

DRAFT
Preliminary Results

Economic impact of return migration in Latin America

Angel Aguiar¹ and Terrie Walmsley

Center for Global Trade Analysis, Department of Agricultural Economics, Purdue University

Abstract

During the Global financial crisis, developed countries in the Northern Hemisphere experienced sharp declines in their economies and severe unemployment; while South American countries appear to have been somewhat immune, experiencing some declines only in 2009. With lackluster economic growth in the North relative to the South, South American immigrants returned home in large numbers in 2008 and 2009. Remittances are an important source of income for the South American region, however if this trend continues it is expected that even more immigrants will follow. In this paper we will investigate the effects of return migration on the Latin American economies. We find that return immigration has a positive impact on the economies and trade of South America.

Keywords: U.S. undocumented workers, South America return migration, general equilibrium model

JEL classification: J61, C68

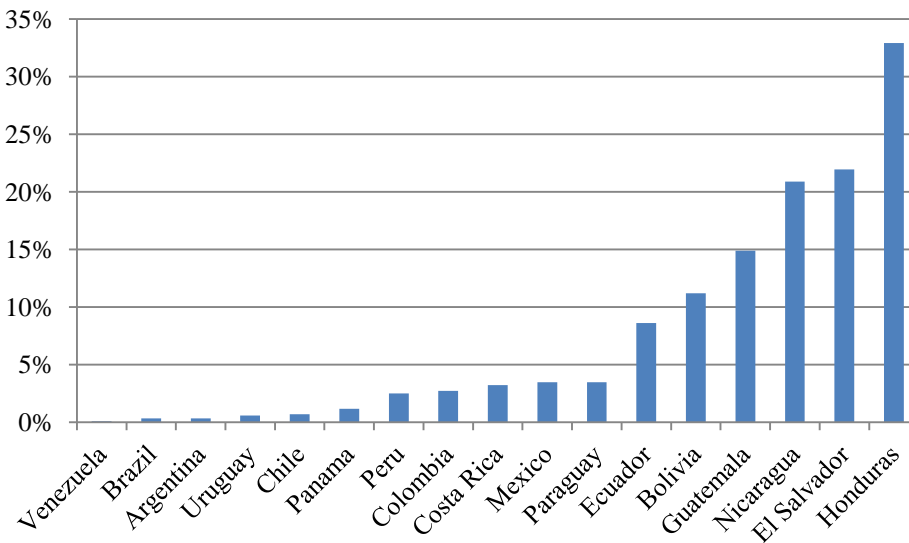
¹ Angel H. Aguiar, Center for Global Trade Analysis, Department of Agricultural Economics, Purdue University, 403 W State St., West Lafayette, IN 47907, U.S., aaguiar@purdue.edu

Economic impact of return migration in South America

Introduction

Remittances are the main positive consequence of emigration for labor exporting countries. Over time, inward remittances have increased in importance for developing countries (Ratha, 2003), including many countries in Latin America (Walmsley et al., 2007 and World Bank, 2006). Within the Latin American region, Mexico is the top receiver, but for Nicaragua, El Salvador, and Honduras, remittances also represent a large share of their national income, see Figure 1.

Figure 1. Remittances share of national income.



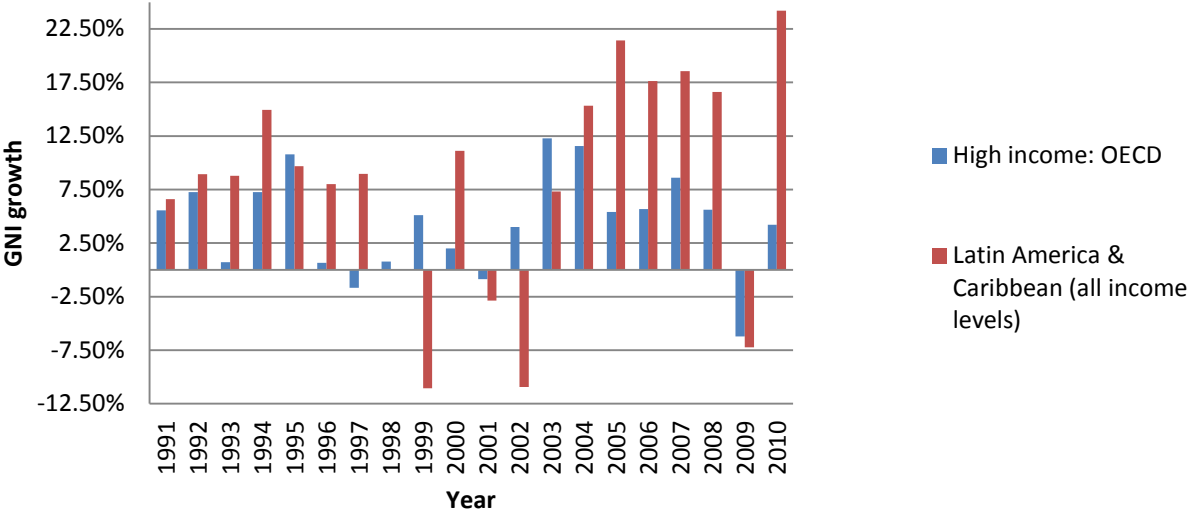
Source: Authors' computation based on GMig2 Data Base.

For the recipient countries, immigration expands their productive capacity and for a growing economy, it prevents the negative effect of labor shortages. During a recession, however, increasing unemployment negates the positive effects of immigration in both the labor importing and exporting economies as migrants find themselves unemployed and unable to send

home valuable remittances. This decline in the benefits from migration was evident during the recent global financial crisis, where Latin America experienced a sharp decline, 15%, in the level of remittances received due to the weak economy in the US and growing unemployment (Maldonado et al. 2011). Also, the number of undocumented migrants sharply declined at the height of the crisis in 2008 and 2009. Moreover, the US economic downturn has prompted several states to implement new and/or tighten existing legislature to control undocumented migrants, in order to alleviate unemployment pressures on domestic workers.

Even before the crisis, economic growth in US and EU, the traditional destination countries for Latin American emigrants, has been lower than in Latin America over the past 8 years (Figure 2). All this suggests that labor market pressures in Latin America are on the increase, while those in the North are declining. If this pattern continues and economic conditions do not improve for developed countries, we could expect to see further increases in return migrants into South America.

Figure 2. GNI growth



Source: WDI, 2012

The purpose of this study is to examine the effect of return migration in South America. We target undocumented workers in the US because we consider them to be more prone to return home given current unemployment and increasing legislation that attempt to reduce the number of illegal workers.² For this analysis we use a global trade and migration model, GMig2, which has been modified to account for undocumented workers in the US. We use the version of the model modified by Aguiar (2009) to include undocumented workers and allow for imperfect substitutability between domestic and foreign workers.³ We also consider alternative employment assumptions in order to better reflect the current reality.

We find that return migration is beneficial for growth in South America. Return migration also benefits domestic US workers since, in the absence of foreign workers, demand for domestic workers and hence employment increases. This suggests that the U.S. government should collaborate with the governments of labor exporting countries to facilitate migrants in their efforts to return home.

Literature Review

The literature has concentrated on the economic effects of immigration in the United States. The United States is the largest host to international migrants in the world and although the majority of its 38 million legal and illegal foreign workers are of Latin American origin fewer studies have concentrated on the implications of migration for this region.

Ojeda et al. (2007) highlight the importance of migration policy relative to trade policy. Like this paper, they use the GMig2 model to examine both trade and immigration policy effects

² According to the Pew Hispanic Center, the undocumented population has declined from its peak in 2007, of approximately 12 million, to 11.1 million in 2009.

³ In the original GMig2 model, domestic and foreign workers are considered perfect substitutes.

on North America. Aguiar and Walmsley (2009) used an extended version of the GMig2 model that accounts for undocumented workers to examine the economic effects of potential changes to US immigration policy focusing on the US economy. In this study we use the same modeling framework with updated data, focusing on South America.

Model and Data

For this analysis we use a variant of the GMig2 model that includes undocumented workers in the U.S. and treat domestic and foreign workers as imperfect substitutes.⁴ In particular, for unskilled workers, substitution is implemented in two stages. First, between foreign and domestic and then between documented and undocumented foreign workers (Aguiar, 2009).

This multi-country applied general equilibrium model explicitly considers the bilateral movement of skilled and unskilled workers across countries.⁵ The model and data base track the "home" and "host" countries for each person and worker. The use of bilateral migration data also allows us to analyze the effect of changes in U.S. immigration policy targeting particular migrant source-countries, such as Mexico.

Labor movement can occur either exogenously, through changes in quotas or quantities, or endogenously, in response to wages. Resulting changes in the wages of domestic and foreign residents by skill, as well as the remittances and real incomes of permanent residents, and new and returning migrants are then captured within the model. In the remainder of this section, the

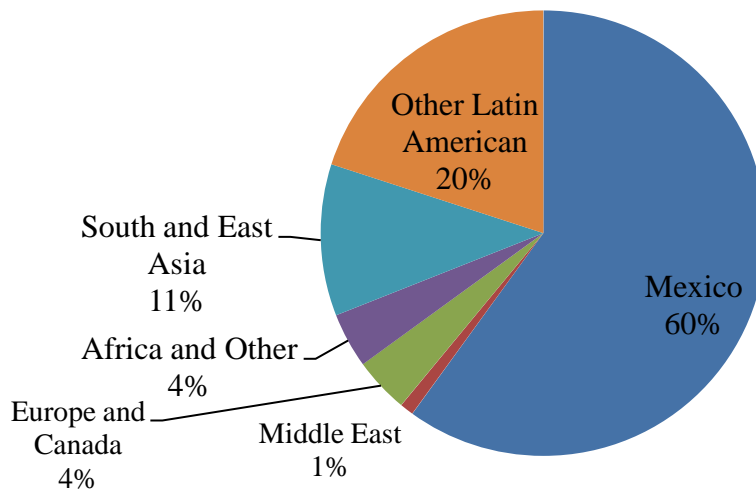
⁴ The GMig2 model is based on the GTAP model (Hertel, 1997).

⁵ In the GMig2 model, it is the underlying bilateral migration data base, GMig2 database, that allows bilateral labor flows to be modeled explicitly (Parsons et al., 2007).

focus is on providing a description of the revisions made to the model and data to incorporate undocumented workers.⁶

We obtained estimates for undocumented workers from Passel (2009 and 2010). These data include the country of origin of undocumented workers and the industry where they work. Figure 3 displays the distribution of the undocumented foreign population in the United States, estimated to be 11.5m, by country of origin. More than half of U.S. undocumented foreigners are from Mexico, and when combined with other Latin American countries, these account for 83% of total undocumented foreigners.

Figure 3. Distribution of Undocumented Immigrants by Region of Origin in 2009

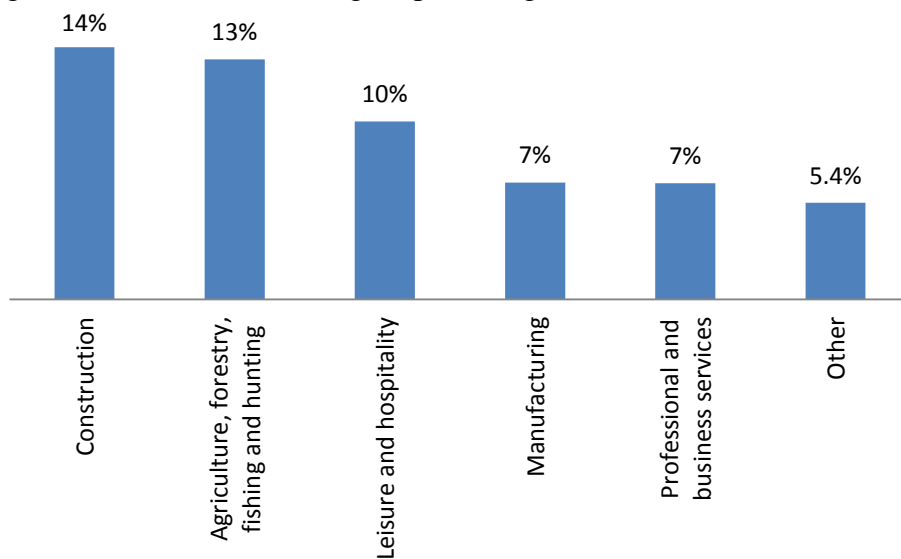


Source: Passel 2010.

Figure 4 shows the distribution of these undocumented workers across six industries. The construction industry has the highest share of undocumented workers --14% of their total employed labor -- followed by the agriculture, forestry, fishing and hunting industries (13%), leisure and hospitality (10%), manufacturing, and professional services (7% each).

⁶ Those interested in knowing more about the underlying model are referred to Walmsley et al. (2011).

Figure 4. Industries with a higher percentage of undocumented workers



Source: Passel 2009.

Labor income earned within a region by all workers is obtained from the GTAP 8 Data Base (Aguiar et al., 2012). Unfortunately, this is not distinguished between domestic and foreign workers. These data are not available on a global basis; therefore it needs to be derived.

Walmsley et al. (2007) derived these data assuming that the wage rates of workers of skill i , from region r , located in region c ($W_{i,r,c}$) are equal to the home wage ($HW_{i,r}$) in region r , plus a proportion (β) of the difference between the host and home wage ($HW_{i,c} - HW_{i,r}$):

$$W_{i,r,c} = HW_{i,r} + \beta_{i,r,c} * (HW_{i,c} - HW_{i,r}) \quad (1)$$

where β is the proportion of the difference obtained by a person of labor type i migrating from region r to region c .⁷ A similar approach to obtain initial wages of undocumented unskilled

⁷ Walmsley et al. (2007) used a β equal to 0.75 when people move to countries with higher wages and 0.30 when the move is to countries with lower wages.

workers ($W_{i,r,c}^{\text{Undoc}}$) by assuming that their wages are a proportion, γ , of the wages received by unskilled foreign documented workers ($W_{i,r,c}^{\text{Doc}}$) in Equation 2.

$$W_{i,r,c}^{\text{Undoc}} = \gamma * W_{i,r,c}^{\text{Doc}} \quad (2)$$

The proportion γ is set equal to 0.7 in the initial data base, which indicates that the productivity of undocumented workers is assumed to be 30% lower than that of foreign documented workers. This reflects the fact that migrant workers generally receive lower compensation compared to their domestic peers (Borjas and Tienda, 1993).

We use remittances data from the IMF's balance of payments statistics. Remittances are allocated across source regions to determine bilateral remittances by assuming a constant share of remittances to income.

Finally these modifications are incorporated into the GTAP 8 Data Base.⁸ The 129 regions of GTAP 8 Data Base are aggregated into 20 regions⁹ and the 57 sectors into 10 sectors: Grain Crops, Livestock, Extraction, Processed Food, Textiles and Wearing Apparel, Light Manufactures, Heavy Manufactures, Utilities and Construction, Transportation and Communication, Other Services.

The model modifications expand the traditional structure of the GTAP and GMig2 models¹⁰ to include firms' demand for undocumented unskilled workers. Figure 5 shows the tree diagram representing the structure of the modified model. In the GTAP and GMig2 models, to

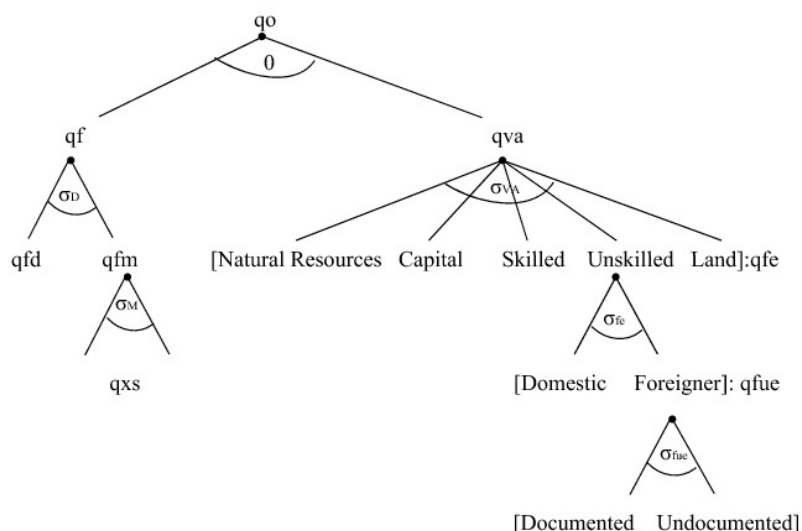
⁸ The reference year for the GTAP Data Base is 2007 (Aguilar et al., 2012).

⁹ The country aggregation is composed by Mexico, Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela, Costa Rica, Guatemala, Honduras, Nicaragua, Panama, El Salvador, US, EU, and Rest of World.

¹⁰ For details about the GTAP Model, the reader is referred to Hertel (1997) and for details about the GMig2 Model, the reader is referred to Walmsley et al. (2011).

produce final output (q_0), firms demand intermediate products (q_f) and value added (q_{va}). Intermediate products can be further divided into domestic (q_{fd}) or imported (q_{fm}).¹¹

Figure 5. Model Structure



Source: Modification of Figure 2.6 in Hertel (1997)

In the GTAP model, value added consists in these five endowments: Natural Resources, Capital, Land, Skilled and Unskilled Labor. The GMig2 model distinguishes the origin of labor endowments and the extension we use for this study further distinguishes unskilled workers between foreign documented and undocumented. In the case of skilled workers, we assume that there are no undocumented skilled foreign workers.

Based on econometric estimations by Ottaviano and Peri (2006) we assume that the substitutability between domestic and foreign workers is 5, while documented and undocumented foreign unskilled workers are considered more easily substitutable and therefore

¹¹ Imports are distinguished by origin using the Armington elasticities of substitution.

the elasticity of substitution is set to 10, the upper bound result obtained by Ottaviano and Peri (2006).¹² Note that in the model, firms demand foreign workers (documented or undocumented) without regard of their country of origin, that is, workers from country i in the United States are considered perfect substitutes of workers from country j .

Similarly, the model is revised to include the supply of undocumented migrant workers. These revisions to the GMig2 model allow us to examine policies specifically aimed at undocumented workers, such as legalizing the status of undocumented workers or the deportation of these undocumented foreign workers. Any changes in the number of undocumented workers, due for instance to deportation or legalization, will result in reallocation of undocumented workers across sectors so that the total supply of undocumented workers equals demand and wages equate across sectors. Note that in the model, firms demand foreign workers (documented or undocumented) without regard of their country of origin, that is, workers from country i in the United States are considered perfect substitutes of workers from country j .¹³

Policy Simulations

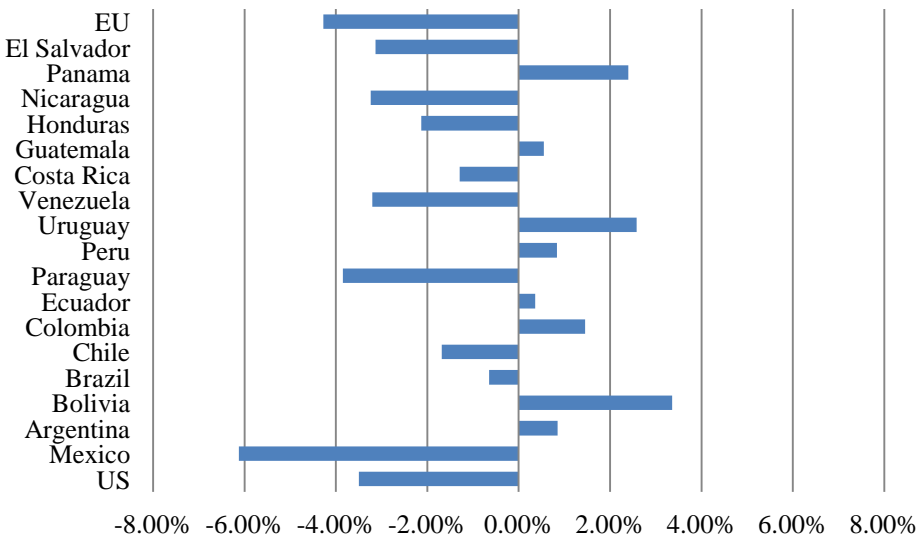
The purpose of this exercise is to examine the effects of return migration on Latin America in response to the US economic crisis. We undertake two simulations: labeled baseline and return migration.

¹² Sensitivity analysis with respect to the elasticities of substitution of domestic and foreign unskilled workers, documented and undocumented show no significant changes to the macroeconomic results. While this assumption does affect the real wages of foreign workers, the impact on the domestic wage is much less sensitive to these elasticities.

¹³ In the data base, however, due to Equation 1, initial wages and hence productivity do differ across skill level and countries of origin.

In the baseline the economic crisis is captured by changes in GDP and unemployment. In 2009, US GDP suffer negative growth of approximately 3.5% and during the same year unemployment reached 9.3%. For many years unemployment in the US has been between 4.6% and 5.1% therefore we impose an increase in US unemployment in the same amount. We assume that unemployment affects both documented and undocumented workers equally and does not discriminate between foreign and domestic workers. Figure 6 shows the target GDP we have used for our baseline.

Figure 6. GDP growth rate in 2009



Source: WDI data.

In the return migration policy simulation we want to examine the effect of undocumented workers returning home. We consider two alternative scenarios. In the first, we assume that all of the unemployed undocumented workers return home. That is, we assume that 304 thousand or 5% of undocumented workers return home voluntarily, although they could also have been deported. Since these undocumented workers were unemployed this is unlikely to have a significant impact on the USA economy, except to the extent that these undocumented workers increased government spending, our focus is on the impact on the Latin American countries.

Table 1 shows the number of return migrants by home/host country. As expected more than half of the undocumented workers are from Mexico and hence return to Mexico.¹⁴

Table 1. Numbers of Undocumented Migrants returning home ('000's)

	5%	10%
USA	-304.4	-608.8
Mexico	184.4	368.8
Argentina	1.1	2.2
Bolivia	0.4	0.8
Brazil	1.8	3.6
Chile	0.7	1.4
Colombia	4.2	8.4
Ecuador	2.4	4.8
Paraguay	0.1	0.2
Peru	2.3	4.6
Uruguay	0.2	0.4
Venezuela	0.9	1.8
Costa Rica	1.2	2.4
Guatemala	7.7	15.4
Honduras	4.6	9.2
Nicaragua	3.6	7.2
Panama	2.3	4.6
El Salvador	13	26
EU25	8.5	17
Rest of World	65	130

In the second scenario, we assume that 10% of undocumented workers return home in response to brighter prospects at home relative to the USA. This means that half of the undocumented workers returning home were still employed in the US despite the crisis and this is likely to have an impact on the US economy, as well as on the Latin American countries.

Table 1 shows the number of returning undocumented workers is now double that of the previous scenario. Note that we assume that returning migrants have the same productivity as

¹⁴ Note that 5% of all undocumented workers return home, not just those in Latin America.

incumbent workers at home once they return and hence are not assumed to have gained any skills/productivity during their work abroad.¹⁵

Results

Table 2 illustrates the impact on each of the economies of the unemployed undocumented workers returning to their home countries (5% of undocumented workers return). These results are relative to the baseline scenario where US GDP fell and unemployment rose.

This policy simulation has no effect on the US economy and real wages because these undocumented workers were already unemployed and hence had already left the US labor market. Even remittances do not change since once these workers became unemployed they could no longer send home part of their wages as remittances.

The impact is only noticeable in the Latin American countries, where these return migrants enter the labor force, thereby increasing real GDP and exports, and reducing real wages in their home countries. Despite lower wages, real incomes also rise as returns to other endowments, such as capital and land, increase. This analysis assumes that the return migrants are able to find jobs in their home economies, since the global recession has not increased unemployment significantly in Latin America. The impacts of this policy on real wages (although negative) are small, especially when compared to the baseline. Finally, in several Latin American countries, Real GDP growth is still positive (Figure 6) therefore this assumption of full employment is realistic for many of the countries.¹⁶

¹⁵ This is not unreasonable given that we are examining the impact of undocumented and unskilled workers. To the extent that there are productivity gains from living and working abroad our results underestimate their positive contributions to the home country.

¹⁶ The notable exception being Mexico, where the assumption of unemployment would have eliminated these immediate benefits from return migration. However, unemployment rate in Mexico has remain stable even during

Table 2. Percentage changes in selected variables resulting from return migration of 5% of undocumented workers in the US

	Real GDP	Household Income	Remittances out of US/into Latin America	Unskilled Real Wages	Real Exports
USA	0	0	0	0	0.008
Mexico	0.095	0.104	0	-0.276	0.032
Argentina	0.003	0.003	0	-0.004	0.003
Bolivia	0.004	0.004	0	-0.008	0.004
Brazil	0.001	0.001	0	-0.001	0.003
Chile	0.004	0.005	0	-0.008	0.004
Colombia	0.011	0.009	0	-0.014	0.011
Ecuador	0.013	0.011	0	-0.027	0.006
Paraguay	0.001	0.001	0	-0.003	0.002
Peru	0.009	0.010	0	-0.011	0.003
Uruguay	0.006	0.007	0	-0.010	0.007
Venezuela	0.003	0.004	0	-0.005	0.001
Costa Rica	0.022	0.024	0	-0.048	0.015
Guatemala	0.062	0.057	0	-0.111	0.068
Honduras	0.066	0.049	0	-0.121	0.072
Nicaragua	0.080	0.106	0	-0.085	-0.061
Panama	0.067	0.046	0	-0.126	0.075
El Salvador	0.156	0.134	0	-0.373	0.176
EU25	0.002	0.002	0	-0.003	0.002
Rest of World	0.001	0.001	0	-0.002	0.002

In contrast, if more undocumented workers were to return home, not just those unemployed, we find that the US economy would have minor overall gains because it substitutes the departed workers with domestic workers, which are more productive. As expected return migration does increase employment of domestic workers and legal foreign workers relative to the baseline, as US firms' substitute towards other unskilled workers, albeit the effect is very small due to the imperfect substitution and higher wages of legal workers.

the global crisis and over time, as Mexico's real GDP growth returned to positive more quickly than the US, access to the additional labor would have boosted Mexico's recovery.

Some countries in Latin America would also see losses in the level of remittances out of the US relative to the baseline (Table 3) since some previously employed undocumented workers are now returning home. This has a negative impact on real incomes, offsetting the gains in incomes from other factors. However more workers are now returning home which would further increase real GDP. In addition, there will be a negative effect on the home wages due to abundance of workers. For other countries however, the effect of remittances out of the US and into Latin America is positive. This means that for these countries, the loss of remittances out of the US in response to 10% return undocumented migration is lower than the loss under the baseline scenario. The reason behind this is that in the policy scenario the effect on real wages is lower than in the baseline.

Finally, exports of most of the Latin American economies has also increased. This is primarily due to increased trade within the region, since US imports actually decline as a result of the return migration.

Table 3. Percentage changes in selected variables resulting from the return migration of 10% of undocumented workers in the US

	Real GDP	Household Income	Remittances out of US/into Latin America	Unskilled Real Wages	Real Exports
USA	0.042	0.031	0.000	-0.053	0.060
Mexico	0.190	0.218	0.104	-0.549	0.065
Argentina	0.005	0.006	0.336	-0.009	0.014
Bolivia	0.007	0.038	0.327	-0.011	-0.014
Brazil	0.001	0.002	0.530	-0.003	0.022
Chile	0.008	0.016	0.272	-0.017	0.008
Colombia	0.023	0.046	0.668	-0.026	-0.008
Ecuador	0.034	0.121	1.086	-0.035	-0.051
Paraguay	0.003	0.010	0.593	-0.005	0.001
Peru	0.018	0.038	0.588	-0.022	-0.004
Uruguay	0.012	0.016	0.846	-0.021	0.015
Venezuela	0.006	0.015	-0.132	-0.012	0.006
Costa Rica	0.045	0.047	-0.169	-0.097	0.039

Guatemala	0.125	0.147	0.146	-0.221	0.095
Honduras	0.134	0.101	-0.010	-0.238	0.169
Nicaragua	0.143	0.111	-0.273	-0.208	0.090
Panama	0.133	0.076	-0.596	-0.257	0.180
El Salvador	0.313	0.325	0.238	-0.740	0.258
EU25	0.004	0.006	1.377	-0.007	0.008
Rest of World	0.002	0.010	0.982	-0.005	0.003

In terms of sectoral production, the effect of undocumented workers returning home is more noticeable for those countries who had a greater undocumented population in the US, these are Mexico, Guatemala, Honduras, Nicaragua, Panama, and El Salvador, see Table 4.

The effects vary per country, but we can see some similarities. For example the Utilities and Construction sector in Nicaragua and El Salvador appear to benefit from return migration by the same percentage (0.20%), although El Salvador receives approximately 3 times more return migrants. In addition, within El Salvador we find the largest effects compared to the rest of Latin America, see Textiles and Apparel (0.35%) and Grain and Crops (0.19%) among others.

In Table 5 we see the sectoral effects under the scenario where 10% of undocumented workers return home. As before, we note that Textiles and Wearing apparel sector grows more due to changes in unskilled workers relative to the baseline. In the case of the US, it is the change in productivity of the workers (domestic versus foreign legal) that reflects the positive change relative to the baseline. The effect on the Latin American countries is consistent with our previous scenario, but with a more pronounced impact.

Table 4. Percentage changes in production resulting from the return migration of 5% of undocumented workers in the US relative to the baseline

	Unskilled labor force	Grains Crops	Meat Lstk	Extraction	Proc Food	Text Wapp	LightMnfc	HeavyMnfc	Util_Cons	TransComm	OthServices
USA	0.00	-	-	-	-	-	-	-	-	-	-
Mexico	0.47	0.11	0.12	0.01	0.11	0.15	0.09	0.10	0.15	0.11	0.09
Argentina	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bolivia	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Brazil	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chile	0.01	0.00	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00
Colombia	0.03	0.01	0.01	0.00	0.01	0.02	0.02	0.01	0.01	0.01	0.01
Ecuador	0.04	0.02	0.02	0.00	0.02	0.02	0.02	0.02	0.02	0.02	0.01
Paraguay	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Peru	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Uruguay	0.02	0.00	0.01	0.00	0.01	0.01	0.01	0.01	0.00	0.01	0.01
Venezuela	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Costa Rica	0.08	0.02	0.03	0.01	0.03	0.04	0.03	0.02	0.04	0.02	0.02
Guatemala	0.18	0.04	0.06	0.04	0.06	0.12	0.10	0.10	0.07	0.07	0.05
Honduras	0.19	0.05	0.07	0.04	0.07	0.07	0.10	0.10	0.06	0.08	0.06
Nicaragua	0.18	0.03	0.03	0.03	0.03	0.11	0.16	0.09	0.21	0.07	0.07
Panama	0.18	0.07	0.07	0.04	0.06	0.08	0.10	0.11	0.07	0.08	0.06
El Salvador	0.59	0.19	0.16	0.03	0.14	0.35	0.18	0.15	0.20	0.15	0.12

Table 5. Percentage changes in production resulting from the return migration of 10% of undocumented workers in the US relative to the baseline

	Unskilled labor force	Grains Crops	Meat Lstk	Extraction	Proc Food	Text Wapp	LightMnfc	HeavyMnfc	Util_Cons	TransComm	OthServices
USA	0.11	0.03	0.04	0.02	0.04	0.07	0.06	0.06	0.05	0.05	0.04
Mexico	0.94	0.23	0.24	0.02	0.23	0.29	0.17	0.20	0.30	0.21	0.19
Argentina	0.01	0.01	0.00	0.01	0.01	0.01	0.01	0.00	-0.01	0.01	0.01
Bolivia	0.02	0.00	0.02	0.00	0.00	-0.01	-0.02	-0.01	0.01	0.01	0.01
Brazil	0.00	0.01	0.00	0.01	0.00	0.00	0.00	0.00	-0.01	0.00	0.00
Chile	0.03	0.02	0.01	0.03	0.01	0.02	0.00	-0.02	0.00	0.01	0.01
Colombia	0.05	0.02	0.03	0.00	0.03	0.02	0.01	0.00	0.02	0.03	0.03
Ecuador	0.09	0.01	0.07	0.00	0.01	0.04	0.02	-0.02	0.05	0.03	0.07
Paraguay	0.01	0.00	0.00	0.01	0.01	0.00	0.00	0.01	-0.01	0.00	0.01
Peru	0.04	0.02	0.02	0.02	0.02	0.01	0.03	0.00	0.02	0.03	0.02
Uruguay	0.04	0.01	0.01	0.02	0.03	0.02	0.01	0.00	0.01	0.01	0.01
Venezuela	0.02	0.01	0.01	0.00	0.01	0.02	0.00	-0.02	-0.01	0.01	0.01
Costa Rica	0.15	0.04	0.05	0.03	0.06	0.08	0.06	0.05	0.07	0.04	0.04
Guatemala	0.36	0.09	0.13	0.08	0.11	0.22	0.18	0.15	0.14	0.13	0.12
Honduras	0.39	0.11	0.13	0.10	0.14	0.19	0.19	0.20	0.13	0.15	0.12
Nicaragua	0.36	0.10	0.12	0.09	0.12	0.30	0.31	0.20	0.27	0.16	0.09
Panama	0.36	0.14	0.14	0.10	0.12	0.16	0.21	0.24	0.12	0.17	0.12
El Salvador	1.18	0.37	0.33	0.07	0.27	0.62	0.35	0.27	0.41	0.30	0.26

Conclusions.

For many worker migrants, the decision to migrate is triggered by the lack of employment opportunities at home. With recent reversal of economic conditions between labor exporting and importing regions we examine the effects of return migration in Latin America.

In recent years, Latin America, one of the main labor exporting regions in the world, exhibited higher income growth than OECD's high income economies. With unemployment rising in developed countries, remittances into Latin America decreased. If the economic conditions do not improve for developed countries, we could expect an increase in return migrants into South America, especially if their economic growth continues.

In this paper we examine the impact of those returning migrants on the Latin American economies. We find that return immigration has a positive impact on the economies and trade of South America, while reducing unemployment rates for domestic workers in the USA only marginally. This suggests that the U.S. government may be interested to collaborate with the governments of labor exporting countries to facilitate migrants in their efforts to return home.

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