AGRICULTURAL DEVELOPMENT SYSTEMS EGYPT PROJECT

UNIVERSITY OF CALIFORNIA, DAVIS

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WORKING PAPER

USAID/EGYPT

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Assistance from the Agricultural Development Systems Project of the University of California, Egyptian Ministry of Agriculture, and USAID, is gratefully acknowledged, but the author is soley responsible for the views expressed in this paper.

Economics
Working Paper Series
No. 4

September, 1980

Agricultural Development Systems:
Egypt Project
University of California
Davis, Ca 95616

An estimated 14 to 20 million persons are currently living and working in countries where they are neither citizens nor immigrants. One-half of these nonimmigrant workers are legally admitted "guestworkers;" the rest are "illegal aliens" or "undocumented workers." Historically, migration moved settlers from East to West. The migratory chain established in the 19th Century recurs today--single males migrate first and are later joined by their dependents abroad. Family unification and formation establish a "beachhead" in the receiving area, forging the migratory chain which moves people between two areas. From 1800 to 1920, between 60 and 70 million Europeans arrived in the Americas. Early waves of immigrants intended (or were forced) to affect a relatively clean break with their homeland.

Migration streams mature over time. The "second wave" of immigrants in the late 19th and early 20th centuries contained many "target earners:" young men who hoped to work hard, live frugally, save money, and return home to marry, buy a farm, build a house, or open a small store.[1] Of course, many never returned. Contemporary labor migration is also largely comprised of target earners. Most of today's migrants are skilled and unskilled laborers moving from poor to rich countries. Since they find relatively few permanent immigrant slots, most workers have no choice but to be temporary workers, often moving back, and forth from their home country to their place of work.

Economists believe that voluntary migration benefits not only individual migrations and employers, but also sending and receiving countries. Drawing on the theory of competitive equilibrium, usually in the form of simple international trade theory, they commonly asset that since labor is a commodity like any other, if two nations have unequal resource endowments, exchange is mutually beneficial. The importing country is able to fill job

slots at a lower cost than would otherwise be possible, thereby reducing the prices of goods and services and increasing consumer welfare. Labor importing countries are believe to derive dynamic benefits as well: flexible and elastic labor supplies allegedly prevent industrial expansion from bidding up wages, reducing profits, and retarding investment.[2]

Exporting countries are also believe to gain: by exporting a relatively abundant factor (labor), they allegedly raise home wages, and generate a return flow of human and financial capital. Migration tends to equalize input and output prices, increasing efficiency and welfare for all concerned. In this view, all such benefits would be maximized by minimizing the barriers to migration: the resulting policy prescription was laissez-faire. Free trade in labor was no different from free trade in goods, and both were desirable.

For years policy makers have followed the economists' lead in endorsing and encouraging international labor migration. Industrial nations thought they could obtain the additional labor needed to sustain noninflationary growth and labor-exporting nations could reduce their unemployment and obtain remittance incomes.

Recently both sending and receiving countries have reversed their previous policies: laissez-faire has fewer supporters among policy makers these days (although it continues to be endorsed by many economists). Labor importers found that migrants did not solve basic structural problems; instead, the presence and availability of migrants may preserve low-wage, labor intensive industries and make it more and more difficult to reduce trade barriers or promote productivity-increasing innovations. Many people began to feel that it was "morally wrong to build the development of our wealth on the

backs of foreign manpower . . . a group of people who are identifiably of another race to do the despised menial work."[2a]

Sending countries also began to question the wisdom of laissez-faire policies which sent the "best and brightest" abroad more or less permanently. Algeria, for example, drastically reduced labor emigration, as has Yugoslavia. The government of South Yemen has prohibited labor emigration altogether. Even countries with a "free enterprise" ideology such as the Kingdom of Jordan have called for an international fund to compensate sending countries for the losses which labor exports impose upon them.[3]

What went wrong with the laissez-faire policy prescription? Why were the expectations which orthodox theory created not fulfilled? We seek to answer these questions for sending countries by reviewing contemporary labor migration in the Middle East. This region provides a useful case study for an analysis of "laissez-faire" policies. First, the flows are quite large: at least three million aliens are living and working in the principal receiving countries. Second, although receiving countries have placed some legal restrictions on labor migration, these are often unenforced, while the sending countries of the region have until recently pursued almost textbook laissez-faire policies. An analysis of the Middle Eastern case not only provides insights into the deveopment dilemmas of important countries in this vital region, but also may help to pinpoint the weaknesses of laissez-faire theories and policies on labor migration.

Middle East Labor Migration--An Overview

Estimates of Middle East labor flows vary considerably. The most comprehensive survey to date is that of Birks and Sinclair.[4] Their numbers should probably be regarded as lower-bounds, even for their 1975 cut-off

point. The strength of their estimates lies in the cross checking of claims of sending and receiving countries upon which their matrix is based. (See Table 1). However, it is widely believed that these estimates are too low: For the major exporters, Choucri, Eckaus, and Mohi el Din, for example, believe that at least one million Egyptians were abroad in 1978 (not 400,000) while the Egyptian government places the figure at 1.2 million.[5] The World Bank estimates the numbers of North Yemenis abroad at over 1.2 million in 1978.[6] Higher estimates for the main labor importers place Saudi Arabia's migrant population at 1.5 million, Libya's at half a million, the United Arab Emirates' at 400,000, Kuwait's at 350,000, with smaller numbers in Qatar and Bahrain.[7] Some countries, like Algeria, Iraq, and especially, Jordan and Oman, both import and export labor. Since census avoidance is widespread in the Middle East, and since the situation is changing rapidly, these numbers can only give us a very general notion of the magnitude of the flows.

Receiving countries are highly dependent on migrants, who often comprise more than 50 percent of the workforce. Figure 1 provides comparisons of migrant workers to domestic populations, illustrating the fact that migrant workforces exceed the domestic populations of the UAE, Qatar, and Kuwait, while the migrant workforces of Saudi Arabia, Bahrain, and Libya are 30 to 40 percent of the host country's total population. Estimates of the share and distribution of migrant workers are only approximations, but it appears that the UAE, with a workforce 90 percent foreign, has the highest migrant dependence ratio. Kuwait, which discovered oil in 1946 and had a half-foreign population in 1958, has a workforce which is about 80 percent foreign, the same as Saudi Arabia.

Mid-East migration for employment occurs within a fundamentally laissez-faire environment. Although there are stringent restrictions on migration for settlement, labor emigration is relatively unimpeded. Egypt places no formal barriers in a migrant's path; Yemenis do not need work permits in Saudi Arabia. Those restrictions which do exist often go unenforced; e.g., Egyptian migration to Libya, occasionally "prohibited" for political reasons, continues either clandestinely or by migration first to a third country (typically, Tunisia) and then on to Libya. The YAR's attempt to limit migration in order to increase the pool of men of military age is proving impossible to enforce, because the central government has little or not control over the northern tribal areas, areas which border Saudi Arabia.[8]

Two forces have produced this environment: 1) a migratory tradition and 2) the fundamental transformations which the oil boom has wrought in the political economy of the region. As many historians of the Islamic world have pointed out, educated Muslims have long freely travelled from one end of the Dar ul-Islam ("House of Islam") to the other.[9] Ibn Battuta, who ranged from Nigeria, to Fez, to Malaya, and to Samarkand was exceptional in the extent of his travels, but he was not qualitatively different from the thousands of Muslims who felt equally at home in Fez, Cairo, Baghdad, or the Hejaz. Speaking of Medieval Islam, Marshall Hodgson[10] wrote:

> Practically every well-known Muslim lived in many cities: soldiers travelled . . . in the way of conquest; scholars travelled to find new teachers and new libraries and also to find more appreciative audiences.

Soldiers, scholars, poets, merchants and artisans have travelled widely in the Muslim world for centuries. Nor was such movement limited to elites: the hajj (pilgrimage) is, of course, one of the five Pillars of Islam; millions of Muslims from virtually all social strata have completed the ritual. It is

almost certainly the largest multinational gathering on earth, with some one- and one-half million pilgrims coming every year.[11]

National boundaries, and, indeed, the nation-state itself coexist uneasily with the tradition of mobility, rooted in long-distance commerce, and with Islamic political thought. Although in fact different political units have characterized the Muslim world almost from its inception, such realities have been rationalized as necessary evils. Cosmopolitan mobility, not civic loyalty, has been accorded primary legitimacy.[12] The parallel, yet distinct, modern heritage of pan-Arab nationalism further weakens the legitimacy of restrictions upon labor migration. This highly influential idealogy holds that all boundaries from Morocco to the Shatt-al-Arab are artificial: there is only one, indivisible, Arab Nation. And, indeed, the region is bound by common ties of language, religion and social custom. Yet, as with Islamic political theory, there has long been a wide gap between theory and reality. Arab nation-states obviously exist, and attempts at unity have repeatedly foundered. Ironically, the most passionately Arab Nationalist regimes, such as Nasser's Egypt or Baathist Syria, have placed the most restrictions on the movement of labor within the Arab world.[13] Nevertheless, the ideological view of "artificial borders," when coupled with Islamic beliefs and practices, provides considerably less legitimacy for restricting labor migration than do the political traditions of, say, Western Europe.[13a]

But, of course, economic forces, not religion or ideology, fundamentally shape the size and structure of contemporary labor migration. The ten-fold increase in oil prices since 1973 and concomitant increase in government revenues in countries with small populations provide the motor for an accumulation process which requires external labor. Although large sums were

devoted to importing military hardware and Western consumption (often luxury) goods, all oil exporting countries have established (and at least partially implemented) extensive economic development programs. Saudi Arabia spent $180 billion from 1975 to 1980 and plans to spend some $290 billion during the next five years. Libya spent $39.9 billion from 1973 to 1980, while even small states like Qatar and the UAE devoted considerable sums to development, some $10 billion and $9 billion, respectively. This created a very strong demand for labor in the oil exporting countries.[14]

However, the low populations, low labor force participation rates by women, and an aversion to manual labor on the part of many Bedouins (see below) meant that the supply of labor from the indigenous population fell far short of this demand. The oil boom itself helped to create other sources of supply: by shifting the political balance of forces in the region away from radical nationalist regimes and toward conservative and traditionalist regimes, the oil boom contributed to the shift in the foreign economic policy of Egypt, the number one labor exporter in the area. Such a process began in 1967, but greatly accelerated after 1973, culminating in Sadat's market-oriented Infitah ("Opening Up") policies.[15] Most commentators have stressed the resulting inflow of foreign goods; perhaps more important has been the outflow of people. The "Open-Door" swings both ways.

The oil boom reinforced and extended the previous pattern of largely skilled and professional migration but also created largely new flows of semi-skilled and unskilled workers. As noted above, there is a very long tradition of educated labor migration in the region. In the post World War II era, such flows have been primarily movements of skilled, professional Egyptians, Palestinians, and Lebanese into the oil states. This is

understandable, given the long history of educational effort in the sending countries. The Palestinians, of course, had little choice but to seek employment abroad; remunerative jobs were also scarce in Lebanon, and especially, in Egypt.[16]

The oil boom reinforced this trend. The oil states desparately need high-level, Arabic speaking manpower. All of the OAPEC nations have embarked on large-scale expansions of their educational systems; most of the teachers are Egyptians or Levantines. Further, since oil wealth flows directly into the coffers of the state and since all OAPEC states need highly skilled technocrats to supervise their vastly expanded development plans and projects, Arab migration for government employment has likewise increased. The high salaries available in the oil countries, coupled with an expansion in their demand for high-level manpower, strengthened and augmented a well-established pattern of migration.

The oil boom also stimulated large flows of less-skilled labor. Such workers range from building craftsmen to common laborers. They are employed primarily in services and construction. Indeed, construction workers form a significant proportion of the total workforce. As many as one-third of the 300,000 Egyptians estimated to be in Saudi Arabia are employed in construction.[17] Some 20 percent of the Saudi workforce was employed in construction in 1975 (29 percent of the nonagricultural workforce).[18] Most of these construction workers are migrants, usually Egyptians, Yemenis, and, increasingly, non-Arab Asians. As we shall see in the next section, the high proportion of construction workers in the total flow of migrants has very important implications for the duration of migration. Many, perhaps most, of the migrants are building factories and infrastructure that will require few

workers to man and maintain. Western Europe, in contrast, imported migrant labor to staff labor-intensive factories and services on a continuous basis.

The labor flows in the Arab Middle East differ from those in Western Europe or the United States in several other respects as well. Unskilled migrants in all of these cases typically fill jobs which local workers disdain. But in the advanced industrial countries, prolonged economic growth and structural change which has generated complex job-hierarchies and has stimulated a desire for upward mobility on the part of the workforce. Native workers (often, themselves the children/or grandchildren of migrants in the U.S. case) wish to take jobs with a higher status and pay, leaving openings of the bottom of the hierarchy to be filled by new migrants.[19] No such historical process has occurred in the Middle East. Instead, the native workers' disdain for manual labor derives from pre-industrial social norms and from the role of a paternalistic state. The age-old symbiotic tension between agriculturalists and pastoralists in the region underlies the disdain which the latter feel for manual labor. Former bedouins typically become soldiers or drivers, shunning manual labor as a task for fellahin (peasants) and thus beneath their dignity. Consequently, a principal potential source of manual labor has "by-passed" any industrial work, rather than having "moved through" it. Direct government payments and subsidies for housing, medical care, education and other services further reduce the incentives for the local pouplation to assume jobs in the construction or service sectors.[20]

A final distinctive feature of Mideast labor migration should be noted. Unlike flows from the Mediterranean to Northern Europe or from Latin America to the US, Mideast workers are not moving from structurally less developed countries to more developed areas. Indeed, for Egyptians, Palestinians, and

Lebanese, the reverse is true: workers move from their homelands of higher literacy and more developed industry (especially true for Egypt) to less industrialized, less well-educated nations.[21] Workers move to rent-collecting not highly industrialized, economies. This implies, of coure, that one of the commonly alleged benefits of labor migration, acquisition of skills, has little relevance for the Middle Eastern case.

In summary, labor flows in the Middle East 1) bulk very large in the labor markets of the importing countries; 2) occur in a basically laissez-faire environment; 3) comprise both highly skilled and unskilled labor; 4) contain a relatively high proportion of workers producing investment (largely construction) goods; 5) fill jobs which locals either a) are untrained for or b) disdain because of preindustrial tradition and state policy and 6) move from poor to rich countries but not from structurally less-developed to more industrialized nations. We now turn to the problems which such labor flows have created for the sending countries.

Problems of Labor Migration for Sending Countries

The problems which labor migration has created for the principal sending countries may be grouped under three principal headings: 1) uncertainty for both economic and political reasons about the continuation or expansion of the current flows; 2) micro effects of remittance spending and labor migration; 3) the selectivity of migration and its impact on certain key sectors. We shall examine these in turn.

A principal difficulty facing planners in a labor sending country is to know how long the main benefits of migration (namely, reduced unemployment and inflows of remittances) will last. Regardless of whether or not the remitted funds are in a form directly usable for investment spending (an issue examined

below), planners need to have a fairly clear idea how much money will be flowing in and how much labor flowing out if they are to formulate realistic development plans and projects. Unfortunately, these flows in the Middle East are subject to both political and economic uncertainty. In all cases labor migration is a response to increased demand for certain specific kinds of labor; the flows may be affected both by changes in the aggregate level of economic activity or by shifts in the composition of the demand for labor. The first of these is obvious enough and has a long history in labor migration. The large scale migration of European peasant-workers to the U.S. from 1980 to 1914 was very closely tied to the U.S. business cycle.[22] More serious, perhaps, are problems associated with a "climacteric," in which the rate of growth of the receiving countries' economies slows down markedly, as in Western Europe in the 1970's.

Of course, the fact that Western Europe or the U.S. are experiencing slow growth does not imply that the same is true for the oil exporting states. Indeed, some of these countries have achieved impressive growth rates.[23] Nevertheless, the oil exporters' derived demand for labor is hardly immune from the influence of stagflation in the "First World." The slower growth of the EC and Japan, coupled with rising energy prices and government policies, have reduced energy consumption by about 1.5 million barrels per day from 1973 to 1978. That this did not lead to an "oil glut" is because 1) the U.S. continued to increase its energy consumption (by some 1.5 million barrels per day, 1973-78) and 2) the oil producers themselves began to reduce production.[24] The latter is also a manifestation of the increasing tendency of oil exporting country elites to question the political and economic wisdom of over-rapid exploitation of an exhaustible and rapidly appreciating natural

resource. Such tendencies derive from the problems of domestic inflation and local absorptive capacity, the evident waste of the early years of the boom, and the depreciation of major Western currencies and investments in such countries' financial instruments.[25]

It seems possible that at the very least, the rates of growth of government revenues will not increase at the same speed during the 1980's as they did in the middle and late 1970's.[26] This alone will lead to a slowing down in the rate of growth in demand for migrant labor, unless we assume that the composition of demand will shift toward more labor-intensive techniques and commodities. However, precisely the opposite shift seems more likely. As we have seen, many of the unskilled workers are employed in investment projects. By the accelerator principle, a slowdown in the rate of growth of final demand shoud lead to a reduction in the level of investment spending; investment is, of course, notorious as the most cyclically unstable component of final demand in any market economy. But in the Middle East, there is a further issue: much of the current investment is in construction.[27] Because of the very long life of much construction, at some point, even abstracting from financially-generated "busts" in construction typical of more advanced market economies, the demand for this kind of labor must decline. Further, it is clear that oil-exporting countries are building energy and petroleum intensive industries, such as oil refining, ammonium fertilizer, and aluminum refining and fabrication.[28] Such plants use very little labor. This pattern of investment leaves little room for continued, not to mention expanded, labor immigration. Some observers have also observed a tendency for construciton techniques to become increasingly capital-intensive.[29]

Two caveats are in order, however, While it seems clear that the demand for construction labor will decline at some point, it is unclear just when this will occur. This, of course, is part of the problem: the uncertainty of the demand for labor upon which several exporting countries have come to depend. The evidence on the length of the "construction boom" is mixed. Some observers have predicted that Saudi construction spending will actually decline some 15 percent over the next two years, but the recently unveiled Five Year Plan projects very large increases in construction. Nevertheless, there can be little doubt that construction spending will slow down, even in Saudi Arabia, during this decade. Recent research by over 150 British banks with Middle Eastern branches predicts a deceleration in construction activity in the principal labor-importing states, simply because "basic infrastructure is now well in place."[30] Kuwait, as a more structurally developed oil exporter, shows the others their future. Although, of course, construction occurs in Kuwait, the rate of increase of current government expenditure is merely keeping up with inflation and relatively few new investment projects are slated. The economy seems to be settling into the role of "mature rentier."[31]

Further, even if there were no economic reasons to expect a decline in the demand for imported labor, there are political reasons to anticipate moves in the same direction. The "Iranian model," of course, stands out as an example of a distruptive transformation.[32] The recent conspiracy against the House of Saud which culminated in the occupation of the Great Mosque in Mecca underlines the dangers of rapid structural transformation which offends local mores and which leaves a substantial portion of the rural population behind. Especially younger members of the elite, whose influence can only rise with

time do "not want to inherit oil fields pumped dry, bank accounts ravaged by inflation, industrial facilities not competitive in world markets, and societies so churned up that their own political positions would be much eroded."[33]

Host country governments clearly perceive migrants as a necessary evil. Arab migrants in particular are viewed with suspicion. The case of the Palestinians is the most obvious: nervousness over their role in Kuwait is endemic in ruling circles. Egyptian migrants face the delicate problem that their main destination, Libya, is now perceived as the principal enemy by the Egyptian military, while Saudi Arabia is deeply at odds with Cairo over the Camp David treaty. Yemeni-Saudi antagonism dates at least to the latter's seizure of Asir province in the 1920's. It is reinforced by the disdain with which many Saudis treat Yemeni manual workers. It may be said that the shared antagonism toward the Saudis is one of the ties biding the otherwise ideologically hostile regimes of North and South Yemen.[34] The Saudis, in turn, regard the Yemenis as potential subversives, since Yemeni migrants often have strong republican sympathies.[35]

The Saudi response to this seems to be an increasing tendency to import non-Arab labor. Koreans, in particular, are especially favored. In 1979, for example, Korean firms won <u>all</u> the new construction contracts let in Saudi Arabia. Korean firms now have nearly one-quarter of the total Middle Eastern construction market.[36] Since such firms provide most of their own laborers, who work very long hours and who live in isolation from the local population, their increasing popularity in the politically jittery Kingdom is not surprising. Should this trend continue, it would ensure a slow-down in the rate of in-migration of Arab labor.[37] Nor can a net decline in the numbers of

Arab workers in the oil countries be ruled out. So far economic need has restrained politically motivated expulsion of migrant labor. But it is a possibility that manpower planners in this volatile region can not ignore. Political uncertainty reinforces economic uncertainty: both raise serious doubts about the long-run viability of large-scale Arab migration for employment.[38]

Such uncertainty also surrounds the return flow of remittances. So long as such flows continue, their macroeconomic impact seems unambigiously beneficial. This effect is independent of the micro effects of remittances and the extent to which governments can tap these funds directly. By relaxing the foreign exchange constraint, such flows improve receiving countries' international credit positions; governments have an expanded capacity to borrow for development projects or, alternatively, can reduce their foreign indebtedness. Governments are then freed to concentrate their energies and funds on economic development projects, rather than worrying constantly about the next debt payment. This seems to have occurred in Egypt: foreign debt fell from $4 billion to $2 billion from 1975 to 1979, largely as a result of worker remittances.[39] Of course, these benefits accrue only so long as workers remain abroad.

The uncertainty surrounding these flows reduces their usefulness for development planning. If a regime incurs debts on the basis of such flows, it may create serious problems for the future if its expectations are not fulfilled. For example, Turkey embarked upon ambitious development plans while 650,000 Turkish workers were abroad, borrowing from foreign banks in the process. Turkish foreign debt now exceeds $14 billion (half Turkey's export earnings) just as the return flow of remittances has been reduced.[40] A regime

which depends largely on workers' remittances as a source of foreign exchange is in the same position as any other "one commodity exporter," the analysis of whose problems fill the development literature. Unstable, fluctuating remittances are no more an unmixed blessing than unstable, fluctuating sugar sales.

We now turn to the second set of problems which surround labor migration: the microeconomic impacts of labor and remittance flows. The problems of the latter may be split into the division of remittance income between consumption and investment on the one hand, and the composition of consumption and investment on the other. In general, it appears that the marginal propensity to consume remittance income is high. Although there is little direct evidence for the Middle East, the Mediterranean and Mexican experiences indicate that remittance funds generally flow into consumption, rather than investment. Much of the investment which does occur is in housing.[41]

There are several reasons why such spending is rational from the point of view of the individual migrant. First, many of the migrants are very poor and, therefore, quite naturally tend to spend the funds on increasing their immediate standard of living. Second, even if they should have a preference for saving, financial institutions in their home countries are typically very weak, especially in the rural areas; there is often no efficient vehicle for saving.[42] Third, many of the needed investments in the rural (and some urban) areas are collective goods--wells, sewage systems, irrigation networks, roads, etc. Since remittances typically flow into rural home communities in small amounts, and since public goods always pose a "free rider" problem, it is quite rational for migrants or their families to spend money on personal consumption goods. There is little evidence whch suggests that migrant

remittances are available for the kind of investment spending which many of these areas need.[43]

Personal consumption spending should not automatically be condemned--individual migrants and their families are clearly better off. It is also possible that such spending has beneficial social effects. The size of the income and employment multipliers depend on the import content and the labor-intensity of locally-produced goods. What little evidence there is suggests that Middle East migrants, like those in other parts of the world, spend their incomes on improved food, clothing, housing and household effects. The economic impact of such spending varies from country to country, but in general only the last two kinds of spending seem to be of the labor intensive employment-generating type.

In some countries (e.g., Yemen) emigration is so massive that local labor cannot easily provide newly demanded goods leading to increased imports. This is not true for housing, a nontradable, but appears to be so for the other major commodity categories, especially for food.[44] Remittances lead to an increase in the demand for high value crops, such as vegetables. But since these are labor-intensive, and since labor is often not available or is very expensive because of emigration, the increased demand is supplied by imports. In Yemen the value of food imports has increased ten times from 1971-1972 to 1978.[45] In Egypt also, increased remittances have stimulated food imports.[46] The economic and political risks of such increased reliance on (largely Western) food imports for Middle Eastern countries are vividly illustrated by the suspension of U.S. food exports to the USSR and the frequent proposals (so far rejected) to cut them off to Iran.

It will be noticed that this agricultural impact is not the result merely of increased demand, but also of bottlenecks in supply. Migration may reduce the supply of labor to local agriculture directly, as prime age males go abroad: remittance flows may raise the reservation wage of those who remain. Such effects seem to induce agricultural mechanization in Egypt, Yemen, and Oman.[47] The increase in tractor use due to wage increases is not surprising: most studies find the elasticity of substitution of tractors for labor to be about 1.5.[48] The income effect of increased farm family income from remittances may also contribute to mechanization.

At first glance, tractors appear to be an important advance for agricultural development and are so treated by numerous authors.[49] Yet, there are several potential problems with agricultural mechanization in Middle Eastern countries. First, there are serious maintenance problems: those with mechanical skills are typically the most prone to migrate.[50] Second, agricultural machinery, especially tractors, typically has a high import content. Third (and most important) there is the uncertainty problem again. Agricultural mechanization, like many technical changes, is usually an irreversible phenomenon.[51] If a million migrants returned, countries like Egypt would be stuck with technologies highly inappropriate for their (changed) factor endowments. Some kinds of mechanization may actually undermine long-run agricultural production potential through misuse: in both Oman and Iran, the purchase of internal-combustion water pumps has led to overexploitation of ground water and to the decline and collapse of older irrigation systems.[52] Labor migration itself may have other detrimental consequences for food production, as terraces fall into disrepair (Yemen), irrigation systems are not maintained (Oman and Iran), and farmers shift into

labor-saving, nonfood crops (qat in Yemen). Mechanization may maintain food production by factor substitution, but due to its relative irreversibility, this may cause problems for the future.

The selectivity of labor emigration may exacerbate these problems. The skill and age composition of migrants, coupled with low substitutability among different categories of workers, can cause serious supply bottlenecks in sending countries. The magnitude of this effect will depend on the speed with which new workers can acquire the necessary skills. Birks and Sinclair argue that Egyptian labor markets are highly segmented, implying that emigration has a strong braking effect on economic development in some sectors. However, other observers argue that it is relatively easy to move labor from, e.g., agriculture to construction.[53] Observation of construction sites indicates that women are performing tasks from which they had previously been excluded. A better understanding of segmentation and substitutability in labor emigration countries is obviously essential for a full assessment of the impact of labor migration.

Migration selectivity may take the form of the loss of highly skilled manpower. The "brain drain," of course, has long been a concern of sending countries throughout the world. One might argue that such problems should not arise in a country such as Egypt, which bursts at the seams with educated, underemployed manpower. No doubt there are indeed some benefits in exporting such workers. It is still likely, however, that the "best" professionals depart; their special talents and skills are then lost to the home country. Insofar as this occurs in Egypt, the home government's policies may help to push out such talent. Not only are wages very low relative to OPEC countries,

but the strict seniority system provides few incentives or challenges to the most productive professionals.

Conclusion

The Middle East provides an interesting "test case" of laissez-faire migration policies and theories. We have argued that while individual migrants and individual employers obviously benefit, the impacts on sending societies as a whole are not so unambiguously benign. Such a disjuncture between individual migrants and individual employers obviously benefit, the Such a disjuncture between individual and social welfare presumably would not occur in an environment where all of the conditions for a competitive, Pareto optimal equilibrium are present. If we are correct that social and individual costs and benefits diverge, then we must be able to point to departures from the assumptions of competitive equilibrium theory in the realities of Middle East labor migration. We find five such divergences: 1) widespread uncertainty; 2) less rapid growth of demand for labor in receiving countries as infrastructure is put in place; 3) the nature of labor power, i.e., the fact that workers cannot be separated from their work and can possess destablizing political convictions; 4) problems of investment opportunities, factor proportions and the like (usually due to a market imperfection) which reduce the volume and distort the structure of job creating investment financed by remittances; 5) the combination of segmented labor markets and technical irreversibilities in agriculture, leading to patterns of supply and demand in the agricultural sector which are of questionable long term viability. Any of these features, taken separately, would be sufficient to weaken severely the relevance of models in which an unaided price system generated a Pareto-optimal outcome.[54] Taken together, the five divergences

make laissez-faire policies, necessarily based upon such a model, highly questionable.

None of this means that labor flows should be deliberately reduced or stopped by sending governments (although some, like the PDRY and Algeria, have taken steps in this direction). Nor do we propose an alternative policy at the same level of generality or alleged universal applicability as laissez-faire. Rather, we are arguing that such a general theoretical framework is unhelpful: the problems of labor migration arise from the specificity of the political and economic problems of both sending and receiving countries. The appropriate policies would be equally specific. They would, however, be policies, not the absence of policy implied by the laissez-faire model.

FOOTNOTES

[1]Simon Kuznets and Ernest Rubin, "Immigration and the Foreign Born." National Bureau of Economic Research, Occasional Paper 46, New York, 1954; Michael J. Piore, Birds of Passage: Long-Distance Migrants in Industrial Societies, (New York: Cambridge University Press 1978). Such migration was widespread in the late 19th century. Return migration as a percentage of in-migration from 1908 to 1910 for various ethnic groups was estimated as follows: Croatian and Slovenian, 57 percent; French, 45 percent; Greek, 25 percent; Northern Italian, 63 percent; Southern Italian, 56 percent; Magyar, 65 percent; Polish, 31 percent; and Slovak, 59 percent. Rates for some groups were much lower, such as the 8 percent reported for Hebrews. The figures are from the Dillingham Commission on Immigration, Abstract of Reports of the Immigration Commission, U.S. Senate, 61st Congress, Third Session, Document 747 (Washington, U.S. Government Printing Office, 1911), Vol. 1, p. 182, Table 16).

[2]Charles P. Kindleberger, Europe's Postwar Growth (Cambridge, Mass: Harvard University Press, 1967).

[2a]Jonathon Power, "Faculty Foundations for Europe's Growth," The Times Feb 5, 1973.

[3]W. R. Bohning, "International Migration in Western Europe: Reflections on the Past Five Years," International Labor Review 118, 4, 1979, p. 401-414.

[4]J. S. Birks and C. A. Sinclair, International Migration and Development in the Arab Region (Geneva, International Labor Organization, 1980).

[5]N. Choucri, R. Eckaus, A. Mohie elDin, "Migration and Employment in the Construction Sector: Critical Factors in Egyptian Development." Cairo

University-Massachusetts Institute of Technology, Technology Adaptation Program, 1978.

[6]World Bank, Yemen Arab Republic: Development of a Traditional Economy. (Washington, D.C: January 1979).

[7]Birks and Sinlair, op. cit.

[8]Birks and Sinclair, op. cit.; Lee Ann Ross, "The Yemeni Remittance Agent System," Sanaa, USAID, May, 1979.

[9]Marshall Hodgson, The Venture of Islam, Vol. II. (Chicago: Chicago University Press, 1974); G. H. Jansen, Militant Islam. (New York: Harper and Row, 1979).

[10]Hodgson, op. cit., p. 117.

[11]Jansen, pp. 33-35.

[12]Hodgson (1974), pp. 72-74.

[13]See, e.g., Nazli Choucri, "Demographic Changes in the Middle East: New Factors in Regional Politics," in The Political Economy of the Middle East--Changes Since 1973 (Washington, D.C: Congressional Research Service, Compendium, U.S. Government Printing Office, 1979).

[13a]The "United States of Europe" notion ensure free mobility between the nine EEC natons.

[14]Economist Intelligence Unit, Saudi Arabia, Annual Supplement, 1979, 7; E.I.U.., Libya, Tunisisa, Malta, Annual Supplement, 1979, p. 13.

[15]John Waterbury, Egypt: Burdens of the Past/Options for the Future. (Bloomington, Indiana: Indiana University Press, 1978); Raymond William Baker, Egypt's Uncertain Revolution Under Nasser and Sadat. (Cambridge, Mass: Harvard University Press, 1978); on the region as a whole, see Russell A.

Stone, ed. OPEC and the Middle East: The Impact of Oil on Societal Development. (New York: Praeger Publishers, 1977).

[16]Literacy in Lebanon was 93 percent for males and 86 percent for females already in 1962; Jordanian males were 80 percent literate, while Jordanian women were 43 percent literate in that year. Egypt boasts 14 universities, and a tradition of "serious educational effort (which) began with Muhammad Ali at the beginning to the 19th century." Yusif A. Sayigh, The Economies of the Arab World. (New York: St. Martin's Press, 1978), pp. 281, 370.

[17]Choukri, et al. (1979).

[18]R. F. Nyrop, et al. Area Handbook for Saudi Arabia, (Washington, D.C.: U.S. Government Printing Office, 1977). p. 237.

[19]W. R. Bohning, "The Economic Effects of the Employment of Foreign Workers," (Paris: OECD, 1974).

[20]R. F. Myrop, et al. Area Handbook for Saudi Arabia.

[21]Some 25 percent of Egyptian GDP comes from industry; the corresponding figures for Lebanon (before the civil war) and Jordan are 18 percent and 19 percent, respectively. Middle East Annual Review, 1979 (London, 1979), p. 237. By way of contrast, less than 1 percent of Saudi GDP come from nonpetroleum refining industry. Economist Intelligence Unit, Saudi Arabia, Annual Report, 1979, p. 18.

[22]Richard Easterlin, "Influences in European Overseas Emigration Before World War I," Economic Development and Cultural Change, 9 (April, 1961), pp. 331-351.

[23]Growth rates of real GDP for the major oil producers from 1970 to 1977 were as follows: Saudi Arabia: 13 percent; Iraq: 7.1 percent; Bahrain: 0.2

percent; UAE: -3.6 percent; Qatar: 2.4 percent; Kuwait: -0.9 percent; Libya: -4.5 percent; World Bank Atlas, 1979.

[24]Robert Stobaugh and Daniel Yergin, "Energy: An Emergency Telescoped," Foreign Affairs, 58, 3, pp. 563-595.

[25]It has been estimated, for example, that when the actual import costs are compared with the costs based on average unit price of low-cost major exporters, Iran's overpayment was nearly half of the total import bill in 1973. Such evidence has not been lost on the planning ministries in other oil producing countries. H. Askari, J. T. Cummings, and Gunter Richter, "Efficiency of LDC Trading Patterns: The Case of Iran," American Economic Review 69, 2 (May, 1979) 191-195; Ray Vicker, "Saudi's Start Restyling Administration," Wall Street Journal, August 20, 1980, p. 27.

[26]Gerard Castoriades, "Bouncy Contracting Market Draws Far East Challenge," Middle East Economic Digest, June 6, 1980, p. 11.

[27]In Saudi Arabia, for example, GDP in the construction sector rose from Pls. 4,362 million in 1974/75 to 15,810 million in 1979/80. Construction accounts for some one-third of private sector GDP in the Kingdom. Economic Intelligence Unit, Saudi Arabia, Annual Report, 1979, p. 19.

[28]See Economist Intelligence Unit, Saudi Arabia, Annual Report, 1979; Middle East Annual Review, Chs. on Qatar, U.A.E., Bahrain, Kuwait, and Saudi Arabia. Such phenomena are not unknown in the Arab Middle East: in Kuwait, there was a short, but fairly sharp, decline in real estate values (15 to 20 percent) from 1977 to 1978 as a speculative bubble burst. Middle East Annual Review, 1979, p. 244.

[29]Anne Whithouse, "The Boom Goes On," Saudi Business and Arab Economic Report, III, 23 (August 24, 1979), pp. 12-13.

[30]Castoriades, op. cit.

[31]Economist Intelligence Unit, Kuwait, 3d Quarter, 1979. See also R. F. Nyrop, et al., Area Handbook for the Persian Gulf States (Washington, D.C.: U.S. Government Printing Office, 1977).

[32]For example, rural migrants to Teheran and other Iranian cities often worked as construction workers and were among the principal supporters of the revolution in that country. See Eric Hooglund, "Rural Participation in the Revolution," Middle East Research and Information Project Report, No. 87, May, 1980, pp. 3-6.

[33]Stobaugh and Yergin, p. 565.

[34]Fred Halliday, "North Yemen Puts Its House in Order," The Middle East, 66 (April, 1980), p. 25.

[35]Former emigrant laborers played a crucial role in the Republican defeat of the royalist siege of Sanaa in 1970 in the Yemeni Civil War. The courage of these soldiers was explained by a Royalist prince in this way: "These men of the special republican brigades were poor men, newly returned from abroad. For years they had worked as laborers in Djibouti, Kuwait, or elsewhere. They had lost their roots; they no longer knew their parents, and had no family or clan with which to take refuge if things went badly for them. They had nothing to lose, and knew they were doomed men. So they fought like lions." Cited in Robert W. Stookey, Yemen: The Politics of the Yemen Arab Republic. (Boulder, Colorado: Westview, 1979) pp. 252-253.

[36]Economist Intelligence Unit, Saudi Arabia, Third Quarter, 1979, p. 18. Castoriades, op. cit.

[37]A point stressed by Birks and Sinclair.

[38]Some argue that Saudi commitment to Yemeni stability is so great that the Saudis would not do anything to undermine the current Sanaa regime, which large scale repatriation of Yemeni workers in Saudi Arabia would presumeably do. Lee Ann Ross, op. cit. While this seems a generally sound argument, it remains valid only so long as the presence of large numbers of Yemnes inside Saudi Arabia is not viewed as an even greater security risk by the Saudi state. One might also note that the Saudis are hardly unambiguous supports of the Sanaa regime, since they provide arms to the northern tribes, such as the Hashid confederation, whose de facto independence poses a continual problem to the stability and legitimacy of the republican government in Sanaa. Personal communication, Jon Mandaville, Director of American Institute for Yemeni Studies, Sanaa, July, 1980.

[39]International Monetary Fund, International Financial Statistics (Washington, D.C., August, 1980).

[40]World Business Weekly, "Turkey," 1980.

[41]A. G. Chandarvakar, "Use of Migrants' Remittances in Labor-Exporting Countries," Finance and Development, 17, 2 (June, 1980), pp. 36-39. On Mexico, Richard Mines "Las Animas, California," Department of Agricultural Economics, University of California, Berkeley, April, 1980.

[42]In the Yemen Arab Republic, for example, some 8 percent of the remittance flows are outside of the formal banking system. Lee Ann Ross, op cit.

[43]For example, many emigration areas require public infrastructure and other collective goods not likely to be provided by individual remittances.

[44]Jon Swanson, Emigration and Economic Development: The Case of the Yemen Arab Republic (Boulder, Colorado: Westview), 1979. World Bank, Yemen Arab Republic: Development of a Traditional Economy, 1979.

[45]Ibid, 75.

[46]On the political economy of the increase in Egyptian food imports, see Alan Richards, "The Agricultural Crisis in Egypt," Journal of Development Studies, 16, 3 (April, 1980), pp. 303-321.

[47]On migration and mechanization, see Ibid., on Egypt; for Yemen, Swanson, World Bank, Sheila Carapico, "Local Resources for Development: A Preliminary Socio-Economic Profile of Hodeidah and Hajjah Governorates, YAR." Sanaa, USAID, Project 279-0045, and J. M. Cohen and David B. Lewis, "Capital-Surplus, Labor-Short Economies: Yemen as a Challenge to Rural Development Strategies," American Journal of Agricultural Economics, 16, 3 (August, 1979), pp. 523-528. On Oman, J. S. Birks and Clive Sinclair, "Oman: Economic Development, The Domestic Labour Market, and International Migration," (Geneva, I.L.O. World Employment Programme Research, Working Paper. June, 1978).

[48]Zvi Griliches, "The Demand for a Durable Input: Farm Tractors in the United States, 1921-1957," in The Demand for Durable Goods, ed. A.C. Harberger, (Chicago: University of Chicago Press, 1960), Wayne Thirsk, "Factor Substitution in Colombian Agriculture," American Journal of Agricultural Economics, 56, (February, 1974), pp. 73-81.

[49]See, e.g., Keith Griffin, "On the Emigration of the Peasantry," World Development, 4, 5: pp. 353-61; M. P. Miracle and S. S. Berry, "Migrant Labour and Economic Development," Oxford Economic Papers, 22, 1: pp. 86-108; Suzanne

Paine, Exporting Workers: The Turkish Case. (London: Cambridge University Press, 1974).

[50]Choucri, Eckaus, Mohi el-Din, op. cit.

[51]A concept familiar to students of American farm policy: see e.g., T. P. Schultz, Agriculture in an Unstable Economy (New York: McGraw-Hill, 1945), and William Cochrane, Farm Prices--Myth and Reality. (Minneapolis: University of Minnesota Press, 1958.)

[52]Birks and Sinclair, op. cit.

[53]Birks and Sinclair; Richard Eckaus, "Effects of Construction Labor Migration on the Egyptian Economy," MIT Department of Economics Working Paper, July 10, 1979; Choucri, Eckaus, and Mohi elDin, op. cit.

[54]See, e.g., Kenneth Arrow, The Limits of Organization, New York: Norton, 1974.

Table 1

Arab migrant workers in the Arab region, 1975

oyment	Country or area of origin and percentage distribution between countries of employment											
	Egypt		Yemen		Jordan, Palestine		Democratic Yemen		Syrian Arab Republic		Lebanon	
	No.	%	No	%	No	%	No	%	No	%	No	%
Arabia	95 000	23.9	280 400	96.6	175 000	66.1	55 000	77.9	15 000	21.3	20 000	40.3
Arab Jamahiriya	229 500	57.8	—		14 150	5.3	—		13 000	18.5	5 700	11.5
	37 558	9.4	2 757	1.0	47 653	18.0	8 658	12.2	16 547	23.4	7 232	14.6
Arab Emirates	12 500	3.1	4 500	1.6	14 500	5.5	4 500	6.4	4 500	6.4	4 500	9.0
(East Bank)	5 300	1:3	—		—		—		20 000	28.4	7 500	15.1
	7 000	1.8	—		5 000	1.9	—		—		3 000	6.0
	2 850	0.7	1 250	0.4	6 000	2.3	1 250	1.8	750	1.1	500	1.0
	4 600	1.2	100	0.0	1 600	0.6	100	0.1	400	0.6	1 100	2.2
n	1 237	0.3	1 121	0.4	614	0.2	1 122	1.6	68	0.1	129	0.3
	2 000	0.5	—		200	0.1	—		150	0.2	—	
l	397 545	100.0	290 128	100.0	264 717	100.0	70 630	100.0	70 415	100.0	49 661	100.0
tage distribution of ts by country of	30.7		22.4		20.4		5.5		5.4		3.8	

1 (continued)

oyment	Country or area of origin and percentage distribution between countries of employment												Total
	Sudan		Tunisia		Oman		Iraq		Somalia		Algeria, Morocco		
	No	%	No	%	No	%	No	%	No	%	No	%	
Arabia	35 000	76.3	—		17 500	45.6	2 000	9.7	5 000	76.4	—		699 900
Arab Jamahiriya	7 000	15.3	38 500	99.6	—		—		—		2 500	98.2	310 350
	873	1.9	49	0.1	3 660	9.5	17 999	87.3	247	3.8	47	1.8	143 280
Arab Emirates	1 500	3.2	—		14 000	36.4	500	2.4	1 000	15.2	—		62 000
(East Bank)	—		—		—		—		—		—		32 800
	200	0.4	—		—		—		—		—		15 200
	400	0.9	—		1 870	4.9	—		—		—		14 870
	500	1.1	100	0.3	—		—		300	4.6	—		8 800
n	400	0.9	—		1 383	3.6	126	0.6	—		—		6 200
	—		—		—		—		—		—		2 350
l	45 873	100.0	38 649	100.0	38 413	100.0	20 625	100.0	6 547	100.0	2 547	100.0	1 295 750
tage distribution of ts by country of	3.5		3.0		3.0		1.6		0.5		0.2		100.0

migrants recorded for this country or area

Birks and Sinclair, 1977, 1978a, 1978b, 1979c; authors' estimates using a wide variety of official sources.

Source: J.S. Birks and C.A.Sinclair, International Migration and Development in the Arab Region (Geneva: International Labor Organisation, 1980). Table 10, pp. 134-135.