

ECONOMIC DEVELOPMENT AND MIGRATION AFTER EU ACCESSION: THE CASE OF BALTIC STATES.

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Abstract: *The Eastern enlargement of the European Union had an unprecedented influence on the migration flows serving as a driving force for east to west migration. The current paper aims to identify the extent and determinants of migration in the Baltic States following the European Union accession in 2004 due to liberalisation of the movement of population to the west. The research was based on analysing the statistical data on several push and pull factors, including economic, social and demographic determinants. The results show that the main determinants of emigration in the Baltic region are the unfavourable macroeconomic conditions, including low income, low GDP per capita, and high unemployment rate. Such migration determinants lead to "brain drain" in the region. The Baltic States developed and implemented various migration policies to prevent further emigration and encourage return migration since EU accession.*

Keywords: Migration, economic growth, development, brain drain, European Union.

Introduction

The Eastern enlargement of the European Union that occurred in 2004 and 2007 served as a driving force for the future migration flows between new member States and old member States. So, the accession of new developing states to the EU raised some serious social, economic and demographic concerns. It imposed unprecedented change to the migration framework in Europe due to several reasons. First of all, the population number of new member-states was significant. Secondly, the enlargements included post-transitional countries with varying levels of economic development compared to old member-states. And finally, the income level and welfare were significantly lower in the acceding countries.

The former EU member states were precautionous to the social, demographic, political and economic consequences of the planned enlargements followed by a possible intensification of east-west migration flows. Thus, most former member-states introduced some transitional mechanisms and periods before opening their labour markets for the immigrants from the new member countries. Only Sweden, the United Kingdom, and Ireland didn't use any transitional measure and immediately opened their countries for immigration. Gradually the other member states also lifted the restrictions.

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The Baltic States – Estonia, Latvia and Lithuania, have experienced a high negative level of net migration during different periods after gaining their independence from the Soviet Union at the beginning of the 1990s. The first wave of emigration was immediately after the collapse of the Soviet Union when the borders of these countries were opened to the west. The second significant emigration to the west followed the accession to the EU in 2004. The perspective of free movement between the member states encouraged the emigration of the labour force. As a result of the global financial crisis, the region lost even more of its population. As of 2020, the population in Lithuania amounted to 2.8 million, in Latvia – 1.9 million, in Estonia – 1.3 million. All the Baltic States have a large diaspora. According to some estimations, 20% of total Latvians, 17% of Lithuanians and 15% of Estonians live outside their country of origin. Thus, Baltic States are experiencing an intensified emigration since joining the EU. The governments of these countries are implementing various policy measures to prevent further emigration and attract back their nationals.

The goal of the current paper is to identify the extent and determinants of migration in the Baltic States following the European Union accession in 2004 due to liberalisation of the movement of population to the west. We discuss (i) the theoretical framework of migration determinants and consequences and (ii) analyse the post-EU-accession migration flows, their causes and consequences in the Baltic States.

Literature review

Early migration theories emphasise the importance of regional welfare differences in migratory decisions (Harris and Todaro, 1970). Generally, most literature describes the influence of opportunities (such as welfare, quality of life, cost of living, income, unemployment) on the migration flows (Dorigo and Tobler, 1983; Gallardo-Sejas et al., 2006; Fenwick, 2019). Some authors discuss the demographic and educational factors (such as age, knowledge, and skills) to explain the personal benefits of migrants and their ability to integrate into the host society successfully (Becker, 1957; Sjaastad, 1962). Exploring the case of Romania, Davidescu et al. (2017) concluded that the most important pull factors for Romanians were the economic conditions of the destination countries, including GDP per capita, unemployment rate and education spending. Nowadays, the researchers consider this as a limited view towards the migration determinants showing that emigration increases with the level of economic development of the country. Castles et al. (2013) concluded that increased access to knowledge and education, as well as more significant social capital and financial resources, influence people's migration desires and capabilities.

According to some researches, the EU enlargements in 2004 and 2007 caused a significant increase in the migration flows from new-accession states to EU-15 countries (Brücker and Damelang 2009; Kahanec et al. 2010). It is logical in the

framework of the dominant migration theory suggesting that migration flows are highly responsive to the differences in income and employment levels favouring host countries compared to donor states (Massey et al., 1998). It, accompanied by the reduced barriers for human mobility within the EU, lead to a high level of migration from developing to developed countries.

However, concerned with the possible immigration, many EU-15 countries implemented some transitional measures and didn't immediately open their labour markets for work migrants from new-accession member states (Kahanec et al., 2010). It was the main reason why the United Kingdom and Ireland, which opened their labour markets immediately after EU enlargement, received the highest number of immigrants since 2004 (Barrett, 2010). The most significant economic impacts of these migration inflows on EU-15 countries were the increase in unemployment, some short-term increases in GDP per capita, and inflation (Barrell et al., 2010).

However, some authors argue that a significant part of immigrants from EU-27 to EU-15 states leave the host countries within five years (Green et al., 2007; Blanchflower and Lawton, 2008). On the other hand, DeWaard et al. (2017) show that the duration of staying in the host countries (EU-15 states) doubled since the 2004 enlargement. Analysing the measures to solve the migration issues, Herceg et al. (2020) showed that the EU new-accession member states could prevent emigration when they reach on average 85% of the average European Union GDP per capita (PPP). However, each additional membership year raises the mentioned level by 1.37%. Franc et al. (2019) came to similar conclusions arguing that the emigration rate is highly responsive to the changes in GDP per capita and youth unemployment rate in the donor country.

The migration flows and economic development of Baltic States after EU accession

The Baltic states have a sizeable diaspora considering the emigration rates since 1990. Compared to the population of 1990, as of 2019, 10% of Estonians, 18% of Latvians and 39% of Lithuanians have emigrated (Figure 1). On the other hand, in terms of net migration that considers the immigration and repatriation flow, the corresponding numbers are 3%, 12%, 26%. It is evident that the migration policy and macroeconomic regulation in Estonia were the most successful among these states.

As we have already discussed, we can divide the migration flows in the Baltic states into two phases: after the collapse of the Soviet Union (1990-2003) and after EU accession (2004 to present). The focus of the current research is the second phase of the emigration wave. According to the statistics, the highest share of

emigration since 1990 occurred after joining the European Union in 2004. Mainly, since 1990 more than 161 thousand Estonians have emigrated, among which 73% left the country after EU accession. The exact figures for Latvia were 648 thousand and 56%, and for Lithuania, 1.03 million and 66%, respectively. Thus, it is evident that EU eastern enlargement intensified the emigration in the region.

Nevertheless, we should highlight that EU accession also contributed to the considerable economic development of the region. GDP per capita measured in PPP increased by more than 170% in all three countries during five years after joining the European Union.

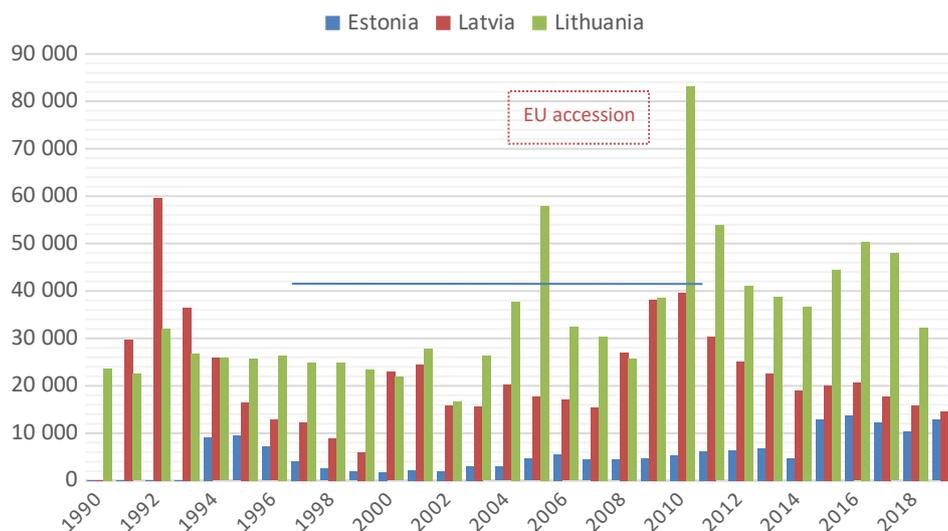


Figure 1. Emigration flows in the Baltic States

Source: Eurostat

Such economic growth caused the emigration rates to slow down until the global financial crisis, which triggered another large wave of emigration, mainly in Lithuania and Latvia. However, it is also essential to explore the reasons for such development.

The desire to leave the Baltic region is mainly related to the unfavourable macroeconomic conditions compared to EU15 countries. Figure 2 shows the average annual net earnings in Estonia, Latvia, Lithuania and selected EU countries. The statistics show that Germany, Ireland and the United Kingdom were among the preferable destinations for emigration before 2019. In 2003, Estonia's net earnings level was almost six times lower than the income level in Germany and the EU15 average. The situation in Latvia and Lithuania was much worse.

There is a similar situation in the case of GDP per capita in PPP, which was lower by 2.7 times in Estonia than in Germany in 2003 (Figure 3). However, this gap was considerably reduced during the following years to EU accession and equalled 1.4 in 2019.

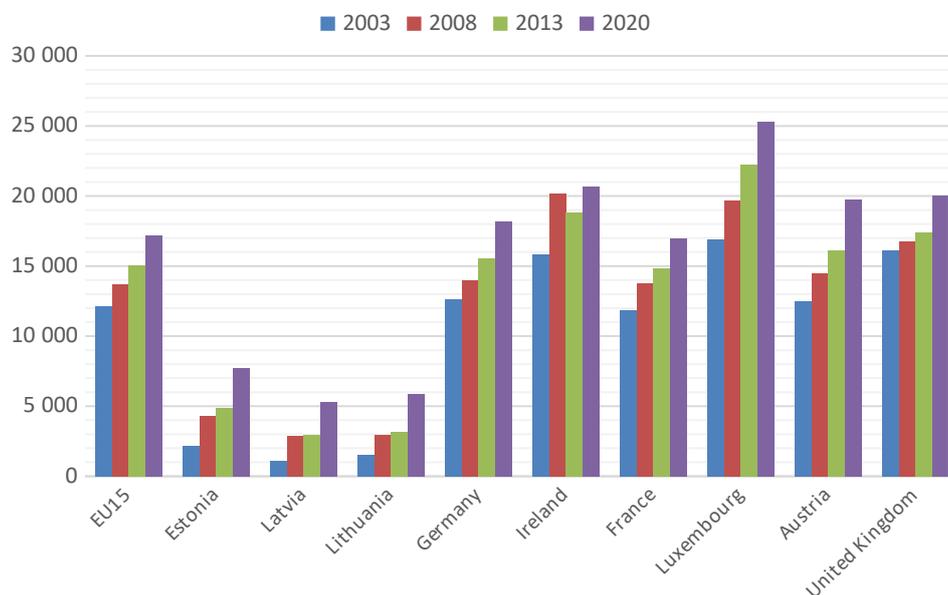


Figure 2. Average annual net earnings in the Baltic States

Source: Eurostat

Thanks to such economic development accompanied by an efficient migration and repatriation policy, Estonia reached a considerable reduction in emigration flows and significant immigration, resulting in positive net migration since 2015. The same we can say for Lithuania, which experienced a positive net migration in 2019. However, Latvia wasn't very successful in this regard.

Another important migration determinant is the unemployment rate. In 2003, unemployment was considerably higher in Baltic states than in other EU member countries (Figure 4). Unemployment was 11.3% in Estonia, 12.1% in Latvia and 12.9% in Lithuania compared to the EU average of 9.6%. In general, young men of working age and a high-qualified workforce have a higher motivation to emigrate in case of high unemployment rates and cutbacks on social welfare. All of the latter can be noticed in the Baltic states before EU accession. Moreover, such macroeconomic conditions and the presence of these kinds of drivers for emigration also cause "brain drain" leading to a decrease in the country's economic potential.

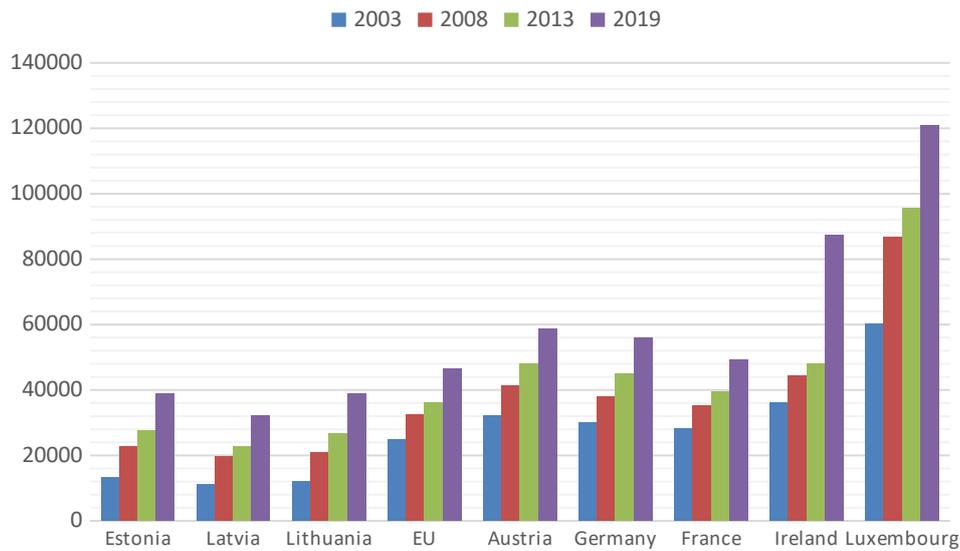


Figure 3. GDP per capita (PPP) in the Baltic states and selected EU member states

Source: World Bank Database

Thus, the driving forces of emigration from the Baltic region were strongly related to declining economic opportunities and worsening socio-economic conditions in home countries since EU accession. It poses severe challenges for the governments as the vast majority of migrants are of working age, have a secondary education and a skilled occupation. These caused severe labour shortages, particularly in the rapidly developing economic sectors, such as construction.

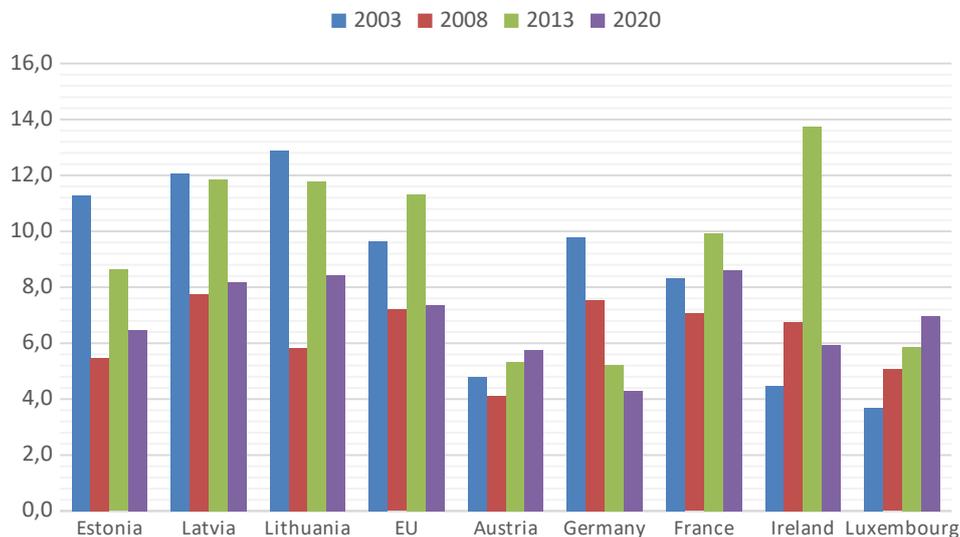


Figure 4. Unemployment in the Baltic states and selected EU member states

Source: World Bank Database

The perspective of depopulation and "brain drain" is a severe concern for the Baltic region. Baltic states implemented various migration policies to contain the emigration. As we have already discussed, Estonia's migration policy is proving to be the most successful among all three countries. While Latvia seems to be ignoring the severe problem of depopulation and "brain drain".

Estonia introduced the "Compatriots Program" in 2004, aiming to keep contact with the diaspora. The program mainly emphasises teaching the Estonian language abroad, giving diaspora a sense of belonging to the nation, preserving Estonian history and culture, and encouraging repatriation. On the other hand, in case of returning to their country of origin, the Integration and Migration Foundation's Our People initiative offers assistance payments to returning Estonians and grants to returning scholars.

Lithuanian government introduced its migration policy in 2007, which is called Economic Migration Regulation Strategy. This policy aimed to overcome the consequences of high emigration rates by reducing emigration and encouraging return migration. However, as the global financial crisis caused the highest annual emigration rate in Lithuania, the government developed and successfully implemented Migration Policy Guidelines in 2014. These guidelines highlighted that migration flows are vital for social and economic development. As a result, not only return migration was encouraged, but also the immigration of third-country citizens became easier. To compensate for the "brain drain", the Lithuanian government simplified further the process of extending the duration of stay for foreign graduates and researchers. At the same time, professionals in sectors of anticipated labour shortages could get a residence permit through more simplified steps.

Latvia was the last one to implement a much necessary migration policy. In 2018, the Latvian government started to encourage return migration actively. Ministry of Environmental Protection and Regional Development introduced its pilot program to assist emigrant families in returning and settling. However, such a program didn't compensate for the labour shortages in Latvia.

Conclusion

The current analysis showed that the three Baltic States experienced the highest emigration levels after EU accession in 2004. The possibility of free movement to developed countries with better economic opportunities intensified the emigration from Estonia, Latvia and Lithuania. The research revealed that the main emigration drivers were declining economic opportunities, unfavourable economic conditions

and worsening socio-economic situation. Among these economic factors, we can highlight the lower income levels, low GDP per capita in terms of PPP and high unemployment compared to other EU member states such as Germany, Austria, France, Ireland and Luxembourg.

All three Baltic states consider high emigration, "brain drain", and depopulation to be serious problems. The countries are actively developing and implementing various migration programmes to prevent further emigration, encourage return migration and engage diaspora for the purpose of national economic development. Among them, Estonia was the most successful and reached positive net migration levels already in 2014, rapidly reversing the emigration flows since the 1990s. Lithuania is also succeeding in encouraging return migration since 2018. However, Latvia started developing migration programmes later and is yet to see its results.

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