

# International migration and economic development

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## Introduction

**M**IGRATION HAS been present in the history of the human being since its inception: the first relations on population movements can be found in the Bible and other historical sources of Antiquity. The exodus of the Jews from ancient Egypt (circa 1200 BC) and the migration of Greeks in the Mediterranean region (from 800 BC) are but some examples of these processes. Men have always migrated. However, since the nineteenth century an increase in population movements can be seen in the world scenario. In the years 1815-1930, about 52 million Europeans emigrated to the Americas - including Brazil.<sup>1</sup> Migration thus acquired a massive character: the twentieth century was described by some researchers as the “migration era” (cf. Castles & Miller, 2009). In just five decades the number of international migrants nearly tripled from 76 million in 1960 to 214 million in 2010<sup>2</sup> (IOM, 2008; DESA, 2009). During that period, which spanned two world wars, decolonization and the Cold War, the world economy experienced deep changes that also influenced the migration pattern of both sending and receiving countries and regions. In this sense, the change in the migration pattern that occurred in Brazil in the 1980s and 1990s is part of a more universal process. Western Europe, which for over a century was the main exporter of labor, after 1945 starts to become an important destination of immigration from North Africa, the Middle East, the Indian Subcontinent and, on a smaller scale, Latin America.

On the other hand, some traditional immigration countries become emigration areas. This is the case of Brazil, among other countries. In Brazil, the migratory reversal began in the 1980s (Ripoll, 2008). The country experienced a net loss of approximately 1.8 million people<sup>3</sup> through international migration flows between 1980 and 1990. This volume of emigration was significant and accounted for 1.6% of Brazil’s resident population in 1990. The process of conversion into an emigration nation continued in the following decade. The international migration balance in the period 1991-2000 was also negative, estimated at 550,000 people. This figure corresponded to 0.4% of the population in 2000 (Carvalho & Campos, 2006). Despite a reduction in international migration in the 1990s, most of the emigrants who left Brazil in the 1980s never returned to country, giving rise to a significant group of Brazilians living abroad,

a phenomenon which some authors refer to as “Brazilian Diaspora”.<sup>4</sup> In 2000 the number of Brazilian immigrants, according to estimates by the Ministry of External Relations, totaled almost two million (Ripoll, 2008). In recent years that number has nearly doubled: data from the Ministry of External Relations show that 3.7 million Brazilians were living abroad in 2008. The main areas of residence are: North America (mainly the United States - 1.5 million); Europe (Spain, Portugal, Italy and Great Britain - one million); South America (especially Paraguay - 766,000); and Asia (especially Japan – 320,000) (Fernandes & Diniz, 2009).

The emigration of Brazilians should be associated with the growing interdependence between nations and countries fostered by the expansion of the world economic system (Sales, 1991). The progress of the media (the internet, mobile telephony), the decrease in transportation costs (especially air transport), the expansion of the activities of transnational corporations, the gradual reduction of barriers (tariffs and non-tariff measures, export taxes, subsidies), which facilitated the intensification of the flow of goods, services and capital between national economies, all contributed to increase international population movements. Globalization has a profound influence on international migration. George Martine (2005, p.3) points out that for the contemporary migrant,

his horizon is the world - seen in the movies, on television, in communication between relatives and friends. The migrant lives in a world where globalization has no boundaries, changes parameters every day, boasts luxuries, lavishes information, stimulates consumption, generates dreams and ultimately creates expectations of a better life.

Although globalization is partially unfinished - since there is not a global labor market - thanks to the growing interdependence among nations labor supply and demand in Brazil were entwined with the global economy. Thus, the emigration of Brazilians is expected to continue as a significant phenomenon in the coming years (Fernandes & Diniz, 2009).

The interesting problem, which is associated with migration, is the economic impact of international movements to the country of origin. The connection between intraregional migration (and also inter-regional migration) and economic development has been deeply explored and studied in the Brazilian literature<sup>5</sup>, but international migration is still a relatively new area of study. Therefore, there is the need to identify the possible consequences of emigration to the Brazilian economy. This paper aims to describe the links between emigration and economic development in the country of origin in the Brazilian context.

The text is organized in four parts. It starts with an introduction presenting the main theories of international migration, relating them to the process of international population movement in Brazil. The description of these theories has been absolutely necessary in understanding the evolution of migration, but

also in the analysis of the economic consequences of emigration, which is provided in the second part of the article. Next a summary of the most important contributions in the area of migration and development is presented, focusing on studies that analyze the economic effects of remittances to the regions of origin. Finally, these studies are related to Brazil's situation, presenting the latest data on remittances and the possible consequences of their influx for the country. A hypothesis is formulated that in the current emigration scene the Brazilian economy is expected to benefit from remittances coming from the Diaspora.

### **Migration theories in the Brazilian context**

Neide Patarra (2006) states that international migration theories can be classified into two groups: first, the models that determine the emergence of contemporary international movement; and second, the theories that explain the perseverance of migration flows and their continuity over time. In this sense, one should start the analysis of the theoretical models that explain the migration of Brazilians from these concepts, which determine how the movement started. Of that group, the best known is the neoclassical perspective, which highlights the unequal international distribution of capital and labor as the main factor of population movements at the macroeconomic level. There are, therefore, countries with more and less capital: while the areas with abundant capital are the centers of attraction for migrants because they offer relatively high salaries, regions where this production factor is scarce, where wages are low, become the main points of population export (Massey et al., 1998). The neoclassical approach also explains the behavior of migrants at the micro level: displacement is the result of the calculation made by rational factors, which aim to maximize their needs. "People migrate because they expect a financial return that exceeds what they've spent on the move and on investment in human capital" (Fusco, 2005, p.16). In this context it may be no surprise that in the 1980s, Brazil – at that time a relatively low income country – began to witness the migration to rich and industrialized countries like the United States and Japan. The crisis in the domestic economy, which contrasted with the relatively sound situation in the economies of developed countries, can certainly be considered the factor that triggered the migration process. This movement was perceived by many Brazilians as an investment with higher financial returns, which offered a national professional career, since emigration was associated with a higher standard of living (Ferreira, 2007).

According to the new economics of migration, the population movement should be analyzed in the context of existing labor market imperfections in developing countries (which are the largest exporters of labor), but also in other markets: capital, rural products or educational markets. Therefore, the family unit, which in this approach is considered the main economic agent, has a strategy different from that described in the neoclassical theory. Instead of maximizing their needs, here the main objective is to minimize the economic risk.

Thus, the logic of allocation of family assets will turn into diversification of the resources available. The main resource of the family unit is work. Thus, diversification means that in a family some members emigrate to look for a job abroad, offering an alternate flow of income for the entire family through remittances (Stark & Bloom, 1985).

Researchers representing the approach of the new economics of migration emphasize that the population movement overseas is a form of investment and therefore requires resources that are not available in all family units. Migrants do not belong to the poorest segments of society – they are those people who are in a situation of relative deprivation (cf. Stark & Taylor, 1989). Relatively deprived people suffer from the recent reduction of income level. Consequently, the standard of living of this group is lower when compared with the previous situation and with reference groups. Migration can contribute to increase income and improve the economic status of the family unit in society. The concept of relative deprivation is absolutely necessary for understanding the migration of Brazilians since the 1980s. Ricardo Ferreira points out the prevalence of “limited people” in migration flows to the United States, Japan and European countries. This group includes people from the “impoverished middle class”, which in the situation of “impossibility of social rise [...] would be prime candidates for international migrations” (Ferreira, 2007, p.11).

Another important contribution is the dual labor market theory (Patarra, 2006), also known as the labor market segmentation theory (Fusco, 2005). Originally proposed by Michael Piore (1983), it highlights as the main factor of international population movements, the forces of attraction in destination societies. In developed countries there is the bifurcation of the labor market: the primary market provides high-wage jobs and good working conditions. On the other hand, the secondary labor market is unstable, provides low-wage jobs and unfavorable working conditions. Therefore, native workers reject jobs in the secondary sector. In this sense, immigration to developed countries is caused by a demand for unskilled labor: the immigrants meet this demand by accepting jobs previously rejected by the natives (Fusco, 2005). The dual market theory is essential for understanding the migration of Brazilians to some developed countries such as Spain or the United States. According to Erika Ripoll (2008, p.162), Brazilians employed in Spain are concentrated “in sectors of activity characterized by precarious jobs that require no skills and professional expertise”, such as domestic service and construction. When characterizing the socio-economic situation of Brazilian immigrants in Massachusetts (United States), Ana Cristina Martes (1999) points out that the vast majority work in home cleaning services - a predominantly Brazilian and female market niche. These immigrants “are willing to accept these occupations because the wages, when compared to those in their countries of origin, are high and the prestige that matters is that of their country of origin” (Ripoll, 2008, p.158). It is worth

adding that the vast majority of Brazilians abroad work and live illegally in the destination country.<sup>6</sup> Therefore, the focus of Brazilian immigrants who work in the secondary sector is on Brazil – that is where they send remittances to, invest, and compare their socioeconomic position with that of their neighbors.

In the theories that explain the perseverance of migration and its continuity over time, an aspect to be highlighted is the importance of social networks, also known as migratory networks. The networks “consist of ties that connect migrants, pioneer migrants, and potential migrants in the areas of origin and destination through kinship, friendship and common origin” (Fusco, 2005, p.22). These connections enable the flow of capital and information on living conditions and employment opportunities in the countries of destination. Thus, they help new migrants adapt to the new environment and increase the likelihood of future migration flows. An interesting example of how the networks operate is the case of Brazilian immigrants in Massachusetts, who sell their home cleaning services. When a female immigrant is willing to return to Brazil, information on the “sale” of the homes where the cleaning woman works is spread through the migratory networks. The woman “buying” the job is introduced to the homeowner as a friend of the cleaning woman, capable of replacing her. Trust and ethnic solidarity among Brazilian immigrants are recognized as major factors in this type of transaction (Domingo, 1999).

Wilson Fusco (2005) points out that the theory of social networks is essential in explaining why the migration of Brazilians does not occur uniformly throughout the country. There are therefore some regions with a high concentration of emigrants linked by migratory networks with specific destination areas. The best known example in the national literature is the case of the city of Governador Valadares (state of Minas Gerais). The majority of emigrants from that city went to the metropolitan area of Boston, Massachusetts. When analyzing social networks, Teresa Sales (1991) highlights the role of evangelical churches which, in addition to offering pastoral care, play the role of intermediaries between the regions of origin and destination, assisting emigrants in their search for a job or solving administrative issues, and guiding them on how to get a passport or a visa.

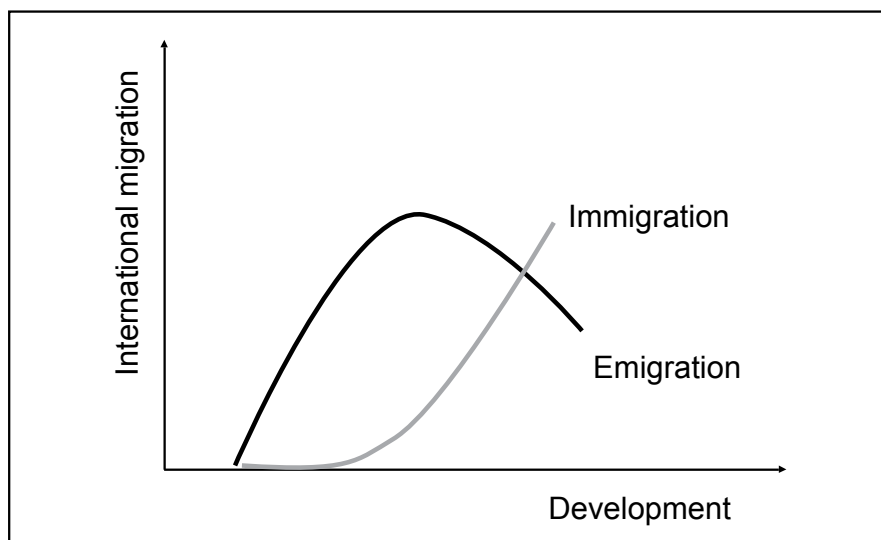
### **International migration and economic development: general considerations**

The analysis of the relation between population movements and development raises the fundamental question: What is the direction of the relation between these two processes? The debate on the economic impacts of migration involved the false assumption that population movements were caused by lack of development: men emigrated from certain poor regions - where there was no possibility of social rise - to developed areas. However, international migration, which linked sending and receiving regions, should enable the economic growth of the area of origin through remittances and investments by the Diaspora.

Consequently, economic development in the sending region should reduce migration. This line of thinking is still present in the migration policy of developed countries, especially in the European Union. Countries like Spain or Italy face the challenge of mass illegal immigration. Therefore, they include in their migration policies the “closure and containment regime” (Nyberg-Sørensen et al., 2002): programs of official assistance to development are offered and directed to those countries (especially in sub-Saharan Africa) that accept illegal immigrants delivered by European authorities. The main objective of these programs is to create jobs in the sending region, thereby limiting migration to Europe.

Migration theories, such as the new migration economics, point out, however, that it is not the poorest who emigrate. Migration, especially at international level, should be considered as a form of investment: it is associated with risk and requires own resources, which poor people do not have. “Poor countries and regions often display low migration rates, while those that participate actively in the global system can be characterized by high levels of migration and mobility” (Skeldon, 2008, p.5). Therefore, in the beginning the migration flow is dominated by individuals who belong, as in the Brazilian case, to the “impoverished middle class”, i.e., the group that can finance its migration. The gradual economic development in the area of origin is associated with progress in education and the enrichment of the population. Hence the growth of the group endowed with the financial resources and access to information necessary to emigrate.

Some researchers, such as Hein De Haas (2009), point out that migration should be considered a process naturally linked to and part of a broader process, i.e., economic development. Development has a profound influence on migration, the phenomenon described in the literature as “migration hump”. In the early stages of economic growth, the level of migration rises with the increase in per capita income. The number of people with enough income to bear travel costs and pay for accommodation in the new destination increases alongside the enrichment of the population. Only in high-income nations, i.e., countries in an advanced development stage, emigration is decreasing while immigration increases (Figure 1).



Source: De Haas (2009).

Figure 1 – Relationship between international migration and development.

In this sense, the evolution of the migratory pattern in Brazil confirms the hypothesis of “migratory rise”. In the 1980s and 1990s, when the emigration process started, the country was considered a low-income economy. Thus, the level of international migration was still modest. However, the dynamic development of the Brazilian economy in recent years should stimulate international migration by Brazilians, a fact that can already be seen, for in the period 2000-2008 the number of Brazilian immigrants grew from 2 million to 3.7 million.

Thus, it should be added that the relationship between these two processes has a complex character. Migration can influence the economic development of the country of origin, but economic development - as demonstrated in the case of Brazil - also influences migration. This issue becomes even more important when we realize that in recent years, migration has been perceived as a phenomenon that can be managed and used in the economic policy of sending countries. The growing popularity of the pro-migratory orientation of some developing economies can be attributed to the phenomenon of transnationalism, which can be defined as “a process in which immigrants create and maintain multidimensional social relations that entwine their origin and destination societies” (Bash et al., 1994 p.7). “Progress in transport and communications connects the places of origin and destination of migrants”, facilitates transnational activity, allows the existence of multiple identity of transmigrants (Geiger, 2000, p.215).

What we have, therefore, is a growing number of emigration countries mobilizing the potential of Diasporas, which they see as the contributing force to national development. Governments try to facilitate and energize

the transnational activity by offering migrants privileges and special rights (Nyberg-Sørensen et al., 2002). These instruments include: partial tax reduction, agile administrative procedures, infrastructure facilities and opportunities for investors, reintegration programs for migrants who return to the sending country. Special mention should be made of the importance of associations of migrants, which in addition to providing advice may be directly involved in development programs in the communities of origin (Zoomers et al., 2008).

All these efforts to include migration in economic policy are associated with the assumption that migration can contribute positively to the development of the country of origin of immigrants. This optimistic approach has prevailed in the economic debate in the last 15-20 years. However, there is also the pessimistic approach, based on the assumption that the most skilled individuals are the ones who emigrate: young people, entrepreneurs, highly qualified workers. Considered as such, migration is a phenomenon associated with loss for sending States, thus contributing to the aggravation of poverty. These contradictory approaches have been present in the analysis of the relationship between economic development and population movement in the international context since the 1960s (De Haas, 2008). Since it is impossible to analyze all aspects of this discussion in a single article, in the next section we shall review the best known aspect in the literature of migration and development - the impact of remittances on the economy of the sending country.

### **Remittances and development in the country of origin**

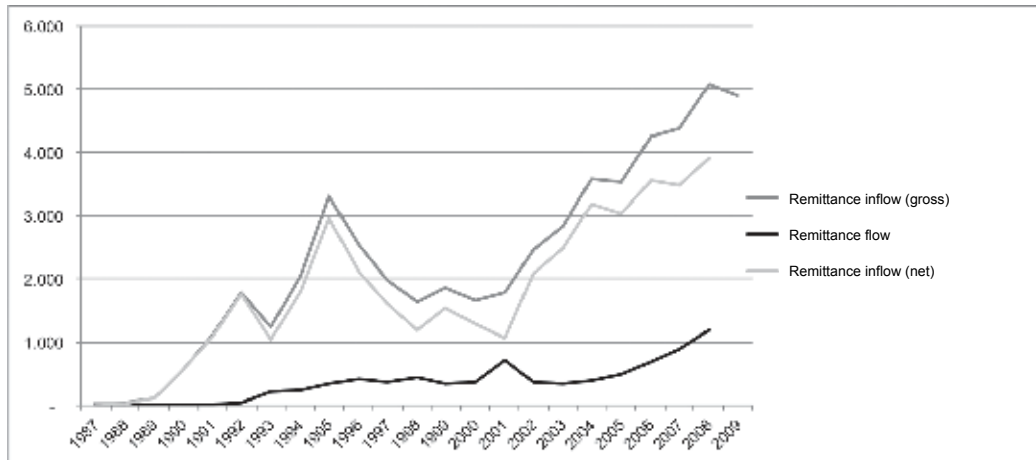
The most obvious and visible economic effect of emigration for the country of origin is the influx of remittances.<sup>7</sup> This influx is the result of the strategy described in migration theories - more precisely, the new economics of migration. The family unit diversifies the resources available: some members emigrate to seek employment abroad.

Emigrants contribute to the household budget of those who stay in the country of origin by transferring part of their earnings. They also adopt the individual strategy of diversifying resources by investing part of the capital saved in the country of origin and part in the destination country. In this context, remittances should result in significant economic impacts at the micro level in the areas of emigration (Taylor, 1999).

The economic consequences of remittances, however, should also be visible at the macro level, considering that the flow of immigrants' funds to the emerging countries has grown considerably in the last forty years (Figure 2). In 1970 all emerging<sup>8</sup> countries received only \$405 million and countries in Latin American and the Caribbean - the region with the higher inflow - \$51 million. In 1990 those figures rose to \$31 billion and \$5.7 billion respectively. In 2008 the gross inflow of remittances to developing countries totaled \$338 billion, accounting for 2% of those countries' GDP. That same year Latin American countries received \$64.7 billion in remittances, which represented 1.8% of their GDP



(Ratha et al., 2009). Despite the recent reduction in the inflow of remittances due to the global financial crisis, these numbers are impressive.<sup>9</sup> Therefore, the issue to be raised is whether migrants' remittances can positively affect the economies of emigration countries.



Source: Ratha et al. (2009). Data for 2009 are estimates.

Figure 2 – Remittance inflow (gross) to emerging countries: 1970-2009 (in US\$ million).

In the discussion about the economic implications of remittances, two contradictory approaches should be highlighted: the optimistic approach and the pessimistic approach. The first stresses that remittances can contribute to the formation of human capital through investments in education or health. This type of transfer can be called productive remittances (Canales, 2005): they can also increase private investment in physical capital, because migrants establish businesses and new workplaces. So, instead of influencing the economy on a temporary basis, remittances are an important factor for development in the long term, increasing per capita incomes and reducing poverty. These positive effects should be visible at both the microeconomic and macroeconomic level (Ghosh, 2006).

There is also, however, a pessimistic approach indicating that it is doubtful whether remittances could cause positive effects in situations where “both state policies and market initiatives had failed systematically” (Canales, 2005, p.3). Only a small portion of funds transferred from abroad is used productively, for “remittances are being earmarked mainly for current day-to-day expenses [...] that is, the money is used to purchase short-term consumer goods” (Martes & Soares, 2006, p.41). This happens due to the high degree of poverty experienced by the emigrants' families. Therefore, at the micro level remittances help to maintain a minimum standard of living, but are not strong enough to pro-

mote social mobility (Oliveira Vidal, 2008). The steady flow of resources from abroad to the family unit can discourage those who stayed behind. Therefore, the families of emigrants can work less than they would have to in the absence of the money transferred by the Diaspora. Thus, there is the danger of structural dependency of these families on financial assistance provided by emigrants (Fajnzylber & Lopez, 2008). At the macro level, the inflow of remittances can contribute to the “rise of foreign currency reserves, which can generate appreciation of the domestic currency, which in turn affects the profitability of exports of manufactured goods” (Oliveira Vidal, 2008, p.13-14), the economic concept known in the literature as “Dutch disease” (Taylor, 1999).

Empirical studies on the economic effects of remittances show contradictory results. At the macro level, research indicates that there is no evidence that remittances received by a country positively affect the rate of economic growth. This was the case of the study conducted by Nicola Spatafora (2005), who analyzed 101 developing countries in the period 1970-2003. This study demonstrated that there is no statistically significant relationship between the amount of remittances and spending on education or health, or between remittances and investments. Likewise, this relationship failed to be demonstrated for the growth rate, even in the case of countries where remittances account for more than 1% of GDP. The author concluded that the impact of remittances on development is of a complex and indirect nature, and therefore very difficult to be shown in macroeconomic studies (Spatafora, 2005).

The attempt to demonstrate the indirect contribution of remittances to economic development is contained in the study by Giuliano & Ruiz-Arranz (2009). The authors analyzed the relationship between remittances and economic growth, including the effectiveness of the financial sector in the countries of origin of immigrants. The survey conducted in seventy emerging countries in the period 1975-2002, shows that remittances can positively affect the rate of economic growth when taking into account the variables that describe the development level of the domestic financial system and the effectiveness of the credit market. In countries where access to credit is difficult or costly, the resources transferred by immigrants become an alternative source of investment financing. In this group of economies, the relationship between remittances and growth rate was positive and statistically significant. Moreover, in countries with a low level of financial sector development, remittances have a pro-cyclical character, i.e., they grow as investment possibilities increase, during the economic boom (Giuliano & Ruiz-Arranz, 2009).

The debate between the pessimistic and optimistic approaches is visible also in surveys that analyze the economic effects of remittances in Latin America and the Caribbean. In the empirical study conducted in four Latin American countries (Mexico, Colombia, El Salvador and Dominican Republic) in the years 1980 to 2004, Alejandro Canales (2005, p.6) notes that “there is no

statistical evidence that enables defining remittances as the source of productive investment.” According to the author, productive remittances in Latin America account for only 5% of the total flow of transfers. Even doubling the proportion of productive remittances to 10% of the total, they “would represent only 1% of private investment in Mexico, less than 2.5% in Colombia and Ecuador, less than 5% in the Dominican Republic, Guatemala, Honduras and Nicaragua, and less than 8% in El Salvador and Haiti” (ibid, p.23). Contrary to what has been demonstrated by Giuliano & Ruiz-Arranz (2009), Canales (2005) points out that in their study remittances exhibit a countercyclical character and increase in situations of economic crisis.<sup>10</sup> Moreover, the positive effect of remittances, notably their contribution to poverty reduction is limited: in the eight countries surveyed (Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Dominican Republic, Ecuador and Peru), they represented a 1.5% reduction in poverty rates.

The study by Acosta et al. (2008) shows, however, that cash transfers by immigrants can help to reduce poverty considerably. The empirical analysis conducted by the authors included 59 emerging countries in the period 1970-2000. For all countries in Latin America and the Caribbean, the increased inflow of remittances by one percentage point was in general associated with a poverty reduction of 0.37%.<sup>11</sup> Thus, remittances effectively reduced the number of people living on less than a dollar a day by 35% in the Dominican Republic, 36% in El Salvador and 40% in Mexico.

At the *mezzo* (regions) and micro (local communities) levels, research into the economic effects of remittances also shows a non-unilateral scenario. On the one hand, analyzes show that the families of emigrants spend the funds earned abroad on consumption, often buying luxury goods, which are imported. For example, in the study of Slask Opolski, a region of intense emigration of Poles to Germany and the Netherlands, Romuald Jonczy observes that most of the services requested by the emigrants and their families come from other regions of the country (home construction, repairs), while the goods purchased by this group are mostly imported from Germany (especially cars). The author concludes that the remittance proceeds, instead of circulating in the local and regional economy stimulating economic development, go back to the area where the money was initially earned (Jonczy, 2006).

It should also be noted that the productivity of remittances and their impact on development depend especially on the socioeconomic conditions in the region of emigration. Martes & Soares (2006, p.50) point out that

Cash remittances are rarely used for productive purposes, which is due largely to the absence of an environment conducive to this type of investment: if the country of origin does not offer a favorable social, economic and institutional environment for the migrant to use his economic and human capital productively, it seems unrealistic to expect that remittances can, by themselves,

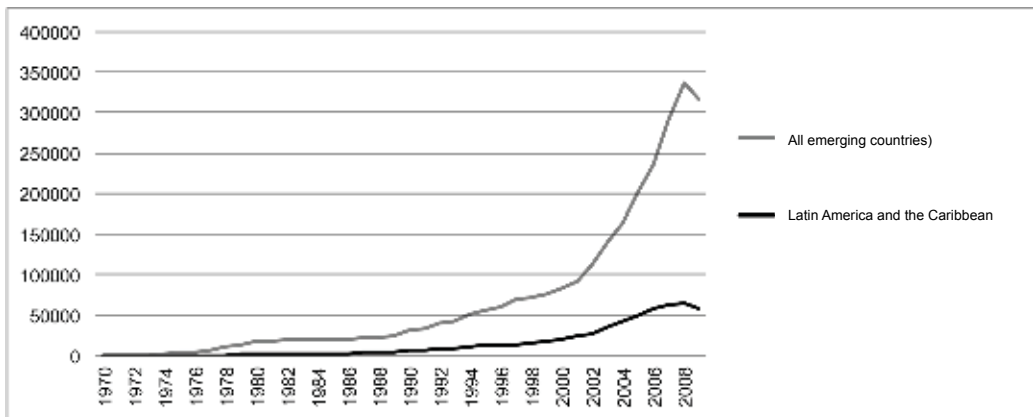
promote poverty reduction and local development.

Therefore, what is “productive” when we analyze the expenditure of remittances depends on the socioeconomic context. In a study conducted in the region of Oaxaca, Mexico, Silvia Grigolini (2005) found that remittances by emigrants can be used productively, even if the consumption expenditure of family units can be classified as “purchase of luxury goods”. What at first could be seen as unnecessary consumption became a profitable investment: cars brought from abroad were used as taxis; refrigerators and television sets were part of a bar. The woman who received a telephone from her son - an immigrant to the United States - opened a telephone station offering her number to everyone who needed it, and charging a small amount for the service (Grigolini, 2005). These findings were made possible only because the author spent a lot of time in the local communities talking to people and observing their activities. The conclusion is simple: assessing the economic effect of remittances at the local level requires more than just analyzing data on consumption; it requires surveying not only people’s consumption pattern in the local context, but also how these goods are used.

### **Remittances and the Brazilian economy**

Brazil is one of the main recipients of remittances in Latin America: according to World Bank data, the inflow of transfers increased considerably in the late 1980s, reaching \$1.1 billion in 1991 (Figure 3).

It should be added that the flow of these resources has a bilateral character: it is money that immigrants send to their families in the country of origin, but the family members who remained in that country also help the immigrants abroad. This financial aid is intensified especially in situations of economic crisis in the destination: for example in 2001, following a 0.8% reduction in U.S. GDP (the U.S. is the main destination of Brazilian immigrants), the outflow of remittances from Brazil nearly doubled over the previous year (2000) to \$709 million. Therefore, analyzing the possible impacts of remittances on the Brazilian economy requires considering the net inflow, i.e., the gross inflow minus the outflow. This reached a peak in 2008: \$3.9 billion. In 2009, because of the global financial crisis, remittance flows experienced a sharp decrease - the estimates for that year, which include only gross inflow, show a 3.5% decrease in remittances to Brazil over the previous year (Ratha et al., 2009).



Source: Ratha et al. (2009). Data for 2009 are estimates; when the paper was published, only data on the gross inflow of remittances for that year were available.

Figure 3 – Remittance inflow to Brazil: 1987-2009 (in US\$ million).

Neide Patarra (2006) suggests that cash transfers by immigrants contribute significantly to reducing the balance of payments imbalance. According to data provided by the Inter-American Development Bank, \$5.8 billion in remittances (gross inflow) to Brazil in 2003 accounted for 7% of Brazilian exports.<sup>12</sup> Patarra states that cash transfers by immigrants exceeded soybean (\$4.3 billion in 2003) and coffee (\$1.3 billion) exports. Thus, “the emigrant continues to be Brazil’s main export product” (ibid, p.30).

However, it should be pointed out that remittances to Brazil, despite reaching impressive figures in recent years, make up a small fraction of the domestic economy, having accounted for only 0.3% of GDP in 2008. Therefore, some researchers indicate that in the case of large remittance-recipient countries like Brazil, the weight of remittances at the macroeconomic level is limited (Canales, 2005). Other authors point out that, because of the large spread of remittances over the Brazilian territory, “it seems reasonable to assume they have a negligible virtuous effect on the economic dynamics of large cities - São Paulo, Belo Horizonte and Vitória” (Martes & Soares, 2006, p.50), whereas the beneficial effect can be considerable in areas of intensive emigration like the cities of Governador Valadares (Minas Gerais), Criciúma (Santa Catarina) and Maringá (Paraná). According to Wilson Fusco (2005), one of the main purposes of the remittances to those cities was investment, which ranged from 16% (Criciúma) to 19% (Maringá) of the overall amount.

The study by Weber Soares (Martes & Soares, 2006) shows that in the economy of the city of Governador Valadares (MG) the productive purpose of the remittances was even greater: 38% of the funds transferred were invested in the purchase, construction or renovation of real estate. Therefore, remittances

had a considerable influence on the real estate market: 35.9% of all transactions in the period 1984-1993 were conducted by immigrants. Soares states that emigrants from Governador Valadares experienced a social rise in the community of origin, holding the position of investors. These investments by emigrants have contributed to local economic development: in the period 1991-1996, GDP in the State of Minas Gerais grew 3.2% per annum, while in Governador Valadares the growth was 6.1%. The author indicates that this dynamic development should be attributed to the “construction boom generated by savings sent from abroad by international emigrants from Valadares” (Martes & Soares, 2006, p.47).

National studies show that in Brazil, productive remittances make up the bulk of the total inflow of transfers, a number considerably higher than the average productive use of remittances in Latin America (5% of the amount) estimated by Alejandro Canales (2005). Therefore, it can be argued that in the Brazilian case, remittances contribute positively to economic development. With increased emigration from the country, which should continue in the coming years, the importance of remittances as a positive factor for the Brazilian economy is expected to grow even further. However, these positive effects are not visible at the macroeconomic (domestic economy) level, but rather at the mezzo level, i.e., the main regions of intensive emigration, with special emphasis on Governador Valadares.

Moreover, the positive effect of remittances may be even greater if we take into account the socioeconomic context of the communities where the money sent from abroad is spent. In poor areas, where access to credit is difficult, remittances are an alternative source of investment financing. As shown by Silvia Grigolini in the study on remittances in Oaxaca State, Mexico (described in the previous section), the proceeds of remittances which initially could be classified as unnecessary consumption, after careful analysis may emerge as productive investments. However, in Brazil these hidden positive effects of remittances can only be unveiled through deep studies conducted at the microeconomic level in the areas of higher concentration of emigrants' families.

The productive use of remittances in Brazil is also limited by the lack of a social and institutional environment conducive to this type of investment. Therefore, there is the need to introduce policies at the federal, state or municipal level that promote the productive use of remittances. An example of a strategy that has produced positive results is the program developed by emigrants' associations in the State of Zacatecas (in the central-north part of Mexico). These associations, in collaboration with the state government of Zacatecas and the federal government developed infrastructure investment programs in the communities of origin of the emigrants. The name of the project is “3x1” (three for one), because of the funding system: for every peso transferred by emigrants' associations, the state and federal governments contribute one addi-

tional peso. The money has been invested in the construction of roads, schools and hospitals in local communities. The most important factor that contributed to the success of this program is not only the capital transferred by emigrants, but also the involvement of the Diaspora in identifying the needs for infrastructure projects, as well planning and supervising them. Therefore, investments financed with this program were more effective than the projects implemented by the State (Kuznetsov & Sabel, 2008). This type of policy can be adapted and transferred to the Brazilian case, especially in emigration-intensive communities. In the Brazilian Diaspora, which currently comprises nearly four million people, there is great potential that can be tapped to attract emigrants to economic activities that are both productive and beneficial to the regions of origin. The main condition for this potential to be realized is a more active involvement of national politicians in the problems of the Brazilian Diaspora.

#### Notes

- 1 Based on Brazilian censuses, Maria Stella Ferreira Levy (1974) points out that in the period of one hundred years - between 1872 and 1972 - 5.4 million immigrants came to Brazil; the vast majority were of European origin (i.e., Portuguese, Italians, Spanish, Germans, Poles, Ukrainians and Jews).
- 2 This number is the result of the projection made by the United Nations Department of Economic and Social Affairs (DESA, 2009) in 2009.
- 3 In this case, the numbers refer to migrants who were ten years or older in 1990 (Carvalho & Campos, 2006).
- 4 The concept of Diaspora is to be understood in the sense proposed by Robin Cohen (1996) and introduced in the Brazilian literature by Neide Lopes Patarra (2006), i.e.: A group of people that left their country of origin towards (at least) two overseas destinations that maintain in the immigration areas a particular ethnic identity. This group maintains ties with the country of origin, but also among the various communities of countrymen abroad. Finally, the dispersion of this group was caused by a tragic event (war, coup, forced migration), or economic factors (trade development, search for work abroad). In this sense, Brazilian emigrants can be defined as a labor Diaspora.
- 5 The most recent analyzes consider the papers presented at the VI National Meeting on Migration, of the Brazilian Association of Population Studies, 12 to 14 August 2009; for example, the study by Kleber Fernandes de Oliveira (2009) on internal migration in Sergipe in the period 1980-2000 and the impact of this process on poverty levels in the areas of origin and regions of destination.
- 6 For example, Marcelo de Oliveira Vidal (2008) points out that in the case of Brazilians in Spain, 66.2% are illegal immigrants. Martes & Soares (2006) state that in the group of Brazilians interviewed in the Boston metropolitan area in the United States, 83% of immigrants informed they had no documents.
- 7 According to the definition developed by the World Bank, cash remittances are a joint flow of 1) remittances by emigrants; 2) workers' compensation; and 3) transfers

by emigrants. “Remittances by emigrants” are transfers made by workers who stay abroad for more than a year, while “workers’ compensation” refers to transfers made by workers who live abroad for less than a year. Finally “transfers by emigrants” are goods and financial assets brought by the emigrant when he (she) crosses the border; for example: a car purchased abroad (Ghosh, 2006).

8 According to the World Bank, in 2007 the emerging countries made up a group of 144 economies, which could be further divided into three subgroups: low-income economies (49 countries in 2007); lower-middle-income economies (54 countries); and upper-middle-income economies (41 countries).

9 It should also be noted that the figures presented are only the official data – most of the remittances are not documented, as they are transferred by unofficial means. Estimates by the International Organization for Migration (IOM) show that non-documented remittances account for at least 50% of the official flow (IOM, 2008).

10 Alejandro Canales analyzes each country separately, so that in each macro-economic model the number of observations is modest (25 observations). Moreover, the choice of independent variables is questionable, as there is the danger of correlation between the exchange rate and the rate of economic growth. Thus, the results of this analysis should be seen with caution.

11 The poverty level was defined based on the global poverty line, i.e., income level of less than one dollar a day.

12 The data presented by Neide Patarra are the estimates of the Inter-American Development Bank. These numbers are higher than the data presented by the World Bank. However, Neide Patarra is describing the gross inflow of remittances. As mentioned before, at the macroeconomic level one should analyze the size of net remittances, which in the Brazilian case would be considerably smaller.

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*Abstract* – Brazil is a country with a long immigration history; however its emigration experience is a recent issue. The migration transition started in the 1980s, when the first wave of migration was initiated. This process continued in the next decades: therefore, the traditional nation of immigration was transformed in the nation of emigration. Brazilian Diaspora is now estimated in ca. 3.7 million and constitutes an important area of interest for scholars and policy-makers interested in development policy. This article focuses on the relationship between migration and development from the perspective of the sending country. The author argues that in the Brazilian case, the impact of migration on the national economy should be beneficial, especially when analyzing the effects of remittances on the mezzo (i.e. regional) level.

*Keywords:* Migration and development, Economic development of Brazil.

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