

The East Asian Economic Crisis and Labour Migration: A Set-Back for International Economic Integration?

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ABSTRACT: The Asian economic crisis dramatically influenced the context in which a growing number of international migrants had begun to spread from poorer to more industrialised countries in East Asia, accompanying the export and FDI booms of the 1990s. Important uncertainties included the impact on clandestine migrant workers, replacement of migrants by local workers and countervailing pressures for increased migration in labour exporting countries. The paper argues that the Asian economic crisis did not change the fundamental trend toward greater mobility within the region. The labour importers among the crisis countries continued to rely on unskilled migrant workers in '3-D' jobs in export-oriented industries, and business and professional migrants played an important role in the recovery. In addition, pressures mounted for greater international migration of unskilled workers from poorer, labour surplus countries. However, several countries were forced to develop a more coherent policy towards migrant workers, in light of the social impact on migrants.

JEL Classification: F16, F22, J61

Key Words: International Labour Migration, Labour Markets, Economic Crisis, East Asia

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I. INTRODUCTION

Increased international labour migration was one important, yet much neglected, dimension of globalisation within much of the Asia Pacific region in the 1980s and 1990s. Conservative estimates suggest that the number of migrants doubled or even tripled in most labour receiving countries from the early 1980s.² The Asian economic crisis brought dramatically influenced the context under which such movements had occurred. It posed a major threat to both economic growth and deepening international economic relations within the APEC region. International capital flows reversed, many firms went bankrupt and unemployment rates rose steeply in the crisis-affected countries. International movements of labour were not immune to these developments.

In the pre-crisis period, most of the labour flows involved intra-regional movement of less skilled workers from poorer East Asian economies to the middle income, industrialising nations in the region. Nevertheless, mobility skilled manpower – business people, professionals, managers and executives – also increased significantly in most economies, in concert with increasing international trade and investment flows. In addition to globalisation, domestic factors, which influenced the demand for unskilled

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² The two exceptions were Singapore and Hong Kong which depended on migrant workers for economic growth in earlier decades.

and skilled manpower, also contributed to greater international labour migration, associated with structural change in individual economies.

Few studies, however, have surveyed the impact of the crisis on international labour migration (ILM), in light of structural changes affecting labour markets in the region in the decade prior to the crisis. Important issues include the extent to which less secure (and often clandestine) migrant workers were first to feel the brunt of the crisis, replacement of migrants by local workers and tensions arising out of countervailing pressures for **increased** migration from those labour exporting countries worst hit by the crisis, such as Indonesia.

This paper surveys patterns and some of the determinants of international labour migration, and government policies adopted to deal with ILM, in the wake of the East Asian crisis . It focuses, in particular, on tensions between longer-term structural factors that have driven increasing ILM, on the one hand, and the abrupt impact of the Asian economic crisis on the other. The main context is East Asia (including both Northeast and Southeast Asia), although the paper also deals with broader trends within the Asia Pacific region.

The paper is structured as follows. The second section deals briefly with some general considerations regarding the role of labour mobility in economic integration in East Asia. The third maps trends in labour mobility during the boom period of economic growth in East Asia in the decade before the economic crisis. The fourth surveys the impact of the Asian economic crisis on labour mobility, focusing on the four economies most affected by the crisis, followed by a few brief, concluding remarks.

II. SOME GENERAL CONSIDERATIONS

Several general observations provide useful a background to the discussion of international labour migration in the context of the East Asian crisis, with specific reference to East Asia. In particular, they relate to processes of both globalisation and

structural change, and movements of skilled manpower in response to increased trade and FDI flows.

- *International Labour Migration, Globalisation.* From a theoretical perspective, international labour migration (ILM) has been principally seen as a response to differences in factor endowments, and a substitute for trade and investment flows.³ In a simple Heckscher-Ohlin framework, international trade occurs partly in response to the immobility of factors of production, which contributes to national differences in the price of labour and capital.

However, it has been the mobility of capital rather than labour that has played the major role in greater international economic integration both within East Asia and more generally. While labour mobility has been substantial in some contexts, it lagged behind international trade and investment flows in the second half of the 20th century (World Bank, 1995: 51-54). At the same time, ILM increased in concert with, but not necessarily in the same direction as, more intensive trade and investment flows associated with structural change in the region.

Liberalisation of international trade and investment has faced fewer obstacles than liberalisation of international labour flows. The relative immobility of labour across nation states has contributed to large wage differentials across countries and has encouraged trade and investment flows in the course of economic development, although differences in the price of labour are not as great as might be expected in PPP terms, adjusting for equivalent efficiency units of labour (Freeman, 2000).

- *Structural Change and ILM.* Changes in relative factor scarcities are important for ILM, both in process of economic growth and in response to short-term fluctuations in the business cycle. In response to rapid economic development, several labour abundant countries in East Asia began to face increasing labour scarcities (Fields, 1994).

³ See especially Ethier (1985), Stark (1991), Massey et al. (1993), Lloyd (1996) and Athukorala and Manning (1999) for discussions of causes of ILM and its role in structural change.

They faced three major choices as they undergo a process of structural transformation away from agricultural-based to industrial economies: they can up-grade technology and human capital to conserve on unskilled labour, they can export relatively labour-intensive technology abroad through FDI, or they can import unskilled workers from abroad to prolong the life of low wage industries (Athukorala and Manning, 1999: Chapter 2).

In practice, in-migration of workers and has occurred in various combinations with technological upgrading and the flow of FDI abroad, in the response to emerging labour scarcity in the rapidly growing countries in East Asia (Athukorala and Manning, 1999). The import of unskilled labour to facilitate structural adjustment is a less costly option than technological upgrading in the short term. However, it can create major social and political problems in the medium to longer term.

- *The Mobility of Skilled Manpower.* Decomposition of labour by skill complicates the simple Heckscher-Ohlin model. Both on a global scale and within East Asia, movements of skilled labour, professional and managerial labour have often been complementary to trade and especially investment flows (Lloyd, 1996). Increasingly skilled and professional migrants have dominated migration streams in more developed countries. In-migration of skilled rather than unskilled manpower was increasingly promoted in Australia, New Zealand and Canada (and to a lesser extent the USA) in response to higher rates of unemployment at home, and the need to develop skill- and technology-intensive exports.

More generally within East Asia, first European and American, then Japanese and later Korean and Taipei-Chinese managers and skilled workers have played a critical role in fostering trade, and as complement to FDI in the less developed countries in the region (Pang, 1993; Lloyd, 1996). Migrant workers assisted in product design, supply of inputs and technology and management of production and marketing in export-oriented firms, and played a critical role in the management of foreign enterprises.

At the same time, ‘push’ factors underlying the movement of professionals and business people from some countries have operated largely independent of international trade and investment flows within the Asia Pacific region. Migration of professionals was partly generated by imbalances in the supply and demand for skilled manpower at home, and large differentials in the wages of professional and managerial workers across countries. Countries with a strong educational base but relatively limited employment opportunities for employment of skilled and professional manpower, or which have experienced slow economic growth at home (the Philippines and New Zealand are two classic cases), have been among the major out-migration areas in the Asia-Pacific region.

III. MIGRATION PATTERNS AND POLICIES

Within East Asia, substantial international migrant flows were quite recent phenomenon increasingly related to the strengthening of trade and investment ties within the region prior to the financial crisis. The crisis challenged this development. However, we shall see that it did not significantly alter the stock of migrant workers in the region, although there was a considerable impact on the intensity of labour flows.

This section ‘maps’ the nature of those flows and their relationship to structural change and globalisation within East Asia. First, I discuss migration patterns and trends. before turning to the principal economic, demographic and social factors which underpinned labour migration during the 1990s.

Migration Patterns

Significant ILM has only become a significant *general* feature of economic development in the East Asian region from around the mid 1980s. As trade and investment ties intensified within the region from the 1970s and increasingly in the 1980s, movements of skilled and professional manpower, including business migration, assumed greater importance. Although unskilled labour has tended to move from less developed to more developed countries within the Asia-Pacific regions, skilled labour movements tended to

be in the opposite direction, especially as FDI spread to capital scarce, export-oriented countries in the region.

What are the general orders of magnitude? Data included in Table 1 refer to stocks of all migrant workers in East Asia in 1996-1998, for the most part on the eve of the crisis.⁴ The data on migrant workers from Western countries (see the last row in the table) refer largely to managers and professionals, many of whom were concentrated in the non-tradable finance and service sectors in East Asia.⁵ Table 2 provides an estimate of the stock of foreign workers in major East Asian countries of destination in 2000, compiled from a range of national and international sources.

Using Tables 1 and 2 as a guide, two principal patterns predominate with regard to *unskilled/semi-skilled labour* movements:⁶

- *Contract in-migration into the later industrializing countries* (Japan, the NIEs, Malaysia and Thailand) as they were transformed from labour abundant to labour scarce economies in the period 1970-1990. While Hong Kong-China and Singapore were city states based on migrants, the other countries changed from net labour exporters to net labour importers as their labour markets were transformed in the 1980s and early 1990s.⁷ Aside from Singapore, by far the largest inflows (both absolutely and as a share of the work force) were into Malaysia, mainly from neighbouring Indonesia. Thailand became a major source of destination of economic and political refugees from Myanmar (Burma) in the 1990s. Japan, Korea and Taiwan all received significant numbers of in-migrants from the mid 1980s, although they were still a relatively small proportion (1-2%) of the work force in the mid 1990s (see Table 2).

Several countries, however, remained significant labour exporters, most notably Thailand, Malaysia and Japan. Around two hundred thousand Malaysians worked in Singapore per annum in the mid to late 1990s. A similar number of unskilled and semi-skilled Thais left for work in several countries in East Asia, and professional and managerial Japanese left their country to work mainly in the USA.⁸

⁴ Data included in Table 1 are taken from Stahl (1999a).

⁵ Korean, Taiwanese and to a lesser extent Japanese experts and managers tended to be concentrated in manufacturing in the capital receiving countries of East Asia, especially in FDI or joint venture companies.

⁶ Pang (1993), Athukorala and Manning (1999), Cheng and Leung (1999) and Stahl (1999a). Patterns have not changed radically in the post crisis period.

⁷ The term NIEs (new industrializing economies) refers to South Korea, Taipei-China, Hong Kong and Singapore. While Japan was transformed from a labour surplus economy in the 1960s, significant labour in-migration did not occur until two decades later (Athukorala and Manning, 1999: Chapter 3).

⁸ See data compiled by Cheng and Leung (1999).

- *Large net out-migration from the poorer, labour abundant countries* in the region, principally of contract (and illegal) workers. The main suppliers of unskilled labour to the rest of the region were the Philippines, the Peoples Republic of China, Indonesia and Myanmar. The Philippines and, to a lesser extent, Indonesia dominate documented flows and stocks of migrants, although it is estimated that some 400,000 people were illegally smuggled out of China both to other Asian countries and to the USA, Canada and Australia in the late 1990s (*Migration News*, December 2000).⁹

The movement of Filipino workers stands out. It is extraordinarily diversified by occupation, across both developed and developing countries within the Asia Pacific region. In contrast, Indonesians migrants were much more concentrated in lower skill groups within East Asia, primarily in Malaysia and to a lesser extent in Singapore, Hong Kong and Taiwan. Other movements have mainly been to the middle income countries in the region, aside from earlier large movements of migrants out of the Indochina states during the Vietnam war period. Prominent among the movements to middle income countries was the mainly illegal migration of Burmese, Karen and other groups from Myanmar into Thailand in the 1990s.

What about the movement of other *professionals and business people* in East Asia? There are even less data on these flows than for unskilled migrants owing to the high mobility of more educated migrants on short term contracts (often on visitors or tourist visas) within the APEC region. Table 3 draws heavily on data collected by Garnier (1996) on some of these patterns.¹⁰ The data are incomplete and illustrative only of some of the orders of magnitude. Concomitant with the rising trade in services over the past two decades, labour mobility has also increased markedly and is a major component in most service sector trade. Several patterns are shown by the data:

- Business trips were the largest flows within the region. By far the largest figures in Table 3 refer to business migration trips, with data provided for Japan and South Korea (around 1-2 million visits per year) as examples of major out-migration countries and Australia, Japan and Korea as in-migration countries (about 70-200). The data are mainly for the early to mid 1990s and numbers would have increased substantially from that time up to 1997 before falling in most countries during the Asian economic crisis.
- Second, FDI encouraged the movement of professionals and business people abroad, mainly in East Asia. Figures for Hong Kong China, Japan and South Korea suggest that around 80-90,000 intra-company transfers and movement with FDI occurred in

⁹ These estimates were made by the United Nations Council for Refugees (UNHCR).

¹⁰ The original sources are from individual countries and especially from Pang (1993).

the early 1990s.¹¹ Like in the case of business travellers, the largest number of these employees moved from developed countries. However it is significant that educated Filipinos mostly working for multinationals represent a significant proportion of these flows. Japan, Hong-Kong and Singapore were also significant recipients of skilled migrants, together with Malaysia, Indonesia and Thailand (the latter not shown in the table). These three ASEAN countries were major destinations of FDI out of the more industrialised East Asian countries in the 1990s.

- Third, Filipinos dominated the out-migration of long-term skilled and professional migrants, reflecting both slow rates of FDI and economic growth and a relatively under-developed modern sector, on the one hand, and a well developed higher education sector on the other. Around 20-30,000 professional migrants moved from Singapore and Hong Kong, especially to Australia and Canada, although there was a significant reverse movement back to both Singapore and Hong Kong as both economies shifted into high-tech service industries in the 1990s (Pang, 1993).
- Finally, short-term services (especially entertainment and the like) became especially important in Japan in the 1990s, mainly from the Philippines (and Thailand).¹² Filipino entertainers also became a feature of the business and tourist environment in many countries in the region.

At the same time, the pattern of business and professional migration has changed dramatically in East Asia over the past several decades.¹³ Three overlapping phases can be distinguished. First, in the early post-war period through to the 1970s many professionals were from ex-colonial powers, especially the British (in Hong Kong Singapore and Malaysia) and Americans (in the Philippines), in the newly independent countries in the region.

In the second period, East Asians increasingly worked abroad, usually for home country, overseas investors. The first wave consisted of Japanese as Japan became a major overseas investor and the second dominant trading partner after the USA in the region. Koreans, Singaporeans and Taipei and Hong Kong Chinese who worked for branches of their overseas companies followed. Both Japanese and Korean companies tended to recruit larger numbers of technical and managerial staff from among home country expatriates than had been the practice of earlier European investors (Pang, 1993: 80). The number of north East Asians employed in Malaysia, Thailand and Indonesia

¹¹ Although it is not made clear in the original data sources, these data probably reflect stocks rather than flows of company executives and professionals, although the data for Hong Kong include information on 50,000 daily commuters from Southern China.

¹² In the case of Thailand in particular, a significant but unknown component of this movement consisted of illegal sex workers.

increased quite dramatically in the 1980s, making up to half or more of all foreign professionals working in these countries.

And third, foreign professionals employed by FDI firms, in government and by domestic investors were increasingly recruited from a wider range of countries increasingly into the 1990s. This included both developed and mainly English speaking countries (Australia, and the USA) and developing countries (again mainly the Philippines, but also Singapore and Hong Kong) in the region. This latter development was partly associated with changing investment and trade patterns, the rise of services in trade and investment, and specifically the development of IT industries and new financial and capital markets.

Structural Factors Underlying Migration Flows

Two sets of factors acting to influence both the demand and supply of labour, had a major influence on the rate and pattern of ILM prior to economic crisis.¹⁴ Rapid economic growth and associated inflows of FDI were important on the demand side; demographic change and slowing work force growth played a major role on the supply side of the labour market. .

Rapid Economic Growth. Most important was the rapid expansion in demand for unskilled labour throughout the region in response to sustained economic growth in the 1990s, despite the slow-down in economic growth rates in Japan. The NIEs and ASEAN countries all averaged GDP growth rates of well above 5% per annum up to the Asian economic crisis in 1997-98. Economic growth in China was above 10% for the first half of the 1990s, tapering off slightly from 1996 (Table 4), and only slightly below this figure in Malaysia, Thailand and Vietnam.

In contrast to other regions in the Third World, labour migration was not primarily the result of relative economic stagnation, and associated 'push' factors, in the larger, labour-surplus economies in East Asia, with the partial exception of the Philippines. Increasing

¹³ See especially Pang (1993: Chapter 3).

¹⁴ See especially Athukorala and Manning (1999) for an historical focus on the increase in ILM in the region, especially during the 1990s.

absolute difference in wages and levels of living between more and less developed economies in East Asia, combined with improved transport and information flows played a crucial role in supporting migrant labour flows.

Closely associated with rapid economic growth, foreign direct investment boomed in the 1990s, especially in China and Southeast Asia (Table 5). Aside from supporting overall economic growth and the general expansion in labour demand, many projects employed a relatively high proportion of foreign workers. As noted, this was especially true of North East Asian investors in Southeast Asia – the Japanese, and later the Koreans and investors from Taipei-China (Athukorala and Hill, 1998). Not only did many of these firms employ managers and highly trained professional engineers but they also relied on middle level technicians. Paradoxically the shortages of unskilled labour at home, which had precipitated the export of capital to take advantage of low wages in neighboring countries, actually encouraged the export of skilled workers to the same countries.

A Slowdown in Labour Force Growth. On the labour supply side, a substantial slowing in labour force growth occurred especially in the NIEs and to a lesser extent in Southeast Asia. It is important to bear in mind that it had been rapid increases in the supply of unskilled and skilled manpower that had provided a major stimulus to economic growth during the boom years in the more industrialised countries in the region (Young, 1994). Although these effects were felt unevenly across region, several countries felt the impact, including all the NIEs and Thailand. Falling fertility in the 1970s and 1980s began to have an influence on labour force growth by the 1990s, despite rising female participation rates in several countries (Stahl, 1999b). Growth rates of 2-3% per annum had declined to less than one per cent in several of these countries by the 1990s (Table 6)

Migration Policies

Migration policies have differed very substantially across countries, ranging from sophisticated quota and ‘points’ schemes based on migrant characteristics to largely

uncontrolled, clandestine in-migration.¹⁵ In most other countries, where in-migration became a feature of labour markets largely by default in the 1980s, policy has tended to be made on the run and often without explicit acknowledgement of the presence of large number of illegal immigrants.

As with migrant flows, a clear distinction needs to be made between policies towards less skilled migrants on the one hand, and more skilled and professional migrants on the other. Prior to the Asian economic crisis, the former were admitted as part of an explicit quota program only in Singapore, Hong Kong China and Taipei China among East Asian countries, mainly as domestic helpers and construction workers.¹⁶ At the other extreme, unskilled illegal migrants were an important part of the unskilled labour market in Japan, Korea, Thailand and Malaysia.

Policies have included numerous amnesties and registration in most of these countries, and periodic crackdowns on illegal migrants. While all countries explicitly admit migrants to certain sectors of the economy, inevitably many move to other more preferred jobs and join the 'clandestine' migrant work force. While illegal migrants are important in most labour receiving countries (see Tables 1 and 2), some progress has been made in controlling the flow of illegals. Malaysia, for example, made considerable progress towards legalisation of migrant workers, from a starting point in the late 1980s when illegal workers probably made up 80-90% of some one million migrants.¹⁷ Thailand was less successful up to the crisis, partly related to the difficult border situation (both physically and politically) with Myanmar and the rural and regional spread of many migrant workers (Athukorala and Manning, 1999; Chalamwong, 2000).

Policies with regard to professionals have been quite different. Most economies have had relatively open policies towards the employment of foreign professionals in overseas

¹⁵ Pang (1993), Stalker (1994), Athukorala and Manning (1999) and Ruppert (1999).

¹⁶ For example, Singapore imposed a levy on relatively unskilled foreign workers from 1987 (ranging from S\$240-475 per month according to sector of activity) to discourage unlimited migration from poorer countries in the region, in addition to quotas (or a 'dependency ratio' of foreign to domestic workers) on numbers employed in each sector (Wong, 1997; Ruppert, 1999).

¹⁷ Hugo (1993), Pillai (1995) Kassim (1995).

firms. Nevertheless, there are important differences between countries. At one extreme, Hong Kong and Singapore have encouraged the in-migration of professionals (and permanent settlement in the case of Singapore). Singapore, for example, imposes no levy on highly skilled manpower and places fewer restrictions on residence and naturalisation than many other countries in the region (Ruppert, 1999). At the other, Japan, South Korea and to a lesser extent Malaysia and Indonesia have adopted more restrictive policies towards foreign professionals.¹⁸

IV. THE ASIAN ECONOMIC CRISIS, ECONOMIC GROWTH AND MIGRATION FLOWS

The patterns of economic growth discussed above came to a sharp end as several countries experienced capital flight, macroeconomic instability and a sharp dip in rate of economic growth and investment. Three important points need to be stressed regarding the impact of the Asian economic crisis on migration patterns: the impact was more muted than anticipated, countries tried to cut back on stocks of migrants with limited success and flows of migrants with varying success and, third, the impact on skilled manpower was much smaller than might have been expected. I discuss each point in turn.

First, while five countries went into recession as a result of the crisis, it was not the disaster initially feared for the region as a whole. There was also considerable variation in economic performance across the region. Taipei China and the Peoples Republic of China still registered quite rapid economic growth rates in 1998, as did Vietnam and the Lao PDR, although growth slowed in the latter (see Table 4). At the other extreme, five economies including Hong Kong, South Korea, Malaysia, Thailand and Indonesia registered a 5% or greater decline in GDP at the height of the crisis in 1998.¹⁹ All these countries except Indonesia were net labour importers and hence the crisis had a greater impact, in general, on the overall demand for migrant labour than on its supply.

¹⁸ Indonesia imposed an annual business levy of several thousand dollars in the early 1990s, as did Malaysia (Ruppert, 1999)

¹⁹ The Philippines registered negative economic growth in 1998 but this was more the consequence of drought than capital flight and macroeconomic instability that affected other countries in the region.

Recovery was also rapid. Although the Indonesian economy was only beginning to recover haltingly in 2000, in light of continued political uncertainty and social unrest, the other four worst affected economies had returned to quite impressive levels of economic growth by 1999. In Korea, economic recovery brought a rate of economic growth which rivaled the spectacular growth rates of previous decades. It is widely acknowledged that the twin problems of banking sector reform and debt overhang in the private sector could continue to threaten future rates of economic growth in all the crisis countries (World Bank, 2000; Asian Development Bank, 2000). But except for Indonesia, it is important to stress continuity in East Asian economic performance in the post-crisis period. Exports had recovered significantly, despite severe pressure on the terms of trade, and FDI flows were again large, even if they not quite as strong as in the pre-crisis period (see Table 5).

Following a series of amnesties and registration programs in 1991 and 1996 in Peninsular Malaysia (and similar programs in Sabah and Sarawak), a major effort was made to register migrant workers in 1998-99. Many migrants whose formal contracts expired, or who had lost their jobs especially in the construction sector, were repatriated. Voluntary repatriation of large numbers of migrants was achieved in this period and probably for the first time in 20 years a majority of some 1.5 million migrants (in Peninsular Malaysia) were formally on contracts recognised by the government by the end of 1999.²⁰

In short, labour demand suffered a short sharp fall but recovered remarkably quickly, as evidenced by improved labour market conditions in several countries. Unemployment rates, for example, which had peaked in South Korea at close to double digit figures had fallen back to closer to 5% towards the end of 1999 (Manning, 2000). Unemployment fell less steeply in Thailand, Malaysia and Hong Kong than in Korea.²¹ But manufacturing employment growth was again positive in the former two countries and in Indonesia in 1999, after a quite substantial decline in 1998.

²⁰ For estimates of the number of migrants in Malaysia see *Migration News*.

²¹ Unemployment had risen less steeply during the recession in these three countries compared with Korea, although it nearly tripled in Hong Kong from just over 2% in mid 1997 to close to 6% in early 1999 before stabilising at this level during 1999.

Thus, there has not been a fundamental change in labour demand patterns as a result of the crisis. As the World Bank notes (2000: 142-144) economic growth will probably be slower in several economies, especially Thailand and Indonesia, in the medium term compared with very high (and probably unsustainable) growth rates in the early 1990s. But provided efforts can be made to raise productivity and improve institutions needed to support a revamped modern sector, there seems little reason to doubt that East Asian countries will once again continue to grow more rapidly than the rest of the world. In part, this can be attributed to open oriented trade and investment policies adopted in the decade before the crisis (even though rapid deregulation of financial markets contributed to their problems in 1997-98). Open markets have enabled them to tap quickly into dynamic areas of growth in the world economy.

Second, among the crisis-affected economies, three of the four labour importing countries tried to cut back on migrant worker intakes, especially illegal migrants, with varying success (Table 7). The failure of earlier, ambitious targets to cut back on migrant labour underlined the structural significance of migration within the region. There had been a belief (often propagated by governments in response to domestic criticism) that contract migrant workers were only a temporary phenomenon as countries adapted to temporary labour scarcities. This notion was dispelled by the experience of the crisis.

- Tighter regulation of migrants by the Malaysian government – which at one time had suggested repatriating up to half a million migrant workers – mainly to Indonesia, appears to have had little impact on the stock of migrant workers. However, Malaysia was able to reduce migrant flows quite significantly during the worst year of the crisis in 1998, partly a result of voluntary repatriation during a period of amnesty for illegal migrant workers (see Table 7).²²
- Thailand appears to have been less successful than Malaysia. Illegal migrant workers continued to dominate contract employment, partly fanned by political tensions between minority groups of Karen and the Myanmar government along the border.
- Even in Korea, where unemployment rates rose much more sharply than elsewhere in Asia, migrant workers were not repatriated in large numbers and

²² Of course, Malaysia faced a very difficult situation since the large majority of migrant workers were from its large neighbour, Indonesia, the country worst affected by the crisis. The Indonesian government made strong pleas to Malaysia to move slowly on plans to repatriate workers.

neither was the government successful in significantly reducing the number of illegal migrants, although there was quite a large cut-back in the flow of official trainee migrants employed by small business.²³

- In Hong Kong, there was no suggestion of a significant fall in migrants, either from Mainland China or among foreign domestic helpers (Chiu, 2000). The intake of skilled migrants fell slightly in 1998 but still remained at close to 15,000 rising again in 1999.

In all the crisis countries, business was strongly opposed to cutting back on migrant flows. It is clear that migrant and non-migrant workers were not close substitutes. A brief short-term shock to the labour market did not dampen the demand for migrant workers in '3-D' (difficult, dirty and dangerous) jobs that had been shunned by most nationals from the early 1990s. Jobs in agriculture and fishing in Malaysia and Thailand, small-scale industry in Korea and domestic help and construction work in most of the countries in East Asia continue to be dominated by migrant workers in the post crisis period.²⁴

There has been considerable conflict of interest within the business community, and between the central government on one hand, and regional government bodies on the other (in the latter, there is often a strong business interest in maintaining migrant intakes at a much higher level than allowed for in revised national targets). In Thailand representations were made especially by business in the western and southern border regions which depended heavily on migrant workers (Chalamwong, 2000). In contrast, in Korea the case for retaining migrant workers has been taken up mainly by small business, mainly producing for the domestic market. Lobbying came mainly from the Federation of Small Business (Uh, 2000). In Malaysia, it was export-oriented manufacturing firms that were most concerned with the effect of migration cut-backs.

Third, insofar as the crisis did affect employment opportunities, one might have expected this to be felt especially among foreign professionals, managers and business people in

²³ Uh (2000) reports that the Korean Federation of Small Business did not report a shortage of overseas trainee workers in 1998, for the first time during the 1990s.

²⁴ Of course, the crisis had little direct impact on foreign workers in Taiwan, Singapore or the Indochina states, all of which were only slightly affected by the crisis.

the crisis countries. Following the dramatic flight of short-term capital, the subsequent slow-down in FDI flows was quite marked in Indonesia, Malaysia and Hong Kong, although not (surprisingly) in South Korea and Thailand.²⁵

However, the crisis appears to have had a mixed impact on work among skilled workers and professionals, who had benefited from the pre-crisis investment boom. Numbers of visas offered to this group of employees dipped only slightly in Hong Kong and South Korea, and actually seems to have increased in Malaysia and Thailand (Table 8). This is surprising, especially given financial sector woes and the shift in relative prices in favour of tradable goods, which meant that investment in many service industries, such as telecommunications, stalled.

Indonesia appears to have been worst hit. It is reported that the number of foreign professionals fell from close 60,000 in 1996-97 to a little more than 30,000 by the end of 1998. Not only foreign but also Chinese-Indonesian (*non-pribumi*) capital was a major casualty of the political and social crisis, and many overseas Chinese managers and professionals left the country at this time.

In part, the continuing strong demand for professional manpower can be related to on-going policy reform in area of international migration within East Asia, especially related to initiatives taken through the APEC country multilateral framework for trade facilitation.²⁶ In the wake of the crisis, countries such as Thailand and Malaysia tried to reduce barriers to business mobility as part of their strategy to encourage renewed flows of FDI. Both have received international assistance in a training programs ('training the trainers') for electronic processing of visas, as have several other East Asian economies. Thailand, for example, only recently established a 'one-stop' service facility to process business visas and intra-company transfers within one day (for stays up to three months),

²⁵ The increase in the value of FDI for South Korea and Thailand in 1998 may be partly related to foreign acquisition of domestic assets disposed of as a result of the crisis.

²⁶ The author is particularly grateful to Peter Job and Ruth Kovacic from the Australian Department of Immigration and Multicultural Affairs for guidance on some of the issues discussed in this section. In particular, the Osaka Action Agenda for APEC countries committed members to increasing business

as well as facilitating the entry of industry spokespersons from abroad, and of journalists and executives in large FDI operations. Although levies are still imposed on foreign professionals, the Malaysian government is considering offering incentives for work in the information technology industry as part of that country's efforts to play a central role in the information 'super-highway'.

V. CONCLUSION

The paper focuses on labour migration within East Asia in the wake of the economic crisis, linked to longer run patterns of economic growth. It was argued that the Asian economic crisis has not changed the fundamental trend toward greater mobility within the region. The labour importers among the crisis countries – Thailand, Malaysia and South Korea – have continued to rely on unskilled migrant workers. Indeed, in both the former cases, willingness among migrant workers to undertake 3-D jobs in export-oriented industries has probably helped economic recovery. In addition, pressures have mounted for greater international migration of unskilled workers from Thailand and Indonesia, two labour exporting countries significantly affected by the crisis.

At the same time, several countries have been pressured by domestic lobby groups to develop a more coherent policy towards migrant workers in light of the social effects of the cut-back in labour demand and unemployment associated with the economic crisis. In both Malaysia and Thailand, for example, such policies accompanied by substantial repatriation of clandestine workers at the height of the crisis are likely to temper the inflow of illegal migrants in the future. The period of almost unrestricted entry of determined Indonesian and Karen and Burmese into these two countries, respectively, would seem to be at an end.²⁷ In general, this is good news for many migrant workers who desperately need protection against exploitation through legal recognition of their

mobility (APEC, 2000: 12). Initiatives involved exchange of information, streamlining of visa processing and training programs for visa processing, border management and fraud detection.

²⁷ The repatriation of Karen, in particular, into Myanmar from Thailand has been a problem, however, since many have found their way back into the border regions as a result of the political conflict between the Karen and other minority groups with Rangoon.

migration status, which in turn allows them access to protection under the labour codes in recipient countries.

It was also suggested that business and professional migration has had a significant role in the recovery especially in helping augment skills in key service industries and accompanying FDI flows to support debt restructuring. Nevertheless, while most countries in the region agree on the need for facilitation of business migration, several are more wary of proposals for including other professionals and ‘specialists’ in migration schemes, such as intra-company transfers arrangements.

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TABLE 1: APPROXIMATE STOCKS OF REGISTERED AND ILLEGAL MIGRANT WORKERS IN EAST ASIA BY SOURCE AND DESTINATION COUNTRIES/ECONOMIES (IN THOUSANDS)

COUNTRY/ REGION OF ORIGIN	HOST COUNTRY									E. Asia Total	GCC ³ Total	Country Total
	Brunei	Malaysia		Singa- Pore	Thai- land	Hong Kong	Japan	South Korea	China Taipei			
YEAR	1996	1998	1998	1997	1997	1997	1997/98	1998	1998			
Asia Total	69	478	1,284	452	943	438	410	159	283	4,516	2,987	7,503
South Asia <i>(Illegals)</i>	6		247	68	50	35		7		692	1,400	2,092
Indonesia <i>(Illegal)</i>	2	170	340	18		37	3	1	22	1,070	500	1,570
Malaysia <i>(Illegal)</i>	26	120	355				10		1	296		296
Philippines <i>(Illegal)</i>	10	96	11	77		134	20	4	114	609	1,022	1,631
Singapore <i>(Illegal)</i>	1	83	10				40	6	4	1		1
Thailand <i>(Illegal)</i>	22		10	68		25	15	2	133	321	45	366
P.R.C. <i>(Illegal)</i>			8				30	3	5			
S. Korea <i>(Illegal)</i>						170	31	36		525		525
Japan <i>(Illegal)</i>						200	35	53				
Other Asia ¹ <i>(Illegal)</i>	2	9	5	27		1	6	14	2	911		911
Western countries ²	1	5	41	55	32	121	177	n/a	n/a			

Notes

1. Principally Myanmar, Laos and Cambodia. 2. Western countries are not added into the Asia Total.

3. Member states of the Gulf Cooperation Council (GCC) are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia & the United Arab Emirates.

Stahl notes that for several countries/economies, published numbers refer to total foreign population, including dependents. In these cases, it has been assumed that the labour force participation rate is 55%. For Korea, the country source distribution of legal workers is an estimate based on the country distribution of overstayers.

Source: Stahl (1999a) Table 3.

TABLE 2: APPROXIMATE STOCK OF MIGRANTS/MIGRANT WORKERS IN MAJOR COUNTRIES/REGIONS OF DESTINATION IN EAST ASIA, 2000

	Migrant Numbers (000)		Approximate Share of the Work Force (%)	Main Countries of Origin ¹
	Legal	Illegal		
Japan	1,300-1500	250	1-2	Korea, China, Philippines, Iran
Hong Kong	240-250	10-20	5-7	Philippines (+/-60%), Indonesia, China
China				
Singapore	530	<10	25-27	Malaysia (+/-40%), Philippines, Thailand
Taiwan	300	<20	1-2	Thailand (+/-35%), Philippines,, Indonesia
Korea	90-100	166	1	China, Philippines
Peninsular Malaysia	700	500-1000	10-15	Indonesia (+/-70%), Philippines, Bangladesh
Thailand	110	500-750	1-2	Burmese/Karen (+/-70%), Cambodian, Lao

Note: Estimates in all cases refer to migrant workers except for Japan, which refers to all illegal migrants. Most estimates are for early to mid 2000.

1 Countries ranked according to approximate number of migrant workers from each place of origin.

Source: The main source for these estimates are unpublished data from the various Ministries of Immigration and Labour/Employment in Thailand, Malaysia, Hong Kong and Singapore, supplemented by data from *Migration News* (University of California, Davis), especially February, April, July, November and December 2000 (see <http://migration.ucdavis.edu/Archive>). Data published in *Migration News* are based on official statements made by the relevant Ministry or official data issued by the Immigration Department in individual countries.

TABLE 3: ESTIMATED ANNUAL MIGRATION FLOWS OF HIGHLY SKILLED MANPOWER AND BUSINESS PEOPLE IN SELECTED APEC ECONOMIES, EARLY TO MID 1990S (thousands)

Country Group/Country	Business Travel	Short-Term Service Provision	Intra-Company Transfer/Ex-pat. Postings ¹	Longer Term Migration ²
OUT-MIGRATION				
HIGH INCOME				
Australia	--	--	35	35
Hong Kong	--	--	87	36
Japan	1,772.9	7.4	85	--
Singapore			10	20
MIDDLE INCOME				
South Korea	784	--	87	--
Malaysia	--	--	10	40
LOW INCOME				
Indonesia	--	--	20	
Philippines	--	60	40	100
IN-MIGRATION				
HIGH INCOME				
Australia	202	13	--12.5	Na
Hong Kong	--	--	57	Na
Japan	95	25	--	Na
Singapore	--	--	57.5	Na
MIDDLE INCOME				
South Korea	241	--	18	Na
Malaysia	--	--	69.5	Na
LOW INCOME				
Indonesia	--	--	--50	Na

Note: Gaps in particular cells mostly indicate lack of data rather than the absence of any migrants (Australians, for example, made many business trips abroad in the 1990s, especially within the APEC region).

- 1 In-migration refer mainly to posted expatriates but also new entry of expatriates.
 - 2 No data are provided on permanent in-migration of skilled/professional migrants.
- Source: Adapted from Garnier (1996)

TABLE 4: GDP GROWTH RATE IN SELECTED EAST ASIAN COUNTRIES 1990-1999

(% p.a)

Countries	1990-95	1996	1997	1998	1999
China, People's Republic of	12.8	9.6	8.8	7.8	7.1
Newly industrialized economies					
Hong Kong, China	5.6	4.5	5.0	-5.1	2.9
Korea, Republic of	7.2	6.8	5.0	-6.7	10.7
Singapore	8.7	7.5	8.0	1.5	5.4
Taipei, China	Na	6.1	6.7	4.6	5.7
Other Southeast Asia					
Cambodia	1.9	5.5	2.6	1.3	5.0
Indonesia	7.6	7.8	4.7	-13.2	0.2
Lao People's Democratic Rep.	6.5	6.9	6.9	4.0	4.0
Malaysia	8.7	10.0	7.5	-7.5	5.4
Myanmar	5.7	6.4	5.7	5.0	4.5
Philippines	2.3	5.8	5.2	-0.5	3.2
Thailand	8.4	5.9	-1.8	-10.4	4.1
Vietnam	8.3	9.3	8.2	4.4	4.4
Developed Countries					
Japan	1.0	3.9	0.8		

Sources: Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries*, various years; World Bank, *World Development Indicators*, 1997; IMF (August 2000) *International Financial Statistics*.

TABLE 5: VALUE OF FOREIGN DIRECT INVESTMENT IN SELECTED EAST ASIAN COUNTRIES, 1990-1998 (1995 = 100)

Countries	1990	1995	1996	1997	1998
China, People's Republic of	10	100	112	123	127
Newly industrialized economies					
Hong Kong, China		100	168	183	49
Korea, Republic of	44	100	131	160	290
Singapore	77	100	109	135	99
Taipei, China	85	100	120	144	14
Southeast Asia and PNG					
Cambodia	Na	100	195	135	93
Indonesia	25	100	143	108	(-8)
Lao People's Democratic Rep.	7	100	145	98	51
Malaysia	56	100	122	122	89
Myanmar	140	100	33	108	35
Philippines	36	100	103	83	116
Thailand	118	100	113	181	337
Viet Nam	1	100	125	148	95

Source: Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries*, various years.

TABLE 6: LABOUR FORCE GROWTH RATE IN EAST ASIA 1980-1995
AND PROJECTIONS 1995-2010 (% p.a)

Countries	1980-1995	1995-2010
China, People's Republic of	2.5	2.0
Newly industrialized economies		
Hong Kong, China	1.5	0.6
Korea, Republic of	2.2	1.3
Singapore	2.1	1.0
Southeast Asia and PNG		
Cambodia	2.7	2.5
Indonesia	2.8	2.2
Lao People's Democratic Rep.	2.5	3.0
Malaysia	2.8	2.7
Myanmar	2.0	1.8
Philippines	2.7	2.5
Thailand	2.2	0.8
Viet Nam	2.4	1.7
Papua New Guinea	2.2	2.1
Developed Countries		
Japan	1.0	0.1

Source: World Bank, *World Development Indicators*, 1997.

TABLE 7: ESTIMATED STOCK OF MIGRANT WORKERS BEFORE, DURING AND AFTER THE ECONOMIC CRISIS, MAJOR CRISIS-AFFECTED COUNTRIES, 1996-1999¹

	1996	1997	1998	1999 ²
<i>Malaysia</i>				
Legal/with permits	745	1470	1130	900
Illegal/apprehended	(590)	(460)	(60)	(55)
Repatriated			188	
<i>Thailand</i>				
Legal/with permits	Na	Na	294	89
Illegal/apprehended	Na	Na	693	563
Total	710	940	987	652
Repatriated			334	
<i>South Korea</i> ³				
Legal/with permits	68	90	64	Na
Illegal/apprehended	129	148	99	Na
Total	197	238	163	Na
<i>Hong Kong</i> ⁴				
Legal/with permits	225	221	237	Na
Illegal/apprehended	(20)?	(20)	(16)	Na

1 The number of illegals/apprehended workers is a very rough estimate and probably is a minimum estimate of the total number of illegal workers in each country except Hong Kong. The figures on illegal migrants to Malaysia area based on official data on registration of migrants during amnesties in 1996-1997 as well as special operations to apprehend illegal immigrants each year. Data for South Korea and Hong Kong exclude professional and managerial workers.

2 Data are for August-September in both Malaysia and Thailand.

3 Legal immigrants consist entirely of trainees under the special trainee-ship program run for migrant workers.

4 Includes immigrants from China in a range of sectors and maids

Sources: Athukorala and Manning (1998), Chalamwong (2000), Kassim (2000), Uh (2000) and Chiu (2000).

TABLE 8: TRENDS IN EMPLOYMENT OF EXPATRIATE PROFESSIONALS,
MANAGERS AND TECHNICIANS IN THE ASIAN CRISIS COUNTRIES

	1997	1998	1999
Malaysia	13,000	22,000	32,000
Thailand	n.a.	64,000	70,000
South Korea	13,000	15,000	11,000
Hong Kong	16,000	14,000	n.a.

Source: As for Table 8.