was able to achieve considerable progress regarding quantitative aspects of education in terms of increased enrolment rates and reduced gender gaps, the education system in the Arab Region still faces many difficulties in terms of achieving high quality education. The majority of unemployed workers are relatively well-educated and first-time job seekers. Education and training systems in Arab countries do not provide the skills required in the labour market. In Tunisia, where the unemployment rate for 20 to 24-year-olds is more than three times higher than the rate for those over 40, it is more than 40% for youths with higher education compared to about 25% for those with primary education (World Development Report, 2007).

Labour absorptive capacity in the industrial sector in the Arab Region in general was limited to 12%-14% due to its high capital intensity. The limited share of the industrial sector in employment could be attributed to many factors among which is the lack of export diversification in the region in favour of the dominance of petroleum and fuel industries in most of the Arab region, the relatively low and limited extent of the industrialization process in the Region which mainly

depended on import substitution strategies as well as the relatively little foreign direct investment in manufacturing in the Arab Region.

Moreover, the labour absorption capacity in the government and the public sector shrank, while it is limited in the growing private sector in the Arab Region.

Migration, a Prospect for Unemployed Youth?

Arab migration is witnessing new demographic and socioeconomic trends. 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 a lot of demographic changes. Northern Mediterranean European countries have a relatively elderly population, those of the MENA region a fairly young population.

In other words, the demographic features of the Southern Mediterranean MENA countries reveal a strong expected migratory pressure arising in those countries with a pessimistic view due to the high unemployment rates in the MENA Region.

In general the Arab Region is characterized by two distinctive migration patterns: intra-regional migration and extra-regional migration. In the context of intra-regional migration the complementarity of supply and demand of migrant Arab labour within the region is mostly perceived as a mutually beneficial mechanism.

Despite the fact that migration provided an important safeguard for higher unemployment throughout the MENA Region during past decades, particularly in the 1970s and 1980s, this option for employment abroad seems to be closing for many reasons.

With globalization there will be a decline in the demand for skilled workers. Most jobs created in the Arab Region in the 1970s and 1980s were concentrated on low-skill activities such as construction, retail, and traditional handicrafts. The decrease in the migration of unskilled workers in both extra- and intra-regional migration coupled with the increase in skilled workers' migration, has triggered adverse implications for the competitive advantages in the Arab labour sending countries, both in their local and international markets. On the other hand the growing role of multinational companies led to a category of cul-

turally distinct employees that are compatible with all countries where the company operates. Different systems apply to these employees and they gradually become detached from their societies, and their travelling between countries is determined by their companies and not by traditional immigration laws. The role these multinational companies play in migration in Arab countries is greater than their role in other parts of the world because of the globalization nature of several sectors in the Arab Region such as trade, transportation, finance, and oil. Their demand on workers follow international standards and, consequently, the nature and sources of migration to these countries was divided into migration of costly qualified foreign skill and Arab/Asian migration of less skilled workers (Fares, 2003). Globalization will also lead to new distinct forms of migration. Among these forms is migration without departing the original country. Some companies resort to utilizing local labour in a climate that resembles work and life in the recipient countries. In doing so, they depend on communication means as is the case in India. Hence Arab labour faces less migration opportunities to the Gulf states not only due to the diminishing economic capabilities, the completion of the infrastructure stage and the replacement by a national labour force, but also because of the increasing orientation to the new economy in the areas of communication and information, which reduces the need for unskilled labour and increases the need for high specific skills usually unavailable among nationals or neighbouring countries' nationals (Fares, 2003). The Region has in recent years faced new forms of migration, including migration in place, where some companies would employ the local labour force in a work environment similar to that in receiving countries, through the use of communication. In addition, technology has helped create new types of work and there has been a need for more studies on what is so-called "E-Labour." These standards reduce the advantages of hiring expatriate labour and also impose amendments to local laws that govern migration. In Europe, high unemployment rates during the 1980s and 1990s, pressures arising from inflows from other regions and countries in the world (Turkey, Asia) and concerns about potential inflows from new EU accession countries have contributed to a tightening of restrictions on migration in European countries. Labour and migration policies in Europe are likely to focus first on the recent enlargement countries. Unemployment in Central and Eastern Europe and Baltic countries is to a large extent composed of young

people, who are likely to compete for migration jobs in the future, further limiting the space for migration from the MENA Region into Europe.

It is also expected that through enhancing trade opportunities for "sending" countries and increasing financial and capital flows through the Euro-Med Partnerships, more growth and jobs can be created in the sending countries which will accordingly reduce the migration pressure on the "receiving" countries that are incapable of absorbing such an increase in job seekers (Nassar & Ghoneim, 2003).

The question is to what extent the substitute relation between trade and migration can be achieved in the case of Egyptian migration to Europe.

The Partnership can be useful in generating investment by influencing expectations and enhancing the credibility of reform

An important argument is that granting free access for industrial products to the EU market as well as exposing MENA industry to more competition would enhance trade opportunities and increase MENA's share in the EU and the international market and may be a substitute for migration as more employment opportunities will be generated in the sending countries. However, the practice shows that there are still various barriers that hinder the market access of several MENA products to the EU and thus lessen the opportunity of generating new employment opportunities as a substitute for migration, such as high transaction costs, inefficient services, high prices, low quality bureaucracy and red tape measures. Secondly, competition from the Central and Eastern Europe region affects the market access of the exports to the EU market (especially Bulgaria and Hungary), which became full members of the EU in May 2004, and were granted an extra competitive edge compared to MENA countries in the EU market. Thirdly, Turkey and Egypt were the two countries among the Mediterranean non-member (MNC) countries affected by EU anti-dumping actions out of the 12 MNCs. This affected the access of Egyptian products to the EU market through increasing the reluctance of exporters to export to the EU market.

Finally, the EU is considered an important source of FDI flows to MENA. The Partnership can be useful in gen-

erating investment by influencing expectations and enhancing the credibility of reform. Some negative aspects of the Partnership hinder the possibility of increasing FDI flows. The reduction in trade barriers reduces the incentives for inward FDI. As tariffs and other barriers to imports are eliminated, European firms no longer have a reason to produce in MENA countries. Locating in an EU member gives duty-free access to all countries with which the EU has concluded free trade agreements. Several MENA countries do not have comprehensive free trade agreements with all the countries in the region and there are the high transaction and transport costs that apply to intra-regional trade and firms that rely on imported inputs and exports.

To conclude, the Euromed Partnership's success in achieving the EU goal of enhancing socio-economic conditions in its Southern neighbours, thus generating new employment opportunities, depends on two factors:

- First: the ability of the EU to facilitate the procedures and to fulfil its promises efficiently.
- Second: the ability of the MENA region to cope with the consequence of liberalization, to upgrade its industrial sector to produce competitive industrial products that can penetrate the EU market and the international market as a whole (Fahmy, 2003).

A first step consists of smoothing out the mismatch between job seeker profiles and market needs. Upgrading programmes must be introduced to achieve the necessary competitive retraining of labour. Strengthening the entrepreneurial spirit in the educational system is needed to allow the shift toward a more diversified specialized labour force. Achieving these goals should create a labour force that is capable of meeting the challenges faced domestically to produce the right type of products that can be exported and at the same time create the right skills needed by the hosting countries in case of migration (Nassar & Ghoneim, 2003).

Integrating youth employment in development plans and development strategies is essential to achieve a youth lens policy in education and employment. This will be achieved through the participation of young people themselves and youth organizations in the formulation of the development strategies. The incorporation of youth employment into development strategies must enhance the demand side policies to create new job opportunities for the young. The most important challenge for MENA is to create enough de-

mand for labour for a steadily increasing young population (Nabli, 2002).

On the regional level, a better co-ordination of migration policies and industrial planning is needed within the MENA region. This will help to achieve a better allocation of resources. Hence, the Great Arab Free Trade Area (GAFTA) project should address the migration issues and industrial planning. In the case of the North-South trade and migration relations, Southern countries should exert pressures to enact the movement of temporary labour to capitalize on their comparative advantage in trade in service issues even if with a temporary General Agreement on Trade in Services (GATS).

Equality of opportunity measures should be promoted with respect to secure residence, socio-economic,

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civil and political rights, and provision of work, education or political participation (Salt, 1998). Efficient return and readmission policies should be implemented in co-operation of countries of origin with the host countries to conduct suitable readmission agreements – if needed – whether on a bilateral or multilateral basis. Assisting return should include appropriate financial and organizational assistance, provision of necessary information, and measures to assist the re-integration of returning migrants such as vocational training (Salt, 1998). A permanent system of gathering data is necessary for observing and analyzing the phenomena of migration between Euro-Mediterranean countries by a regional project.

Linking co-operation in return for development assistance is a required policy (OECD, SOEPMI, 2000). Joint development projects in providing assistance to returning immigrants and bilateral readmission agreements will support the implementation of Association and Co-operation Agreements concluded between the European Community and other countries in the Region. These agreements aim, first, to strengthen regional economic integration and, second, to guaran-

tee the rights of immigrants resident in the host countries. However, this last objective needs to be intensified as, according to the European Council, prevention of irregular entry is a priority for most states while irregular migration may be a (unintended) side effect of such policies (Salt, 1998). More control will lead to more irregular migration while development projects in the sending countries may be another effective means for combating irregular migration. Finally, dialogue and co-operation with countries of origin and transit countries should be the aim for sustainable co-operation. Dialogue should place migration in a broader foreign and trade policy context, linking it with discussions about trade and capital flow aimed at creating a suitable environment for regional cooperation. Dialogue should assure the coordination within governments and consultation with all social partners on labour, development and migration policies. Dialogue should address the socioeconomic dimension together with legal migration and illegal migration which also includes transit migration.

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FOLLOW-UP MEETING OF THE EURO-AFRICAN CONFERENCE ON MIGRATION AND DEVELOPMENT

In Madrid on 21st June 2007 the first follow-up meeting was held of the Euro-African Ministerial Conference on Migration and Development, which took place in July 2006 in Rabat.

During the meeting the participants (representatives of the different countries and international organizations, the Presidency of the Council of the EU and the European Commission) exchanged information on the most important progress made in migration policy and the actions and projects underway. Moreover, they proposed taking new measures to further improve coordination, increase visibility of the Process and strengthen the implementation of the Action Plan. They agreed that the different multilateral and national initiatives underway show that the Rabat Process, through a regional approach, has opened a new path based on the partnership and on the balanced and global treatment of the migration process, while bearing in mind the imperatives of development and security, co-responsibility and solidarity, with a view to the joint management of migration flows between origin, transit and host countries. They expressed their profound conviction that international migrations have positive effects when flows are well managed.

Moreover, the contributors placed special emphasis on the 1st EU-Africa Ministerial Conference on Migration and Development held in Tripoli in November 2006. They highlighted the concordance between the principles and the objectives of the two initiatives and underlined their intention to increase coordination and collaboration between them. Looking towards the 2nd EU-Africa Summit in Lisbon in December 2007 they suggested considering the approach agreed in Rabat in terms of migration and development issues in the Lisbon Summit. Lastly, they agreed to hold the next Ministerial Conference in the second half of 2008 in Paris, during the French Presidency of the European Union.

For further information:

Conclusions of the Madrid Follow-Up Committee: www.maec.gov.ma/migration/Doc/359_07_Comit_de_Seguimiento_ACTA_DE_CONCLUSIONES_EN1.pdf

Implementation of the Rabat Action Plan: www.dialogueuroafricanmd.net/project/