

Migration, investment and trade: review of literature

Anirudh Shingal

SPJIMR, Mumbai and EUI, Florence

WTO Public Forum

Geneva, 13 August 2023

The theoretical M-I-T nexus

- Under Heckscher-Ohlin assumptions, trade and migration are substitutes via the factor price equalization theorem
 - But relationship can be complementary with increasing returns to scale (Razin and Sadka, 1997) and intra-industry trade with product differentiation (Blanes and Martín-Montaner, 2006)
- Inward FDI and migration are substitutes with respect to unskilled/low-skilled labour and complements with respect to skilled labour (Gera et al., 2004)
- Migration benefits both home and host countries by facilitating trade, increased remittances, technological transfer, new knowledge, innovations, attitudes and information (de Haas, 2005; Ivlevs and De Melo, 2010)
- Migration and FDI are complements via:
 - the migrant network effect;
 - privileged information about home markets reducing transaction costs of foreign sales;
 - flow of ideas (Saxenian, 2002)

Review of the empirical literature

- Trade liberalization facilitates migration (López and Schiff, 1998; Acevedo and Espenshade, 1992) and increases relative skilled wage in home countries (Markusen and Zahniser, 1999; Feenstra and Hanson, 1995; Markusen and Venables, 1997)
- (Skilled) migration and investment (in services) are complements (Martin, 1995; Ivlevs and De Melo, 2010; Kugler and Rapoport, 2005, 2007; Docquier and Lodigiani, 2007)
- Positive links between immigration and trade (Gould, 1994; Tadesse and White, 2011; Baghdadi and Cheptea, 2010; Genç et al. 2011; Hiller, 2013) via:
 - matching of preferences/ exporters/importers (Zabin and Hughes, 1995; Massey and Espinosa, 1997; Dunlevy and Hutchinson, 1999; Winters et al., 2001; Rauch and Trindade, 2002; McKenzie and Rapoport, 2004; White, 2007; Tadesse and White, 2008)
 - knowledge of languages, business practices and legal systems (Gould, 1994; Girma and Yu, 2002; Bryant et al. 2004; Ottaviano et al. 2018)
 - demand and skill effects (Lewer and Van den Berg, 2009; Ottaviano et al. 2013)
- Positive links between immigration and FDI (Portes and Rey, 2005; Buch et al. 2006; Javorcik et al. 2006; Bhattacharya and Groznik, 2007; Kugler and Rapoport, 2007; Aubry et al. 2012)

Thank you!

anirudh.shingal@spjmr.org

anirudh.shingal@eui.eu