The Takeaway
Policy Briefs from the Mosbacher Institute for Trade, Economics, and Public Policy

International Migration and Interstate Conflict

How Migration Contributes to Peace

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It is widely recognized that economic interdependence is a force for peace.[1] When countries forge deep economic relationships with each other, they make resorting to violence to settle their differences much costlier and reaching a peaceful resolution more prized. These relationships include bilateral trade in goods and services, cross-border investment, and supply chain integration. International migration supports all three.

How do countries create economic interdependence that reduces the likelihood of conflict? Why are some countries more deeply integrated with each other while others have only weak economic relationships? Answering this question is key to understanding how to predict and manage future international conflict. The movement of people across borders – international migration – can foster the movement of goods, services, and investment between countries.[2] Because migration is critical for building economic interdependence, it can be a force for peace.[3]

WHAT'S THE TAKEAWAY?

Economic interdependence has long been a force for peace.

Because international migration fosters economic interdependence, it also reduces international conflict.

A new measure of bilateral trade generated by migrants confirms that migration contributes to peace.

Recent calls to restrict immigration in many countries could be troubling for the prevention of violent conflict.

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ECONOMIC INTERDEPENDENCE FOSTERS PEACE

The idea that economic interdependence reduces war has a distinguished intellectual history. With origins in the works of Kant and Montesquieu, this idea has evolved into the central component of the "liberal peace" in international relations.[4] Interdependence emerges when traders and consumers across borders grow accustomed to, and reliant on, the exchange of goods and access to foreign markets. When countries find themselves in disputes that could result in violence, they must consider the damage war would cause to their relationship. The prospect of severe economic disruption forces leaders to think twice about using military force. As Russett puts it, "if we bomb the cities or factories of a close trading partner—where we are likely to have heavy private investments—we are bombing our own markets, suppliers, and even the property of our own nationals."[5]

The large costs of war incentivize interdependent countries to resolve their differences peacefully, as citizens and interest groups would withdraw support from leaders who engage in reckless conflict and jeopardize commerce. A great deal of evidence from international relations and economics confirms that economic interdependence leads to a reduced likelihood of conflict.[6] The key question that follows is: why do some countries experience deep economic integration while others fail to foster economic interdependence? How do countries build deep linkages that foster peace?

INTERNATIONAL MIGRATION FOSTERS ECONOMIC INTERDEPENDENCE

A key driver of interdependence—and, therefore, of peace—is migration. Cross-border migrant networks play a critical role in facilitating trade flows. This idea is borne out by the historical record. The Maghribi traders' coalition was an 11th century migrant diaspora that provided the institutions necessary to carry out long-distance trade in the Mediterranean.[7] Groups like the Phoenicians, Armenians, and Lebanese Christians all drew on "trade diasporas" that proved vital to promoting nascent global commerce. [8]

Accompanying these anecdotes is a rich body of economic theory that identifies three key mechanisms linking migration to trade. First, migrant networks help trading partners learn about economic opportunities by providing them information about their homeland. Migrants share their knowledge of consumer preferences, labor quality, and business opportunities in their country of origin—the kind of knowledge that is essential to develop cross-border economic relationships but difficult to acquire via formal routes. For example, the "Bamboo Network," composed of Chinese businessmen in Southeast Asia, provides Chinese firms with information and trading opportunities.[9]

Migrants also provide informal contract enforcement mechanisms that help traders manage the risky business of international commerce. Migrant networks allow trading partners to credibly threaten collective punishment should one member violate an agreement. Especially in contexts where governments struggle to enforce contracts, migrants serve as effective substitutes for the rule of law, holding partners accountable by cutting them off from future business opportunities should they break an agreement.[10] Finally, migrants influence the consumption choices of social networks in their host communities, making goods produced abroad more fashionable and further boosting imports from their homelands.[11] This "taste" effect of migration substantially increases bilateral trade.[12]

When migrants increase trade between countries, they are building the kind of relationships that foster economic interdependence. In doing so, international migration raises the "opportunity costs" of war: violent conflict would result in a loss in gains from the increased trade that migrant networks bring. This reduces the utility of resorting to violence in the event of a dispute for fear of sparking a conflict that disrupts cross-border-exchange.

In short, the movement of people across borders creates stronger economic interdependence between countries. This stronger economic interdependence, which we can attribute to migrant networks, reduces the likelihood of violent international conflict.

MEASURING THE MIGRATION-TRADE CONNECTION

The insight that migration reduces conflict via strengthening economic interdependence has deep intellectual roots, but evaluating it proves challenging. The challenge involves answering a thorny question: how much of the trade between countries can be attributed to migrant networks?

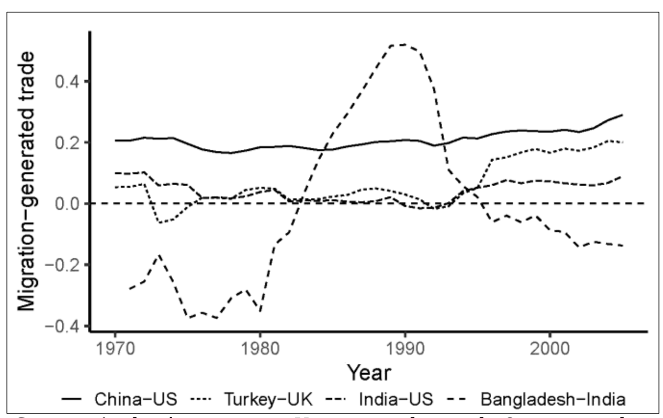
We overcome this challenge by using a workhorse model from economics: the gravity model of trade. Borrowing from Newton's law of gravity, the gravity model suggests that the "natural" volume of trade between two countries can be attributed to the market size of each country and distance between them.[13] We use the gravity model to estimate the "natural" amount of bilateral trade between every country pair. Then, we add to this model the total size of the bilateral migrant population for each country pair in each year. For example, for the United States and China, we add the number of migrants from China residing in the United States and the number of migrants from the United States residing in China. We use this second model to estimate the total amount of trade due to migrant networks in addition to the "natural" level of trade. Finally, we take the difference in the amount of trade predicted by these two models. This difference is an estimate of the amount of trade that is attributable to migrant networks.

Figure 1 shows our measure of migration-generated trade between 1970 and 2010 for four country pairs: China-United States, Turkey-United Kingdom, India-United States, and Bangladesh-India. These country pairs experienced significant migration over time and are closely related to recent concerns about migration and conflict. Our measure is positive in more than 85 percent of all annual country pairs, reflecting that migrant networks are consistently associated with increased trade.

THE EVIDENCE

We use our novel measure of migration-generated trade in statistical models of conflict between 1970 and 2010. Our findings are quite consistent: on average, when migrant networks generate greater trade, countries are less likely to end up in conflicts. These findings support the idea that migration contributes to peace by deepening economic interdependence. Remarkably, migration-generated trade contributes to less conflict between neighboring countries, which are most conflict-prone and may stand to benefit most from migration. Our results suggest that over several decades, the trading relationships that migrants

Figure 1: Migration-Generated Trade for Country Pairs



Source: Author's estimates. Y-axis is in log scale & measured in 2015 US $ (millions).

create are responsible for substantially reduced conflict. This is especially the case for developing countries, and for developed and developing countries.

To make sure we identify a robust relationship between migration-generated trade and reduced conflict, we perform additional analyses. We account for alternative explanations and confounding factors, including total bilateral trade, political institutions and affinity, military capabilities, and economic development. We use two measures of conflict and limit the models to analyze country pairs that are neighbors or include powerful countries. Finally, we use an array of modeling strategies. All results confirm the original finding.

IMPLICATIONS

While many suggest that migration contributes to greater conflict,[14] we instead show that it can foster peace. Prior analyses linking migration to conflict fail to recognize that flows of people create economic interdependence that makes countries think twice about resorting to violence to settle disputes. If peace is a key goal, policy makers should consider the role migration can play.

Many suggest that the liberal international order, led by the United States, is in crisis.[15] In recent years, advanced democracies have witnessed a strong backlash against international migration. If the erosion of the liberal order continues to chip away at migration, it will likely have negative implications for long-run peace. Declining migration would afford fewer opportunities to forge economic interdependence, increasing the likelihood of conflict. Resisting calls to further restrict immigration could be critical to preserving the present order and limiting war.

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Notes:

[1] For a review, see Hegre, H., Oneal, J.R., & Russett, B. (2010). Trade Does Promote Peace: New Simultaneous Estimates of the Reciprocal Effects of Trade and Conflict. *Journal of Peace Research*, *47*(6): 763-74.

[2] Parsons, C.R. & Winters, L.A. (2014). International Migration, Trade, and Aid; A Survey. In Lucas, R.E.B. ed., *International Handbook on Migration and Economic Development*. Cheltenham, UK: Edward Elgar.

[3] For the analysis and insights that form the basis of this brief, see Helms, B., Leblang, D., & Potter, P.B.K. (2020). International Migration and Interstate Conflict. Working paper.

[4] Oneal, J.R. & Russett, B.M. (1997). The Classical Liberals Were Right: Democracy, Interdependence, and Conflict, 1950-1985. *International Studies Quarterly*, *41*(2): 267-93.

[5] Russett, B. (1997, Oct./Nov.). What Else Causes War? *Boston Review*.

[6] e.g., Maoz, Z. (2009). The Effects of Strategic and Economic Interdependence on International Conflict Across All Levels of Analysis. *American Journal of Political Science, 59*(1): 223-40.

[7] Greif, A. (1993). Contract Enforcement and Economic Institutions in Early Trade: The Maghribi Traders' Coalition. *American Economic Review, 83*(3): 525-48.

[8] Cohen, R. (1997). *Global Diasporas: An Introduction*. London: Routledge.

[9] Weidenbaum, M. & Hughes, S. (1996). *The Bamboo Network: How Expatriate Chinese Entrepreneurs are Creating a New Economic Superpower in Asia*. New York: Martin Kessler Books.

[10] Ibid.

[11] Sangita, S. (2013). The Effect of Diasporic Business Networks on International Trade Flows. *Journal of International Economics, 21*(2): 266-80.

[12] Felbermayr, G.J. & Toubal, F. (2012). Revisiting the Trade-Migration Nexus: Evidence from New OECD Data. *World Development, 40*(5): 928-37.

[13] Head, K. & Mayer, T. (2014). Gravity Equations: Workhorse, Toolkit, and Cookbook. *Handbook of International Economics, 4*: 131-95.

[14] Docquier, F., Ruyssen, I., & Schiff, M.W. (2018). International Migration: Pacifier or Trigger for Military Conflicts? *Journal of Development Studies, 54*(9): 1657-79.

[15] Stokes, D. (2018). Trump, American Hegemony, and the Future of the Liberal International Order. *International Affairs, 94*(1): 133-50.

Published by:
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