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Remittances and Economic Growth: Morocco in Context

In-migrant sending nations like Morocco, remittances have enormous potential to promote economic growth. Since the 1980's, Europe has constructed international migration as a problem, though they should consider it an opportunity. Today's demographic of immigrants to Europe are largely from developing nations and send remittances home. As Europe touts the Millennium Development Goals, they should consider that remittances have more economic impact on developing nations than foreign aid. Immigrant sending countries must also realize the potential of remittances and encourage migrants to invest. The successes and failure of Morocco's migrant policies exemplify the importance of legal and economic support for migrants.

Migration can yield substantial revenue through remittances, which has the potential to be an excellent development tool.[1] Of all external revenue in the developing world, remittances are the second largest income source.[2] They enable families to invest at home, whether it is in microfinance or agriculture. Even basic consumption and housing improvements stimulate the overall economy.[3] For sending countries, migration can be a crucial anti-poverty initiative.

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[1] Eversole, Robyn. 2008. "Development in Motion: What to Think about Migration?" *Development in Practice* 18 (1): 94.

[2] Eversole, 95.

[3] De Hass, Hein. *Morocco's Migration Transition: Trends, Determinants, and Future Scenarios*. Global Migration Perspectives research papers series No 28. Geneva: Global Commission on International Migration, 2005. Commission on International Migration, 2005.

Macroeconomics reveals that remittances reduce the number of people living on less than one dollar a day.[4] In the developing world, remittances comprise a larger total amount than aid.[5] According to DeHas, remittances are more dependable and less pro-cyclical than both formal aid and foreign direct investment. They also avoid the bureaucracy and overhead costs associated with development aid.[6] Remittances are so significant that international organizations have begun to recognize their development potential. For example the World Bank/DFID hosts and annual conferences entitled *Remittances and Access to Finance.*[7]

Unfortunately, Europe has constructed migration as a problem instead of considering the opportunities yielded by remittances. Popular belief suggests that globalization has yielded an age of unprecedented migration. Actually, the global percentage of international migrants this century is about 2.5-3%, just as it was last century. What does variy today is the increase in north-south migrations, which yield more obvious and uncomfortable cultural collisions.[8] The demographic of immigrants had changed from Europeans to North Africans. European's view Maghreb migrants from Algeria, Tunisia and Morocco as threatening, Muslims from the "third world". Fear of non-European immigrants prompted the European Union

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[4] Eversole, 95.
[5] Pieke, Frank N., Van Hear Nicholas, and Anna Lindley. 2007. "Beyond Control? the Mechanics and Dynamics of 'informal' Remittances between Europe and Africa." *Global Networks. 348.*
[6] "Morocco's Migration Transition", 1277.
[7] Eversole, 95.
[8] "Morocco's Migration Transition", 1270.

to limit migrations from Africa to Europe.[9] Constructing migration as a problem inhibits countries from capitalizing on the opportunities provided by migration.

Europe wastes resources focusing on migration as a security issue that can be solved, while migration is virtually unstoppable. The European Union invests in borders, expulsions and other controls.[10]They address the "problem" by tightening security measures, but as long as global inequality persists, so too will migration.[11] Stricter policy simply leads to more illegal migrations. In addition to inequality, Europe's persistent demand for migrant labor and strengthening migrant networks fuel north-south migrations. [12] DeHas reveals that as the desire to control migration grows, the ability to do so is shrinking. The EU needs to acknowledge that migration will persist and begin to consider policies of cooperation. These include exploring ways to aid immigrant employment and protect the rights of long-term immigrants.[13] Europe should deconstruct the "problem" of migration and consider the potential of remittances as development tools.

Using migration to promote development should be a goal of receiving countries, just as it is of sending countries. If remittances are incorporated in development plans, they can help advance the Millennium Development Goals. Immigrants in receiving countries offer underutilized perspectives and skills. Along with sending resources home, they also understand where resources are best

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[9] Cornelius, 345-350.
[10] Baldwin-Edwards, Martin. "'Between a Rock and a Hard Place': North Africa as a Region of Emigration, Immigration and Transit Migration," *Review of African Political Economy* 33, 108 (June 2006): 15.
[11] Eversole, 97.
[12] "Morocco's Migration Transition", 1280.
[13] Baldwin-Edwards, 16.

spent.[14] One must question Europe's commitment to the MDG when considering how it has selectively limited African immigration and violated migrants rights to asylum. In 2004 in Italy, for example, the government denied asylum to 1,000 people by sending them to Libya, which then deported them to Egypt and Nigeria. In 2005, the European Parliament deemed these actions illegal.[15] This exemplifies how much of Europe has focused on security instead of addressing poverty.

Critics of remittances correctly point out that migration is not a panacea for development. While giving families new access to financial resources, migration can also separate loved ones. Eversole, explains that social and emotional security suffer while financial security improves. [16]Remittances are also limited according to whom they directly affect. Migrants tend to come from upper-lower to lower middle income countries. Within those countries, migrants must have a high enough socioeconomic status to be able to afford the cost of migration. Remittances aid these migrants, while the poorest cannot afford the risk of emigrating.[17] Ultimately, remittances do not directly aid the poorest nations or poorest people in those nations. Additionally, higher levels of remittances do not ensure economic development. During money transfers, corruption, bureaucracy, and economic instability can threaten the value of remittances.[18] They have potential to promote economic growth, but remittances must be one part of an integrated development strategy.

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[14] Eversole, 97.
[15] Baldwin-Edwards, 15.
[16] Eversole, 96.
[17]"Morocco's Migration Transition", 1271 and 1278.
[18] "Morocco's Migration Transition", 1275.

Government policy must encourage migrants to use their remittances to invest. Restrictions intended to prevent migration actually discourage migrants from returning home or investing. They do not trust their native government and worry they will not be able to migrate again. Liberalizing migration could embolden migrants to invest[19] A specific way to encourage migrants to send money home is to lower the taxes and cost of remittance transactions. North African governments should also encourage investment in microfinance and small businesses.[20] Sending countries could also train unskilled workers in exchange for an agreement that they would return and use their newly acquired skills at home. Policies should treat migrants as investors and encourage them with legal and economic support.[21]

Some argue that despite the benefits of remittances, sending countries suffer from “brain drain”. In actuality, most migrants from North Africa are not skilled. Algeria, Morocco and Tunisia specifically, loose a very small portion of their high skilled laborers to emigration. Regarding statistics for Morocco in 2005, only 14.8% of Moroccan expats were highly skilled.[22] These laborers can actually benefit from what DeHas describes as “brain gain”. They acquire education, skills and new perspectives that have the potential to help their native home. Fearing “brain drain”, Morocco punishes migrants for emigrating. For instance, when civil service migrants return to Morocco, they can no longer serve. Instead of punishing migrants, public

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[19] “Morocco’s Migration Transition”, 1278.
[20] Eversole, 95.
[21] Eversole, 98.
[22] Baldwin-Edwards, 6.

policy should encourage them to transfer their skills and remittances back to their home country. [23]

The case of Morocco reveals how government policy determines the extent to which countries benefit from remittances. Encouraging migrants to send remittances is crucial to receiving countries like Morocco. In 2001, remittances kept 1,170,00 Moroccan out of impoverishment. Migrants are a more valuable export than phosphate, Morocco's main primary export. In 2000, revenues from remittances surpassed that of phosphate. This makes remittances more valuable than direct foreign aid and investment.[24] Remittances are economically significant, not just in Morocco, but in all of North Africa. Since the 1980's, the ratio of remittances to the GDP is the highest in North Africa at 3.1% followed by Latin America at 1.6% of the GDP. These figure do not even include informal transfers.[25]

Before the 1990's, Morocco actively prevented integration abroad because they feared that migrants would not return. They hindered migrants ability to form independent organizations because they worried that their "subjects" would organize politically. More importantly, they feared that integration would discourage migrants from sending remittances. Ironically, strict policy actually discouraged investment. Preventing integration marginalized migrants abroad and

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[23] "Morocco's Migration Transition", 1273.

[24] De Haas, Hein. 2005. "International Migration, Remittances and Development: Myths and Facts." *Third World Quarterly* 26 (8): 18-19.

[25] Baldwin-Edwards, 6.

made them distrustful of Moroccan authority.[26] As remittance flows stagnated, Morocco readdressed its policies.

During the 1980's and 1990's Moroccan policy began to encourage remittances by supporting migrants. New agencies like the Ministry for Moroccans Abroad and the Fondation Hassan II pour les Marocains resident a l'Etranger formed to assist migrants. They treated them as investors by navigating them towards investments.[27] Banks, post offices and consulates all catered to remittance transfers. Moroccan banks in Europe allowed migrants to open foreign exchange accounts with limited restrictions.[28] Remittances remain strong, supported by tight family ties and immigrant networks aided by improved transnational communication and transportation.[29] Supporting migrants should encourage investment and remittances.

Moroccan policy changes reveal the challenge of discovering how to capitalize on migration. History suggests that migration will persist, so countries must find ways to benefit. Remittances offer enormous development potential which could help both sending and receiving countries to address the Millennium Development Goals. They have the potential to be more impactful than foreign aid. This relies on developing nations encouraging investment by supporting migrants economically, socially and politically. Migration will not solve poverty or the inequality between the world's north and south, but it may be part of the solution.

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[26] DeHass, 19.
[27] De Haas, 20.
[28] "Morocco's Migration Transition", 177.
[29] De Haas, 18.

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