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국제학석사학위논문

Relationship between Aid and International Migration: Case of Europe

원조와 국제이주의 관계: 유럽 사례를 중심으로

2014년 2월

서울대학교 국제대학원

국제학과 국제지역학 전공

박 건 희

Master's Thesis

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February 2014

Graduate School of International Studies
Seoul National University
International Area Studies

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Abstract

Relationship between Aid and International Migration: Case of Europe

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This paper investigates the relationship between aid and international migration; the factors that are widely discussed particularly amongst developed countries in Europe. The main purpose of aid is to enable developing countries to achieve development nevertheless many European countries employ aid as a foreign policy to regulate immigrants. I suggest that donor countries offer more aid to those recipient countries where more immigrants come from and to examine such link, the Gravity model and Granger causality test are applied to panel data. Data is formed with 13

European donor countries that are members of OECD DAC and 152 recipient countries in the time frame from 1995 to 2010. Results from the gravity model show a positive correlation between aid and migration which implies that more aid is given to countries where most immigrants originate from. Moreover results from the causality test prove that aid causes migrants, which indicates that aid actually generates migration from recipient countries, rather than discouraging it. The causality is also tested on 7 different regions to observe whether similar pattern exists and in general, aid to migration relationship is presented. However a bidirectional relationship is established in 5 out of 7 regions; in other words, not only aid causes migration but also migration causes aid. It can thus be suggested that the number of immigrants from a certain recipient country has an impact on aid amount that is given to the country, which further supports the outcome from the gravity model.

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Key Words: Aid, Migration, Gravity model, Granger causality, Europe

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Chapter I. Introduction

Developed countries have a long history in offering Official Development Assistance (ODA) to developing countries to help them induce economic growth and reach the ultimate goal of poverty reduction. With recently joined DAC members, aid assistance is more actively provided to developing countries and international consensus is continuously encouraging DAC donor members to achieve the proposed aim that by 2015, the amount of ODA is to be increased up to 0.7% of GNI, which currently only Nordic countries have reached the target. With global economic crisis and prolonged recession in European donor countries, many faced opposing voices on increasing the aid amount from their citizens; the main reason for such disapproval was that domestic problems should be prioritized in ties of crisis.

Though altruistic the donors' behaviour may seem, many European donors are in fact utilizing ODA as a foreign policy. Europe has received immigrants since early to mid-1950s and thus indeed has become the symbol of 'multiculturalism'; however Europe also became the destination for many illegal immigrants and refugees. Countries that are severely affected by the overflow of immigrants are France, Germany, Italy and UK.

Then, why do people from developing countries immigrate? Reasons are

obvious: people yearn for a better living thus they opt for immigrating to a developed country where income level is higher. Developed countries also have higher social protection level and are clean from corruption; furthermore European countries in particular are an “attractive” option for immigrants because of their effective social welfare system. Incessant inflow of immigrants has become the subject of domestic conflicts that such donors use ODA as a means to control immigration: it is expected that with more ODA given to developing countries they will go through social development and achieve economic growth that their citizens would be dissuaded from fleeing the country.

France, for example, created a new ministry in 2007 named the Ministry of Immigration, Integration, National Identity and Development (MIIIDS). The formation of a new Ministry signals important messages: firstly, the title of the Ministry itself indicates that it will gather together the four sensitive issues, and secondly its presence in the French development policy will bring a significant change. The Inter-ministerial Committee for International Cooperation and Development (CICID), which is co-chaired by the Ministry of Foreign Affairs and the Ministry of Economy and Finance, is responsible for French development policy; however with the creation of MIIIDS it was given a seat in the CICID at the same level as the co-chair Ministries. As MIIIDS is becoming more and more important in outlining French ODA, it

is officially stated in a report written by Inter-ministerial Committee for Immigration Control (CICI) that "sectoral development aid projects in countries of origin where there is a strong emigration towards France, should contribute to control migration flows."[1]

Furthermore, Department for International Development (DFID) which is in charge of ODA and development of developing countries in UK, actively promotes ODA to British citizens through publicly-held campaigns: their message is that they are not just helping those who are in need but they themselves also benefit from the good-doing as gradually less and less immigrants from developing countries will enter the British territory. Nick Clegg, UK Deputy Prime Minister further added:

> "Not only is it [giving foreign aid] the right thing to do morally…but also it is in our interests. If you want to deal with terrorism and extremism, if you want to stop people upping sticks and moving across continents and coming to settle in Europe and here, you have got to make sure that circumstances are better for them."[2]

In particular, countries with longer history of immigration such as France, Germany, Italy and UK give ODA to sever 'network migration'; as people

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[1] "les actions sectorielles d'aide au développement dans celles des régions des pays d'origine qui sont des régions de forte émigration vers la France, permettant de contribuer a la maîtrise des flux migratoires"- CICI. (2008), p. 172

[2] Clegg to push aid goal at UN Summit, September 21st 2010, available from http://news.uk.msn.com/uk/articles.aspx?cp-documentid=154725485.

tend to immigrate to a country and move to a city where there is already a formed network of their ethnics, the countries try to prevent further enlargement of the existing immigrant network. For example, the German Organization for Technical Cooperation (GTZ) –which is now the German International Cooperation (GIZ) as of 1st January 2011- has launched a pilot program to Promote Migrant Organisation Projects, which supports numerous non-profit projects and migrant associations in their countries of origin and with technical advice as well as financial grants.[3]

This paper tests the hypothesis on aid and migration that as more migrants enter into the territories, more aid will be given to the country of origin. From the gathered background information, I would expect to find a positive correlation between aid and migration. Furthermore the causality between aid and migration is reviewed: the causal link could be a) aid to migration that as aid helped to bring economic development in developing countries, people can now afford immigration cost thus aid encourages migration, b) migration to aid that increasing inflow of immigrants generates more aid to the country of origin, possibly as a policy to control immigration by a host country, c) bidirectional causation which means that both factors can exist, and d) no linkage between the two. This analysis

[3] Migration and Development, Approach, Diaspora Commitment, available from http://www.giz.de/expertise/html/9699.html

could also provide an indication whether ODA as a policy to control immigration works or not.

Chapter two delves into the nature behind migration and explores the link between aid and migration. Chapter three explains data and variables that are used in my testing framework and chapter four details methods which are used to test the hypothesis. Chapter five presents empirical findings and analysis; finally I offer concluding comments and limitations which I faced in chapter six.

Chapter II. Migration and Aid: Stylized Facts

2.1 Migration

International migration is one of the most controversial thus most debated topics in European domestic politics. Immigration policy reform tends to be one of the prioritized subjects when elections take place, which further supports the sensitivity of such issue. As briefly mentioned beforehand, people migrate to seek an opportunity for a better living: according to Belloc (2008) "People do not simply flee from poverty, but generally move in order to improve their general social and economic conditions."[4] which demonstrates that the feeling of relative deprivation rather than absolute level of poverty is critical in making a decision to migrate. There are also war refugees and asylum seekers of political reasons who in search of safety, immigrate to escape from insecurity.

Alternatively migration hump theory[5] demonstrates the behaviour of international migration with social and economic transformation: it is argued that increasing income in developing countries accelerates migration

[4] Belloc, F. (2008), International economic assistance and migration: the case of Sub-Saharan case, Munich Personal RePEc Archive Paper No. 17290, p. 2

[5] See appendix

and it is at the highest when income reaches a certain threshold. Migration almost never takes place amongst lowest income group for various estimated reasons; incapacity to afford migration cost such as transportation cost is an example. When income is above the threshold however, migration movement decreases so that it makes the 'hump' shape. Berthélemy et al. (2007) state in their study that increase in income in developing countries "may stimulate rather than dampen emigration from these [developing] countries, when their income is below the threshold of about US$4600 per capita in PPP."[6]

Along with migration capabilities, De Hass (2010) adds another component which is 'migration aspirations', to explain the pattern behind international migration. Whilst income and unemployment which are exogenous factors that define migration pattern, preference is often considered constant, if not discarded entirely. However he points out that development process such as a rise in income is likely to affect people's aspirations; thus the *"combined* effect of development on increasing capabilities and aspirations"[7] demonstrate why development initially is

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[6] Berthélemy, J.C. et al. (2007), Aid and Migration: Substitutes or Complements? Global Patterns and European Perspective, Abstract, Centre d'Economie de la Sorbonne, University Paris 1

[7] De Haas, H. (2010), Migration transitions: a theoretical and empirical inquiry into the development drivers of international migration, Working Papers 24, International Migration Institute, p. 17

related to accelerating migration.

Migration theories certainly provide important implications on international movement nevertheless it is also necessary to explore the intention and policies of host countries on accepting immigrants. The history of international migration to Europe in particular, shows three stages of migration: labour migration, colonial migration, and lastly asylum-related migration which is perceived as a recent phenomenon.

The extensive devastation caused by the World War II was the prime reason behind migration to Europe. The war had left Europe in economic turmoil and severe shortage of manpower that in order to reconstruct infrastructure, Europe needed a vast number of labourers and Germany took the first step in accepting guest workers from southern Europe, then from Turkey and North Africa. Austria, Belgium, Switzerland, Sweden, Denmark, the Netherlands and France soon followed in adopting guest-workers scheme[8].

The idea behind guest-worker policies was that their stay would be temporary and they would return home when the economy declined however, the flaw in such prediction appeared: in the early 1970s Germany faced slow economy accompanied with increasing number of immigrants as

[8] Hansen, R. (2003), Migration to Europe since 1945: Its History and Its Lessons, The Political Quarterly Publishing Co. Ltd.

guest workers would stay in Germany rather than returning home, and instead they would be legally guaranteed their right to remain. The ambitious guest-worker policies saw unexpected result and in 1973 Germany put a stop to immigration while other European countries either followed the same procedure or lessened the number of guest-workers.

Since UK and France are the two major countries in Europe that used to have colonies in other continents, their immigration history differs slightly from other European countries. Whilst Germany, Austria and Nordic countries relied on manpower from third country, UK and France sought workers from their colonial countries. The Netherlands and Belgium also showed a similar trend however the number of their colonial countries was limited. According to Hansen (2003), with the first restrictive legislation in 1962, "some 500,000 non-white migrants had entered the UK; a decade later, when the government curtailed the migration privileges attached to UK citizenship, the figure was closer to a million."[9] Despite the termination of primary immigration in the early 1970s, along with fellow European countries the UK was to witness further increase of immigrants as colonial migrants entered the country as citizens and claimed for family reunification.

With the end of Cold War and the fall of Berlin Wall, the number of asylum

[9] Hansen, R. (2003), Migration to Europe since 1945: Its History and Its Lessons, The Political Quarterly Publishing Co. Ltd., p.27

seekers increased dramatically that it became another phenomenon of international migration. The problem with asylum seekers is that while there are genuine asylum seekers whose safety is under threat, some are fictitious who only desire "material security".[10] It is often impossible to identify and control them hence the number of asylum seekers continues to increase.

The history reveals that when European countries first promoted immigration to their territory, they expected it to be temporary and the consequence which they are facing even until now was unforeseen. France struggled to fight off illegal immigration in the 90s whilst UK became the major destination country over the decades. Germany as a traditionally reluctant host country, introduced the new immigration act in 2003 which welcomed and controlled immigrants at the same time. Germany began to accept foreign specialists to boost the IT sector and the immigration act in 2003 was to replace the existing foreigners' law. Regulations for immigration, labour market access, the stay of foreigners and the integration of resident migrants would be "combined to an integrated legislative concept, differentiating according to the purpose of residence only".[11] The new act nevertheless clearly stipulated that "its general aim is steering and

[10] Hansen, R. (2003), Migration to Europe since 1945: Its History and Its Lessons, The Political Quarterly Publishing Co. Ltd., p. 36

[11] Bosswick, W. (2003), "Germany- Still a reluctant country of immigration?", Immigration in Europe: Issues, Policies and Case Studies, HumanitarianNet, p. 144

limitation of immigration as well as the promotion of integration".[12]

Italy, like France and UK, is also a multicultural immigrating country. Catholicism as the state religion is regarded as the majority culture in Italy however with the 'new entry'[13], the relationship between the new and the tradition appears to be a serious sociological and political problem. On the other hand, Spain used to be an emigrant country until 1980s and immigration is still a minor phenomenon compared to European neighbours; nevertheless Spain is subject to a significant acceleration of immigrants especially from North Africa.

Belgium and the Netherlands are traditionally immigrating country however there is a significant difference, for example Belgium is one of the most multicultural and multiracial countries but EU citizens form the majority as they account for more than 60%. This is to be expected as there are many European institutions present in Belgium; for instance, the European Union has its main base of operation in Brussels along with European Commission. Unlike other European countries, the Nordic countries have no colonial history thus they have not had an experience of colonial migration. However good social benefit system is appealing to

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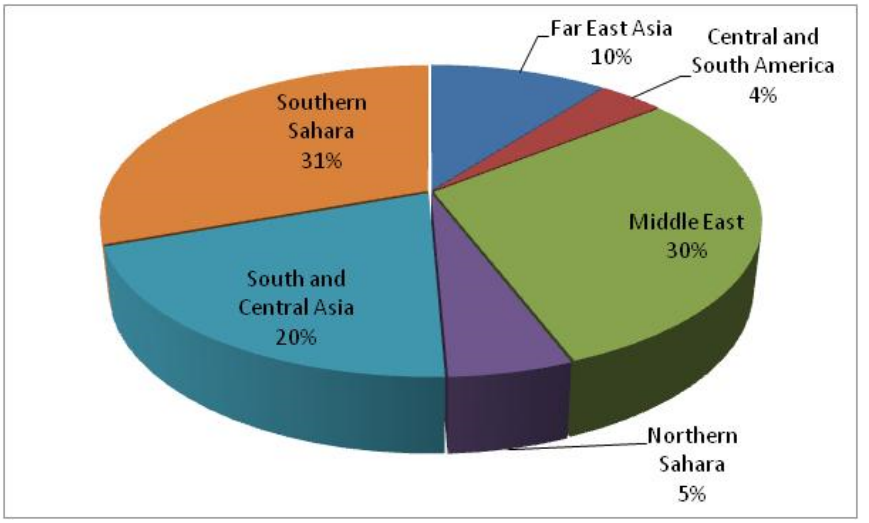
[12] Bosswick, W. (2003),"Germany- Still a reluctant country of immigration?", Immigration in Europe: Issues, Policies and Case Studies, HumanitarianNet, p. 145

[13] Pace, E. (2003), "Between guilt and gift: the politics of identity and immigration policy in Italy", Immigration in Europe: Issues, Policies and Case Studies, HumanitarianNet, p. 153

immigrants thus they are also subject to immigration; in fact they are witnessing an increase in number of immigrants. Finland on the other hand is a new country and used to be an emigrating country to Nordic neighbours. At the same time Finland appears to be a popular destination for former Soviet Union countries.

Figure 1 illustrates inflow of migrants grouped by regions to Europe[14] from 1995 to 2010. We can see that immigrants from Middle East, South and Central Asia and Southern Sahara form the majority. It is suspected that most of them are colonial migrants and asylum seekers, as wars and revolutions are still pervasive in those regions.

<Figure 1: Immigrants to Europe 1995-2010>



Source: OECD Statistics

[14] In this paper, Europe refers to 13 European donors that are members of OECD DAC: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK.

Immigrants from South and Central Asia account for 20% of all immigrants to Europe. Some countries in the region were indeed colonies for example India, Myanmar and Pakistan were colonized by the UK. However the rest of the countries have no historical relations to European countries, yet as indicated there seems to be a large inflow of immigrants from the region to Europe. A possible interpretation of such pattern could be supported by migration hump theory: Table 1 illustrates DAC List of ODA Recipient Countries divided into four different income levels however in this paper the list also signifies immigrants' origin countries. As previously mentioned most immigrants from the Southern Sahara and the Middle East tend to be asylum seekers; and the majority of these countries from such regions are placed under Least Developed Countries (LDC) and Other Low Income Countries (OLIC). On the other hand, we can see that most of South and Central Asian countries belong to Lower Middle Income Countries (LMIC) category. It can therefore be suggested that as migration hump theory specifies income under certain threshold stimulates emigration, South and Central Asian countries are more capable than Southern Saharan countries of affording migration cost. As they face lesser financial restriction to migrate and opt to seek a better living standard, more and more people emigrate to Europe or to the United States. However this proposal needs further examination and analysis in order to make a concrete

statement.

<Table 1: DAC List of ODA Recipient Countries: per capita GNI in 2010>[15]

Least Developed Countries	**Other Low Income Countries** (per capita GNI $1005)	**Lower Middle Income Countries** (per capita GNI $1006~$3975)	**Upper Middle Income Countries** (per capita GNI $3976~$12275)
Afghanistan	Kenya	Armenia*	Azerbaijan*
Bangladesh*	Kyrgyz Rep.*	Cameroon	Botswana
Benin	Tajikistan*	Cape Verde	Gabon
Bhutan*	Zimbabwe	Côte d'Ivoire	Iran
Burkina Faso		Georgia*	Jordan
Burundi		Ghana	Lebanon
Central African Rep.		India*	Kazakhstan*
Chad		Iraq	Mauritius
Comoros		Nigeria	Namibia
Congo. Dem. Rep.		Pakistan*	South Africa
Djibouti		Sri Lanka*	
Equatorial Guinea		Syria	
Eritrea		Swaziland	
Ethiopia		Turkmenistan*	
Gambia		Uzbekistan*	
Guinea			
Guinea-Bissau			
Liberia			
Malawi			
Mali			
Mauritania			
Mozambique			
Myanmar*			
Nepal*			
Niger			
Rwanda			
Senegal			
Sierra Leone			
Somalia			
Sudan			
Tanzania			
Togo			
Uganda			
Yemen			
Zambia			

[15] Only countries from Southern Sahara, Middle East and South and Central Asia are shortlisted (* signifies South and Central Asian countries) - See appendix for full list of recipient countries.

2.2 Aid and Migration

Though studies on the link between aid and migration are not as vast, existing researches do show a positive influence which aid has on migration. What policymakers argue is simple: the more they give aid to origin countries, the better become the living standard thus emigration rate would slow down and gradually the number of immigrants will decrease. According to Berthélemy et al. (2007), foreign assistance and migration are complements and further suggest through a study that "there is on average some consistency between immigration policies and foreign aid allocation policies."[16] A study by Czaika and Mayer (2007) reveals that decreasing income gaps between the country of origin and the intended country of asylum –hence the increase of absolute level of per-capita income of origin countries- reduce emigration pressures. Bermeo and Leblang (2012) also testify that donor countries often target aid towards recipient countries that have high potential to emigrate. Furthermore they argue that donor countries hope to increase the living standard of origin countries hence "weakening the incentives leading potential migrants to follow friends and family

[16] Berthélemy, J.C. et al. (2007), Aid and Migration: Substitutes or Complements? Global Patterns and European Perspective, p. 20

members already settled in the donor".[17]

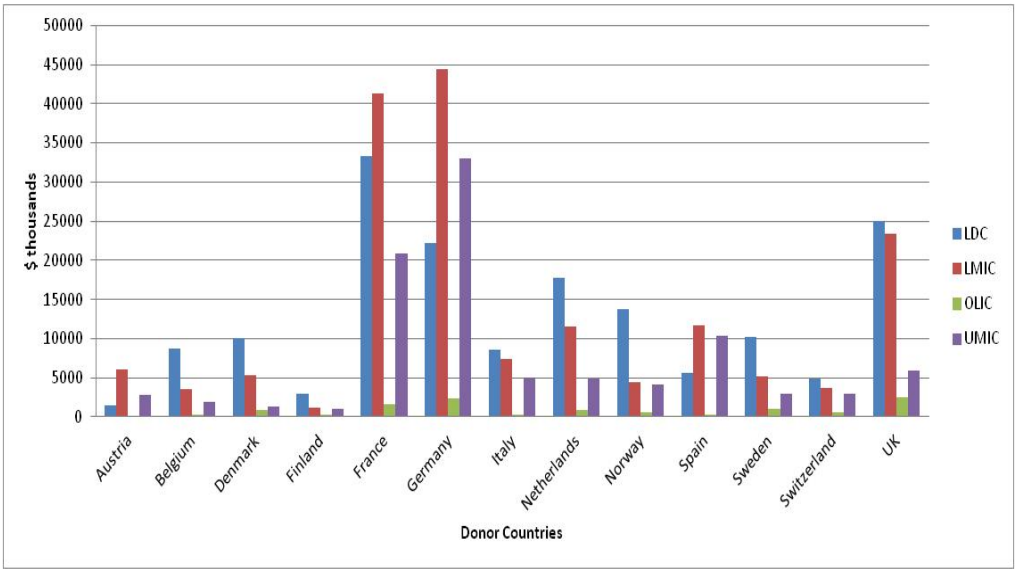
Some scholars argue that utilizing aid as a tool for foreign policy is ineffective in reducing immigration rate; for example Belloc (2008) asserts that ODA does have a positive influence on improving education system, communication services and business opportunities which ultimately leads to development. However such development also means that ODA may improve workers' condition i.e. rise in income, which would enable them to cover migration cost. In addition, better business environment may feed aspirations of future migrants hence ODA stimulates their mobility rather than discouraging them. Such behaviour supports the argument that the nature of migration is not an escape from absolute poverty; instead it is relative poverty that inflames peoples' aspiration to escalate to another level. What Belloc argues is also related to the migration hump theory: As ODA fuels development plans, ultimately the living standard is expected to improve and income level should be increased. People would therefore find migration affordable and choose to settle down in another country to seek a better life.

Figure 2 and Figure 3 both show donor counties' bilateral ODA distribution but Figure 2 presents each donor country's distribution

[17] Bermeo, S. and Leblang, D. (2012), Foreign Interests: Immigration and the Allocation of Foreign Aid, p. 2

according to income level of recipient countries. It is visible that donors offer the majority of their aid to LDCs and LMICs; moreover France and Germany allocate more aid to LMICs than to LDCs.

<Figure 2: ODA distribution 1995-2010: Income level>

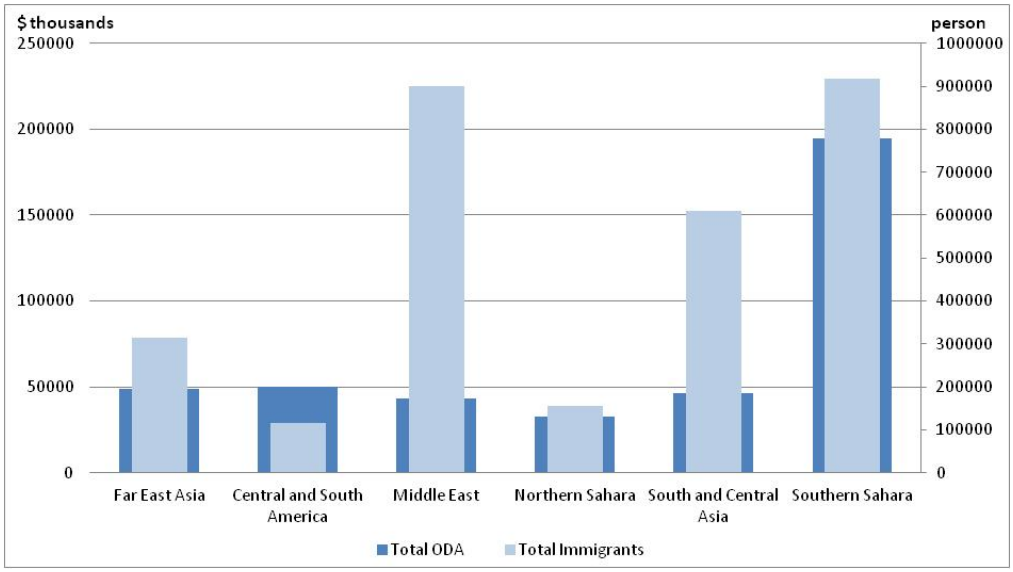


Source: OECD Statistics

Figure 3 illustrates the total amount of ODA given to different regions by European donors. The amount from 1995 to 2010 is added together and presented as total ODA amount. As expected, the largest ODA recipient is the Southern Sahara since it is where most of the LDCs are located. ODA to Far East Asia, Central and South America, South and Central Asia amount to similar sum whereas the Northern Sahara receives the least amount of

ODA.

<Figure 3: Europe's total ODA distribution and inflow of migrants 1995-2010: Region>



Source: OECD Statistics

Whilst Figure 1 demonstrated the portion of immigrants in Europe, Figure 3 also displays the total number of immigrants to Europe from 1995 to 2010. Immigrants are divided into their region of origin rather than country of origin for easier comparison. The stylized facts reveal that immigrants from Southern Sahara account for the majority who are settled in Europe; moreover concurrently Southern Sahara is the largest recipient of ODA from Europe. It is interesting that the number of immigrants from the Middle East

amounts to the similar sum of immigrants from Southern Sahara but ODA given to the region is about a quarter of amount transferred to Southern Sahara. A possible reason for this trend could be that European donors still prioritize colonial countries when allocating aid.

However we cannot infer from the data presented that more aid is given to the region where more immigrants originate from; thus to test the hypothesis and extract links if there are any, econometric analysis is carried out.

Chapter III. Data and Variables

To examine whether more aid is given to the countries where most immigrants come from, the gravity model will be used as a basic framework, which will also provide us information on international migration pattern. As both aid and migration are long term factors, I will be looking at data from 1995 to 2010.

3.1 Dependent and Key Explanatory Variable

In this paper both ODA and Migrants variables will be presented as dependent and explanatory variables as I will be looking at migration's effect on aid as well as aid's effect on migration. Evidently one will be dependent variable and the other will be one of control variables.

ODA: I used total commitments of bilateral ODA from donor countries to each recipient country taken from OECD Statistics, reported in constant (2010) dollars. As I am focussing on relationship between European donors' aid and immigration to Europe, I have narrowed down to 13 European donor countries that are members of OECD DAC. In total there are 17 European

members however Greece, Ireland, Luxembourg and Portugal are excluded as they did not suit the purpose of this study. Greece had joined OECD DAC in 1999 which leaves 4-year gaps from the starting year of analysis whilst data for both aid and immigrants for Ireland, Luxembourg and Portugal were not recorded until late 1990s. The natural log of ODA commitments value is used as a variable.

Migrants: It is the number of immigrants from 152 aid recipient countries to donor countries mentioned above, taken from International Migration Database of OECD Statistics. The variable represents the number of inflows of foreign population by nationality, inflows of asylum seekers by nationality and stock of foreign population residing by nationality, added together. The natural log of total number of migrants is used.

3.2 Control Variables

Measures of GDP per capita(GDPPC) and Population of recipient country, extracted from World Development Indicators provided by the World Bank, are included as they are considered as the most important factors that influence both aid and migration: donor countries would decide how much aid will be given to a recipient country based on such information whilst

migrants from the recipient country would consider an option to emigrate if GDP per capita at home country is lower, to seek a better living in a wealthier country. Distance between donor country and recipient country may have an effect on aid amount though not so prominent; nevertheless it plays an essential role in pattern of migration. It is expected that most immigrants will move to a country that is nearer to their home country to keep the 'connection'. Distance is measured from the capital of recipient country to the capital of donor country, as reported from GeoDist database from CEPII. The natural log is used on all three control variables: GDP per capita, Population and Distance.

Social Protection, Transparency and Governance variables represent the institutional quality and corruption level of recipient countries which are crucial when aid effectiveness is concerned. Burnside and Dollar (2000) argue that aid is effective in achieving economic growth only in countries with good and sound institutions, whilst aid has no impact on countries with bad institutions. To prevent feeding the bad with aid, donor countries thus may consider institutional level of recipient country; at the same time, we would expect to see people fleeing their home country if institutional quality is low as it reflects insecurity. The three variables are all index level rated by the Country Policy and Institutional Assessment (CPIA) ranging from 1 to 6, where 1 signifies low level and 6 signifies high level. Social Protection

represents social protection rating and Transparency stands for transparency, accountability and corruption in the public sector rating. Governance indicates property rights and rule-based governance rating.

Finally, Colony is used as a dummy variable. As it was explained in chapter two, colonial history was a major factor for European donors when deciding allocation of aid. It also has an effect on migration as people from colonial countries would choose to migrate to the governing country as they have 'similarities': they share the same language and they are already infiltrated by the governing country's culture through colonization, therefore they would prefer to move to a place where they would not feel so alien. Recipients that were previously colonial countries of donor countries are valued 1 whilst those that do not have colonial history are valued 0, according to the GeoDist databse from CEPII.

Chapter IV. Methodology

The gravity model will take the following form, where *i* stands for donor country and *j* stands for recipient country. ODA_{ij} represents aid amount to recipient country from donor country and $Migrants_{ji}$ represents migrants from recipient country to donor country.

[Equation 1]

$$lnODA_{ij} = \alpha + \beta_1 ln(Migrants_{ji}) + \beta_2 ln(GDPPC_j) + \beta_3 \ln(GDPPC_j^{\,2}) + \beta_4 ln(Population_j) + + \beta_5 ln(Distance_{ij}) + \beta_6(Social\ Protection_j) + \beta_7(Transparency_j) + \beta_8(Governance_j) + dum(Colony)$$

[Equation 2]

$$lnMigrants_{ji} = \alpha + \beta_1 ln(ODA_{ij}) + \beta_2 ln(GDPPC_j) + \beta_3 ln(GDPPC_j^{\,2}) + \beta_4 ln(Population_j) + \beta_5 ln(Distance_{ji}) + \beta_6(Social\ Protection_j) + \beta_7(Transparency_j) + \beta_8(Governance_j) + dum(Colony)$$

To further explore the link between aid and migration, Granger causality will be tested on the variables:

Aid to Migration:

$$A_t = a_0 + a_1 A_{t-1} + \cdots a_p A_{t-p} + b_1 M_{t-1} + \cdots b_p M_{t-p} + \mu_t$$

Migration to Aid:

$$M_t = c_0 + c_1 M_{t-1} + \cdots c_p M_{t-p} + d_1 A_{t-1} + \cdots d_p A_{t-p} + \varepsilon_t$$

A_t refers to aid from a donor country to a recipient country at time 't' and M_t is number of immigrants from a recipient country to a donor country at time 't'. 't-1' signifies to one year lag: in this particular test, I consider up to four lag years as aid's impact on migration and vice-versa are more of a long-term effect. In each case, a rejection of the null hypothesis indicates that there is a Granger causality. It is important to note that Granger causality defines causality between two variables based on prediction, thus if aid Granger causes migration it actually implies that the past values of aid contains information that helps to predict migration figure. Although it cannot be interpreted as a 'real' causality, it still provides useful information whether one is able to determine the other.

Chapter V. Empirical Findings and Analysis

<Table 2: Regression Result: Aid and Migrants >

Dependent Variable:	LNODA			LNMIGRANTS		
	(1)	(2)	(3)	(1)	(2)	(3)
LNODA				0.088***	0.333***	0.104***
				(0.00)	(0.00)	(0.00)
LNMIGRANTS	0.059***	0.408***	0.759***			
	(0.00)	(0.00)	(0.00)			
LNGDPPC	2.169***	-15.609***	2.312***	-18.163***	-22.113***	-1.952**
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.03)
LNGDPPC^2	-0.162***	1.057***	-0.169**	2.668***	1.435***	0.163**
	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.02)
LNDISTANCE	-0.026		0.045	-2.847***		-2.617***
	(0.77)		(0.72)	(0.00)		(0.00)
LNPOPULATION	0.444***	0.391***	0.500***	0.758***	-0.035	0.704***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.64)	(0.00)
GOVERNANCE	0.083	2.124***	-0.018	-1.004***	1.059**	-1.012***
	(0.36)	(0.00)	(0.89)	(0.00)	(0.04)	(0.00)
SOCIAL PROTECTION	-0.456***	-2.223***	-0.446***	0.504***	0.449	0.468***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.17)	(0.00)
TRANSPARENCY	0.573***	-1.307**	0.737***	-0.246**	-3.628***	-0.260*
	(0.00)	(0.02)	(0.00)	(0.01)	(0.00)	(0.06)
COLONY	2.695***	1.001***	2.314***	2.594***	0.939***	1.903***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Observations	4087	544	1931	4087	544	1931
R2	0.202	0.464	0.273	0.315	0.508	0.327
Sample	1995-2010	1995-2010	1995-2010	1995-2010	1995-2010	1995-2010

*Note: p-values are in parenthesis. *significant at 10%, **significant at 5%, *** significant at 1%*

The results are displayed in Table 2, in three different groups for both dependent variables: ODA and Migrants. Group (1) includes 13 European donors that are members of OECD DAC and 152 aid recipient countries

whilst in group (2) 152 recipient countries are categorized into 7 regions: Eastern Europe, Far East Asia, Central and South America, Middle East, Southeast and Central Asia, Northern Sahara and Southern Sahara.[18] In group (3) recipient countries remain as the same as group (1) but donors are narrowed to European donors that are original members of the OECD DAC which are Belgium, France, Germany, Italy, Netherlands and the UK.[19]

We can interpret from the findings that more aid is given to the countries where most immigrants come from and it is statistically significant. Furthermore as expected aid is given considering the income level of recipient countries thus is given more to poorer countries. However it is noteworthy that as both GDP per capita and GDP per capita squared are significant, we can deduce from the results an inverted U-shaped curve that aid increases along with an increase in GDP per capita of recipient country up to a point and then starts to decrease. It therefore shows that once certain level of income level is achieved in recipient country, amount of aid is gradually reduced. Governance of the recipient country however shows ambiguous results: it does not show any significance when observed as separate recipient countries but group (2) reveals that as a region, better the governance rating the more aid is supported. Social Protection and

[18] See appendix for list of countries for each region.

[19] See appendix.

Transparency also seem to play an important factor when deciding how much aid will be given. According to results, countries with better transparency receive more aid but at the same time countries with lower social protection rating are given more aid. We can thus assume that in most cases donors give aid to countries where there is a lack of social protection to help them build a basic infrastructure so that peoples' welfare is safeguarded; nevertheless this is only possible if public sectors are clean from corruption. Hence higher the transparency level, donors offer more aid as they are assured that aid will be used for its right purpose. Population and colonial status evidently demonstrate positive significance that more aid is transferred to a country that used to be the colonial country and to a country that is most populated. However distance between donor country and recipient country does not affect the decision of aid support.

Migrants as the dependent variable displays which factors affect migration therefore the results provide us information to examine the pattern of international migration. Firstly we can extract a statistically significant finding that as the number of immigrants increase, more aid is provided. We witnessed beforehand that more aid is given to countries where most migrants originate from when aid was placed as the dependent variable; thus this result may indicate a cyclical process between aid and migrants. Such phenomenon can be explained by various examples, for instance income

level obviously affects migration that people immigrate to another country if the income level at home country is lower, as clearly proven in regression results. However as the income level rises, more people opt for emigration because they are still relatively deprived of welfare compared to developed countries. Hence aid raises the income level of developing countries, which covers migration cost and encourages migration. Then the increase in number of immigrants induces more aid to developing countries, and the process goes on. For example, France focuses on education sector which accounts for 17% of bilateral trade in 2011. The expenses are mainly school fees and university scholarships to people from developing countries under the aim of transferring French education system and train them as experts in their specialties so that they can contribute to their home country's economic development. However these scholarship holders tend to stay in France even after the end of their study which adds to increasing number of immigrants. As French government continuously funds scholarships, such pattern is expected to continue.

Albeit distance was not a decisive factor of aid support, it appears to be significant in migration as results show that people move to a country that is closer to their home country. In addition, the more populated the home country, the more people decide to emigrate. Governance, Social Protection and Transparency of home country seem to be a vital matter when migration

is concerned. The lower the governance and transparency level of the home country, people choose to emigrate; on the other hand, social protection level acts in the opposite way of migration. Generally we would expect to see people leaving their home country if social protection was not guaranteed, however the table shows a positive significance that higher the social protection level, people are encouraged to migrate to another country. This is regarded as an exceptional case where it displays a positive result but in fact, it has no statistical meaning. Social Protection level amongst developing countries is particularly low and even if some countries are better off than others, their social protection level is still much lower than that of developed countries. In other words, social protection level at home country cannot be considered as a negative or positive factor that determines migration because no matter what level of protection they get from the government, people perceive it as the lowest protection; thus they leave for developed countries where high social protection level is secured.

We can say from the findings that overall there is a statistical significance between aid and migration in the case of Europe. European donor countries allocate more aid to countries where most immigrants come from, and inversely people from recipient countries tend to immigrate to donor countries that offer most aid. For further examination of the link between the two variables, the causality test is carried out and the result is as

displayed in Table 3:

<Table 3: Results of Granger Causality Test from Panel Data Model for Aid and Migration>

H_0: Aid does not Granger Cause Migrants

H_1: Migrants does not Granger Cause Aid

Country	Obs.	Lag Year	Hypothesis	F-Statistics	Result
152 countries	10528	4	H_0	11.051***	Aid→Migrants
			H_1	1.463	

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

The causal link between aid and migration is tested on a complete panel dataset of 152 recipient countries in the time frame from 1995 to 2010. The test again observes aid and migration in Europe hence the dataset is formed with inflow of migrants according to the country of origin, recorded in 13 European donor countries, and commitments of bilateral ODA to each country of origin. The aim is therefore to examine the general relationship between aid and migration through causality test. The result shows that H_0 can be rejected which suggests that in the case of Europe, aid causes inflow of migrants.

To further investigate the nature of relationship between aid and migrants, the causality test is applied to recipient countries that are divided into 7

different regions. The test will allow us to compare whether relationship between aid and migrants differs according to regions. The results are shown in Table 4:

<Table 4: Results of Granger Causality Test from Panel Data Model for Aid and Migration: Regions>

H_0: Aid does not Granger Cause Migrants

H_1: Migrants does not Granger Cause Aid

Country	Obs.	Lag Year	Hypothesis	F-Statistics	Result
Eastern Europe	693	4	H_0	8.209***	Aid↔Migrants
			H_1	3.974***	
Far East Asia	1374	4	H_0	12.635***	Aid↔Migrants
			H_1	38.387***	
Central and South America	2028	4	H_0	2.561**	Aid→Migrants
			H_1	0.439	
Middle East	409	4	H_0	3.620**	Aid→Migrants
			H_1	0.820	
Southeast and Central Asia	1627	4	H_0	6.772***	Aid↔Migrants
			H_1	6.224***	
Northern Sahara	321	4	H_0	22.945***	Aid↔Migrants
			H_1	30.406***	
Southern Sahara	4496	4	H_0	8.360***	Aid↔Migrants
			H_1	10.526***	

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

The results are generally aligned with the overall relationship between aid

and migration as tested in Table 3. Nevertheless it is important to note that there is a bidirectional relationship between aid and migration for most of the regions such as Eastern Europe, Far East Asia, Southeast and Central Asia, Northern Sahara and Southern Sahara: only Central and South America and Middle East present causality from aid to migrants. We can thus suggest that inflow of migrants has an influence on donors' decision regarding aid amount. It is very likely that donors financially support those countries where most immigrants originate from.

Above all, the results present an interesting question to donors: does aid actually perform as a control mechanism of immigration as they promote it to be? As we have witnessed, the causal relationship displays a result that aid Granger causes migration which indicates that aid in fact induces growth in number of immigrants. Increased number of immigrants evidently leads to increased amount of aid but at the same time, increase in aid tends to generate inflow of immigrants. Such outcome thus again implies the aforementioned cyclical process between aid and migrants and furthermore it insinuates that aid as a method to prevent an influx of immigrants may not be 'as effective' as European countries expected it to be.

Overall, results from the regression and Granger causality test signal that aid and migration are closely linked but most importantly it raises an uncertainty regarding the role of aid in reducing number of immigrants.

Chapter VI. Conclusion

6.1 Conclusion

Both aid and international migration are perceived as an international matter that needs to be dealt with in the most effective way; the latter in particular is regarded as a challenging issue amongst developed countries since it has a profound impact on domestic politics. European countries are often targeted as an ideal place for immigrants to settle down for many reasons such as higher income, high level of social protection, and better living standard in general. Nevertheless for many years European countries have also played a part in becoming the host country for immigrants. The countries that were hit hardest by the World War II including Germany, France and UK received labour immigrants to reconstruct the war damage. France and UK in fact actively recruited people from their colonial countries as they lacked human capital. Labour immigrants began to form bigger networks as families came to join them which contributed to endless influx of immigrants. By the time European countries realized that it was time to control the number of immigrants, civil wars and conflicts in developing countries were prevalent that illegal immigrants and asylum seekers flooded

the continent and controlling them seemed to be an impossible task.

The simple nature behind international migration is relative poverty: people tend to immigrate to seek for a better life. Developed countries therefore assume that if conditions are better, then people will not be fleeing their home country. For donor countries aid is an effective tool for foreign policy for various reasons for example, as they are responsible members of international arena, they are expected to play their role in eradicating extreme poverty. Conforming to demand from the international society, donor countries are increasing their portion of foreign aid to recipient countries to help them achieve economic growth. However aid is simultaneously utilized to promote to citizens of donor countries that it is effective in reducing immigrants.

To determine the link between aid and immigration to Europe, this paper studies the impact that immigrants have on aid amount of European donor countries. The pattern of migration is also observed and to further explore the relationship, the causality between aid and migration is studied. The panel data of OECD DAC members –European members only- and 152 recipient countries over the period of from 1995 to 2010 was applied to gravity model and from overall regression results I found a positive correlation between the amount of ODA and the inflow of migrants; which indicates that European donor countries give more aid to those countries

where most immigrants originate from. Moreover from the causality test results I was able to find that in general, aid Granger caused migrants which raised a question on donors' usage of aid as a control mechanism of immigration as it indicated that more aid generates more immigrants. Causality results according to regions showed similar pattern however bidirectional relationship between aid and migrants was observed in several regions, which signals that migrants also cause aid. It can thus be suggested that the number of immigrants has an influence on donors' decision on aid amount which further supports the regression results.

We can say that not only there is an undeniable relationship between aid and international migration, but uncertainty is also raised regarding donors' use of aid as a method to control inflow of immigrants. Each year as the budget and allocation of aid increases, the number of immigrants also increases which implies that aid is not an effective tool to regulate immigration.

6.2 Limitations

Some limitations were faced during this study for example, data for migrants from aid recipient countries in the Caribbean and other small-sized

countries were missing and in some years, the amount of ODA commitments was also not given. Such countries were obviously excluded; in fact Oceania as a region was entirely eliminated from the study which narrowed down the sample size during the regression process. For further study, the effect of immigration policy reform on amount of aid commitment could be examined as it may provide more information regarding donor's usage of aid.

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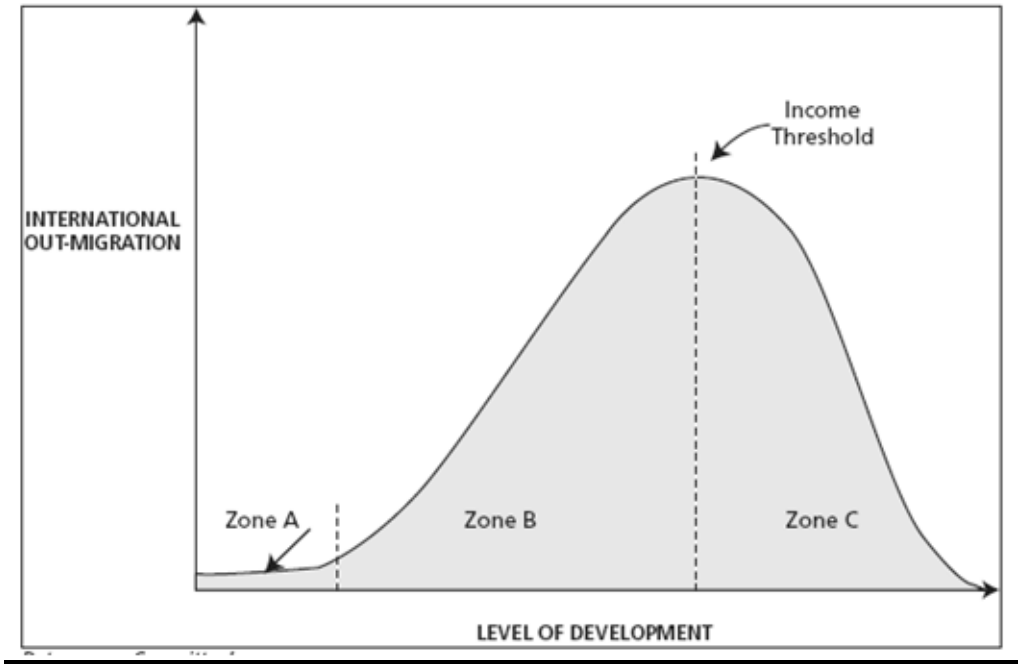
Appendix

The Migration Hump



Source: www.parliament.uk

DAC List of ODA Recipients
(Effective for reporting on 2012 and 2013 flows)

Least Developed Countries	Other Low Income Countries (per capita GNI <= $1 005 in 2010)	Lower Middle Income Countries and Territories (per capita GNI $1 006-$3 975 in 2010)	Upper Middle Income Countries and Territories (per capita GNI $3 976-$12 275 in 2010)
Afghanistan	Kenya	Armenia	Albania
Angola	Korea, Dem. Rep.	Belize	Algeria
Bangladesh	Kyrgyz Rep.	Bolivia	*Anguilla
Benin	Tajikistan	Cameroon	Antigua and Barbuda
Bhutan	Zimbabwe	Cape Verde	Argentina
Burkina Faso		Congo, Rep.	Azerbaijan
Burundi		Côte d'Ivoire	Belarus
Cambodia		Egypt	Bosnia and Herzegovina
Central African Rep.		El Salvador	Botswana
Chad		Fiji	Brazil
Comoros		Georgia	Chile
Congo, Dem. Rep.		Ghana	China
Djibouti		Guatemala	Colombia
Equatorial Guinea		Guyana	Cook Islands
Eritrea		Honduras	Costa Rica
Ethiopia		India	Cuba
Gambia		Indonesia	Dominica
Guinea		Iraq	Dominican Republic
Guinea-Bissau		Kosovo[1]	Ecuador
Haiti		Marshall Islands	Former Yugoslav Republic of Macedonia
Kiribati		Micronesia, Federated States	Gabon
Laos		Moldova	Grenada
Lesotho		Mongolia	Iran
Liberia		Morocco	Jamaica
Madagascar		Nicaragua	Jordan
Malawi		Nigeria	Kazakhstan
Mali		Pakistan	Lebanon
Mauritania		Papua New Guinea	Libya
Mozambique		Paraguay	Malaysia
Myanmar		Philippines	Maldives
Nepal		Sri Lanka	Mauritius
Niger		Swaziland	Mexico
Rwanda		Syria	Montenegro
Samoa		*Tokelau	*Montserrat
São Tomé and Principe		Tonga	Namibia
Senegal		Turkmenistan	Nauru
Sierra Leone		Ukraine	Niue
Solomon Islands		Uzbekistan	Palau
Somalia		Vietnam	Panama
South Sudan		West Bank and Gaza Strip	Peru
Sudan			Serbia
Tanzania			Seychelles
Timor-Leste			South Africa
Togo			*St. Helena
Tuvalu			St. Kitts-Nevis
Uganda			St. Lucia
Vanuatu			St. Vincent and Grenadines
Yemen			Suriname
Zambia			Thailand
			Tunisia
			Turkey
			Uruguay
			Venezuela
			*Wallis and Futuna

*Territory.

(1) This is without prejudice to the status of Kosovo under international law.

Source: OECD Development Assistance Committee, International Development Statistics

List of countries grouped into regions

Far East Asia	Central and South America	Middle East	Southeast and Central Asia	Northern Sahara	Southern Sahara
Cambodia	Anguilla	Iran	Afghanistan	Algeria	Angola
China	Antigua and Barbuda	Iraq	Armenia	Egypt	Benin
Indonesia	Argentina	Jordan	Azerbaijan	Libya	Botswana
Korea. Dem. Rep.	Belize	Lebanon	Bangladesh	Morocco	Burkina Faso
Laos	Bolivia	Syria	Bhutan	Tunisia	Burundi
Malaysia	Brazil	West Bank and Gaza Strip	Georgia		Cameroon
Mongolia	Chile	Yemen	India		Cape Verde
Philippines	Colombia		Kazakhstan		Central African Republic
Thailand	Costa Rica		Kyrgyz Rep.		Chad
Timor-Leste	Cuba		Maldives		Comoros
Vietnam	Dominica		Myanmar		Congo. Rep.
	Dominican Republic		Nepal		Côte d'ivoire
	Ecuador		Pakistan		Congo. Dem. Rep.
	El Salvador		Sri Lanka		Djibouti
	Greneda		Tajikistan		Equatorial Guinea
	Guatemala		Turkmenistan		Eritrea
	Guyana		Uzbekistan		Ethiopia
	Haiti				Gabon
	Honduras				Gambia
	Jamaica				Ghana
	Mexico				Guinea
	Monteserrat				Guinea-Bissau
	Nicaragua				Kenya
	Panama				Lesotho
	Paraguay				Liberia
	Peru				Madagascar
	St. Kitts-Nevis				Malawi
	St. Lucia				Mali
	St. Vincent and Grenadines				Mauritania
	Suriname				Mauritius
	Uruguay				Mozambique
	Venezuela				Mayotte
					Namibia
					Niger
					Nigeria
					Rwanda
					São Tomé and Principe
					Senegal
					Seychelles
					Sierra Leone
					Somalia
					South Africa
					St. Helena
					Sudan
					Swaziland
					Tanzania
					Togo
					Uganda
					Zambia
					Zimbabwe

Note: countries are regionalized according to OECD Statistics.

Source: OECD Statistics

List of European DAC members and Date of Membership

Member	Year
Austria	1965
Belgium	1960
Denmark	1963
Finland	1975
France	1960
Germany	1960
Greece	1999
Ireland	1985
Italy	1960
Luxembourg	1992
The Netherlands	1960
Norway	1962
Portugal*	1960/1991
Spain	1991
Sweden	1965
Switzerland	1968
United Kingdom	1960

Note: With oil price shock, Portugal withdrew from the DAC in 1974 and rejoined in 1991

Source: OECD. (2006), DAC in Dates: The History of OECD's Development Assistance Committee

국문 초록

본 논문은 이민자를 많이 보내는 출생국 일수록 외국으로부터 원조를 많이 받는다는 가설 하에 원조와 국제이주 간 상관관계 존재에 대하여 연구하고자 한다. 분석대상은 원조정책의 선진국이며 특히 많은 이민자 수를 보유하고 있는 유럽공여국을 중심으로 이루어지며 152개국의 양자 원조 수원국 출신의 이민자수를 대상으로 조사한다. 동시에 원조를 통한 국제이주 증가, 국제이주를 통한 원조 증가 또는 양방향성의 관계가 형성되는지 살펴본다. 패널 데이터는 1995년부터 2010년까지의 자료를 바탕으로 하며 이는 중력 모형과 그레인저 인과관계 분석법을 사용한다. 분석 결과 첫째 유럽공여국은 자국에 가장 많은 이민자의 출생국을 대상으로 원조를 지원하며 이는 유럽공여국이 원조를 이민 관리의 한 도구로 사용하고 있음을 뒷받침하고 있다. 둘째 원조와 국제이주 간의 상당한 인과관계가 존재하며 원조가 오히려 수원국의 국제이주를 촉진하는 것으로 나타났다.

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주요어: 원조, 국제이주, 중력 모형, 그레인저 인과관계, 유럽

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