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Remittances From Labor Migration: Evaluations, Performance and Implications

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Two evaluative views of worker remittances draw opposite conclusions. The negative one posits that remittances increase dependency, contribute to economic and political instability and development distortion, and lead to economic decline that overshadows a temporary advantage for a fortunate few. The positive view sees remittances as an effective response to market forces, providing a transition to an otherwise unsustainable development. They improve income distribution and quality of life beyond what other available development approaches could deliver. The implications are tested for labor supply countries to Europe and to the Middle East. The implications of the negative view are not supported. Although the dire predictions of the pessimistic view have not materialized, the converse — contributions of remittances to economic performance — should not be overstated due to lack of data.

The global phenomenon of labor migration has given rise to two contradictory policy perspectives about the desirability of flows and their consequences for economic development. Discussions usually focus on two aspects of the consequences of migration, the labor force implications and the role of remittances at both the macro and microlevels. Social and political implications are less often discussed. When they are alluded to, discussion is often cursory and off-handed, with an air of idle speculation. The resulting conclusions are quite predictable and follow from authors' views about economic issues. For those with a negative view of migration's contribution to development, migration is a slippery slope to political instability and random social change without concurrent and supportive institutional adjustment. On the other hand, migration and its consequences

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maintain political peace for the optimists. Migration propels social changes in families, gender roles and so on that are viewed as integral parts of economic development and fit into an history of secular changes that cannot ultimately be avoided.

The negative view of international migration is built on an argument with four parts: dependency, instability, developmental distortion and a resulting economic decline that overshadows the temporary advantage for a fortunate minority of beneficiaries (other authors have noted and discussed this debate, often couched in cost-benefit language; *See, e.g.*, Stahl, 1982; Russell, 1986; Finkle and McIntosh, 1982).

Migration, in this view, is like the export of commodities. Importers control the market price; in the case of labor because supply is so bountiful. The probability of cartel formation by labor exporters is minimal. Sending countries, in short, are in a dependent position at the mercy of a market they do not control and which they can only minimally influence (Rhoda, 1979:79-80).

The image is graphically summed up in a comparison of dependence on remittances with drug addiction:

> Despite the foreign exchange and balance of payments advantages, do remittances help the development process or, like drug dependency, do their existence and current use primarily feed the need for more foreign exchange and exacerbate the balance of payments process, thus increasing the need for even more remittances and the accompanying dependency on receiving countries? (Kritz and Keely, 1981: xxv).

Aligned with the dependency produced by reliance on remittances is their instability as a source of national income. Remittances are viewed as unpredictable because manpower demands can presumably have wide swings (Birks and Sinclair, 1980:1).

Just as remittances can rise rapidly due to a feverish build up of manpower demand (as in Europe in the late 1950s and 1960s and especially in the Arab oil producers following 1973), so too there can be a steep drop in remittances due to rapid repatriation. The inevitable decline in remittances would be aided 1) by a decline in wage rates as overheated economies cool off; 2) by a decline in real wages due to inflation that leaves less to send home; and 3) by the propensity of workers to settle and be joined by family and, thus, have less incentive to remit or to remit as much as when families were separated (Birks and Sinclair, 1980:106).

Remittances are presented as a roller coaster ride of steep ascents and declines, tied as they are to numbers of workers and wages (Swamy, 1981:

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1 and 38). If labor demand falls, fewer workers go abroad and if current workers move their families overseas, remittances may drop and the decline can be "substantial and probably sudden" (so predicted Birks and Sinclair for the Middle East, 1980:106).

Beyond fostering dependency and being unstable, remittances destroy the process of economic development. The litany of complaints includes that remittances are infrequently (at best) invested in capital generating activities or even in job creating enterprises. Rather, they are spent on consumer goods with high import content; consumer goods which increase local demand so that wage levels are pushed up and inflation increases; or unproductive personal investment like housing or land. At the social level, remittances are accused of creating envy and eroding work habits (*See*, Russell, 1986:678).

At the root of this criticism is the fact that remittances are not bundled but are spread across tens and hundreds of thousands of households, each making independent decisions. Institutional structures providing attractive mechanisms for investment (such as shares, bonds, etc.) are usually not available in developing countries or are limited to the more sophisticated sectors of society. Also, this criticism assumes that remittance receivers are supposed to save at rates far above national norms, in addition to spending on current consumption (food, clothing, debt repayment, catch-up medical treatment and schooling — the latter two examples being classifiable of human investment for future expected returns). If they do not save at above normal rates, migrants and their families are somehow selfish and unpatriotic for acting like everyone else.[2] Too many people, it seems, can make decisions. Concepts like meeting basic needs are dismissed with references to short-term time horizons and a narrow, selfish focus on meeting personal needs of migrant laborers' families.

The negative view of remittances betrays a bias toward centrist and statist approaches to development planning. Development that must perk up through market forces in the economy is presumed to fail because the externalities of individual decisionmakers, without the incentives and mechanisms for high savings rates in large scale capital projects, are presumed to doom the prospects of economic development. Conspicuous consumption of imported goods and inflation are assumed to be more probable than sustained growth (Birks and Sinclair, 1980:3). For example, Birks and Sinclair (1980:103) concur with a conclusion contained in a 1977 Egyptian development plan: "growing numbers of Egyptians work abroad for very high wages, if compared with domestic salaries. These individuals

[2] The perception itself may be inaccurate. In a World Bank sponsored study of remittance expenditures in Bangladesh, for example, 20-30% of the net increase in household income of migrants was saved. This put those households well above the 2-3% experienced by the overall economy in the years prior to the study. *See*, Mahmud and Osmani, 1980.

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return to Egypt possessed of high purchasing power, which they individually direct not to savings and investment, but to flagrant and luxurious consumption." The culprits are the migrant and his family.

The conclusion of this line of reasoning that views remittances as increasing dependency, as being unpredictable and undependable and as distorting the development process (powerfully aided, of course, by the loss of experience and skilled manpower causing labor bottlenecks) is an economic decline that overshadows the short-term benefits to a fortunate few. Labor migration and remittances do not reduce the gap between rich and poor countries, rather they widen it (Stahl, 1982:55). Capital rich and developed countries get the benefits of labor. Labor exporters are never really compensated for the investment costs of exported labor; they must deal with resulting development bottlenecks; they reap inflation and increased imports fueled by remittances; and they face the task of reintegrating returning migrants with unrealistically high aspirations and the resulting unemployment of a frustrated upwardly mobile group (Birks and Sinclair, 1980:3-4). The implication, of course, is that political instability cannot be far behind.

The positive view turns each of the four arguments on its head. International migration is responsive to market forces, provides resources for a transition to otherwise unsustainable development, improves income distribution, and helps a significant part of society improve its quality of life.

It is difficult to argue against the interpretation that market forces are responsible for the robust nature of international migration flows. Even proponents of the negative evaluation emphasize that labor migration serves the interests of migrants and their families. Governments are loathe to interfere because of the resulting difficulty in preventing such movements as well as the gains for balance of payments, access to hard currency, labor force absorption, public income and so on. The argument is about the externalities and long-term consequences of what are seen as short-term and primarily private gains. The proponents of migration argue that labor export is no more productive of dependency than export of commodities or trade in general. Control of the terms of trade often makes for unequal exchange. The dependency would not be lessened if labor exporters were trading agricultural commodities or other goods in a tight competitive situation. It is not what is exported, but terms of trade and market control that really count.

Labor exporters are not without some leverage, in spite of the large global supply of labor. Saudi desire to influence other Arab and Islamic states, United States desire for stability among neighbors or those in its sphere of influence in the Western Hemisphere, or French desire for influence and access in North and West Africa are examples of some

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noneconomic levers. Koreans' high productivity, work quality and timely completion of projects is legendary in the Middle East and was a lever used to enter the market and increase market share in construction projects. There is more to labor market competition than supply.

Migration is not an automatic boon to labor exporters. Market forces must be watched, anticipated and adjusted to. In contrast to the negative evaluation of labor migration, dependency — a kind of helpless exploitation — is not the inevitable result of labor export. Labor, like any export, requires skilled reading and reaction to market and political forces.

Second, migration is evaluated as providing at least help in a transitional way along a path to sustained economic development. All forms of exchange are insecure in some ultimate sense. To use phrases like "decline in the volume of remittances...is inevitable" (Birks and Sinclair, 1980:106) is not analytically helpful since it is so open-ended. To denigrate the fiscal and economic advantages of migration as merely short-term misses the capacity of those advantages to help an economy move into more sustained growth, even while increasing the standard of living for contemporary citizens.

The possible distorting effects of migration and remittances must be weighed against the income redistribution effects. Far from the claims of lavish and wasteful consumption, most studies of remittance use find that remittances are spent on current consumption, health and education leading to improved standards of living for migrant households and higher standards compared to nonmigrant households (*See, e.g.*, Finkle and McIntosh, 1982; Keely and Saket, 1984; Ali, 1979; Gilani 1981; Chilivumbo, 1985).

The conclusion that flows from this more positive view of the consequences of migration and remittances is that macroeconomic opportunities are provided by migration that are hard to conceive being available from any other source. Though not without pitfalls, it seems to be myopic to presume that any government would forgo, even if it could do so, availing itself of those opportunities or that it should do so despite the pitfalls. By implication, all gains are not merely private, but have important, positive macroeconomic effects.

At the microlevel, the positive view emphasizes the fact that a generation or more (depending on the migration stream) have lived better and have more opportunities than conceivable with any other economic development path actually (not theoretically) open to many labor exporting countries. Although only a minority of citizens may benefit (but a sizeable one in many cases and even a majority of the citizenry in a few cases like Jordan or Yemen), by what criteria should their advantage be traded for some purported future benefit to "society"?

Underlying these two general views, here only broadly sketched, are differing values placed on the long and short term; a disagreement over whether long-term inevitably means a large number of people will benefit; and, finally and quite crucially, debate over the role of the state and central control versus the trust to be placed in individual decisionmaking in a market environment.

This long introduction provides a perspective to inquire about the economic role of remittances for labor exporting countries in the recent past and the policy and behavioral implications for their future roles. This interpretative essay will analyze the implications of the views outlined and test the forecasts that flow from them. Then the implications and limitations of those results will be discussed.

HYPOTHESIS ABOUT REMITTANCE DECLINE

The negative view of remittances leads to a conclusion such as the following: 'All these factors taken together suggest that, in the near future, the decline in remittances will be substantial and probably sudden" (Birks and Sinclair, 1980: 106). Although written about Arab labor exporters to the Middle East, similar conclusions have been drawn about migration to Europe and non-Arab workers in Arab oil exporting countries. Similar conclusions are hinted at for labor migration in sub-Saharan Africa and in the Western Hemisphere, although we have not located forecasts as to timing in these cases. These warnings are usually based on a condition: if migration levels decline precipitously, then remittances will also fall off rapidly and labor exporters will feel the negative economic and labor force consequences.

One would expect from this hypothesis that a graph of remittances over time would exhibit a slope for the period of decline similar to the build up of remittances. The dire forecasts, including words like sudden and substantial, do not engender a picture of a gradual falling off of remittances. The question of timing, especially lags between a decline in the size of the labor force abroad and remittances, is left unaddressed. Presumably, there would be no lag because returned migrants can no longer remit money.

An alternative hypothesis is equally reasonable. Declines in remittances will be more gradual than their build up. This is because, except under extreme circumstances, migrants do not all return home at once. Typically, a halt to labor migration means a halt to new recruitment of workers. Foreign residents are less likely to return home if recruitment opportunities leading to remigration are gone. One result would be that average lengths of stay by migrant workers increase. It is also likely that, despite an end to official recruitment, the inertia of existing streams leads to some continued migration, even if at a reduced level. Not only do people stay, but families often join the original migrant. This would lead one to expect a decline in remittances since family obligations are filled by the support of the family

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members present in the host country. However, remittances can still be expected to flow to origin countries because of extended family obligations. Whatever the proportion of former remittances no longer sent home because of family reunification, some remittances are to be expected and thus the remittance decline slope would not be as steep as the slope during the period of build up.

Finally, remittance declines will probably exhibit a lag when compared to declines in workers abroad. This is because some returnees will bring back large sums on their "final" return. This lumpiness in amounts remitted can even lead to increases in remittances in the early years of a decline in the number of workers. More likely, lumpiness would produce a lagged response in remittance declines. The lag in remittance declines can lull analysts to discount the expected effect of a decline in labor abroad.[3]

What has been the record? There have been two experiences — Europe after the 1973 oil embargo and price rise and the Middle East in the early 1980s -- that can be used as test cases. European labor importers cut recruitment after the oil crisis and economic downturn in Europe. Dire results were predicted for labor exporters from Portugal to Turkey. Similarly, the coincidence of an end to the construction cycle of the development booms, the decline in oil prices, and the global economic crisis of the early 1980s led to predictions of massive returns of labor from the Gulf States, Saudi Arabia and North Africa and the accompanying decline in remittances. In both cases, the withdrawal from remittance dependency was expected to be harsh.

DATA

The source of data on remittances used in this analysis is the International Monetary Fund (IMF) balance of payments data (IMF, 1987). Data were taken from the entry for unrequited transfers. More detailed data sources, especially for recent years, include an entry for workers' remittances as a subcategory. In addition, some countries have an entry for labor income, a factor income accruing to temporary laborers away for less than twelve months. Unrequited transfers do not include goods (Swamy, 1981:6).

The choice of using only unrequited transfers was pragmatic. The study, of which this report is part, compares data for almost 50 countries for the period 1960-1985. Resources were not available to do a detailed examination for each country for each year of the period to evaluate quality of data and consistency of reporting.

The amounts of remittance used for the analysis reported in the tables, therefore, have limitations. They are in probably all cases underestimates of money remitted by immigrant workers. Money that did not go through

[3] The authors thank S.S. Russell for this suggestion.

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monitored channels is not reflected; remittances reported as labor income are not included; the value of non-cash remittances is not taken into account in this analysis. The effect of these gross measures on the goal of this analysis is not determinative. The major focus is on trends.

The data are reported in nominal U.S. dollars. No attempt is made to translate into constant dollars or account for exchange rate fluctuations or purchasing power. The trends, as will be seen, are so clear and strong that at this broad level of analysis, the conclusions would most probably hold no matter what adjustments and standardizations were undertaken.

REMITTANCES

The data in Table 1 provide an overview of the gross amounts recorded by major remittance receiving countries from 1960 to 1985 in nominal U.S. dollars. There was a steady increase worldwide in the 1960s from $700 million to $2.6 billion, with European remittance receiving countries leading the way. Turkey (reported in North Africa and West Asia) experienced an increase from 6 to 120 million dollars in the same period, with most of the rise in the 1967-69 period.

In the late 1970s, the increase in global remittances was quite rapid. This reflected not only increases to labor exporters to the Middle East, but also European increases.

In the 1980s, the world economic situation has led to a decline in total remittances. Because data for Yugoslavia are not reported, the decline in 1984-85 looks worse than it was. If the levels in 1984-85 for Yugoslavia are actually around $3 billion, which would be down from the reported $3.6 in 1983, the picture would be quite different. Worldwide remittances would generally be down, but the decline would be quite slight. However, if remittances lag behind reductions in labor forces (probably true as discussed below), then further declines after 1985 can be expected.

On a global level and by broad regions, the data in Table 1 do not present a picture of a roller coaster. If anything, Europe exemplifies the case of increasing remittances after suspension of labor recruitment. After plateauing around 1973, the year of the oil embargo and general end of guestworker recruitment, remittance levels increased from Europe. Table 2 provides the data for 1970-1985 for specific countries summarized in the regional totals in Table 1.

The countries of interest for the hypothesis about Europe are the countries of Southern Europe along with Turkey and Algeria in Table 2. The Southern European countries, like Europe in general as discussed above, generally exhibited a pause in the growth of remittances around 1973. There is no evidence of a sudden and steep decline. To the contrary, it seems migrants adjusted to the new circumstances. Remittances generally took off

TABLE 1
PRIVATE UNREQUITED TRANSFERS (MILLIONS OF U.S. DOLLARS) BY REGION,[1] 1960–1985

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
EUROPE	457	645	801	927	965	1121	1280	1324	1446	1708
SUB-SAHARAN AFRICA	0	0	0	0	7	9	10	5	20	16
N. AFRICA and W. ASIA	47	54	72	46	128	184	198	333	338	413
S. and E. ASIA	181	179	193	212	228	234	358	390	383	402
L.A. and CARIBBEAN	34	38	43	66	67	69	55	43	58	78
Total for Year	719	916	1109	1251	1395	1617	1901	2095	2245	2617

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EUROPE	2160	2690	3997	5384	5238	5365	5635	7104	8660	10576
SUB-SAHARAN AFRICA	17	31	37	54	46	92	137	161	243	328
N. AFRICA and W. ASIA	611	888	1338	2110	2788	3346	4024	4627	6251	8057
S. and E. ASIA	285	321	462	655	891	1071	1444	2159	3223	3702
L.A. and CARIBBEAN	151	132	166	196	266	285	513	505	568	749
Total for Year	3224	4062	6000	8399	9229	10159	11753	14556	18945	23412

	1980	1981	1982	1983	1984	1985
EUROPE	11862	11369	11188	9328	5703[2]	5635[2]
SUB-SAHARAN AFRICA	409	507	228	264	329	308
N. AFRICA and W. ASIA	9338	9095	8535	8659	9733	8948
S. AFRICA and E. ASIA	5870	5476	6485	7006	6243	6250
L.A. and CARIBBEAN	770	846	763	778	1015	1136
Total for Year	28249	27293	27199	26035	23023[2]	22277[2]

Total for 1960–1985 Period: 279,680 Millions of U.S. Dollars

[1] Countries included in each region are listed under Table 2.
[2] Missing Yugoslavia, see text.
Source: IMF, 1987

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TABLE 2
PRIVATE UNREQUITED TRANSFERS (MILLIONS OF U.S. DOLLARS) FOR SELECTED COUNTRIES, 1970–1985

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EUROPE										
FINLAND	2	6	1	1	5	-2	-8	-12	-15	-16
GREECE	344	469	572	732	642	733	800	923	982	1165
ITALY	613	663	626	628	575	592	522	824	1108	1417
PORTUGAL	•	•	881	1097	1110	1070	965	1134	1635	2471
SPAIN	659	772	878	1416	1151	1166	1161	1418	1672	1805
YUGOSLAVIA	542	780	1039	1510	1755	1804	2187	2805	3263	3718
SUB-SAHARAN AFRICA										
BENIN	0	2	3	3	5	15	27	38	55	71
BOTSWANA	•	•	•	•	•	-7	6	6	6	2
BURKINA FASO	16	22	23	36	29	33	37	40	55	83
GHANA	-10	-9	-3	-6	-4	24	-4	-6	-5	-3
IVORY COAST	-56	-66	-89	-123	-139	-184	-290	-345	-458	-576
LESOTHO	•	•	•	•	•	1	1	1	2	2
LIBERIA	•	•	•	•	•	-22	-22	-26	-30	-32
MALAWI	-2	0	1	2	2	3	1	-1	12	14
MALI	0	5	6	6	4	12	10	20	32	35
MOZAMBIQUE	•	•	•	•	•	•	•	•	•	•
SENEGAL	-17	-20	-22	-21	-22	-10	14	15	8	-18
SIERRA LEONE	1	2	0	0	1	2	4	4	7	5
SUDAN	-1	-1	4	6	5	2	37	37	66	116
TOGO	-2	-4	-5	1	-1	-1	1	0	-2	-2
N. AFRICA and W. ASIA										
ALGERIA	195	225	225	337	319	355	386	278	295	313
BANGLADESH	•	•	•	22	26	31	34	95	126	167
EGYPT	33	38	110	123	310	455	842	988	1824	2269
IRAN	0	0	0	-1	-1	-1	0	0	0	0
JORDAN	0	0	27	55	82	172	302	421	468	509
LEBANON	•	•	•	•	•	•	•	•	•	•
MOROCCO	36	74	107	211	299	482	499	546	702	891
OMAN	•	•	•	•	-111	-208	-220	-222	-212	-249
SYRIA	7	8	39	37	44	52	53	92	636	901
TUNISIA	23	44	53	91	106	131	128	152	204	271
TURKEY	317	499	777	1234	1466	1398	1104	1068	1086	1799
YAR	•	•	•	•	136	270	676	987	910	937

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TABLE 2 (Continued)
PRIVATE UNREQUITED TRANSFERS (MILLIONS OF U.S. DOLLARS) FOR SELECTED COUNTRIES, 1970–1985

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
YDR	52	44	27	33	43	59	119	187	255	298
S. and E. ASIA										
INDIA	77	110	104	142	222	414	634	926	1147	1424
INDONESIA	0	0	0	0	0	0	0	0	0	0
KOREA	95	105	119	155	154	158	193	170	434	399
PAKISTAN	81	65	129	147	177	275	433	884	1420	1578
PHILIPPINES	29	34	80	94	123	165	148	146	194	230
THAILAND	3	7	30	117	215	56	29	22	6	23
SRI LANKA	-1	-3	-4	0	0	3	7	11	22	48
L.A. and CARIBBEAN										
BOLIVIA	2	2	5	5	3	3	3	2	6	11
CHILE	2	3	5	5	6	4	52	80	75	88
COLOMBIA	-4	0	9	12	19	27	46	54	45	99
DOMINICAN REPUBLIC	30	16	29	29	33	34	123	136	146	177
ECUADOR	8	8	8	8	16	14	8	0	12	0
EL SALVADOR	12	16	9	12	17	25	24	30	45	45
GUATEMALA	17	26	31	43	57	78	198	94	115	123
JAMAICA	27	27	35	35	34	23	2	15	15	70
MEXICO	25	26	25	41	57	59	73	88	104	131
PANAMA	-11	-12	-14	-23	-26	-26	-28	-30	-34	-39
PARAGUAY	2	4	3	2	2	1	1	1	1	3
PERU	26	4	7	4	22	17	3	3	3	0
URUGUAY	-1	-1	0	0	-1	-2	-1	2	1	2

	1980	1981	1982	1983	1984	1985
EUROPE						
FINLAND	-20	-10	-27	-23	-20	-33
GREECE	1087	1076	1039	931	917	797
ITALY	1369	1441	1468	1406	1454	1325
PORTUGAL	-399	2895	2663	2130	2141	2118
SPAIN	2059	1698	1577	1209	1191	1395
YUGOSLAVIA	4348	4259	4441	3652	•	•

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TABLE 2 (Continued)
PRIVATE UNREQUITED TRANSFERS (MILLIONS OF U.S. DOLLARS) FOR SELECTED COUNTRIES, 1970–1985

	1980	1981	1982	1983	1984	1985
SUB-SAHARAN AFRICA						
BENIN	•	•	•	•	•	•
BOTSWANA	-1	-2	0	0	-7	-3
BURKINA FASO	112	120	89	89	•	•
GHANA	-3	-4	-1	-2	21	33
IVORY COAST	-716	-494	-391	-349	-291	-265
LESOTHO	2	2	2	2	2	2
LIBERIA	-29	-30	-45	-39	-44	-28
MALAWI	16	21	-9	•	•	•
MALI	41	32	25	23	21	21
MOZAMBIQUE	•	•	•	•	•	•
SENEGAL	20	•	•	•	•	•
SIERRA LEONE	8	9	5	4	8	3
SUDAN	209	323	107	146	277	249
TOGO	1	-1	-2	-3	-2	0
N. AFRICA and W. ASIA						
ALGERIA	277	304	347	237	186	191
BANGLADESH	301	402	394	650	473	449
EGYPT	2791	2230	2116	2481	3683	3216
IRAN	•	•	•	•	•	•
JORDAN	667	922	933	923	1028	946
LEBANON	•	•	•	•	•	•
MOROCCO	1004	988	840	888	847	965
OMAN	-362	-459	-556	-695	-819	-906
SYRIA	774	582	446	461	327	293
TUNISIA	301	331	359	346	304	259
TURKEY	2153	2559	2189	1589	1889	1762
YAR	1070	777	911	1084	996	867
YDR	323	379	430	440	480	•
S. and E. ASIA						
INDIA	2743	2281	2599	2650	2278	2456
INDONESIA	0	0	0	10	53	61
KOREA	309	422	447	566	516	535
PAKISTAN	2218	2195	2778	3116	2942	2710
PHILIPPINES	299	325	322	237	118	172

TABLE 2 (Continued)
PRIVATE UNREQUITED TRANSFERS (MILLIONS OF U.S. DOLLARS) FOR SELECTED COUNTRIES, 1970–1985

	1980	1981	1982	1983	1984	1985
THAILAND	75	50	75	153	59	47
SRI LANKA	136	203	264	274	277	269
L.A. and CARIBBEAN						
BOLIVIA	15	13	17	40	22	20
CHILE	64	36	41	54	41	47
COLOMBIA	165	243	167	145	289	455
DOMINICAN REPUBLIC	183	185	190	195	205	*
ECUADOR	0	0	0	0	0	0
EL SALVADOR	17	39	52	97	118	129
GUATEMALA	109	89	62	30	28	18
JAMAICA	82	123	134	94	80	153
MEXICO	132	114	98	122	230	312
PANAMA	-52	-48	-55	-60	-54	-56
PARAGUAY	3	3	2	1	2	2
PERU	0	0	0	0	0	0
URUGUAY	2	3	0	0	0	0

Source: See Table 1.

with a slope steeper than that leading up to 1973 in some cases. Using 1970 as a standard of 100, an index of remittance levels was plotted for Italy, Greece and Turkey. In all three cases, with a lag of from one to five years from a plateau after 1973, remittances increased at a rate equal to or greater than the 1960-1973 period.

What explains the absence of a sudden decline and, in fact, a result in the opposite direction, an increase in levels of remittances after a short interval of adaptation to new conditions? The alternate hypothesis seems to provide a reasonable explanation. Many remittance senders stayed in place. Others came, legally and illegally. Reunited families continued to remit. Reunited families may not have included complete nuclear families because children may have been left at home to be raised by grandparents and to attend local schools. Returnees may have come back with large amounts of money and this lumpiness of remittance levels from an individual point of view may have resulted in large aggregate amounts. The last explanation seems more applicable to the plateau period around 1973. The subsequent increase in

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remittances in direction opposite to the one hypothesized by the negative or pessimistic view of remittances seems best explained by essentially sociological factors about settling in and family reunification.

The European case, given the increase of remittances after the cessation of formal recruitment, may be an exception. It certainly does not confirm the forecasts of rapid decline.

The case of Arab oil exporters provides a second case study. Through the late 1970s, warnings were issued about the coming collapse of labor demand in the Gulf. The transition from large scale construction projects to operation of the new infrastructure in the Gulf states led to forecasts of decline in labor demand and change in its character. The change was predicted to be toward highly skilled people who would require and be permitted to have their immediate family accompany or join them abroad. The decline in the number of migrants and the changes in living arrangements due to skill levels led to omens about remittance declines. Lower oil prices were also seen as leading to decreased labor demand and to downward pressure on wages, both of which would add to the expected decline in remittances.

It should have come to pass, therefore, that the 1980s would have seen a rapid decline in remittances to Arab and East and South Asian sources of Middle East labor. Inspection of the countries in Table 2 under "North Africa and West Asia"[4] and under "South and East Asia" (along with Sudan under "Sub-Saharan Africa"), leads first of all to the conclusion that whatever the effect of the world economic crisis of the early 1980s on remittances, it was certainly lagged. Declines in remittances were not universal. In fact, there is quite a mixed picture. Jordan, for example, seems to have fared well. The Philippines seems to have been hit very hard in 1984-85. That, however, may reflect Philippine domestic issues and reluctance to send money to the Philippines rather than causes rooted in levels of employment or wages in the Middle East. Pakistan has experienced fluctuations in the 1980s but remittance levels, after a brief 1982 pause, are higher than achieved in the late 1970s.

No matter what country one looks at, and certainly it is the general picture, the data do not support the hypothesis of remittance decline that follows from the negative evaluation of migration and remittances outlined above.

In summary, two case studies, Europe after 1973 and the Middle East after 1980, do not support the hypothesis of sudden and rapid declines associated with a negative view of remittances. In the European case, the alternate hypothesis of a gradual decline in remittances is also not correct. Remittances increased. In the case of Middle East labor suppliers, there

[4] Algeria is essentially a labor supplier to France and not the Middle East. Its remittance experience was also affected by political decision to inhibit labor export to France.

certainly is a lag in any response reflected in remittance levels to changes in the number and qualifications of expatriate labor. Decline is not universal and where there is remittance decline it is generally gradual. The direction of remittance levels in the mid 1980s is not uniform. The future is not clear. Forecasts of sudden and sharp declines in aggregate remittances have proven incorrect in the two cases analyzed here.

IMPLICATIONS

Dire predictions about the bottom falling out of a remittance boom will probably prove to be incorrect. The sociology of the case (migrants staying on, remittances still going to extended families, lumpiness in remittances) would seem to preclude declines in remittances at anything near the rate of their build up, at least using post World War II experience of rapid increases in remittances due to labor migrations as a guide. The two cases studied add weight to this more sober assessment of how the "natural history" of a labor migration stream develops.

Second, remittances of the order of magnitude for many of the countries in Table 2 play an extremely important role in their economies. Table 3 lists the ratios of unrequited transfers to merchandise imports and Table 4 provides the ratios of unrequited transfers to merchandise exports, both for 1970-1985.

It is clear from Table 3 that remittances cover a large proportion of the import bill for many labor exporters. This is especially notable for labor exporters to the Middle East like Sudan, Bangladesh, Egypt and Jordan. Exporters of labor to Europe such as Turkey, Portugal and, to a lesser extent, Greece also have notable fractions of import bills covered by remittances.

Similarly, Table 4 indicates the relative importance of labor remittances to exports. Labor, by way of remittances, is among the top earners of foreign currency for many labor exporters. In the aggregate, at least $25 billion dollars has been circulating to labor exporters annually from remittances in the 1980s (Table 1).

The aggregate amounts (Tables 1 and 2) and the relative importance of remittances (Tables 3 and 4) attest to their importance in global financial transactions and national economic performances. Remittances finance imports; they stimulate internal demand. How remittances are used is the link between the micro and macroeconomic impacts. As yet development economics has not adjusted to incorporate large scale infusions to many actors in an economy and tracing how the money perks through the economy. The viability of many economies, it is not too much to claim, has been possible because of remittances. It is difficult to imagine a mechanism for the transfer of so much capital to so many (and often poor) countries and to the benefit of so many of their citizens.

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TABLE 3
RATIO OF UNREQUITED TRANSFERS TO IMPORTS FOR SELECTED COUNTRIES, 1970-1985

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EUROPE										
FINLAND	0.001	0.002	.000	.000	0.001	.000	-0.001	-0.002	-0.002	-0.001
GREECE	0.228	0.272	0.265	0.204	0.156	0.170	0.163	0.162	0.151	0.130
ITALY	0.046	0.046	0.034	0.024	0.015	0.017	0.013	0.018	0.021	0.020
PORTUGAL	•	•	0.432	0.398	0.259	0.302	0.244	0.250	0.342	0.400
SPAIN	0.151	0.169	0.141	0.161	0.081	0.077	0.071	0.085	0.095	0.075
YUGOSLAVIA	0.206	0.261	0.350	0.365	0.254	0.256	0.323	0.312	0.341	0.289
SUB-SAHARAN AFRICA										
BENIN	0.000	0.023	0.033	0.028	0.030	0.072	0.128	0.148	0.192	0.246
BOTSWANA	•	•	•	•	•	-0.041	0.031	0.027	0.022	0.005
BURKINA F.	0.356	0.379	0.311	0.346	0.196	0.176	0.222	0.181	0.216	0.266
GHANA	-0.027	-0.024	-0.013	-0.016	-0.006	0.037	-0.006	-0.007	-0.006	-0.004
IVORY COAST	-0.149	-0.165	-0.193	-0.175	-0.155	-0.182	-0.250	-0.216	-0.224	-0.258
LESOTHO	•	•	•	•	•	0.007	0.005	0.005	0.008	0.006
LIBERIA	•	•	•	•	•	-0.076	-0.061	-0.062	-0.069	-0.070
MALAWI	-0.025	0.004	0.004	0.016	0.010	0.011	0.003	-0.003	0.049	0.047
MALI	0.008	0.012	0.095	0.057	0.031	0.088	0.090	0.180	0.161	0.130
MOZAMBIQUE	•	•	•	•	•	•	•	•	•	•
SENEGAL	-0.083	-0.090	-0.077	-0.056	-0.040	-0.016	0.021	0.019	0.011	-0.021
SIERRA LEONE	0.010	0.019	-0.002	0.000	0.008	0.012	0.027	0.024	0.028	0.015
SUDAN	-0.004	-0.003	0.013	0.018	0.009	0.003	0.059	0.057	0.106	0.158
TOGO	-0.030	-0.053	-0.062	0.012	-0.010	0.005	0.006	-0.001	-0.005	-0.004
N. AFRICA and W. ASIA										
ALGERIA	0.181	0.226	0.173	0.157	0.087	0.065	0.082	0.045	0.040	0.040
BANGLADESH	•	•	•	0.024	0.027	0.026	0.041	0.093	0.094	0.097
EGYPT	0.030	0.034	0.094	0.086	0.106	0.115	0.219	0.245	0.385	0.378
IRAN	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JORDAN	0.000	0.000	0.114	0.188	0.191	0.265	0.333	0.344	0.350	0.292
LEBANON	•	•	•	•	•	•	•	•	•	•
MOROCCO	0.058	0.116	0.151	0.203	0.177	0.213	0.216	0.194	0.267	0.275
OMAN	•	•	•	•	-0.201	-0.229	-0.220	-0.213	-0.183	-0.194
SYRIA	0.021	0.021	0.088	0.065	0.041	0.036	0.025	0.038	0.289	0.295
TUNISIA	0.078	0.132	0.117	0.146	0.109	0.106	0.090	0.095	0.115	0.110
TURKEY	0.382	0.484	0.568	0.675	0.408	0.311	0.227	0.194	0.249	0.374
YAR	•	•	•	•	0.705	0.780	1.423	1.311	0.960	0.664

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TABLE 3 (continued)
RATIO OF UNREQUITED TRANSFERS TO IMPORTS FOR SELECTED COUNTRIES, 1970-1985

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
YDR	0.456	0.473	0.284	0.289	0.239	0.345	0.463	0.544	0.695	0.770
S. and E. ASIA										
INDIA	0.038	0.047	0.045	0.046	0.052	0.084	0.137	0.174	0.155	0.145
INDONESIA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
KOREA	0.053	0.048	0.053	0.040	0.024	0.028	0.023	0.016	0.030	0.021
PAKISTAN	0.067	0.060	0.150	0.141	0.093	0.125	0.198	0.355	0.441	0.368
PHILIPPINES	0.027	0.029	0.063	0.059	0.039	0.048	0.041	0.037	0.041	0.037
THAILAND	0.003	0.006	0.023	0.064	0.077	0.020	0.009	0.005	0.001	0.003
SRI LANKA	-0.003	-0.009	-0.012	0.001	0.000	0.004	0.012	0.017	0.024	0.037
L.A. and CARIBBEAN										
BOLIVIA	0.011	0.015	0.032	0.025	0.009	0.007	0.006	0.004	0.008	0.014
CHILE	0.002	0.003	0.005	0.004	0.003	0.003	0.022	0.037	0.026	0.021
COLOMBIA	-0.005	0.000	0.011	0.012	0.013	0.019	0.028	0.027	0.018	0.033
DOM. REP.	0.108	0.052	0.086	0.069	0.049	0.044	0.161	0.160	0.169	0.156
ECUADOR	0.031	0.026	0.027	0.021	0.018	0.013	0.008	0.000	0.007	0.000
EL SALVADOR	0.062	0.071	0.036	0.035	0.033	0.045	0.035	0.035	0.047	0.047
GUATEMALA	0.064	0.090	0.105	0.110	0.090	0.116	0.208	0.086	0.090	0.088
JAMAICA	0.060	0.057	0.066	0.061	0.042	0.024	0.003	0.022	0.020	0.079
MEXICO	0.011	0.012	0.010	0.011	0.010	0.009	0.013	0.016	0.013	0.011
PANAMA	-0.033	-0.033	-0.034	-0.050	-0.034	-0.032	-0.036	-0.038	-0.039	-0.036
PARAGUAY	0.030	0.053	0.033	0.018	0.009	0.004	0.004	0.002	0.001	0.005
PERU	0.037	0.005	0.009	0.004	0.012	0.007	0.001	0.001	0.002	0.000
URUGUAY	-0.004	-0.003	-0.001	0.000	-0.003	-0.003	-0.002	0.003	0.002	0.001

	1980	1981	1982	1983	1984	1985
EUROPE						
FINLAND	-0.001	-0.001	-0.002	-0.002	-0.002	-0.003
GREECE	0.113	0.106	0.117	0.111	0.106	0.085
ITALY	0.015	0.016	0.018	0.019	0.018	0.016
PORTUGAL	0.348	0.317	0.296	0.279	0.296	0.297
SPAIN	0.064	0.055	0.052	0.044	0.044	0.050
YUGOSLAVIA	0.311	0.315	0.356	0.328	*	*

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TABLE 3 (continued)
RATIO OF UNREQUITED TRANSFERS TO IMPORTS FOR SELECTED COUNTRIES, 1970-1985

	1980	1981	1982	1983	1984	1985
SUB-SAHARAN AFRICA						
BENIN	*	*	*	*	*	*
BOTSWANA	-0.002	-0.002	0.000	-0.001	-0.013	-0.006
BURKINA FASO	0.304	0.345	0.247	0.289	*	*
GHANA	-0.003	-0.004	-0.002	-0.004	0.039	0.049
IVORY COAST	-0.274	-0.239	-0.218	-0.213	-0.196	-0.197
LESOTHO	0.005	0.004	0.004	0.004	0.005	0.007
LIBERIA	-0.061	-0.071	-0.117	-0.107	-0.138	-0.112
MALAWI	0.052	0.082	-0.041	*	*	*
MALI	0.133	0.119	0.107	0.095	0.081	0.072
MOZAMBIQUE	*	*	*	*	*	*
SENEGAL	0.021	0.000	0.000	0.000	0.000	*
SIERRA LEONE	0.021	0.032	0.019	0.030	0.054	0.021
SUDAN	0.185	0.198	0.143	0.208	0.462	0.430
TOGO	0.002	-0.002	-0.005	-0.010	-0.007	0.001
N. AFRICA and W. ASIA						
ALGERIA	0.029	0.030	0.035	0.025	0.020	0.022
BANGLADESH	0.128	0.165	0.176	0.337	0.202	0.196
EGYPT	0.410	0.282	0.274	0.330	0.398	0.386
IRAN	0.000	0.000	0.000	0.000	0.000	*
JORDAN	0.312	0.328	0.324	0.342	0.416	0.390
LEBANON	*	*	*	*	*	*
MOROCCO	0.266	0.257	0.220	0.269	0.237	0.275
OMAN	-0.203	-0.211	-0.215	-0.294	-0.310	-0.299
SYRIA	0.193	0.120	0.120	0.111	0.086	0.082
TUNISIA	0.096	0.105	0.115	0.119	0.105	0.101
TURKEY	0.287	0.299	0.257	0.179	0.183	0.157
YAR	0.573	0.450	0.473	0.614	0.711	0.700
YDR	0.540	0.591	0.622	0.643	0.582	*
S. and E. ASIA						
INDIA	0.197	0.161	0.185	0.191	0.160	0.163
INDONESIA	0.000	0.000	0.000	0.001	0.004	0.005
KOREA	0.018	0.017	0.019	0.023	0.019	0.020
PAKISTAN	0.407	0.388	0.484	0.557	0.472	0.461
PHILIPPINES	0.039	0.041	0.042	0.032	0.019	0.034

TABLE 3 (continued)
RATIO OF UNREQUITED TRANSFERS TO IMPORTS FOR
SELECTED COUNTRIES, 1970-1985

	1980	1981	1982	1983	1984	1985
THAILAND	0.009	0.006	0.010	0.017	0.006	0.006
SRI LANKA	0.074	0.120	0.147	0.159	0.163	0.137
L.A. and CARIBBEAN						
BOLIVIA	0.022	0.016	0.034	0.081	0.053	0.043
CHILE	0.012	0.006	0.011	0.019	0.012	0.016
COLOMBIA	0.039	0.051	0.031	0.032	0.072	0.124
DOM. REP.	0.120	0.126	0.151	0.152	0.163	•
ECUADOR	0.000	0.000	0.000	0.000	0.000	0.000
EL SALVADOR	0.019	0.043	0.065	0.117	0.129	0.144
GUATEMALA	0.074	0.058	0.048	0.028	0.024	0.017
JAMAICA	0.079	0.095	0.111	0.084	0.077	0.152
MEXICO	0.007	0.005	0.007	0.014	0.020	0.024
PANAMA	-0.017	-0.014	-0.018	-0.026	-0.022	-0.021
PARAGUAY	0.005	0.003	0.002	0.003	0.003	0.003
PERU	0.000	0.000	0.000	0.000	0.000	0.000
URUGUAY	0.001	0.002	0.000	0.000	0.000	0.000

Source: See Table 1

Were the hypothesis of the negative view of remittances true, the disasterous results would not have been confined to individual countries but would have been global in proportion.

An implication of the functions of remittances for economic performances is that it is in the interest of labor importing countries (and of developed and capital rich countries in general) to foster a system that so efficiently redistributes capital. It is in their interest not just because labor is available or available more cheaply than it could otherwise be. Cheap labor has hidden and delayed costs that often lead to its being rejected by labor importers. But from the firm or employer perspective the alternatives of capital investment, relocation of facilities to sites with cheaper labor or going out of business are not always attractive. Politically realistic responses to shrinking young adult populations may be a resumption of labor importations. But beyond the benefit to labor importing countries — or at least employers in them — the interests of labor importers is served by maintaining a global economic and trading system. In so far as remittances contribute to economic viability of labor exporters and allow them to participate in the global financial, trade and monetary systems, the stronger economies

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TABLE 4
RATIO OF UNREQUITED TRANSFERS TO EXPORTS FOR SELECTED COUNTRIES, 1970-1985

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
EUROPE										
FINLAND	0.001	0.003	0.000	0.000	0.001	0.000	-0.001	-0.002	-0.002	-0.001
GREECE	0.562	0.718	0.685	0.595	0.362	0.374	0.359	0.366	0.327	0.296
ITALY	0.047	0.045	0.034	0.028	0.019	0.017	0.014	0.018	0.020	0.020
PORTUGAL	*	*	0.674	0.595	0.485	0.551	0.539	0.448	0.597	0.696
SPAIN	0.265	0.259	0.224	0.267	0.160	0.150	0.129	0.134	0.124	0.098
YUGOSLAVIA	0.323	0.428	0.464	0.529	0.461	0.443	0.447	0.540	0.562	0.547
SUB-SAHARAN AFRICA										
BENIN	0.000	0.026	0.046	0.035	0.048	0.128	0.311	0.295	0.434	0.535
BOTSWANA	*	*	*	*	*	-0.052	0.032	0.032	0.029	0.005
BURKINA F.	0.640	0.880	0.639	0.818	0.439	0.446	0.446	0.421	0.509	0.624
GHANA	-0.023	-0.027	-0.008	-0.010	-0.006	0.030	-0.005	-0.007	-0.006	-0.003
IVORY COAST	-0.113	-0.133	-0.149	-0.143	-0.111	-0.149	-0.167	-0.143	-0.175	-0.212
LESOTHO	*	*	*	*	*	0.071	0.056	0.067	0.061	0.043
LIBERIA	*	*	*	*	*	-0.056	-0.048	-0.058	-0.062	-0.060
MALAWI	-0.036	0.006	0.006	0.020	0.013	0.018	0.004	-0.003	0.062	0.061
MALI	0.009	0.125	0.133	0.102	0.063	0.167	0.106	0.160	0.340	0.240
MOZAMBIQUE	*	*	*	*	*	*	*	*	*	*
SENEGAL	-0.107	-0.147	-0.098	-0.098	-0.053	-0.020	0.027	0.022	0.020	-0.033
SIERRA LEONE	0.010	0.021	-0.003	0.000	0.007	0.016	0.035	0.028	0.038	0.025
SUDAN	-0.004	-0.003	0.012	0.014	0.013	0.005	0.063	0.056	0.117	0.226
TOGO	-0.0[illegible]9	-0.055	-0.071	0.014	-0.005	-0.007	0.006	-0.002	-0.008	-0.007
N. AFRICA and W. ASIA										
ALGERIA	0.193	0.276	0.184	0.173	0.065	0.079	0.074	0.046	0.047	0.033
BANGLADESH	*	*	*	0.061	0.075	0.096	0.085	0.200	0.230	0.255
EGYPT	0.040	0.045	0.135	0.123	0.185	0.290	0.523	0.501	0.941	0.936
IRAN	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
JORDAN	0.000	0.000	0.563	0.743	0.532	1.124	1.459	1.691	1.576	1.266
LEBANON	*	*	*	*	*	*	*	*	*	*
MOROCCO	0.074	0.148	0.167	0.231	0.175	0.315	0.400	0.426	0.472	0.460
OMAN	*	*	*	*	-0.092	-0.147	-0.138	-0.137	-0.133	-0.109
SYRIA	0.036	0.041	0.130	0.104	0.056	0.056	0.050	0.090	0.599	0.547
TUNISIA	0.122	0.206	0.169	0.219	0.122	0.164	0.164	0.196	0.220	0.176
TURKEY	0.539	0.737	0.878	0.935	0.957	0.998	0.563	0.609	0.475	0.796
YAR	*	*	*	*	12.364	19.286	48.286	65.800	151.667	187.400

TABLE 4 (continued)
RATIO OF UNREQUITED TRANSFERS TO EXPORTS FOR SELECTED COUNTRIES, 1970-1985

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
YDR	1.020	1.517	1.125	1.269	2.529	2.950	2.705	3.979	6.538	7.641
S. and E. ASIA										
INDIA	0.041	0.056	0.044	0.049	0.061	0.089	0.117	0.148	0.176	0.187
INDONESIA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
KOREA	0.108	0.093	0.071	0.047	0.034	0.032	0.025	0.017	0.034	0.027
PAKISTAN	0.121	0.098	0.139	0.157	0.174	0.262	0.371	0.789	1.016	0.810
PHILIPPINES	0.027	0.030	0.070	0.050	0.046	0.073	0.059	0.047	0.057	0.050
THAILAND	0.004	0.009	0.029	0.077	0.089	0.026	0.006	0.006	0.001	0.004
SRI LANKA	-0.003	-0.009	-0.013	0.001	0.000	0.005	0.013	0.014	0.026	0.049
L.A. and CARIBBEAN										
BOLIVIA	0.008	0.012	0.024	0.019	0.005	0.008	0.006	0.004	0.009	0.014
CHILE	0.002	0.003	0.006	0.004	0.003	0.003	0.015	0.037	0.030	0.023
COLOMBIA	-0.005	0.000	0.009	0.010	0.013	0.016	0.021	0.020	0.014	0.029
DOM. REP.	0.140	0.066	0.063	0.066	0.052	0.038	0.172	0.174	0.216	0.204
ECUADOR	0.033	0.033	0.024	0.014	0.013	0.013	0.006	0.000	0.008	0.000
EL SALVADOR	0.051	0.066	0.030	0.033	0.037	0.047	0.032	0.031	0.056	0.040
GUATEMALA	0.057	0.091	0.092	0.097	0.098	0.122	0.260	0.081	0.105	0.101
JAMAICA	0.079	0.079	0.093	0.089	0.045	0.028	0.003	0.020	0.018	0.086
MEXICO	0.019	0.018	0.015	0.019	0.019	0.020	0.021	0.019	0.017	0.014
PANAMA	-0.085	-0.087	-0.096	-0.142	-0.104	-0.079	-0.104	-0.104	-0.112	-0.110
PARAGUAY	0.035	0.067	0.030	0.018	0.010	0.005	0.004	0.002	0.002	0.008
PERU	0.025	0.004	0.008	0.004	0.015	0.013	0.002	0.002	0.002	0.000
URUGUAY	-0.004	-0.003	-0.001	0.000	-0.00[illegible]	-0.004	-0.002	0.003	0.002	0.002

	1980	1981	1982	1983	1984	1985
EUROPE						
FINLAND	-0.001	-0.001	-0.002	-0.002	-0.002	-0.002
GREECE	0.266	0.225	0.251	0.227	0.209	0.186
ITALY	0.018	0.019	0.020	0.020	0.020	0.017
PORTUGAL	0.655	0.713	0.646	0.408	0.411	0.373
SPAIN	0.100	0.081	0.074	0.061	0.052	0.059
YUGOSLAVIA	0.479	0.411	0.425	0.368	*	*

TABLE 4 (continued)
RATIO OF UNREQUITED TRANSFERS TO EXPORTS FOR SELECTED COUNTRIES, 1970-1985

	1980	1981	1982	1983	1984	1985
SUB-SAHARAN AFRICA						
BENIN	0.000	0.000	0.000	*	*	*
BOTSWANA	-0.003	-0.004	0.000	-0.001	-0.001	-0.004
BURKINA F.	0.696	0.755	0.701	0.795	*	*
GHANA	-0.003	-0.006	-0.002	-0.005	0.037	0.052
IVORY COAST	-0.238	-0.203	-0.167	-0.169	-0.111	-0.097
LESOTHO	0.053	0.039	0.054	0.065	0.071	0.091
LIBERIA	-0.048	-0.057	-0.094	-0.091	-0.097	-0.064
MALAWI	0.058	0.073	-0.036	*	*	*
MALI	0.200	0.208	0.171	0.138	0.109	0.116
MOZAMBIQUE	*	*	*	*	*	*
SENEGAL	0.042	0.000	0.000	0.000	0.000	*
SIERRA LEONE	0.037	0.059	0.045	0.037	0.060	0.023
SUDAN	0.303	0.407	0.267	0.284	0.534	0.563
TOGO	0.002	-0.003	-0.006	-0.011	-0.007	0.001
N. AFRICA and W. ASIA						
ALGERIA	0.020	0.022	0.026	0.019	0.015	0.015
BANGLADESH	0.380	0.508	0.513	0.899	0.508	0.449
EGYPT	0.724	0.558	0.527	0.672	0.953	0.838
IRAN	0.000	0.000	0.000	0.000	0.000	*
JORDAN	1.160	1.258	1.241	1.591	1.369	1.201
LEBANON	*	*	*	*	*	*
MOROCCO	0.416	0.433	0.411	0.431	0.392	0.450
OMAN	-0.097	-0.098	-0.126	-0.163	-0.185	-0.182
SYRIA	0.366	0.261	0.219	0.239	0.176	0.179
TUNISIA	0.140	0.157	0.182	0.188	0.171	0.152
TURKEY	0.740	0.544	0.381	0.269	0.256	0.213
YAR	82.308	77.700	182.200	108.400	110.667	86.700
YDR	5.383	7.735	11.316	11.000	15.484	*
S. and E. ASIA						
INDIA	0.330	0.270	2.120	0.271	0.224	0.259
INDONESIA	0.000	0.000	0.000	0.001	0.003	0.003
KOREA	0.023	0.020	0.021	0.024	0.020	0.020
PAKISTAN	0.863	0.804	1.187	1.083	1.186	1.010
PHILIPPINES	0.052	0.057	0.064	0.047	0.022	0.037

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TABLE 4 (continued)
RATIO OF UNREQUITED TRANSFERS TO EXPORTS FOR SELECTED COUNTRIES, 1970-1985

	1980	1981	1982	1983	1984	1985
THAILAND	0.012	0.007	0.011	0.024	0.008	0.007
SRI LANKA	0.128	0.191	0.260	0.258	0.189	0.206
L.A. and CARIBBEAN						
BOLIVIA	0.013	0.015	0.020	0.053	0.030	0.032
CHILE	0.014	0.009	0.011	0.014	0.011	0.012
COLOMBIA	0.041	0.077	0.054	0.049	0.068	0.125
DOM. REP.	0.190	0.154	0.247	0.248	0.236	ERR
ECUADOR	0.000	0.000	0.000	0.000	0.000	0.000
EL SALVADOR	0.016	0.049	0.074	0.132	0.163	ERR
GUATEMALA	0.072	0.069	0.053	0.027	0.025	0.017
JAMAICA	0.085	0.125	0.175	0.137	0.114	0.269
MEXICO	0.008	0.006	0.005	0.005	0.010	0.014
PANAMA	-0.023	-0.019	-0.023	-0.036	-0.032	-0.029
PARAGUAY	0.008	0.006	0.004	0.004	0.006	0.006
PERU	0.000	0.000	0.000	0.000	0.000	0.000
URUGUAY	0.002	0.002	0.000	0.000	0.000	0.000

Source: See Table 1.

benefit. Not only are remittances of importance but absorption of labor force growth (including opportunities through migration for a growing technical and professional class from developing countries) also contributes to economic and political stability.

If the functions of labor migration mean that its continuation is in the interests of labor importers as well as labor exporters, it may continue and even grow. This conclusion is clearly contrary to conventional wisdom. Xenophobic trends in many labor importing countries, the economic malaise that still hangs over the world and the negative view of labor migration that pervades many evaluations weigh in against such a view. Nevertheless, there are also good reasons to believe migration will rebound. In addition to the economic functions of migration and remittances, there are possible labor "shortages" due to the birth dearth in developed countries and to norms regarding labor force participation of women in many Arab capital-rich states. Labor need or shortages are relative and hard to predict.

Memories can be short and selective. To be sure past experiences will affect policy and programs, but to preclude increases in legal labor importation may be premature. The United States' recent (1986) Immigration Reform and Control Act, despite rhetoric, has set in motion what may be an enormous labor importation program addressed on the surface to the agricultural sector but not limiting successful entrants from moving to the other sectors of the economy. Other countries may follow suit. Germany's policy to admit ethnic Germans as refugees and the large number of admissions of ethnic Germans from the Soviet Union in the late 1980s — and more may soon follow with the effects of *glastnost* or easing of exit visa requirements — may provide some labor. An East-West movement of settlers to Europe may substitute for the South-North movement of guestworkers as the 1990s answer to worker shortages.

In short, a continuation and even an increase in labor migration may be an important feature of global migration trends in the 1990s. There are positive and negative arguments for this contrarian conclusion. In a negative way, no other mechanisms or functional equivalents for roles played by migration and remittances in economic performance are on the horizon. This, however, may be the policy challenge, to develop methods to move capital that contribute to sustained growth and job creation in developing countries, especially if East to West movement reduces the European demand for temporary labor. In absence of remittances or functional equivalents yet to be identified, not only national but also regional and even global economic chaos could result. It is in the interests of receiving nations, therefore, to continue to use foreign labor and to permit capital flows through remittances in exchange for that labor. International labor migration may be realistically necessary for system maintenance of the global economy.

More positively, the labor importers may "need", in a politically realistic way, to import labor to a greater extent in the 1990s than in the 1980s due to internal demographic dynamics. Whether or not labor importation is economically optimal, it is feasible, familiar and effective.

The dire predictions of those disenchanted with labor migration have not materialized. Migration and especially remittances have been functional and have not proven to be all that insecure and conducive to economic distortion. It is hard to make a case that, despite the costs such as labor bottlenecks, economic development among most labor exporters lags behind what it would have been if all those workers stayed home. Some would even say such a contention is patently absurd. The failure of past forecasts may itself add to the attractivness of a labor import/export option in the 1990s.

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CONCLUSION

A final note is in order.[5] This article has a narrow focus on aggregate remittances and ignores other factors in economic performance. Inevitably, it leaves out much. There are presumptive links between remittances and income distribution and between remittance and inflation that require further detailed analysis. More crucially, the role of remittances in economic performances may be given too much prominence because other issues are left out. The volume of remittances between 1965 and 1985 is a fraction of the debt burden of developing economies. In some cases, remittances may help service that debt, but by no means will they solve, by themselves, the structural problems leading to it. In that perspective, remittances may help temporarily to shore up economies, but add little to alter the fundamental weaknesses. The same could be said, of course, about increases in exports up to a certain point. The reason for these statements being true has little to do with the inherent nature of remittances or merchandise exports, but much to do with the relative size of debts. Second, the differences in per capita income between senders and receivers of migrant labor generally have been stable over the twenty year period analyzed here (but *See*, Stahl, 1982, who claims a widening of the gap between senders and receivers). Remittances may have helped countries "hold their own" but have not narrowed the per capita income gap (obviously rates of population growth also are at play in such calculations). In short, even if the dire predictions of the pessimistic view have not materialized, the contribution of remittances to economic performance should not be overstated.

Remittances have not declined precipitously nor led to other dire results to be expected from the pessimistic framework used by some to analyze and evaluate their functions. Nor have they generally been the transition to sustained economic growth that resulted in narrowing the North-South economic gaps.[6] The lesson from this analysis is not that the optimistic viewpoint was correct because the pessimistic framework predictions were incorrect. Rather, it is the need to re-evaluate and reformulate a framework for analyzing the micro and macro function and effects of remittances for economic performance of labor exporting countries based on empirical analysis of what has happened over the last three decades.

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[5] The authors thank Jonas Widgren (1988) for his comments at the Bellagio Conference of 1988.

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[6] The case of Italy, and perhaps Greece, may be the exceptions, but they were part of the "North" to begin with. At any rate, European labor exporters may be a special case.