

Growth and Migration to a Third Country: The Case of Korean Migrants in Latin America

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This paper examines the relationship between growth and migration with the case of Korean migrants in the Latin American region. It first shows the trends of economic growth and Korean migrants in Latin American countries and then empirically tests if the growth rate affects the number of Koreans in eighteen countries in Latin America. The regression results confirm that countries with higher economic growth attract more Koreans, notably from other countries in the region that experience lower growth. This analysis provides an interesting perspective in understanding determinants of migration, where 'economic growth' has not been considered as an important factor yet.

Keywords: *Migration, Determinants, Economic Growth, Korean Migrants in Latin America*

1. INTRODUCTION

International migration takes place when individuals seek better economic opportunities in another country. Migration decisions are also affected by the costs that include not only those for transportation and relocation but also opportunity costs that involves risks of failure in economic and social integration into the destination societies. Studies on determinants of migration show that, in addition to expected income gaps, distances, cultural and historical ties, and migrant networks are important factors affecting the size of migration flows between two countries (Hatton and Williamson, 2002; Mayda, 2007).

In case of Korean migrants to Latin America, the migration decisions are not easily explained by these conventionally known factors. Latin America may be one of the last destinations that Koreans would consider to migrate in terms of the distance, historical or cultural ties including language, information and network, and income differences.¹ This may explain the relatively small size of Korean population in Latin America compared to that in other regions, for example Japan or North America. On the other hand, this may also suggest that those Koreans who migrated to Latin America would have difficulties in settling down and integrating into the destination societies. Migrants tend to return to the countries of origin when they fail, but it would be too costly for those Korean migrants in Latin America to return home. Instead of returning home, they may consider moving to a third country in the region for another destination with better economic opportunities.

This paper attempts to examine the mobility of Korean migrants in Latin America. We introduce 'economic growth' factor as a determinant of re-migration² of Korean migrants in

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¹ Income gaps may have existed in 1960s and 70s when Korea still had a low GDP per capita but had rarely been big enough to assume the gaps would have attracted Koreans to migrate to Latin America.

² Re-migration generally means returning or migrating back to the place of origin but in this paper, we use the term as migrating again to a place regardless of whether the country of origin or a third

Latin America and empirically show how the economic growth in destination countries motivate existing migrants to move again to another country in the region. The paper is organized as follows. The first section presents a brief literature review on relationship between growth and migration, followed by the second section that describes the characteristics of Korean migrants in Latin America, showing the figures of Korean population and economic growth in each country in the region. In the third section, we present the main empirical results and discuss reasons that can explain the mobility of Korean migrants in Latin America. Finally, the last section concludes the paper.

2. RELATIONSHIP BETWEEN GROWTH AND MIGRATION

There is no shortage of researches that examine the relationship between economic growth and migration. Most studies, however, focus on the effects of migration on economic growth, demonstrating that migration leads to economic growth in both sending and receiving countries. Economic theory supports the presumption that international migration generate substantial welfare gains not only for migrants but also for both the countries of origin and destination (World Bank, 2006; Hanson, 2008). Empirical researches find the evidences that labor migration has positive impacts on economic growth and poverty reduction in sending countries (Özden and Schiff, 2006).

On the other hand, literature on how economic growth affects migration decisions is hardly found. Researches on determinants of migration usually include GDP levels in sending and receiving countries (or the differences between the two) as important determinants that shape labor migration flows, but not GDP growth rates.³ Low growth rate may push people out to seek economic opportunities in other countries, but the destinations are not necessarily with high economic growth but with high income. High-income OECD countries, which host about 48% of world immigrants as of 2005, recorded only a moderate growth rate of 2.4% in 2002-2006 (Ratha and Xu, 2008).

Although there is little literature yet, it is not irrelevant to assume that economic growth may affect migration flows. Sudden economic downturn may push out people who see the migration benefits (after costs) bigger than staying behind. They would find a destination where economic circumstances are better off but costs least for migration, for example, a neighboring country (less relocation costs) or a country that shares common language and social environments (minimal integration costs). It is reasonable to examine the favorable or unfavorable economic circumstances represented by high or low economic growth as factors of migration while holding the cost-side determinants of migration the same.

The case of Korean migrants in Latin America fits well in this examination. Many of the Koreans who migrated to Latin America already paid considerable costs for their initial movement to Latin America, with an intention of permanent migration in most of the cases. They learned the language and culture and how to survive in a new society, while struggling to integrate themselves into the society. When they feel they are failing, because of economic crisis or whatever reasons there might be, they have less motivation to stay in the initial destination. They may choose a new destination where they expect better economic opportunities but does not involve high costs in relocating, in other words, a country of short

country.

³ See those referred to in the introduction.

distance, using the same language, and most importantly with higher economic growth. The next section will present these characteristics of Korean migrants in Latin America in more details, and show how they have responded to economic growth with supporting numbers and figures.

3. CHARACTERISTICS OF KOREAN MIGRANTS IN LATIN AMERICA

3.1. Brief History of Korean Migration to Latin America

The history of Korean migration to Latin America goes back to early 1900 when about one thousand Koreans moved to Mexico under a certain labor contract (Patterson, 1993). But it is not until early 1960s that regular, voluntary emigrations to Latin America began. The Korean migrants dealt with in this paper are referred to those first-generation migrants, who moved to Latin America since 1960s.

After Korea established diplomatic relations with Latin American countries starting with Brazil in 1959, and especially under the Overseas Emigration Law of 1962, the Korean government encouraged emigration to Latin American countries (Suh, 2016). Since the first official emigrants landed in Brazil in 1963, thousands of Koreans moved to farms and plantations in Brazil, Argentina, Paraguay and Bolivia until early 1980. Most of these Koreans, initially supposed to be settled in agriculture sector, only found that they failed to be adapted to the new agricultural environments which were very different from that in Korea (National Institute of Korean History, 2007; Suh, 2005; Choi, 2000). Many of them finally chose to move to the cities nearby and engaged themselves in small family businesses such as selling clothes.

Since the mid-1980s, with more favorable immigration policies in major Latin American countries⁴, Korean immigration to Latin America continued on a larger scale. However, due to the economic crises and unstable economic situations in the destination countries since 1990s, the number of Korean migrants in those countries recorded rises and falls with quite distinctive variations by countries.

3.2. How Many in Which Countries?

Table 1 shows the changes in numbers of Korean residents in Latin America from 1993 to 2013, compared to those in other regions excluding Africa. For the Latin American region as a whole, the number of Korean migrants has increased by 20%, from 92,864 in 1993 to 111,149 in 2013. It is the lowest growth compared to the other regions in the world: the number of total residents in Asia increased by 36%, in Europe by 73%, in North America (US and Canada) by 43% and in Oceania (Australia and New Zealand) by 339% during the same period. There have been rises and falls in the total numbers in Korean residents in Latin America. It is quite different from the general trends of continuous increase of Korean population in other regions and the world.

While the numbers in Table 1 include both permanent resident holders and other stayers, Table 2 reports the number of Koreans who notified their planned emigration to the

⁴ For example, investment immigration agreement with Argentina in 1985 and policies of Mexican government favorable to investment immigration since the NAFTA (Suh, 2004: 177; 2005: 159-160).

Table 1. Number of Korean Residents Abroad by Region, 1993-2013. (Unit: person)

	1993	1995	1997	1999	2001	2003	2005	2007	2009	2011	2013	Change 1993- 2013
Asia	3,015,737	3,026,386	3,087,840	3,086,200	2,970,297	3,251,657	3,812,170	4,230,885	3,879,119	4,234,243	4,100,836	35.9%
North America	1,603,758	1,874,716	2,110,564	2,168,587	2,264,063	2,327,619	2,285,666	2,233,539	2,325,605	2,408,490	2,297,425	43.2%
Europe	180,320	185,203	181,085	227,773	239,824	296,046	311,892	333,700	352,946	351,631	312,251	73.1%
Latin America	92,864	90,034	98,843	102,789	111,462	105,643	107,162	107,624	107,029	112,980	111,149	19.6%
Oceania	43,052	44,213	56,079	58,362	66,502	94,035	117,367	140,073	157,940	162,132	189,049	339.1%
World	4,943,590	5,228,573	5,541,166	5,644,558	5,653,809	6,076,783	6,638,338	7,044,716	6,822,606	7,268,771	7,012,492	41.8%

Source: *Korean Residents Abroad*, Korean Statistical Information Service.

Table 2. Number of Korean Emigrants to Latin America in Pre-departure Emigration Registration, 1962-2008. (Unit: person)

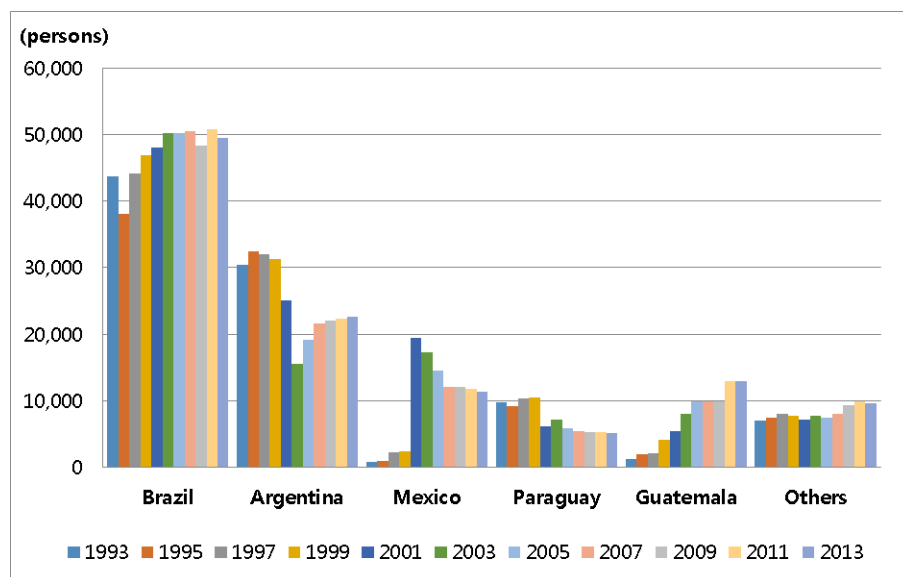
Year	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Emigrants	170	476	908	2,396	731	195	404	1,100	2,680	2,038	2,978	624
Year	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Emigrants	1,159	3,185	8,368	1,921	250	148	237	524	865	1,917	3,995	4,623
Year	1986	1997	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Emigrants	3,992	4,499	2,833	793	456	550	594	467	257	49	24	3
Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total
Emigrants	0	8	0	1	3	5	4	1	14	21	4	56,470

Source: *Korean Emigration Registration*, Ministry of Foreign Affairs and Trade (2015).

government before they left for Latin America. Until the late 1980s there was a considerable size of emigration to Latin America each year, but the numbers dropped sharply since mid-1990s and even to one digit since 1997. The total number does not match with that in Table 1 because the former does not include those who stay as sojourners or have acquired permanent resident status locally.⁵ But it clearly shows that only a small number of Koreans intended to migrate to Latin America permanently (notifying to the government beforehand) since 1990s, and there are still tens of thousands of Koreans who have not actually settled down with permanent status in one country.

While the total number of Korean residents has been relatively stable in Latin America—90,034 at the lowest in 1995 and 112,980 at the highest in 2011, changes in the numbers in

⁵ Lee (2015: 21-23) points out that the statistics of *Korean Emigration Registration* covers only a fraction of the Korean emigrants who reported their migration to the government beforehand.

Figure 1. Number of Korean Residents in Major Destination Countries in Latin America

Source: *Korean Residents Abroad*, Korean Statistical Information Service.

each country vary. The trends in major destination countries⁶ are shown in Figure 1.

An interesting feature observed here is that a drop of Korean population in one country tends to result in a rise of those in the other countries in the same year. In 2001, for example, there was a sharp drop in Argentina and Paraguay, while there was a drastic increase in Mexico and a moderate increase in Guatemala. Brazil, which has the biggest Korean population (about 45% of the total), shows a relatively stable increase over time with an exception of the year 1995 which also recorded a decrease of the total Korean population in Latin America. Chile, the host of 1.6% of Korean immigrants in Latin America, shows only small changes over the period.⁷

What can explain these rises and falls of Korean population in different countries in a same year? Considering the fact that 2001 was the year when Argentinean government declared a moratorium, it is suspected that the sharp decrease in the number of Korean migrants may be related to the economic downturn. Then why do Brazil and Chile maintain relatively stable Korean population than other countries? Is the size of Korean population in each country affected by the economic situation? We will examine the relationship between the number of Korean migrants and economic growth in each destination countries in more details.

⁶ These five major destination countries reported here host about 92% of total Korean population in Latin America.

⁷ The trend of Korean migrants in Chile is not shown in figure 1 but found in figure 3.

3.3. Economic Growth and Number of Korean Residents in Latin America

As explained in the earlier section, migration does not have a close relationship with economic growth. This seems to be applicable to Korean migration to Latin America as a whole, as shown in Figure 2 which presents the trends of economic growth and the number of Korean migrant population in the region.

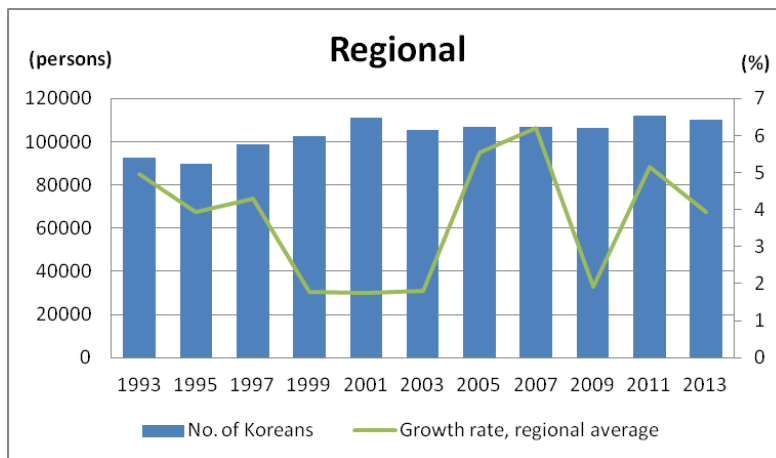
It is clear that the total number of Korean migrants does not change much compared to the fluctuation in average economic growth in Latin America. They even move to opposite directions: the total Korean population increased from 1995 to 2001 while the growth rates hit the lowest during the period.

This trend, however, does not apply to individual destination countries. Figure 3 presents the trends of the size of Korean population and domestic GDP growth rate in selected countries, plus the regional average rate for a comparison purpose.

In cases of Argentina, Mexico, Paraguay and Peru, it is clearly observed that the number of Koreans rose or fell following the trends of economic growth. More interesting is the tendency that the number of Korean population increases or decreases when the domestic growth rate is higher or lower than the regional average. Argentina, for example, experienced a sharp drop in the number of Koreans from 1999 to 2003, the period of low economic growth far below the regional average. When the growth rate recovered above the regional level since 2004, the Korean population in Argentina began to increase again. In Mexico, there was a drastic increase of Koreans reaching its peak in 2001 after several years of high growth above the regional average, but the Korean population decreased afterwards with lower growth rates than regional average. It seems that the gap between domestic and regional average growths does have an impact on the increase or decrease of Korean population.

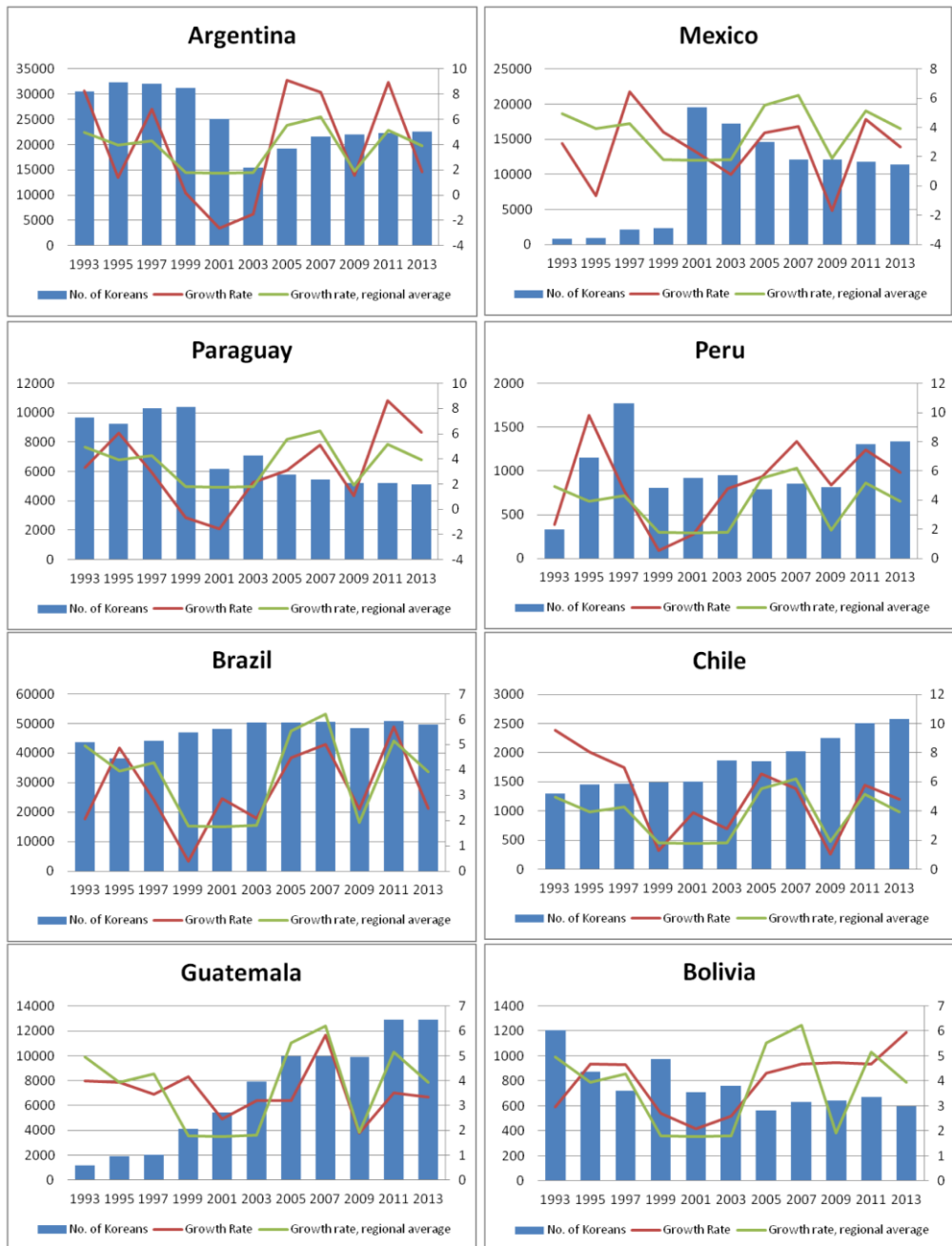
There are some researches supporting the argument that Korean immigrants to Latin America moved from one country to another inside the region. Many Koreans who initially

Figure 2. Trends of Economic Growth and Number of Korean Migrants in the Latin American Region



Source for GDP growth (% , two-year average): *World Economic Outlook 2016*, IMF.

Figure 3. Trends of Economic Growth and Korean Migrants in Major Destination Countries



Left: Number of Korean migrants in thousand persons
 Right: GDP growth (%), two-year average. — for domestic growth, — for regional average.

Source: *World Economic Outlook 2016*, IMF.

migrated to Argentina rushed out to Mexico between 1998 and 2000 because of the economic downturn in Argentina and also because of a migration boom in Mexico (Suh 2005). They expected better economic opportunities in Mexico where the NAFTA had already taken effective. But not all of them were successful in Mexico and some have gone back to Argentina since 2003 when its economy seemed to begin its recovery. This story confirms that Korean migrants in Latin America not only have high mobility within the region but also pursue better economic opportunities, which would be reflected in the economic growth.

On the other hand, the number of Korean population in Brazil and Chile do not seem to be closely related to the domestic growth rate. In both countries, there are observed no big gaps between the domestic and regional average growth rates and the size of Korean population is also relatively stable. In Guatemala there has been a continuous increase of Korean population even after the economic growth went below the regional average, presumably because of the establishment of branches of some Korean companies. Bolivia presents an interesting case: considering the relatively small size of Korean population and its shared border with major destination countries such as Argentina, Brazil and Paraguay, it may have been a transition country for Koreans who intend to move to another country.

In sum, Korean migration to Latin America has not increased as much as that to the other regions, proving that Latin American countries are less attractive as a migration destination. But inside the region, there are certain increases and decreases in individual countries, which may be attributed to the cross-border movements of those Koreans who already migrated in Latin America with permanent purposes. We assume that they pursue better economic circumstances in other countries of the region, and the preliminary look at several countries in Figure 3 shows possible positive relationship between mobility of Korean migrants and economic growth. The regression analysis in the next section confirms this relationship.

4. EMPIRICAL ANALYSIS

4.1. Data and Methodology

To empirically show how economic growth affects mobility of Koreans in the Latin American region, we conducted regression analyses of 18 countries⁸ during the period of 1993-2013, with the size of Korean population in each country as the dependent variable and GDP growth rate as an independent variable. If Korean migrants move across borders to destinations with higher economic growth as we assumed in the previous section, the growth variables should have positive signs.

In the regression analysis, we use the *Korean Residents Abroad* data, which is also used in the tables and figures in this paper earlier. We first run regressions with the percentage change of the number of Korean residents calculated from the original data, and then with changes of numbers of Korean population (for example, the number of Koreans in 2007 minus the number in 2005) for the second round. The *Korean Residents Abroad* data is available biennially from 1993 to 2013, so total ten observations for each country.

⁸ The 18 countries are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Panama, Paraguay, Peru, Uruguay, and Venezuela.

As for the independent variables, both domestic and regional average growth rate, or the difference of the two, are used in order to see the effects of the gap to the mobility of Koreans. GDP growth rate data are gained from IMF's *World Economic Outlook 2016* and calculated to two-year average (for example, average of 1992 and 1993 for the year of 1993). A decrease in Korean population is expected when the gap is bigger, which means more push factors domestically and more pull factors from outside. In the second round of regression of changes in numbers, we include the migrant stock of previous period (t-1) as a control variable. We also add another independent variable, the changes of migrant stock in other countries in the region: if the variable shows a negative sign, it confirms that increased Koreans in other countries resulted in a decrease of Korean population in the country of analysis.

4.2. Regression Results

Table 3 presents the results of the regressions. As in regression 1 (the first column), domestic growth rate (variable A) is positively related to the changes in number of Korean migrants, meaning that the Korean population increases more in a country with higher economic growth. The domestic growth rate variable becomes more significant when regional average growth variable (variable B) is added: the result in regression 2 shows that higher domestic growth and lower regional growth attracts more Korean migrants to the country of analysis. It is consistent with the result of gap variable (domestic growth minus regional average growth, variable C) in regression 3, which demonstrates that the number of Korean migrants increases more when the gap between domestic growth rate and regional average is bigger.

Table 3. Regression Analysis: Economic Growth and Mobility of Korean Residents in Latin America

Dependent Variable	Change rate (%) of Koreans Residents			Changes (in persons) of Koreans Residents	
	1	2	3	4	5
Independent Variables					
<i>A. Growth rate</i> ⁽¹⁾	3.386 (1.823)*	6.807 (2.916)***		250.886 (4.126)***	
<i>B. Regional average growth</i> ⁽²⁾		-8.919 (-2.364)**		-267.424 (-2.730)***	
<i>C. (1)-(2)</i>			6.804 (2.919)***		235.052 (3.902)***
<i>D. Migrant Stock (t-1)</i>				0.065 (6.834)***	0.063 (6.671)***
<i>E. Changes in number of Koreans in the region excluding the country</i>					-0.057 (-2.290)**
R-squared	0.124	0.154	0.151	0.355	0.376
Adjusted R-squared	0.026	0.053	0.056	0.274	0.298
Total pool (balanced) observations	180				

t-Statistics in parentheses

* significant at 10%, ** significant at 5%, *** significant at 1%

The results are more significant and remarkable in the second-round regression (regression 4 and 5) with the actual number changes of migrants as the dependent variable. It is interesting to observe that the changes in the number of Korean migrants in neighboring countries (independent variable E in regression 5) shows a negative sign. It confirms that an increase of Korean population in other countries in the region affects a decrease in the number of Koreans in the country of analysis. In addition to the growth gap variable, this is a unique and interesting variable that shows the mobility of Koreans within the region.

It is also very important to note that the increase [decrease] in Korean migrants following an economic boom [downturn] is not an incidental phenomenon for certain few countries but a systemic one across the overall Latin American region. We examined 18 countries from Brazil, the largest host, to Jamaica where only less than 100 Koreans live. It is not certain whether this is a unique phenomenon for Koreans in Latin America or not. The results of high significance in the paper are very encouraging, which call for further researches on supporting cases and possibly an extended analysis to the other regions.

5. CONCLUSION

In this paper, we empirically show that economic growth does affect migration decisions in certain migrant groups and in a certain region. The regression analysis of Korean migrants in 18 Latin American countries confirms that higher economic growth attracts more Koreans, notably from other countries in the region that experience lower growth. We can conclude that Koreans in Latin America have high mobility to pursue better economic opportunities, but they move within the region where re-migration costs are considerably smaller in terms of distances, language or cultural factors, compared to return migration to Korea or migration to other regions.

Whether this is a unique phenomenon for Koreans in Latin America or not is not clear. Some special features in the background and history of settlement of Korean migrants in Latin America may have led to this interesting phenomenon. It would be valuable to examine if this is applicable to Korean migrants in other regions or migrants other than Koreans in Latin America. Both cases of yes and no will provide interesting perspectives in understanding determinants of migration where 'economic growth' has not been considered as an important factor yet.

Article Received: 01-04-2017 Revised: 01-05-2017 Accepted: 01-06-2017

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