

THE ECONOMICS OF SMUGGLING PEOPLE

this as a process whereby everybody seems to profit, then we need to think about radically different alternative approaches to make it stop, if that is what we think we should do.

My economic approach is by no means intended to underestimate the human cost of migrant smuggling. Something like 2,000 people each year die when they try to cross from North Africa to Southern Europe across the Mediterranean Sea in boats. Also 600 people die each year trying to cross from Mexico to the USA. So there are significant numbers of deaths of people trying to move around the world.

I don't want to underestimate either the conditions many people experience when they arrive in detention facilities, which I think are a disgrace, or the exploitation they encounter when they find work.

I am not underestimating the human cost but I think it is useful to focus on the economics of this to see if we can uncover some realities and think differently about policies.

So let's try to follow the money through this complex industry. The first question is how much do smugglers charge? Again, based on research in Afghanistan and Pakistan, costs vary significantly according to the destination.

The USA and Canada are the most expensive destinations and Western Europe and Australia cost roughly the same amount. Costs also vary depending on modes of transport. For example let's say Afghanistan to Australia. At the moment, to fly between Afghanistan and Pakistan to Australia illegally with a smuggler will cost something between US\$12,000 and \$15,000. These are significant sums of money. To travel by a combination of flight and boat from Indonesia will cost you between US\$5,000 and US\$8,000.

Let me make two observations about costs. *Firstly smuggling is a business. Smugglers will deliver a service that suits the depth of your pocket. If you cannot afford to go to the USA, they will take you to Australia.* If you cannot afford to fly, which is the safest way of travelling, they will make it cheaper and will do a combination of flight and boat. This is a business. You are a customer and they will find a way to get your money.

If you are poor don't worry, they will find a way to make it work. If you are richer you can fly. Let's fly to the USA and things will be straightforward.

I think given the amounts of money we are talking about, smuggling does not involve the poorest of the poor. Irregular migrants are people that are able to raise loans, perhaps sell property. They have a way to raise the money to pay these rather large and exorbitant fees.

On the other hand we shouldn't underestimate, particularly in the Australian context, that many people are still coming from very poor and underprivileged backgrounds. I take that point. But my argument is that given the costs involved, these are not the most desperately poor people in the world. These are not peasants.

How do families raise the money to pay the fees? In almost all the cases of people I spoke to, both in Afghanistan and Pakistan, it was families, not migrants themselves who raised the money. Very few migrants have the money in savings or were able to raise the money themselves and they relied on families and family networks.

This is an investment by families and their children, just as you might invest to send your children to school and university. By getting their children to another part of the world, these families invest in their children either to get them out of harm's way if they are fleeing persecution, or help them to achieve a better life or better standard of living.

Again, I think of it as an investment, as a business. Some people draw on savings; others sell property, jewellery, or land. Many take on debt and

borrow money from money lenders.

Let me go back to the jewellery. Those that know the Islamic culture will know that selling jewellery is a significant thing to do. This is not something you do lightly. These are wedding gifts and so on. So yes families make significant investments. Some even take on risky loans from unscrupulous money lenders. This is a business and you expect a return on your investment. It is not something that you take lightly in these countries.

How do smugglers get paid? This is one of the most interesting of the findings. Anyone in this room who has used eBay will be aware that it involves an escrow service. An escrow service is a company that holds the buyer's money until the buyer is satisfied with the goods that have been delivered. So on eBay you deposit your money with a third party or escrow service. Once you are satisfied with the goods you have bought the money is then released to the person that is selling you the item.

Exactly the same system exists today in smuggling in Pakistan and Afghanistan. Migrant families don't pay the money directly to smugglers, they pay the money to a third party, usually a money handler, normally in one of the main bazaars in either Peshawar or Kabul.

The money is only released by that third party to the smuggler once the migrant has arrived safely in his or her country of destination. So think about this, there is a money-back guarantee on smuggling. If you don't make it to your destination safely the smuggler gets nothing. The money taken from the third party, from the money handler, goes back to the family and the whole deal is called off.

This is how it works in Afghanistan and Pakistan. You will get slightly different systems in Africa and South America.

It is interesting to look at how payments have evolved in this setting.

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About five or ten years ago the method of payment was different. Then all of the money was paid up-front to the smuggler. So if you wanted to move to Australia you would go to the smuggler, give the money up-front and hope he was trustworthy. If he wasn't he would run off with the money and you would have lost your \$10,000. Customers complained and the method of payment soon changed.

In the next stage you would pay a proportion of the money up-front. You give the smuggler say fifty percent of the money and you pay the balance upon confirmation that your son has arrived safely to his destination.

The problem with this process was that it opened up the possibility for exploitation because when you arrive in Australia as an illegal migrant you still owe money to the migrant smuggler back at home. That debt means you can be exploited, forced into prostitution or into exploitative situations. This is where the concepts of migrant smuggling and human trafficking blur into one another.

That is why the money-back guarantee system has evolved, to protect the customers.

Let's look briefly at how smugglers themselves spend the money. When we talk about smuggling I think it is really important to move away from the assumption that somehow smugglers are always part of an organized crime network. This might be the case in some instances but in most cases smugglers who move people from Mexico to the USA for example are based on small family enterprises.

In Afghanistan and Pakistan smugglers are normally people who have completely legitimate jobs and are making a bit of money on the side. The normal contact is a travel agent who will close the door at 5 pm on his business and take you downstairs and to discuss it over the table. He will then work through a network of people to make smuggling happen.

We also need to get away from the idea that smugglers are always evil. In some cases and in some circumstances, smugglers are people who are helping others to get out of harm's way. Oskar Schindler was a smuggler. We need a more sophisticated idea of what smuggling is and who smugglers are.

Once the initial contact is made, the travel agent normally receives the money, or rather the third party does. Once the pledge has been made and the money has been deposited with the third party, then he has to spend a large proportion of it to make smuggling work. He needs to find a supplier of stolen or forged passport, who can forge a visa. He has to pay truck drivers, bribe immigration officials, customs officials and so forth.

Anyone who flies internationally will have to show their passport three times. When you check in and deposit your bag, as you go through the departure lounge and just before you go to the airplane. This means three people will need bribing to make sure you get through the system and onto the airplane.

About 50 percent of the money is dispersed round the network of people who are involved in making smuggling work before the smugglers receive any money themselves. The greatest economic risk in this entire process is for the smuggler. He needs to pay \$7,000 up-front and only when the smuggling works, does he get the remaining 50 percent, or \$7,000. That is quite an interesting observation and there are policy implications around this.

Let's continue to follow the money and skip the traumas of the journey. I found that eighty-five percent of families I spoke to in Pakistan and Afghanistan who paid to have a son, normally the eldest son, smuggled abroad, had received money from him in the form of remittances. So, irregular migrants do find work when they arrive at their destinations.

When we look at migrant smuggling and irregular migration we tend to focus on the supply side, not on the demand side. We tend to think of desperate people living in poor countries, perhaps victims of oppression and persecution that need to get out of harm's way or who are trying to improve their lives and pay smugglers to do so.

Irregular migration would not exist if there weren't also a demand for their labour. There are something like 40 million irregular migrants in the world. Today one third of them, 12 million, are in the USA alone. They work and prop up the US economy in certain sectors. Powerful economies depend on the labour of irregular migration.

One part of the equation is to get rid of the supply, to make sure that people are safe in their own countries and can earn money at home, but the other is to make sure that we don't have a demand for their labour in the destination countries. I believe we need to look at both sides.

Most people in my sample, who found work relatively easily in their countries of destination, were sending home significant sums of money.

The annual remittances - the money sent by migrants whose families I spoke to, was an average of US\$3,750 a year.

Irregular migrants often find themselves under enormous pressure to send money home and it may well be that if they are sending \$3,750 home, that this is actually depriving them of a normal life in the country in which they are living. Migrants often deprive themselves very significantly in order to meet family obligations back at home. There is a debate to be had around that.

What happens to the money they send home? On average the remittances were about fiftypercent of the money paid to the smuggler. So within two years the smuggler's fee will have been paid off. After that, on average, remittances from irregular migrants double household incomes in Pakistan and Afghanistan. And this is what I mean by a sensible investment. It makes sense financially.

It is said that migrant smuggling undermines low-income local workers, that it puts them out of work. Largely the evidence shows that this is not the case and the reason is because even in times of recession there are certain jobs, the dirty jobs, the dangerous jobs, that we rely on migrants to do. We won't do these jobs whatever the situation is, even if we are unemployed. So migrant smuggling works as we need their labour because of the segmented economies that have developed around the world.

My conclusion regarding migrant smuggling as an economic process is that the greatest risk is taken by the smuggler. The smuggler is spending \$7,000 to facilitate your migration and only when the smuggling has succeeded and you have got to your destination does the smuggler get his \$14,000. He is taking the risk.

And that is why smuggling works, because smugglers cannot afford for it not to work. They have many mechanisms and methods to make sure that they get their money back including choosing destinations where they are certain they can get you safely, including for example working with multiple clients.

For example if you have to bribe someone who works night shift at Heathrow airport and pay £1,000 to get an irregular migrant through the airport he will do the job in his four-hour shift, so, you might as well move 20 people through rather than just one person because it will save money; so smugglers increasingly move many people at a time as opposed to one, to make sure they recuperate their costs.

What implications this economic approach might have for policy making and how states might adapt their policies to try to respond to what I think is a very successful type of business, is something that needs further debate. ●