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Should we have a WTO for international migration — [Source link](#)

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International migration

SUMMARY

The international movement of labour remains much more restricted than movement of goods or capital, and the worldwide economic gains to liberalizing migration are large. This paper asks whether those gains could be realized through better international cooperation on migration along the lines of the WTO for trade. Although public opinion is marginally more negative towards the liberalization of migration than of trade, the key impediment is the lack of a basis for reciprocity in negotiations over migration. And this is because migration is largely driven by absolute advantage rather than by comparative advantage as in the case of trade. Consequently there is no basis for WTO-style negotiations over migration and therefore no grounds for reforming the international architecture in the hope of fostering liberalization.

— Timothy J. Hatton

Should we have a WTO for international migration?

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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 globalization has been fostered and underpinned by policy liberalization in trade, capital markets and a number of other areas. In trade, the GATT/WTO has promoted liberalization through multilateral negotiation but no such forum exists for international migration. Thus, international migration remains less globalized than international markets in goods and capital and, as a result, it is the field in which the gains to liberalization 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

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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.¹ 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)

This report formed the background for the High Level Dialogue at the UN General Assembly in September 2006, which focused for the first time on international migration. It followed earlier international consultations in calling for greater international co-operation, but all have stopped short of recommending a forum for multilateral negotiation along the lines of the WTO.²

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 these two strands of policy 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. Globalization and liberalization

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%; by contrast the ratio of imports to GDP is 10%. Across OECD countries the average share of immigrants to population is about 6% while the share of imports to GDP is 27.5%. Furthermore, the trends in openness are very different; since the 1960s the worldwide ratio of immigrants to population has increased only modestly while the ratio of imports to GDP has doubled.³

¹ Other prominent initiatives include the International Organization for Migration's Dialogue on Migration, the so-called Berne Initiative, and the International Labour Organization's efforts to develop a non-binding framework for international migration. 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).

² However, some writers have suggested setting up such a forum, for example Ghosh (2000), Straubhaar (2000), and most prominently, Bhagwati (2003).

³ According to the UN's figures, the share of the world's population that is foreign-born increased from 2.2% in 1965 to 2.9% in 2000. However, much of this increase is accounted for by the re-drawing of national boundaries as a result of the break up of the Soviet Union (Hatton and Williamson, 2005a, p. 205).

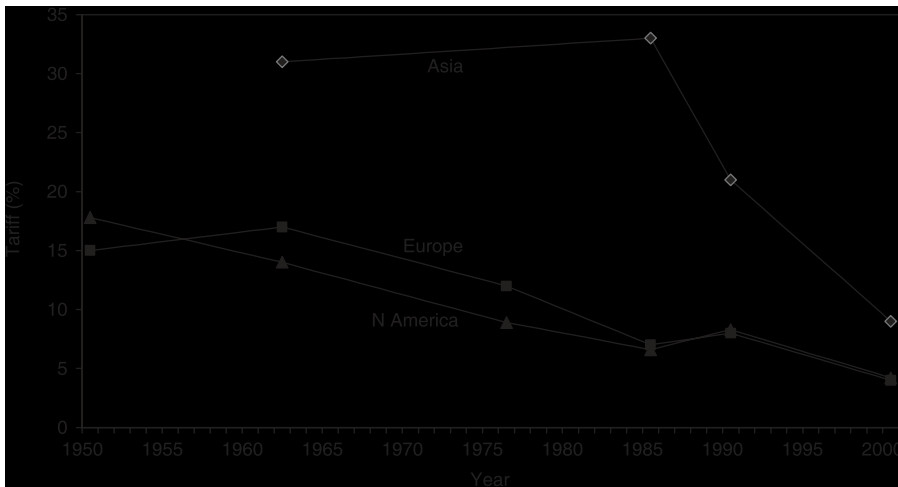


Figure 1. Average tariffs, three regions, 1950–2000

Source: Findlay and O'Rourke, 2007, Table 9.1, as represented by Baldwin 2006, Tables 2–4. North America is Canada and the US; Europe is the EU-15 excluding Ireland and Luxembourg but including Norway and Switzerland; Asia is represented by Indonesia, Philippines, Taiwan, Thailand, China, Korea and Japan. Not all countries are represented in all years.

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 three world regions from 1950 to 2000. On this measure, average tariffs in Europe and North America fell from more than 15% in 1950 to about 4% in 2000. In Asia they declined more steeply, more recently, and from higher levels. 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 UN from governments about whether their policy aim is to reduce immigration, increase it, or keep it the same. Table 1 shows that the proportion of developed country governments aiming to reduce migration has increased from less than 20% in the mid-1970s to more than 40% 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.

2.2. International policies

The correlation between policy liberalization and globalization 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?

Table 1. Government Immigration Polices, 1976–2001 (percentage 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).

Table 2. Most favoured nation 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	15.4
1968–72	Kennedy Round (1964–67) ²	37	11.3
1980–87	Tokyo Round (1973–79) ³	33	8.3
1995–99	Uruguay Round (1986–94) ⁴	38	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 (2005, p. 27).

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.

Given that the GATT/WTO does seem to have been associated with lower tariffs, is it 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% 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 (2005) 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 175% and world trade as a whole by 120% between 1950 and 2000.⁴ Nevertheless it is important to note that a significant share of trade liberalization took place outside of the GATT/WTO framework, and that growing incomes and falling transport costs also contributed to the expansion in world trade (Findlay and O'Rourke, 2007, Ch. 9).

⁴ These results effectively overturn the earlier findings of Rose (2004) who found very little effect of WTO membership on trade volumes.

2.3. The gains from liberalization

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 liberalizations using multi-region, multi-sector computable general equilibrium (CGE) 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% of world GDP (\$93 billion at 1992 prices) in the short run and up to 0.8% of world GDP (\$171 billion) in the long run. The larger long-run gains are principally due to the realization 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 industrialized countries.⁵ Other studies produce rather similar orders of magnitude (e.g. Francois *et al.*, 1996).

What would be the benefits of total trade liberalization? 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% (\$228 billion at 1997 prices), with nearly 40% of the gains going to developing countries. One scenario for the outcome of Doha suggests that it could achieve about 40% of the gains from total liberalization (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 could as much as double world GDP (Hamilton and Whalley, 1984). This estimate is based on allowing labour to move until real wages are equalized 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% 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.⁶

⁵ The model used by Harrison *et al.* (1997) has four factors of production (skilled labour, unskilled labour, capital and land), 22 product groups and 25 countries or country groups. Producers maximize profits subject to a constant elasticity of substitution (CES) production function for factors and fixed coefficients for intermediates; consumers maximize a multi-level utility function in which domestically produced and foreign goods are combined using a CES-Armington structure and imports from different regions are similarly combined into a composite import good at a lower level. The market clearing general equilibrium model is calibrated to the data from the Global Trade Analysis Project (GTAP) database. Variants of this model are used by Cline (2004) and Winters *et al.* (2003) cited below.

⁶ The models of Hamilton and Whalley (1984) and Moses and Letnes (2004) assume that a single homogenous good is produced in each of seven regions using capital and (homogenous) labour that are combined in a CES production function. Capital is immobile and counterfactual outputs are calculated under the assumption that efficiency adjusted wage rates are equalized across the regions. Hamilton and Whalley assumed the labour efficiency of workers in less developed regions was a half or a third that of the developed world. With this and other adjustments the gains to liberalization are reduced to around a fifth to a third of worldwide GDP. Moses and Letnes assume efficiency ratios of one-third for regions with medium human development and one-fifth for regions with low human development. 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.

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 liberalization would increase world GDP by between 15% and 67%. 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 liberalizing trade. They consider a partial liberalization that would involve a transfer of labour from developing countries to the OECD equivalent to 3% of its existing labour force and composed of equal numbers of skilled and unskilled workers. The total gain is about 0.6% of world income (\$156 billion at 1997 prices).⁷ Thus a ‘modest’ liberalization – 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 Winters *et al.* (2003, p. 1145) find that the gains to the migrants themselves are roughly equal to the total gain in world welfare (see Box 1). Assuming that a large proportion of this is sent back in the form of remittances (possibly for consumption on return), this could more than offset the income loss that would otherwise be experienced by the source regions in the absence of remittances.

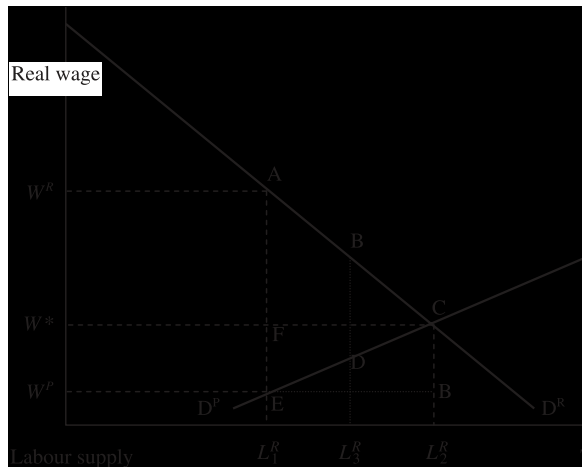
3. PUBLIC OPINION TOWARDS IMPORTS AND IMMIGRANTS

In democratic countries governments must heed public opinion, and some observers see this as the reason why, in the developed world, trade has been liberalized 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.

Box 1. The gains from liberalizing migration

The figure illustrates the framework used by Hamilton and Whalley (1984) and Moses and Letnes (2004) to measure the worldwide gains from free migration. Here there are two regions, the rich region (R), with labour demand curve D^R sloping down from left to right and the poor region (P) with labour demand curve D^P sloping down from right to left. The labour demand curves are downward sloping because other factors (such as capital) are fixed, and their elasticities depend on assumptions about the elasticities of factor substitution. The total labour supply is the width of the box, T. The initial allocation of

⁷ Winters *et al.* (2003) 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.



labour is L_1^R in region R, and $T - L_1^R$ in region P, producing wage rates W^R and W^P respectively. Under free migration, labour migrates from P to R until wage rates are equalized at W^* ; labour supply in R expands to L_2^R while in P it shrinks to $T - L_2^R$.

This simple blackboard model provides a number of useful insights. First, since total income is the sum of the areas under the two demand curves, the gains to liberalization are measured as the area of the triangle ACE. Letting the slope of D^R be $-\beta$ and the slope of D^P be α , the welfare gain is measured as $(\alpha + \beta)(L_1^R - L_1^P)^2/2$. Note that, because the gains to full liberalization are proportional to the square of the labour transfer, a partial liberalization, say from L_1^R to L_2^R , captures most of the gains: area ABDE. If we set $L_2^R - L_1^R$ equal to one, and if L_2^R is halfway between L_1^R and L_1^P , then partial liberalization yields 75% of the gains, because it leaves $0.5 \times 0.5 = 0.25$ of the total gains unrealized (the triangle BCD). Similarly, going 10% of the way yields 19% of the gains leaving 0.9×0.9 , or 81%, unrealized.

Second, there are major distributional effects. Liberalization reduces the wage and increases profits (the area under the demand curve down to the wage) in R and raises wages and reduces profits in P. Notice that much of that gain accrues to the migrants themselves: area FCBE, which is measured as $\alpha(L_1^R - L_2^R)^2$. Thus the ratio of migrant gain to total welfare gain is $2\alpha/(\alpha + \beta)$, and if $\alpha > \beta$ the gain to the migrants exceeds the aggregate net gain. Note also that the original residents of R gain area ACF and non-migrants in P lose area CBE. Thus the gain to P can only be positive if it includes that accruing to the migrants.

Third, the size of the gains depends crucially on the labour demand elasticities. In the illustration the total gain can be expressed as $(W^R - W^P)^2/2(\alpha + \beta)$. Thus, for a given initial wage gap, $W^R - W^P$, the more elastic are the demand curves (the smaller are α and β) the further to the right will be L_2^R , the more labour will move from P to R, and the larger is the area of the triangle ACE. If demand curves are more elastic in the long run, say because capital adjusts, then the long-run gains to liberalization will be greater than the short-run gains.

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. 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.

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.

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.

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 4 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 3,350 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 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 2,029 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% of respondents were against. These responses are consistent with the 63% 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% 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 exclude the 'don't know' or no answer, but they differ slightly from those in Table 4, which exclude non-responses to either question.

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

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 summarized 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 5 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 ordered probit regressions and they do not take into account any correlation between the equation errors arising from unobserved heterogeneity. Bivariate probit regressions in Appendix 1 indicate a significant residual covariance, but this has little effect on the estimated coefficients.

Following O'Rourke and Sinnott (2006), I characterize 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

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	24 186
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'.

superior to others.⁸ 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 is an important component of individual attitudes.

Among individual characteristics, being female is particularly associated with anti-trade opinion while being a first- or second-generation immigrant is particularly associated with pro-immigration opinion. 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 liberalization

⁸ 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'.

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'	0.080 (3.77)	0.181 (11.32)		
'Chauvinism'	0.396 (7.58)	0.378 (13.84)		
Second generation immigrant	-0.317 (8.02)	-0.050 (1.36)	-0.428 (11.58)	-0.183 (4.84)
Female	0.056 (1.94)	0.249 (9.23)	0.032 (1.04)	0.209 (9.42)
Age	0.001 (0.76)	0.001 (1.10)	0.005 (3.68)	0.005 (5.39)
Employed	-0.014 (1.24)	-0.052 (2.77)	-0.047 (2.85)	-0.086 (5.10)
High educated	-0.246 (9.67)	-0.256 (9.05)	-0.612 (2.47)	-0.325 (1.52)
High educated × Inequality			0.804 (1.66)	-0.187 (0.39)
High educated × GDP per capita			-0.013 (0.21)	-0.002 (0.06)
Cut 1	-0.865	-0.409	-2.187	-2.035
Cut 2	-0.111	0.599	-1.455	-1.085
Cut 3	1.181	1.208	-0.222	-0.513
Cut 4	2.025	2.260	0.577	0.474
Pseudo-R ²	0.088	0.094	0.056	0.057
No. of obs	19 850	19 850	19 850	19 850
Country dummies	Yes	Yes	Yes	Yes

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

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

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.⁹

O'Rourke and Sinnott (2006) suggest that the effect of education on attitudes should vary with economy wide characteristics. In addition the patriotism and chauvinism may reflect unobserved characteristics that are correlated with the other explanatory variables. The second and third columns drop patriotism and chauvinism and interact education with two economy wide variables. The first is inequality as measured by the Gini coefficient of household income.¹⁰ In the context of immigration

⁹ See, for example, Scheve and Slaughter (2001) and Dustmann and Preston (2004a). One suggestion is that the effects of patriotism and chauvinism might vary with other characteristics. However the effect of interacting the patriotism variable with second generation or with high educated in the immigration opinion equation did not give significant coefficients on the interaction. The interaction of chauvinism with high educated gave a significant positive coefficient, but with little effect on the other variables.

¹⁰ The Gini coefficients are taken from World Bank (2003, Table 2.8, pp. 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>.

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.¹¹ This has also been given a factor scarcity interpretation: specifically that higher GDP largely reflects a greater abundance 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 interaction between education and GNP per head is negative as predicted for both immigration opinion and trade opinion but not significant for either.

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. It is important to stress, however, that a great deal of the variation remains unexplained by these variables and that the correlation across individuals between the two types of opinion is modest. 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

¹¹ 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.

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	0.036 (1.84)		0.044 (2.49)	
Import percentage of GNP		-0.006 (1.33)		-0.007 (1.30)
Govt welfare expenditure/GNP	0.033 (3.03)	-0.016 (1.44)	0.032 (2.89)	
Unemployment rate	-0.020 (2.23)	0.031 (2.25)		0.027 (2.15)
GDP per capita	0.112 (3.51)	0.061 (1.53)	0.113 (2.41)	
Eastern Europe	0.649 (4.24)	0.412 (3.47)	0.655 (3.89)	0.395 (2.88)
Pseudo-R ²	0.035	0.032	0.034	0.030
No. of obs	19 850	19 850	19 850	19 850
Individual effects	Yes	Yes	Yes	Yes
Country dummies	No	No	No	No

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

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

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 second two columns of Table 5 (not reported in Table 6), excluding the interactions but including 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 only significant at the 10% level. 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.¹² 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. The effect of GDP per capita is positive, suggesting

¹² A number of recent studies have emphasized 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).

that immigration is seen as more of a threat in richer countries. Finally, a dummy for Eastern Europe indicates that opinion is significantly 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 small and insignificant. Similarly, the variable for welfare expenditures to GDP produces a negative but insignificant coefficient while GDP per capita is weakly positive. 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; Boeri *et al.*, 2002, Ch. 5). In the present dataset the average percentage of foreign nationals across the 23 countries is 4.3%. If that figure were doubled to 8.6% then opinion would become more negative by 0.16 points. By contrast the percentage of imports in GNP over the 23 countries is 34.7%. If the immigration share were raised to even half that level then anti-immigration opinion would increase by half a point – a substantial amount.¹³

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, consistently 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

¹³ This is based on the estimated coefficient from an ordinary least squares equation equivalent to column (3) of Table 6.

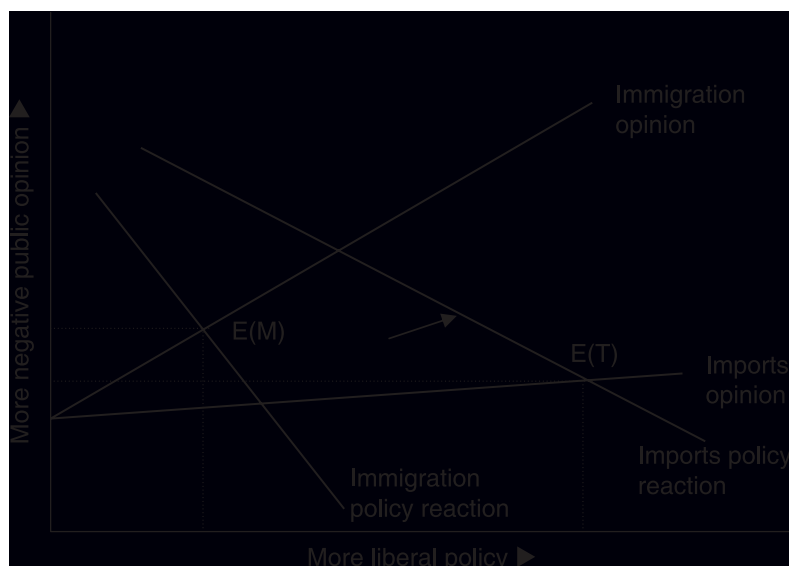


Figure 2. Equilibrium public opinion and policy

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 characterization 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%), but with temporary increases in the early 1980s and in the early 1990s (Simon, 2004, p. 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, therefore, is 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 pensions 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 potentially become a welfare burden. Between 1910 and 1970 social transfers (health, welfare, unemployment, pensions, housing subsidies) as a share of GDP rose from 0.6 to 10.4% in the US and from 0.7 to 14.8% in the median OECD country (Lindert, 2004, pp. 12–13). On the other hand, until well into the twentieth century tariffs were a major source of tax revenue. In the 1890s the share of customs revenue in total tax revenue averaged 58% for seven labour-scarce countries and it was particularly high in Latin America and in other New World countries such as the US and Australia. By the 1970s the customs share of tax revenue in OECD countries was only about 4%. As the sources of tax revenue widened, the ‘need’ for tariffs as a revenue raising device has declined. Hence the evolution of tax systems has increased the pressure for immigration controls but has eased the pressure for high tariffs.

Second, the spread of democracy that gathered pace in the twentieth century was a process in which the franchise percolated down the hierarchy of class and income, first to middle class and skilled workers and then to the urban unskilled. In most of the developed world the percentage of adults voting was less than 30% until it underwent a steep ascent beginning in the 1920s. The result was a progressive increase in political voice among those who were most likely to be hurt by labour market competition from relatively low-skilled immigrants. This was heightened by a third factor, which was the growing proportion of migrants coming from low income countries. 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. The gap between the average immigrant’s source country income and that of New World host countries was already increasing before the First World War but this trend was arrested from then until the 1950s. Between the 1950s and the 1990s the ratio of immigrant-weighted source country GDP per capita to destination GDP per capita fell from 49% to 22% in the US, from 65% to 31% in Canada and 96% to 45% in Germany (Hatton and Williamson, 2005b, Table 1). Hence the ‘threat’ of unskilled migration has progressively increased. Thus 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

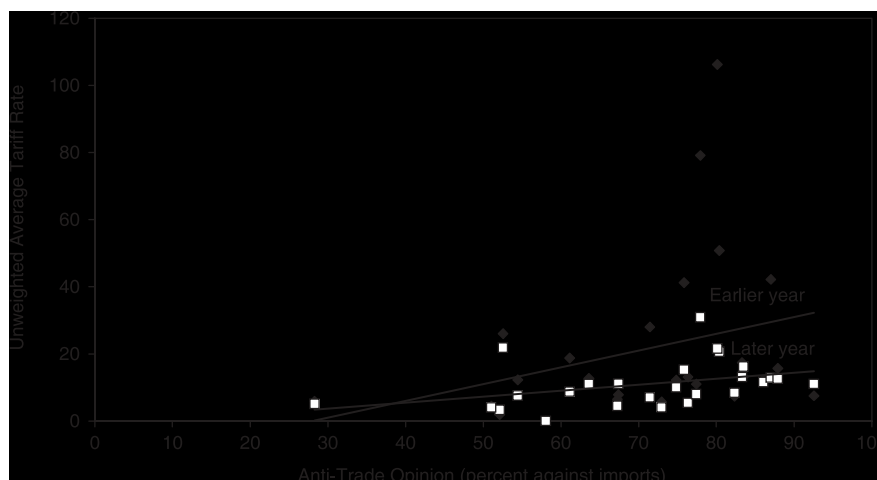


Figure 3. Trade opinion and tariffs

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 1995/6.¹⁴ 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 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 rate (an inverse measure of liberalness) 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

¹⁴ The WVS data are available at <http://www.worldvaluessurvey.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.

tariff rates have become less responsive to domestic public opinion over time.¹⁵ 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.

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 characterized by 'group politics' while immigration policy is characterized 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 characterized 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.¹⁶ 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.¹⁷

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 access 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

¹⁵ The earlier year slope remains steeper than the later years slope even if the two extreme observations (Bangladesh and India) are eliminated.

¹⁶ Following Grossman and Helpman (1994) most models of endogenous trade policy use a framework involving industry-level lobby groups.

¹⁷ In a widely cited paper Freeman (1995) argued that those who favour immigration are relatively concentrated and well organized compared with the more diffuse groups that suffer the costs. According to him this explains why policy in countries such as the US is less restrictive than it would otherwise be.

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 characterized by group politics. But it does not necessarily follow that group politics, by itself, will lead to trade liberalization. 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, pp. 253–54)

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.¹⁸ This was an attempt to escape from beggar-thy-neighbour tariff policies of the underemployed 1930s.¹⁹ For exporters, the benefits of liberalization were not seen as cheaper imports and lower costs (in which case unilateral liberalization 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 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

¹⁸ 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.

¹⁹ In particular it was a reaction from the Hawley Smoot tariff, which 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.

the groups, they seem to be more evenly balanced for trade policy than for policy over migration.

In a number of countries, the balance of power in domestic trade politics gradually shifted in favour of free(r) trade. A key element is the shifting balance within peak associations representing business interests. Thus, in their respective countries, the Confederation of British Industry, the Conseil National du Patronat Français, the Canadian Manufacturers' Association and the Australian Manufacturing Council gradually became less protectionist. In some cases their views softened as the least competitive sectors were bought off. In Britain and France the least competitive sectors such as textiles, iron and steel shipbuilding and coal mining enjoyed continuing protection or were given special industry assistance. In addition, small business and newer sectors gained ascendancy as traditional manufacturing sectors declined. These trends interacted with the growing influence of neo-liberal ideas in different layers of government.²⁰ Thus Canada shifted to towards free trade with the US and away from the so-called National Policy in the wake of the pro-trade MacDonald Commission Report. But as Lusztig (2004, p. 119) notes 'it is no exaggeration to claim that without the support of the business community, the Mulroney government could not have been persuaded to take its free-trade gamble'. In Australia, the government's traditionally protectionist Tariff Board shifted cautiously towards freer trade in the mid 1960s by giving compensating concessions to the textiles and motor vehicles sectors. It became radically more free trade in the 1980s, gradually gaining the support of industrial lobby groups such as the Australian Manufacturing Council (Lusztig, 2004, pp. 170–72).

The shift toward free trade in opinion and in policy fed on itself, both at the domestic level and at the international level. At the domestic level, steps towards free trade eliminated or sidelined the least import-competitive firms, weakening their resistance to further tariff reforms. On the international level the growth of trade agreements in and outside of the GATT and the growth in multilateralism underpinned the potential gains to exporters of further trade liberalization (Baldwin, 2006). This virtuous cycle did not embrace the developing world because domestic politics in the developed world ruled out significant liberalization in key areas such as agriculture and textiles. In middle income countries such as Chile and Mexico where protectionist interest groups dominated, liberal reforms occurred only in the aftermath of economic crises and seismic political realignments. Among poorer countries such as India liberalization was also contingent on alignments between liberal politicians and pro-trade interests but for many the inducement of the gains offered by the Uruguay round and China's accession to the WTO were important catalysts. Thus the locomotive effect of trade reforms led by the GATT/WTO gradually (and incompletely) diffused from rich to poor countries.²¹

²⁰ According to Gourevitch (1986) this trend occurred in most developed countries regardless of the particular political party in power, and it was one reason why the macroeconomic turmoil of the 1970s and 1980s did not result in a retreat to protectionism.

²¹ On developing countries and the GATT/WTO, see Hoekman and Kostecki (1995, Ch. 10); India's trade reforms are described by Panagariya (2004).

5. DO INTERNATIONAL INSTITUTIONS MAKE A DIFFERENCE?

We have seen that while trade has been gradually liberalized 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 organizational 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 organization similar to the WTO, say, a World Migration Organization?

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 organizations have emerged for international cooperation on issues related to migration. The International Organization 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.²² 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 Organization (ILO), which was founded in 1919 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.

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.²³ And it took on a life of its own, gaining in authority and widening in influence, despite its lack of organizational status and weak legal foundations.²⁴ Thus the GATT seems to have succeeded despite, rather than

²² 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 (ICEM). 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.

²³ The main sticking point was the unwillingness of the UK to abolish its system of Imperial Preference that embraced most of the British Commonwealth and that had been erected in the wake of the 1931 tariff. For this reason multilateralism was not a prominent feature of the GATT negotiations until the Kennedy round. Truman withdrew the ITO charter from Congress in December 1950. According to Milner, had the ITO gone to Congress in 1945 when the Democrats were in power and when the Bretton Woods agreement was ratified, the outcome might have been different. Thus accidents of history probably affected the form of the GATT more than its substance.

²⁴ 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).

because of, the international legal architecture.²⁵ It could hardly be argued that a similar organization 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 a framework 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 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 liberalization as from multilateral trade liberalization. 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 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 summarize 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

²⁵ 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).

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 origin 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 programmes and points systems do implicitly favour immigrants from some countries over others. Nevertheless, the principle 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.²⁶ 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.

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 (see Appendix 2). Thus labour productivity differences between countries that are not simply due to the endowments of other

²⁶ 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.

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. Thus even if relative endowments were the same across countries, thus eliminating trade based on comparative advantage, the remaining wage gaps would still provide a basis for one-way migration. Migration would only be eliminated by forcing the net migration balance to zero, which is essentially what restrictive immigration policies aim to do.

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 (TFP) ratios to the US for 67 countries

	Real wage ratio to US (%)		TFP ratio to US (%)	
	Mean	Coefficient of variation	Mean	Coefficient of variation
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, pp. 204–05).

As the table shows, the poorest third of countries (ranked by GDP per capita) have real wages that average only 13.5% 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% 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.

It is important to recognize also the consistency between domestic policies and international policy. In democratic countries, agreements made at the international level must also command sufficient political support at home – giving rise to what has sometimes been labeled a ‘two-level game’ (Putnam, 1988; Milner, 1997). The reciprocal element in trade agreements must ensure that the gains to export interests are sufficiently large for the package as a whole to gain overall acceptance at home. By contrast with the situation for trade, in most developed countries there is no coherent group petitioning its political representatives to support negotiations for better access to the labour markets in the Third World. Thus there is little to bargain over in the international arena that would command support at home.²⁷ It follows that failure to establish an international framework for migration that plays the same liberalizing role that the GATT/WTO plays for trade is not simply an accident of institutional history.

5.3. Is reciprocity the key?

Experimental evidence suggests that reciprocity is fundamental to human interactions, the best-known example being the ultimatum game. In that situation individuals are often observed to turn down an offer that they perceive to be insufficiently generous, even though it is not in their narrow economic interest to do so. Similarly, individuals are often willing to inflict punishments on those who act selfishly, even though it is costly to do so. Fehr and Gächter (2000) observe that some element of reciprocity is important in a variety of economic settings where contracts cannot be fully specified and where an element of trust is required. The evidence suggests that it is also important in people’s perceptions of trade negotiations. As noted in Box 2 above, a majority of Australian respondents to a survey on foreign policy were against unilateral opening of the domestic market, even if it made goods cheaper, and they supported restricting cheap foreign imports. But an overwhelming majority supported reciprocal trade negotiations. Thus, even if we adopt Krugman’s view that unilateral liberalizations are (almost) always in a country’s best economic interest, that is clearly not the perception of the majority of voters.

It was argued above that the shape of domestic politics surrounding reciprocal trade agreements reflects the fact that there are clearly identifiable groups of gainers and losers. But the importance of reciprocity goes deeper than that because governments in democratic societies need to heed public opinion in general, as well as to strike a balance between interest groups. Thus public attitudes towards reciprocity help governments to mobilize popular support for trade liberalization. Indeed, this may be a reason why governments have sometimes seized opportunities for reciprocal liberalization, even when the balance of interest group power still favours restriction.

²⁷ Of course there may be other reasons why international agreements on immigration policies may be more or less acceptable in domestic politics (see Hollifield, 2000), but the purpose here is to focus purely on the economic fundamentals.

It may also help to explain the observed tendency for democratic countries more often to enter reciprocal trade agreements, even controlling for a variety of other observable characteristics (Mansfield *et al.*, 2002).

Reciprocity, of course, can mean many things. At one level it may be little more than direct exchange: tit for tat, or quid pro quo. At the other extreme it may mean a form of gift exchange; offering something the benefits of which are indirect at best and which reflect behavioural norms rather than narrow self-interest. In the context of international trade agreements, Keohane (1986) distinguishes between 'specific reciprocity' and 'diffuse reciprocity'. The former characterizes conditional MFN agreements, normally bilateral deals where there is a rough equivalence of concessions on both sides. While such agreements may be easier to reach, they are also easier to unravel. The latter is associated with unconditional MFN agreements and with multilateralism. Besides being more complex to negotiate, the equivalence is much less direct and the potential to free ride is much greater. These features underpin the introduction since the Kennedy Round of across the board tariff cuts (rather than item by item negotiations), simultaneous (rather than sequential) agreement, and the formalization of sanctions through a dispute settlement mechanism.

There are examples of unilateral trade liberalization, the most famous of which is Britain's abolition of the Corn Laws in 1846. But from the time of the 1860 Cobden-Chevalier treaty between Britain and France, most trade liberalizations were based on negotiated treaties that included MFN clauses.²⁸ In the US the trade agreements made between the introduction of the RTAA and the 1960s were mainly bilateral deals that reflect specific rather than diffuse reciprocity. According to Keohane (1986, p. 26) multilateral negotiations were built upon this foundation:

The successful synthesis of specific and diffuse reciprocity in the Kennedy and Tokyo rounds exemplifies the significance of institutional innovation in world politics. The forms of reciprocity made a difference. As the social exchange literature suggests, sequences of action, both within the negotiating rounds and between them, help to create obligations and solidify ties among the participants. Yet the resulting norms remain weak enough that specific reciprocity persists as an essential element of the tariff reduction process.

Thus reciprocity has been a key underpinning to agreements over tariffs, both in the WTO and in the context regional trade agreements as well as the recent proliferation of bilateral free trade deals (Baldwin, 2006). Unilateral liberalizations, from the Corn Laws to the Asian Tigers, have been the exception rather than the rule. Reciprocity is also a key feature of many other spheres of international cooperation and if agreements on migration are to work then they must proceed on this basis.

Since migrants predominantly flow one way (at least those that move between poor and rich countries), the scope for reciprocity seems to be limited. But are there elements associated with migration over which bargains could be struck? One which

²⁸ There were also a number of trade wars that reflect negative reciprocity, such as that between France and Italy in 1887–90.

is often mentioned is the sizeable flow of remittances that are sent from rich to poor countries; another is development aid. But it is important to stress that these are benefits that flow *to* the poorer countries and thus they do not provide the basis for ‘concessions’ that poor countries could make in return for labour market opening in the developed world. If reciprocity is the foundation for international agreement then the key is to find something that the poorer countries can offer to the rich countries and not the other way around.

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 liberalizing 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 liberalizing 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’.²⁹ There have been a number of suggestions about the appropriate forum for carrying this forward, for example whether it should be part of the UN system, what should be the basis of representation, whether it should focus on deal-making, on rule-setting or simply provide a focus for debate. What has been lacking is any serious consideration of whether any of these organizational arrangements would actually work to liberalize immigration controls. Indeed commentators have often concentrated on the form rather than on the function of such organizations. I would argue that form should follow function and that more thought should be given to precisely what the negotiations should be about. Four possibilities are worth considering.

The first is the explicit linking of immigration policy to some other policy issue. If the lack of basis for reciprocity is the fundamental impediment to negotiating a more liberal migration regime then the solution could be to throw something else into the bargain. One possibility would be to link migration and trade. Issue linkage has arisen in the GATT/WTO with the inclusion of provisions for trade-related intellectual property (TRIPS) and trade-related investment measures (TRIMS). Environmental protection issues have emerged in the context of the dispute settlement mechanism

²⁹ See <http://www.gcim.org/en/>.

and there has been strong pressure to build environmental protection and labour standards more explicitly into the bargaining process. On the whole economists have argued against issue linkage, (a) because it further complicates the negotiations, which may impede trade liberalization, and (b) because it may not deliver greater cooperation on the linked issue, except under very special conditions.³⁰

Nevertheless, the idea of linking migration to trade has been fostered by the advent of 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 liberalizing trade, invites the idea that the 'right' international framework could do the same for migration.³¹ But that would be misleading. Mode 4 does not cover migrants seeking access to employment abroad, nor does it provide a route to permanent residence or citizenship. It is not an agreement on migration *per se*, and its application remains very limited.³² One reason for its lack of success is that it does not require reciprocity – and this is because it has proved so difficult to agree upon.

What about a grand bargain that linked a deeper liberalization of migration to trade or some other issue? For this to happen there must be an approximate matching of the gains received on one policy with the concessions given on another (assuming that international agreements are underpinned largely by specific reciprocity rather than by diffuse reciprocity, to use Keohane's terms). This implies that the more multilateral are the negotiations the less close the match is likely to be for any individual country and hence the stronger the underlying correlation needs to be between the concessions offered and the benefits received. It also implies that some measure of equivalence must be found. This is difficult because immigration policies are based on rationing by quantity while import controls are based on rationing by price. In the Tokyo round quantity restrictions were converted to tariff equivalents as a prelude to an across-the-board tariff reduction, but it is difficult to see how this could be effected for migration. The same applies to other grand bargains that might be considered, such as exchanging more open immigration policies in the developed world for tougher environmental controls in the less developed countries.³³ Other proposals such as linking more open developed country labour markets with aid, investment or other support for development fail even more badly because the costs fall only on the rich countries, leaving no scope at all for reciprocity.

³⁰ Limão (2005) shows that in order for interlinking to enhance cooperation, the issues must be interdependent in the government's objective function and they must be strategic complements.

³¹ For an optimistic assessment of the potential development of Mode 4, see UN (2004, pp. 136–38); and for a comparison with other migration agreements see International Organization for Migration (2006).

³² 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.

³³ Lodefalk and Whalley (2002) provide a survey of proposals for a World Environmental Organization. They conclude that such a forum would need to be given enough teeth to engineer bargains such as exchanging cash for environmental commitments, but they argue that a WTO style organization would not be an appropriate structure to deal with market failures or with improved rule making.

While it might be possible to find some policy concession that would be valued by developed countries in exchange for access to their labour markets, any such proposals have an even more fatal flaw. This is that those countries that send migrants do not on the whole place any value on seeing more of their citizens emigrate. According to the UN's periodic survey, only 5% of developing country governments in 2001 thought that the level of emigration from their country was too low, while 23% thought that it was too high. Similarly, only 6% stated that their policy aim was to increase emigration while 22% said that their aim was to reduce it (UN, 2002, p. 19). Given that most of the benefit from international migration flows to the migrants themselves, this is easy to understand. If the benefits of liberalization go to those who leave the country, why should a source country government regard this as a gain worth giving concessions for?³⁴ Indeed many such governments express concerns that further liberalization would exacerbate the brain drain. The only significant gain seems to be from remittances, which amounted in 2001 to \$72.3 billion or 1.3% of developing country income, a sum that exceeded official development assistance (Ratha, 2003, p. 158). But if this is so valuable to developing countries why do so few of them wish to encourage emigration?³⁵

A second possibility is to build upon existing regional agreements that involve cooperation in a variety of other dimensions but particularly trade. The best-known and most advanced example is the European Union where the principle of free migration among member states is deeply embedded. 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 (UN, 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. In cases such as these, where development gaps between the countries are small by world standards, migration is driven more by comparative advantage, making two way flows a more realistic prospect and offering some potential for building agreements based on reciprocity.

Could such regional agreements provide the building blocks for wider agreements, either by expanding the regional groups or by negotiations between regional groups? The evidence suggests not. A good illustration is the North American Free Trade Agreement (NAFTA), which has not been extended to embrace free migration. This is because Mexico is so much poorer than the United States.³⁶ Another illustration is

³⁴ In source countries that are undemocratic and unequal, where autocratic rulers rely on the support of rich capitalists and property owners, there seems even less reason why the government would want to encourage the abundant factor to leave.

³⁵ One important exception is the Philippines which has an active emigration programme, supported by two agencies that are attached to the Department of Labour.

³⁶ One of the explicit motivations of the NAFTA agreement was to reduce the pressure of illegal migration from Mexico to the United States on the hypothesis that trade and migration are substitutes. This view was supported prior to the agreement by the US Commission for the Study of International Migration and Cooperative Economic Development, which suggested that NAFTA would increase migration pressure in the short run but reduce it in the long run (Martin *et al.*, 2000, pp. 146–54). Evidently, after 12 years, the long run has not yet arrived.

the refusal of most of the EU-15 countries to open their labour markets to the countries that acceded to membership in 2004 and the likelihood that even more of them will remain closed for as long as possible to the future accession states, Bulgaria, Romania and perhaps Turkey. So, on the one hand regional agreements among neighbouring countries at similar income levels seems the most feasible path to freeing up migration. As with the EU, they may eventually expand to embrace a somewhat more heterogeneous group. But on the other hand such agreements will not exploit the largest worldwide gains: those that arise from migration from the poorest to richest countries.

A third possibility that has been canvassed is to promote agreements for temporary migration, especially from poor to rich countries. Two well-known examples are the *Bracero* programme of 1942–64 that brought temporary migrants to the US from Mexico, and the *Gästarbeiter* system of 1955–73 that recruited temporary migrants to Germany from a number of Mediterranean countries.³⁷ Other such examples include the temporary worker programmes of the Gulf States, Israel, Singapore and Korea. While these have been out of fashion in the West, interest in them has recently revived. One advantage to the host country of short-term migrant employment contracts is that the numbers can be adjusted to employment conditions. Another is that they restrict access to welfare state benefits – something that is clearly an issue of public concern. These agreements also appear to be attractive to the source countries that have signed up to them. One reason is that remittances are much larger for migrants who intend to return. Another is that, to the extent that migrants gain human capital abroad, there is less of a brain drain and more of a brain gain. And third, if their families stay at home, and the migrants return, they are much more likely to exert political leverage in the source country in favour of such agreements.

Guestworker agreements went out of fashion because of two side effects. One is that many of the guestworkers became permanent. In Germany the number of resident foreigners rose from 4 million at the time of the *arbeitsstopp* in 1973 to 4.4 million in 1985. Another is that many of them became illegals and generated even further illegal immigration when the guestworker programmes were wound down. However, it has been suggested that such side effects can be avoided if the right incentives are provided and if there is adequate enforcement (Boeri *et al.*, 2002, Ch. 6; Schiff, 2004). These incentives include the employer posting a bond that is returnable when the migrant leaves at the end of the contract and deferring some of the migrant's pay until he or she returns to the source country. Existing agreements often include one of these but not both and it is argued that, in addition, source country cooperation is needed in order to avoid generating new waves of illegal immigration. Some observers see scope for agreements in which the central focus is expanding guest-worker programmes in exchange for cooperation in controlling illegal immigration, although it is not clear how effective such schemes would be.

³⁷ These agreements were made with Italy in 1955, Greece and Spain in 1960, Turkey in 1961 and 1964, Morocco in 1963, Portugal in 1964, Tunisia in 1965 and Yugoslavia in 1968.

Whatever their shape, most guestworker-type schemes are bilateral agreements. That seems almost inevitable for agreements that attempt to thwart illegal immigration through strengthening border controls. It is far from clear that such programmes could or should form the basis for multilateral agreement. One recent report lists 176 bilateral agreements currently in existence (OECD, 2004). These are typically agreements for the temporary migration of contract workers, seasonal workers, working holiday-makers and trainees. For the most part they are bespoke agreements that are tailored to the needs of specific sectors in the host country; others involve elements of training or cultural exchange. It therefore seems unlikely that a multilateral negotiation over temporary migrant numbers would succeed, and it does not provide the foundation upon which a serious liberalization of migration could be built.

Following from this, a fourth possibility is to consider agreements on issues other than immigration quotas or the number of immigrants. Most observers who have thought about what a global agency should do have suggested a range of activities that does not explicitly include the striking of grand bargains over migrant numbers. An illustrative example is the list of functions suggested by Newland (2005, p. 7), which includes: data collection, dissemination and analysis; policy research and development; technical assistance and training; provision of services; a platform for discussion; support for negotiations; anti-trafficking initiatives; promotion of migration-related development initiatives; coordination. This list and others like it illustrate two things. One is that many of the functions are, at least in principle, covered by existing organizations. The other is that the central mission is not well defined. Phrases such as 'a platform for discussion' or 'coordination' fail to specify clearly enough what the core functions would be.

To be fair, those who contemplate some supra-national organization often have in mind issues such as controlling illegal migration, combating migrant trafficking, upholding the legal rights of migrants, and assisting refugees. But the evidence is that governments are reluctant to come to the negotiating table on these issues. Only a minority have signed up to the ILO and UN conventions that focus on the rights of migrants, and there is a distinct lack of enthusiasm for discussing deeper global collaboration.³⁸ Another strand of thought in the aftermath of 9/11 focuses on linking migration concessions in the developed world with enhanced security measures in source countries (Koslowski, 2004). However, international cooperation on security is a much wider problem of which migration is only a small part.³⁹ Collaboration on these issues might lead to confidence building and it could help to provide conditions that would

³⁸ The two major ILO instruments are the Migration for Employment Convention (Revised (No. 97) of 1949), which has 42 signatories, and the Migrant Workers (Supplementary Provisions) Convention (No. 143), which has 18 signatories. The UN Convention on the Rights of All Migrant Workers and Members of their Families took 13 years to come into force and has so far been ratified by 25 countries (Newland, 2005, p. 4). When a questionnaire was circulated to UN member states in 2003 about convening a global conference on migration, 47 were in favour, 26 were against and 111 did not reply (Koslowski, 2004, p. 3).

³⁹ There exists a UN Convention on Transnational Organized Crime, which came into effect in 2003 and to which several protocols have been added. In considering a General Agreement on Migration, Mobility and Security, Koslowski (2004) acknowledges that poor countries have neither the incentive nor the resources to implement hi-tech security measures within their borders.

expand the scope for bilateral migration programmes. But it does not create a *prima facie* case for a new international institution (or even for a radical modification of existing institutions). Creating a new institution for migration would only be justified if it had the central mission of expanding world migration and if it could be endowed with the means of reaching that end. So far that case remains unproven.

7. CONCLUSION

There has recently been much political chatter about reforming the international migration regime, but it has not been very well focused. At one level headlines in the *Economist* such as 'Let in the Huddled Masses' (cover, 31 March 2001) completely lack *realpolitik*. Why should governments unilaterally change immigration policies that presumably they find to be politically optimal? Yet at the same time, most economists sympathize with the sentiments underlying the *Economist's* headlines, given that the global gains from liberalizing migration seem to be so large. It is common to assume that this apparent global market failure can be put down to some mix of bigotry and prejudice in domestic politics and a lack of international institutions that can overcome coordination failures. The argument put forward here suggests that neither of these arguments is as strong as it appears at first sight.

Clearly migration differs from trade in a variety of dimensions. Migration affects societies and their cultures in ways that trade does not; migration is typically more permanent than trade, it is a stock rather than a flow, and migrants eventually get the vote. While these are valid considerations, the fact is that public opinion is not very much more hostile to letting in more immigrants than it is to letting in more imports. Nevertheless resistance to immigration goes up as the numbers increase. One reason for this is that there is no well-defined group that has the economic interest and the political power to press developed country governments into more open immigration policies. Those who have the most to gain, the migrants themselves, do not have a vote *ex ante*. More important still, residents of the developed world have little interest in opening up opportunities to migrate to poorer countries. This asymmetry means that there is no basis for the kind of reciprocity that underpins the WTO, and this in turn is because migration is driven largely by absolute advantage rather than by comparative advantage.

There are very good reasons why no organization resembling the WTO exists for international migration. And it seems pointless to conjure up a World Migration Organization without a clear idea about what it would do. Any new organization would need to have a well-defined objective (much as free trade is the overarching goal of the WTO) rather than being a talking shop, of which there is currently no shortage. It would need the capacity to create binding commitments, to which its members could be held. And in order to bring governments to the negotiating table it would have to be based on a form of reciprocity that would be meaningful in a multilateral context.

So, should we have a WTO for international migration? On the arguments presented in this paper, the answer is clearly no.

Discussion

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This paper puts together evidence and discussion aimed at understanding why trade policies are so liberal whereas migration policies are so restrictive, despite the fact that migration is the field where the expected gains from liberalization are largest. A focus for the paper is provided by the question in the title, which helps to organize the material and motivates additional discussion at both ends.

Many of the arguments developed are interesting and compelling. I also appreciate the effort (and difficulty) in finding empirical evidence to back them. Many of my comments are on empirical aspects, even if they are not necessarily central to the paper's arguments.

How much more trade than migration?

The paper begins by checking that there is indeed more trade than migration. This is done by comparing imports to GDP ratios with immigrants to total population ratios.

I suppose these are natural measures for each concept, but I am not sure how informative are direct numerical comparisons, given that GDP is a flow measure whereas population is a stock. In fact, one problem with linking immigration and trade policies is the difficulty in finding some measure of equivalence.

How large is the causal effect of GATT/WTO on trade?

Next, there is some discussion and evidence on the effects of trade policies and GATT/WTO membership on trade, which is suggestive and useful. However, worries of reverse causality persist.

Did membership of GATT increase trade or was the willingness to trade causing GATT expansion? Even if empirical resolution may be difficult, progress on this question could be made by analyzing the determinants of GATT membership.

Are the same types of people really opposed to both imports and immigration?

The paper reports regression results from cross-sectional survey data for multiple countries on the determinants of individual attitudes towards protection and immigration. The motivation for these estimates is finding out to what extent the anti-migration and the anti-trade groups overlap, given small differences in aggregate attitudes.

The conclusion is that opposition to immigration is not much more intense than to imports and that the same sorts of people are opposed to both, so that policy differences cannot be explained by differences in public attitudes.

The force of this conclusion is limited by the fact that regressors explain less than 10% of the variability in responses to the policy questions. So we cannot really say from these estimates that the 'same' people are opposed to both. We just do not know.

Since most of the variation is in the errors, we might say that the same people are opposed to both if we observe a large positive correlation between the unobservables determining opposition to immigration and imports. However, the correlation between probit errors (Appendix) is between 0.2 and 0.3, which is of the same magnitude as the correlation found across country averages (described as not particularly strong, and suggestive that there may be systematic differences between those who are opposed to immigration and those who are opposed to trade).

Prejudice against things foreign or economic motive?

I am not sure that the evidence in Table 5 on prejudice as a determinant of attitudes is so compelling. The effects of 'patriotism' and 'chauvinism' will be upward biased if they are positively correlated with unobserved determinants. This is potentially relevant because the low R^2 s leave much room for unobserved heterogeneity bias in the effects of 'patriotism' and 'chauvinism'.

I have in mind heterogeneity in individual exposure to competition from immigration or trade (e.g. working in an industry threatened by imports). Or maybe I am just prejudiced in favour of economic motives.

It is interesting that the effect of 'patriotism' on imports is more than twice the size of the effect on immigration. I wonder if there is a differential effect for second-generation immigrants. That is, that patriotic feeling in the descendants of immigrants may produce less opposition to immigration than to imports.

Country-level effects

The left-hand side variables should be understood as measuring sentiment towards limiting imports or immigrants relative to existing conditions, which vary across countries. To some extent this is taken care of by country dummies in the regression.

The purpose of Section 3.3 is to go inside the dummies to check if their variation can be associated with country differences in fractions of imports or foreign born, and the size of the welfare state. This is a useful but limited exercise. One limitation is that the change in conditions in a given country may matter more than cross-sectional differences in the levels. Another limitation is that country-level effects need not be restricted to an additive term.

Equilibrium policy outcomes

Section 4 discusses the association between opinion and policy in a supply and demand framework. That is, regarding equilibrium policy outcomes as intersections

of public opinion and policy reaction functions, then thinking of shifters of these functions. This is a useful way of organizing the discussion in spite of lack of empirical content.

I do not see a basis for saying that the plots in Figure 3 are ‘consistent with the policy reaction function of Figure 2’, just because they are upward sloping. This would be the case if we knew *a priori* that regression lines have to be one curve or the other, but the only presumption is that they are just some combination of both. Maybe one could argue that anti-trade opinion functions are relatively flat.

Much of the material in this section is of an expository nature, but nevertheless central to the paper. This includes a review of the arguments in Hatton and Williamson (2005b) and the discussion on the different natures of politics of trade and migration (as in Greenaway and Nelson, 2006).

Back to the international institutions: lack of reciprocity?

The lack of an international forum for migration is not regarded as an accident of history, but the result that reciprocity, which is key under GATT/WTO, is missing in migration. The conclusions are that it will be hard to get global agreements for migration and that regional agreements may be a realistic way forward.

Falling transport costs have enlarged the potential for long-distance migration, but they have also increased the potential for temporary movements, recurrent and return migration. Overall, there seems to be a widening array of migration arrangements.

Migrant remittances have become an important source of development finance for some countries. This fact may induce governments in developing countries to regard liberalization of migration as a gain worth giving concessions for, even if they find it difficult to admit to their own citizens an interest in active emigration policy as a solution to their economic problems.

Because of the two previous considerations, agreements on new forms of migration may become a more important ingredient of liberalization of migration than they have been in the past.

Panel discussion

Philippe Martin asked what differences there were between the political reactions to migration during the nineteenth-century globalization wave, and those today. He suggested this might be because of the productivity benefits that migrants brought with them. He also pointed out that migration could not be considered a solution to the demographic problems caused by ageing, as migrants would age too in their turn.

Thomas Hertel pointed out that temporary migration is indeed a subject included in the WTO and is fundamentally different from permanent migration, especially in

terms of gains for the source country. Furthermore, he thought there was value for developing countries in including temporary migration, particularly as a way to make up for the lack of progress on some other issues such as agriculture. Lans Bovenberg agreed, and argued that the benefits to host countries facing adverse demographic changes could be valuable in the short term (even if the long-term demographic benefits were less clear). Likewise, the benefits to sending countries in terms of remittances could also be a significant incentive. In reply the author accepted that temporary migration could indeed help negotiations, if it could really be sure to be temporary (migrants tend to defect into the informal sector, and may retire in the destination country). That, he said, was more likely to be feasible on a bilateral basis; developing countries tend not to like emigration much, so it is not a bargaining chip for the WTO.

Wendy Carlin said that the evidence that immigration leads to a fall in wages is not very strong. The author agreed, but said this was because of poor data; he was sceptical that this meant that the true effect was unimportant.

Gian Maria Milesi-Ferretti thought it was worth looking at the example of countries in the Arabian peninsula with up to 60% immigrants. Is immigration really a one-way street? The benefits and costs (brain drain, remittances) appear to indicate a two-way relationship. Many emigrants are high-skilled and can afford the cost (he cited the example of Malawian doctors going to the US).

Rudolf Winter-Ebmer suggested that the EU-level process of setting up a single immigration policy is similar to the WTO measures under consideration, but aims at reducing not fostering migration. Agreement to do so across the EU is likely because there is a lot of uncertainty about the distributional impact: it seems that earlier immigrants are those hurt most by new immigration, so it is strange to see in the data that they are in favour of further immigration.

Finally, Hans-Werner Sinn suggested it was a mistake to think that the issue was one of comparative versus absolute advantage. Worries about migration arise rather from two factors. The first is distributional concerns: there may be gains from trade, but autarky-scarce factors are likely to lose out. The second is concerns about sharing public goods (the welfare state, and lots of infrastructure, would have to be privatized or fenced in). Free migration is not efficient when there are open-access public resources. Those externalities are not present in the case of trade.

APPENDIX 1

Table A1. Bivariate probit estimates of the determinants of anti-imports and anti-immigration attitudes

Variable	(1) Reduce immigration	(2) Limit imports	(3) Reduce immigration	(4) Limit imports
'Patriotism'	0.075 (3.68)	0.169 (10.18)		
'Chauvinism'	0.400 (7.45)	0.387 (12.93)		
Second generation immigrant	-0.311 (6.03)	-0.022 (0.55)	-0.424 (9.46)	-0.159 (3.57)
Female	0.064 (2.14)	0.259 (9.23)	0.038 (1.20)	0.218 (8.86)
Age	0.001 (0.91)	0.002 (2.23)	0.005 (3.90)	0.007 (6.35)
Employed	-0.020 (1.33)	-0.049 (2.41)	-0.053 (2.68)	-0.084 (4.65)
High educated	-0.261 (9.76)	-0.283 (8.82)	-0.579 (2.21)	-0.449 (1.62)
High educated × Inequality			0.724 (1.35)	-0.143 (0.23)
High educated × GDP per capita			-0.023 (0.36)	-0.009 (0.15)
Rho	0.188 (12.77)		0.281 (15.09)	
No. of obs	19 850	19 850	19 850	19 850
Country dummies	Yes	Yes	Yes	Yes

Note: These estimates are comparable with those in Table 4 except that here the left-hand side variable is reduced to a dummy taking the value 1 for opinion ratings 4 or 5 and zero otherwise. Bivariate probit coefficients are reported with z statistics in parentheses based on robust standard errors clustered by country. Rho is the adjusted correlation coefficient between the equation errors.

APPENDIX 2

Comparative and absolute advantage: a Cobb–Douglas illustration

An important theme in this article is that, when there are substantial economy-wide differences in productivity between countries, then incentives for trade and for migration diverge. This can be illustrated most clearly in the two-country, two-good, two-factor case in which production technology is Cobb–Douglas with constant returns to scale.

In each country goods A and B are produced with the following technologies:

$$\text{[Redacted]} \quad (1)$$

where Q is output, L is labour, K is capital and v_i is an economy-wide efficiency term specific to country i . Minimizing the cost of producing good A, we find from the first order conditions that the shares of labour and capital in total cost are:

$$\text{[REDACTED]} \quad (2)$$

where w is the wage rate, r is the user cost of capital and TC is a given total cost. Substituting for L and K in the production function gives average cost equations:

$$AC_A = \frac{TC_A}{Q_A} \frac{1}{v_i} w^\alpha r^{1-\alpha} z_A; \quad AC_B = \frac{TC_B}{Q_B} \frac{1}{v_i} w^\beta r^{1-\beta} z_B \quad (3)$$

where z_A and z_B are constants that depend only on α and β respectively. Applying the zero profit conditions $AC_A = p_A$ and $AC_B = p_B$, and taking the ratio gives:

$$\left[\frac{w}{r} \right]^{\alpha-\beta} = \frac{p_A/z_A}{p_B/z_B} \quad (4)$$

Assuming they each produce both goods, two countries i and j facing the same relative price, as under free trade, will have the same factor price ratio, which does not depend on absolute productivities v_i and v_j . Eliminating r using the price equation for p_A gives an expression for the wage in country i as:

$$\frac{w}{p_A} = \frac{v_i}{z_A} \left[\frac{p_A/z_A}{p_B/z_B} \right]^{\frac{1-\alpha}{\alpha-\beta}} \quad (5)$$

If p_A and p_B are identical in both countries, nominal (and real) wages differ in proportion to the differences in country-specific productivities, providing an incentive to migrate.

Under autarky, relative prices will be determined by factor endowments. Country i 's factor allocation can be expressed, using the cost share equations (2), as:

$$L = L_A + L_B = \alpha \frac{TC_A}{w} + \beta \frac{TC_B}{w}; \quad K = K_A + K_B = (1-\alpha) \frac{TC_A}{r} + (1-\beta) \frac{TC_B}{r} \quad (6)$$

And using the average cost equations (3) we obtain outputs Q_A and Q_B as:

$$Q_A = \frac{v_i}{(\beta-\alpha)z_A} \left[\frac{w}{r} \right]^{-\alpha} \left[K\beta - L(1-\beta) \frac{w}{r} \right]; \quad (7)$$

$$Q_B = \frac{v_i}{(\alpha-\beta)z_B} \left[\frac{w}{r} \right]^{-\beta} \left[K\alpha - L(1-\alpha) \frac{w}{r} \right]$$

The domestic utility function is assumed to be Cobb–Douglas:

$$\text{[REDACTED]} \quad (8)$$

From the first order conditions for utility maximization we obtain:

$$\frac{p_B}{p_A} = \frac{(1-\gamma) Q_B}{\gamma Q_A} \quad (9)$$

Substituting for outputs using (7) and eliminating w/r using (4) gives:

$$\frac{p_B}{p_A} = \frac{z_B}{z_A} \left[\frac{xK}{yL} \right]^{\beta-\alpha} \quad (10)$$

where x and y are functions of α , β and γ . The autarky price ratio depends on the ratio of factor endowments. And since trade accounts must balance, the potential for trade depends on comparative advantage as reflected by differences across countries in factor intensities and not on absolute productivity differences. Using (4) and (10) the wage for country i can be written as:

$$\frac{w}{p_A} = \frac{v_i}{z_A} \left[\frac{xK}{yL} \right]^{1-\alpha} \quad (11)$$

Alternatively, since prices now differ between countries, we can write the real wage using the geometric price index derived from the indirect utility function:

$$\frac{w}{p_A} = \frac{v_i}{z_A} \left[\frac{xK}{yL} \right]^{1-\alpha} \quad (12)$$

The real wage difference between countries i and j depends on the factor endowment ratios that drive trade but it also depends on the economy-wide efficiency parameter v_i and v_j . As illustrated in Box 3, real wage differences between rich and poor countries are largely due to differences in overall total factor productivity rather than in relative factor endowments. Thus the incentive to migrate depends mainly on absolute advantage as reflected in the efficiency terms rather than on comparative advantage as reflected in factor endowments.

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