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A Macro - Economic Study of Tunisian Migrants' Remittances

Azzam Mahjoub^(*)

ملخص

تحويلات المهاجرين التونسيين وانعكاساتها على الاقتصاد الكلى

تستخدم الدراسة المنهج الكمي من خلال مجموعة من المؤشرات للبحث في طبيعة تحويلات المهاجرين التونسيين من دول أوروبا، والتعرف على التطورات التي طرأت عليها، وتحديد تأثيراتها على المستوى الكلى.

ورغم ما بذل من جهد لتجميع كافة البيانات اللازمة للدراسة من المصادر الرسمية ذات الصلة المباشرة بتحويلات المهاجرين، إلا أن غياب البيانات المتعلقة بالتحويلات غير الرسمية يضفى على هذه الدراسة تحيزاً من الصعوبة بمكان تقاديه، ويحد ذلك بعض الشيء من شمول الدراسة. ومع ذلك فإن قياس وقع التحويلات الرسمية على الاقتصاد الكلى يعد في حد ذاته مساهمة ضرورية لسد النقص في الدراسات التطبيقية في هذا المجال على مستوى تونس. وتركز الدراسة على عدد من المتغيرات الكلية لعل أبرزها ميزان المدفوعات، والإدخار، والاستثمار في نشاطى الصناعة التحويلية والزراعة.

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I. INTRODUCTION

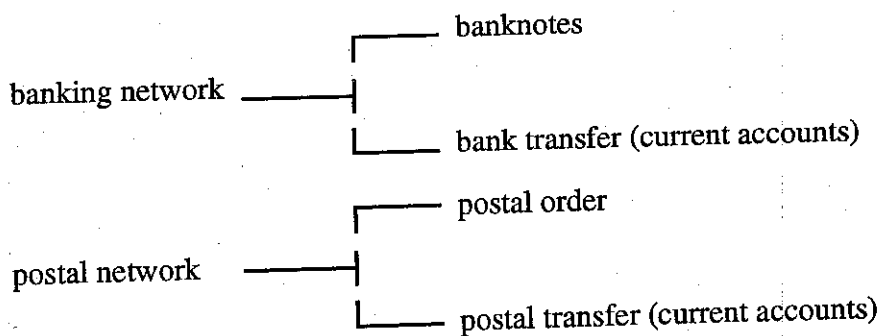
The notion of (migrants') remittances covers a variety of types, modes and methods. We must distinguish official and/or visible ones, which can be assessed, from unofficial and/or less visible ones, which can hardly or indirectly be assessed except by means of very precise surveys.

In this study, we are concerned exclusively with **official, visible remittances which can be assessed**. Such remittances are of two forms or types:

- So-called cash remittances, which represent capital flows properly speaking.
- Remittances in kind, i.e. the flow of material goods. These are **imports without payment** brought over by Tunisian expatriates (TE) on their seasonal or definitive return to the country. The Tunisian customs provide the Central Bank of Tunisia with statistics on two kinds of imports without payment or remittances in kind:
 - Vehicles (cars, lorries, tractors...),
 - Capital goods (except means of transport).

Thus consumer goods imported without payment - often called suitcase remittances - are not unfortunately posted, which represents a drawback for this study. Cash remittances can be distinguished:

1. First, by the way they are effected:



2. Second, by the mode of remittance, we may distinguish:

- * Savings from wages
- * Social remittances which include:
 - Social security contributions
 - Pensions
- * Other labour income (negligible).

Moreover, to complement the approach we have been presenting we have endeavoured to identify part of the economic destination of remittances. In this case we are concerned with:

1. Remittances which materialize in the form of industrial or agricultural investments (enterprise creation projects);
2. Remittances which go into savings.

Lastly, within the framework of this study, we have analyzed the macro-economic impact of Tunisian expatriates' remittances on Tunisia.

This impact (whether direct or indirect) will be established through relating the evolution of labour income remittances to the main aggregates of the balance of payments (exports, deficit, debt service).

However, before undertaking the direct study of remittances, we thought it useful to run through the main demographic features of Tunisian emigration so as to have a clearer notion of the place of these remittances in the context of the general evolution of Tunisia.

II. MAIN FEATURES OF THE EVOLUTION OF TUNISIAN EMIGRATION

Tunisia is new to the contemporary movement of international migrations, for the emigration flow only started in the mid-sixties.

A brief comparison between the evolution of controlled (official) emigration and the balance of migration will bring to the fore the main features of the evolution of Tunisian emigration:

1966-1973: Considerable emigration, attested by a highly negative

balance of migration (-25,000); sustained increase in controlled emigration. It is directed mainly to Europe (mostly France) and concerns male labour with few or no skills.

1974-76: As emigration to Europe marks time, there is a certain but fluctuating Libyan alternative. The positive balance of migration (in excess) is a sure sign of the start of returns from Europe (estimated at 790 in 1974 and 2,760 in 1976).

1977-1983/84: The pattern of emigration becomes irregular as a result of the following phenomena:

- The changing Libyan situation;
- The European family reunification policy;
- The movement of returns from Europe, which increases from 1980: 1,978 returns in 1979; 3,593 in 1980 and 8,126 in 1983;
- regularizations of status in France (21,250 in 1981 and 1982).

1985-1993:

- Sharp fall in controlled emigration in spite of a Gulf states breakthrough up to 1990.

- Increase in uncontrolled emigration (negative balance of migration in 1988 and 1992), particularly to Italy.

- Regularizations of status in Italy (35,000 in 1990) indicate the magnitude of clandestine emigration. Moreover, according to the Tunisian consular services, the Tunisian expatriate community in Italy rose from 3,735 in 1984 to 12,000 in 1985, 39,485 in 1990 and 68,705 in 1993, i.e. eighteen-fold.

- Lastly the movement of returns from Europe decreases. The only significant returns are those from the Gulf states resulting from the crisis of 1989-90.

Overall, many estimates attest that over the period from 1969 to 1990 controlled emigration only represented 45% of total emigration.

Now, if we look at the Tunisian expatriate population according to statistics provided by the Tunisian consular services, we note that it has undergone a particularly sustained development, rising from 320,817 in 1976 to 575,858 in 1993, i.e. an approximate 80% increase and an average annual growth rate of 3.8% for the whole period.

Overall, the Tunisian expatriate community represented at the beginning of the period (1976-77) 5.5% of the total population in 1976-77 and some 6.7% in 1993.

The distribution of this community shows that:

- The European community (in fact France, Germany, Belgium and Italy) has the greatest share: 72.5% on average for the period 1977-93. France has a large share: 56% on average;
- Italy's share has greatly increased, from 1.7% at the beginning of the period (1976-77) to 7.7% in 1989 and 11.9% in 1993.
- Libya's share, which reached over 20% in the early 1980s, fell to 7.3% in 1993;
- The share of the Gulf states, negligible up to 1983, rose to 4/4.5% up to 1990.

In the end, what must be emphasized is that the profile of the Tunisian expatriate community has changed greatly. At the start it was the outcome of a more or less controlled emigration, predominantly individual and male. With the passing years it has taken on the features of a permanent settlement colony in which the proportion of young people under 16 years of age and of women has sharply risen.

III. GENERAL EVOLUTION OF LABOUR INCOME REMITTANCES

1. Evolution of Labour Income Remittances from 1976 to 1993 in Millions of Current Dinars (MD)

Labour income remittances, evaluated at 61.4 MD in 1976, rose to 599.5 MD in 1993, i.e. almost tenfold (9.76 exactly).

Over the whole period 1976-1993 the average growth rate was 12.8% per year. However, it must be noted that after a very high growth rate of 23.2% from 1976 to 1981, the evolution of remittances fell to only 9.9% from 1982 to 1986 and 10.4% from 1987 to 1993. Thus the average annual growth rate of remittances fell by over one half between the beginning and the end of the period under consideration (1976-1993). Yet it remains relatively high at 10.4%. The share of the Europe community countries in these remittances is considerable: some 80% for the period 1976-1992.

2. Evolution of Labour Income Remittances Excluding the Exchange Rate Effect

The Dinar's exchange rate as against the ECU seems to us most suitable as a "deflator" eliminating the effect of the exchange rate⁽¹⁾.

The growth rate of remittances, excluding the dinar/ECU exchange rate effect, was 7.6% for the whole period 1976-1993. This means that (12.8%-7.6%) i.e. of the growth stems from the exchange rate effect alone. In other words 40% of the growth results from the exchange rate effect. The latter played a minor part in the period 1976-1981 (approximately 10%), a major one from 1982 to 1986 (72%) and a less important one from 1987 to 1993: 55%.

While the exchange rate effect explains a major part of the growth (and fluctuations) of remittances, it must be admitted that two other parameters have a bearing on the amount of remittances: the size of the migrant population on the one hand and the remittance per migrant on the other.

(1) If we take ECU as a standard, the general trend that emerges is rather that of a continuous depreciation of the Dinar, quite slight until 1985. Later, particularly in 1986 and 1987, there is a sharp increase in this depreciation, which will then become gradual. One may note the same trend for the Dinar vis-à-vis the Dollar.

	1976-81	1982-86	1987-93
Growth of labour income remittances	very high 23.2%	lower +9.9%	slightly rising +10.4%
Exchange rate effect (share in growth of labour income remittances)	low 10%	very high 72%	fairly high 55%
Population effect Growth	rather low 3.1%	low 1.6%	average (rising) 4.7%
Remittance per migrant effect (excl. exchange rate effect) Growth	very high 17.2%	low 1.5%	very low 0.4%

IV. DISTRIBUTION OF LABOUR INCOME BY TYPE OF REMITTANCE (CASH - IN KIND)

The series covering the period 1983-1993 shows the great preponderance of cash inputs: 85% on average for the whole period.

However, it must be noted that the share of inputs in kind (15% on average for the whole period) fluctuated. This see-saw evolution is revealing of migrants' behaviour in the choice of the type of remittance to be effected.

Indeed, the distribution of labour income between repatriation of hard currency and inputs in kind fluctuates from one year to the next because it is determined by the exchange rate gain resulting from the depreciation of the Dinar on the one hand and the laws regulating imports of used cars on the other.

Vehicles account for the major part of inputs in kind, as equipment imported without payment only represents an average 8.8% of inputs in kind for the period 1988-93. Thus the share of without payment imports of vehicles was 91.2% on average. We were able to establish that for the period 1988-1993 Tunisian expatriates' imports of vehicles represented 30.9% of total Tunisian imports of vehicles.

V. EVOLUTION OF THE DISTRIBUTION OF CASH LABOUR INCOME BY MODE OF REMITTANCE

As stated in the introduction, cash labour income as posted by the Central Bank of Tunisia can first be broken down into the following:

- Savings from wages
- Other labour income

The series covering the period 1983-93 shows that savings from wages account for almost the totality of cash labour income: 90%+.

Other cash labour income mainly consists of: Social remittances including:

- * Social security contributions and insurance.
- * Pensions.

France and then Libya are concerned by the relatively most significant social remittances: the pensions item for France represents 12.15% of total cash remittances from France (whereas the all-country average is 7.4%). As for Libya, social security contributions and pensions make up 9% of cash remittances from that country.

The important place France holds in social remittances can be seen in yet another way. Indeed, France's share of total social remittances was 56.2% for social security and insurance contributions and 88.4% for pensions (average for 1986-92). Libya's share was 11% for contributions and 0.2% for pensions.

VI. DISTRIBUTION OF CASH LABOUR INCOME BY METHOD OF REMITTANCE

Here we are dealing with the networks through which capital flows or cash labour income pass.

First concerned are the banks, in the form of banknotes or bank transfers, and the post office, in the form of postal orders or postal cheques.

For the series from 1983 we first note that banknotes represented 40% on average. Bank or postal transfers account for approximately 60% on average for the period 1983-93 with an upward tendency in recent years (approximately 64%).

As for the breakdown between bank transfers and postal transfers, for the period 1986-93 banks accounted roughly for 21% and the post office for 38% on average, postal transfers being 1.8 times bigger.

The use of postal orders for remittances is therefore relatively preponderant. One can put forward the hypothesis that the banknote or (bank/postal) transfer method of remittance is determined partly by the anticipated gain from the exchange rate, taking account of the depreciation of the Dinar, and partly by the more liberal or restrictive legislation regulating the importation and exportation of hard currency.

VII. MACRO-ECONOMIC IMPACT OF LABOUR INCOME REMITTANCES

Our concern here is to understand the impact of remittances by comparatively relating these remittances to a number of significant macro-economic aggregates, especially at the level of the major external balances (balance of payments).

On average, for the period 1976-1993 labour income represented one tenth of current revenues (10.2%) and 18.5% of exports. Significantly, labour income represented nearly 60% of the revenues from tourism (59.3%).

The revenue per tourist in current Dinars rose from 126 D in 1976 to 305 D in 1993, i.e. 2.4 times, whereas remittances per migrant worker increased from 191.4 D in 1976 to 1,041.1 D in 1993, i.e. 5.4 times.

We should note that remittances per migrant worker in 1976 were 1.5 times bigger than the revenue per tourist and became 3.4 times higher in 1993. These figures alone indicate the importance of remittances and the place they should be given in major economic choices.

Moreover, over the whole period remittances represented from 1976 to 1993 over twice (2.27%), and from 1986 to 1993 greatly over three times, the direct foreign investments.

At the level of the major economic balances Tunisian expatriates' remittances contribute to make up the trade deficit in a proportion of 34.7%. This proportion rose to 42% for the period 1986-1993 compared to 28.8% in 1976-89. Thus, it is to be noted that in years of hardship (1987 and 1988 in particular) labour income allowed (in theory) 2/3 and 1/2 of the trade deficit to be made up!!

Lastly - and this is also quite revealing of the "strategic" importance of remittances - the latter covered 60.8% of the debt service over the whole period. This share amounts to approximately 45% in recent years. This "safety valve" that remittances constitute, especially in covering trade deficits, or the debt service, is practically irreplaceable and is therefore a decisive key element in the short and medium term in the substantial reduction of chronic external imbalances.

Now, beyond this essential contribution, do remittances play a part in Tunisia's economic growth? Before answering this question one should briefly bring out the perverse macro-economic effects of migrants' labour income.

The size of remittances makes a considerable proportion of the population dependent on "unearned income". This progressively fosters the development of perverse economic patterns of behaviour - effect of ostentatious imitation of the consumption model of host countries, greater

inclination to consumption, denigration of productive work, pursuit of financial benefits through the alternative market (invisible importation networks) - brokerage and also land and real-estate speculation.

VIII. THE SAVINGS OF TUNISIAN EXPATRIATES

I. Saving for House-purchase and House-building

Most of the surveys and studies hitherto carried out on the effects of emigration on the economic context of the country of origin show the prominent place of housing projects (either the purchase of a dwelling or the improvement of an existing one).

The comprehensive survey jointly carried out by the office of Migrant Workers and the League of Arab States showed that the acquisition of a building plot and housing accounted for 41.6% of all funds remitted by migrants.

In carrying out their building projects migrants proceed individually by successive and gradual stages, often on the occasion of their seasonal returns. Thus, migrants generally take part in the work themselves, using local contractors and artisans from time to time. Recourse to such official channels as the National Bank of Saving for House-Purchase (CNEL) or the National Real-Estate Company of Tunisia (SNIT) seems to be limited. Our inquiry at macro-economic level was confined to the statistics available at the National Bank of Saving for House-Purchase.

Indeed, data available at the National Bank of Saving for House-Purchase - which has recently become the Bank of Housing - show that for the recent period 1989-93 we have a series providing the exact amount of the Tunisian expatriates' savings for house-purchase. The expatriates' share for the whole period was only 1.5% and going down: 2% in 1989 and 1.4% in 1993. The number of expatriate savers, which did not vary much between 1989 and 1991, rose to 1,647 in 1993 (as against 1,292 in 1990). However, savings per expatriate fell from 3,100 D in 1988 to 2,500 D in 1991 and more or less stabilized at that level.

Tunisian expatriates seem to make little use of official channels. However, it is interesting to note that the National Real-Estate Company of Tunisia (SNIT), aware that Tunisian expatriates constituted a captive market with respect to housing construction, has recently launched a programme for building holiday accommodation for them.

2. The Saving of Tunisian expatriates at the National (Postal) Savings Bank.

Apart from saving for house-purchase, migrants transfer part of their saving from their wages into hard currency savings accounts at the National (postal) Savings Bank.

Available data covering the period 1979-1992 show that the share of these Tunisian expatriates' hard currency savings is small: 1.7% of the cumulated total savings deposited at the National Savings Bank in 1979-93 and also 1.7% of savers.

What was observed with respect to saving for house-purchase is also true for hard currency savings. Hard currency savings amount to some 4-4.5 MD (4 MD in the case of savings for house-purchase) and they have known no remarkable growth. Rather, they tend to stagnate both in terms of number of savers (around 12,000-12,500) and in terms of savings deposited (4-4.5MD).

Compared to the amount of remittances effected by Tunisian expatriates these hard currency savings are negligible (0.7%). The small size of Tunisian expatriates' "official" savings should be underlined so as to guide an appropriate policy of targeting and dynamization.

Apart from savings, migrants invest in projects for setting up small enterprises in agriculture and manufacturing.

IX. INVESTMENT OR PROJECTS PROMOTED BY TUNISIAN EXPATRIATES

Within the framework of this macro-economic contribution, as has already been stated, we have mainly relied on available and usable national statistics provided by the bodies supposedly concerned by the

projects promoted by Tunisian expatriates, such as the Investment promotion Agency (API) and the Agency for the promotion of Agricultural Investments (APIA).

Many field observations show that for the most part migrants do not use appropriate institutional channels for the initiation and implementation of their projects.

1. Investments or Projects Promoted by Tunisian Expatriates in Agriculture

As the agency for the Promotion of Agriculture Investments was created in 1984, the series covers period 1984-1993.

Over the period 1984-93 Tunisian expatriates carried out 196 projects involving the investment of 13.3 MD (cumulated for 1984-93), i.e. 5.4% of the total projects approved by the Agency for the Promotion of Agricultural Investments and only 1.8% of investments. Their evolution shows, however, a sustained pattern in terms of creation of agricultural projects by Tunisian expatriates.

The contribution of Tunisian expatriates to agricultural development, though still relatively small, is increasing noticeably. It must also be mentioned that, indirectly, Tunisian expatriates have made an impact on the Tunisian countryside. Thanks to tax-exemption permits for imported agricultural equipment, Tunisian expatriates have largely contributed to generalize the system of renting agricultural machinery, particularly in North-West and West-Central Tunisia.

2. Projects Promoted by Tunisian Expatriates in Manufacturing.

On the basis of data provided by the Investment Promotion Agency, we were able to satisfactorily assess the contribution of Tunisian expatriates. In terms of projects, first, 8.6% of the total, 4.7% with respect to employment, and 2% as regards investment (cumulated for 1975-93). 3,414 projects for 39102 jobs and cumulated investment amounting to 191.6 MD.

Contributions for Tunisian expatriates fell in the period 1986-93. Compared to the period 1981-85, Tunisian expatriates' share fell in projects from 12.8% to 8.4%, in investment from 3.3% to 2.9% and in employment from 8.9% to 5.1%. In comparison with investments in projects promoted by all entrepreneurs, we note that for the whole period 1975-93 investment per project by Tunisian expatriates was four times smaller.

The number of jobs created per Tunisian expatriates' project is twice as small. Finally, Tunisian expatriates' investment per job is 1.7 times smaller.

It is therefore obvious that Tunisian expatriates are involved in small, low capital projects, that is, small enterprises providing approximately ten jobs on average.

It is interesting to stress that in relation to total Tunisian expatriates' remittances, we note that the Tunisian expatriates' share of investments in manufacturing sharply fell from 9.1% in 1984 to only 1.8% in 1993. This may support the argument that Tunisian expatriates have been relatively disinclined to invest in recent years.

Conclusion

At the end of this study our aim is essentially to point out its limits and shortcomings to suggest the research areas which we believe would help fill these gaps and give a more complete picture of the "political economy" of emigration-induced remittances.

- First, it should be noted that the demographic changes in migrants present certain problems: an assessment of the numbers of migrants made by using the services of national consulates presents sometimes significant discrepancies from those made by European bodies. An appropriate investigation is required, since the credibility and relevance of many of the analyses undertaken depend on data concerning emigration figures.

- Remittances in kind also present serious problems, given the extent

of the discrepancies between data supplied by various bodies [the BCT (Central Bank of Tunisia), for example (via the customs) and the API (Investment Promotion Agency)]. This would argue for a comparison (Coordination) to be made to clarify and harmonize the underlying methodologies.

- Social remittances: some vagueness was noticed; the discrepancies between (for example) French and Tunisian data require an improved targeting on the part of the BCT jointly with the National Social Security Agency (CNSS) of Tunisia and the other European bodies concerned. It is absolutely essential that social remittances be followed up with the necessary precision, particularly since they often reveal significant demographic and economic changes.

- Consumer goods imported without payment, frequently called "suitcase remittances", really do constitute our "Achilles" heel" Without large-scale voluntary assistance from the customs services, air and sea transport bodies, and with the collaboration of the BCT, it is impossible to clear up the "apparent mystery" of these remittances - called "invisible" but in fact totally "visible", since they appear in broad daylight in the popular local markets.

The development of "these unofficial material remittances" betrays a vigorous and well-organised "black" economy of remittances. A targeted study requiring satisfactory logistics to carry out surveys and directly exploit customs data seems to us to be essential. We feel this all the more justified in that the question which should be addressed is the following:

How can we hypothesize about the medium-term development of remittances when we know how large the "invisible" remittances are and given the irreversible prospects for the **total liberalization of imports and total convertibility of national currencies**? Is it not the drastic policy being administered on imports and exchange which feeds the "invisible" remittances; how will these "invisible" remittances behave at the end of the current liberalization?.

To this can be added another preoccupation concerning the migrants' contribution to investment or creation of productive projects. So far no serious study has focused on this subject; moreover, the follow-up has been insufficient, to say the least. This seems to us to be vital, especially in view of the recent distaste that seems to be felt by Tunisian migrants as regards industrial investment in Tunisia.

Therefore, we think that, in order to sketch out a prospective vision of remittances that will optimize the migrants' contribution to the development of their country of origin, it is necessary to eliminate grey areas in the political economy of emigration-induced remittances. This paper constitutes a very succinct and very modest attempt, bereft of any theoretical pretensions, to bring them to light, at least partially.

ANNEX

p 2 EEC = EU (de nos jours)

p 3 Distribution of Remittances by Country

Libya

Gulf Countries

at Constant Exchange Rate

cte. exc. rat = ct. ex. rate

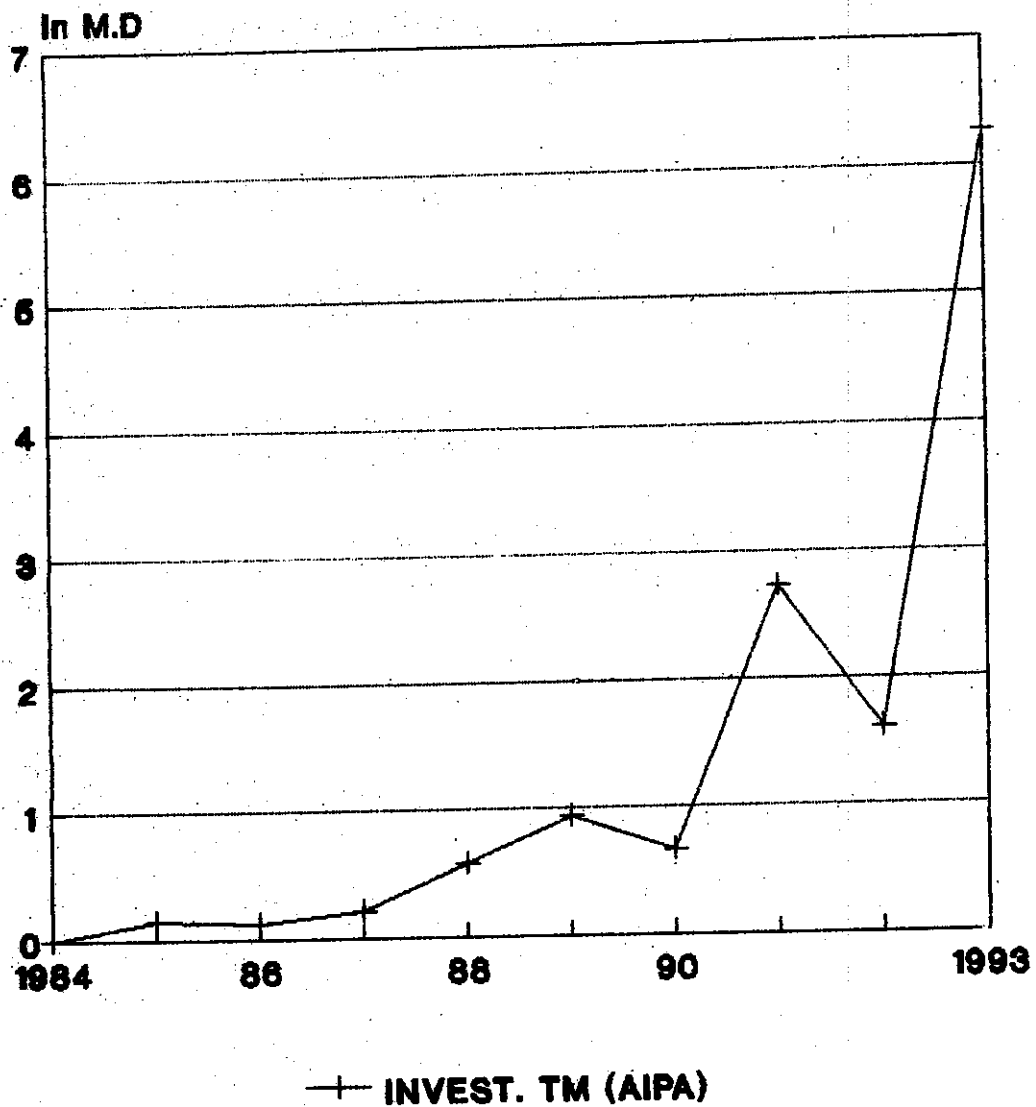
p 4 Marchand export = export merchandise

BOP?

p 5 Investment

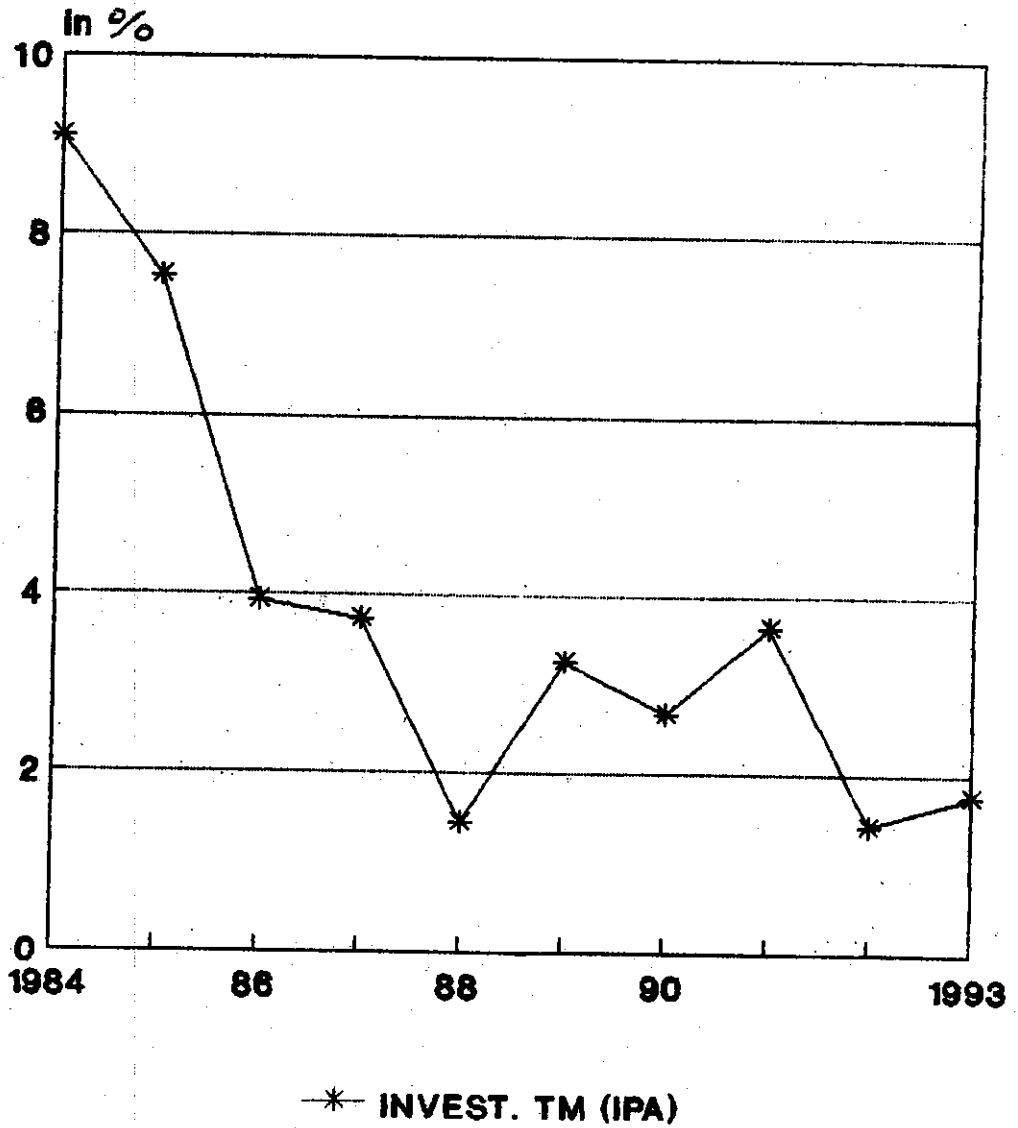
as a %

Tunisian Migrant Investments in Agriculture



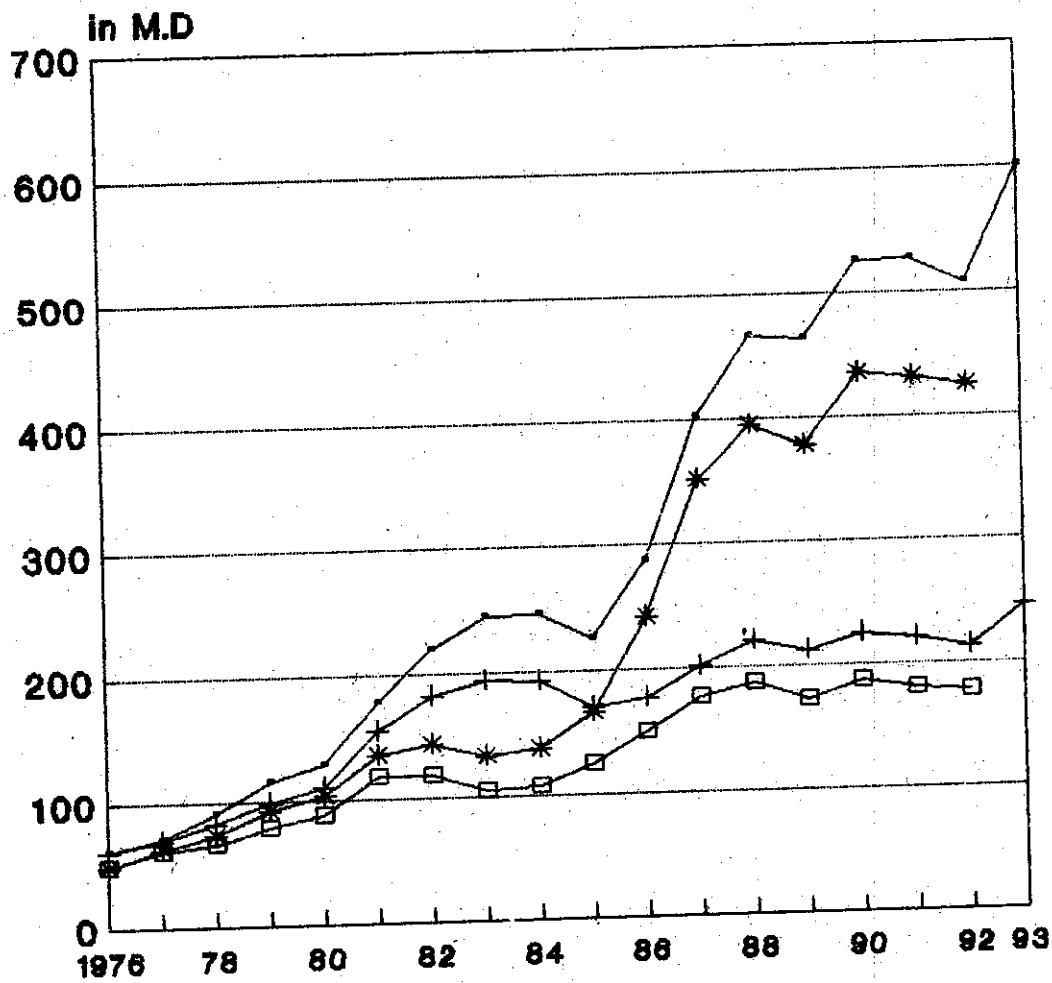
1984-1993

Tunisian Migrant Investments in Industry



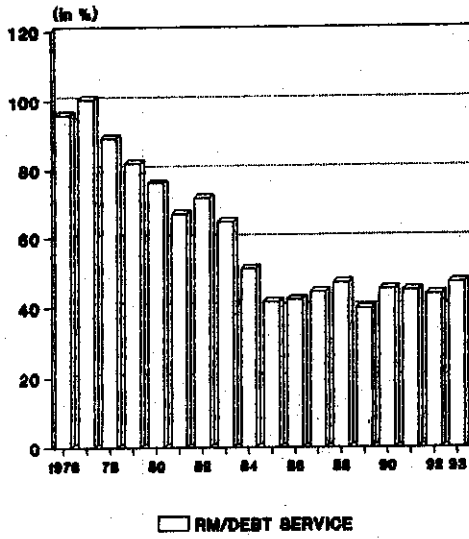
1984-1993

Remittances Inflows (Global, EEC) in Current Dinars and in Constant Exchange Rate

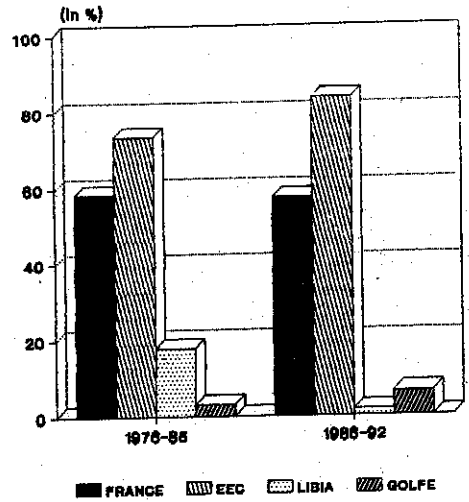


- | | |
|---|---|
| <p>— Global Remittances</p> <p>* EEC Remittance</p> | <p>+ Gl.Rem.(cte exc.rat)</p> <p>□ EEC Re.(cte exc.rat)</p> |
|---|---|

Ratio of Remittance Inflows to Debt Service

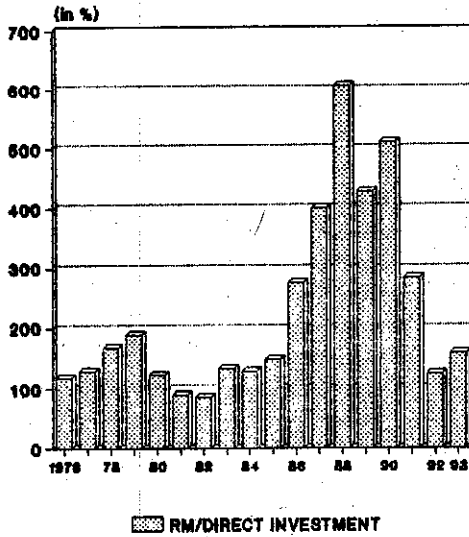


Remittances' Country Distribution

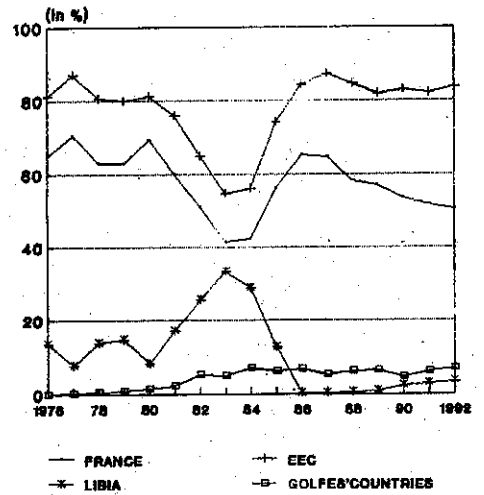


Average

Ratio of Remittance Inflows to Direct Investment

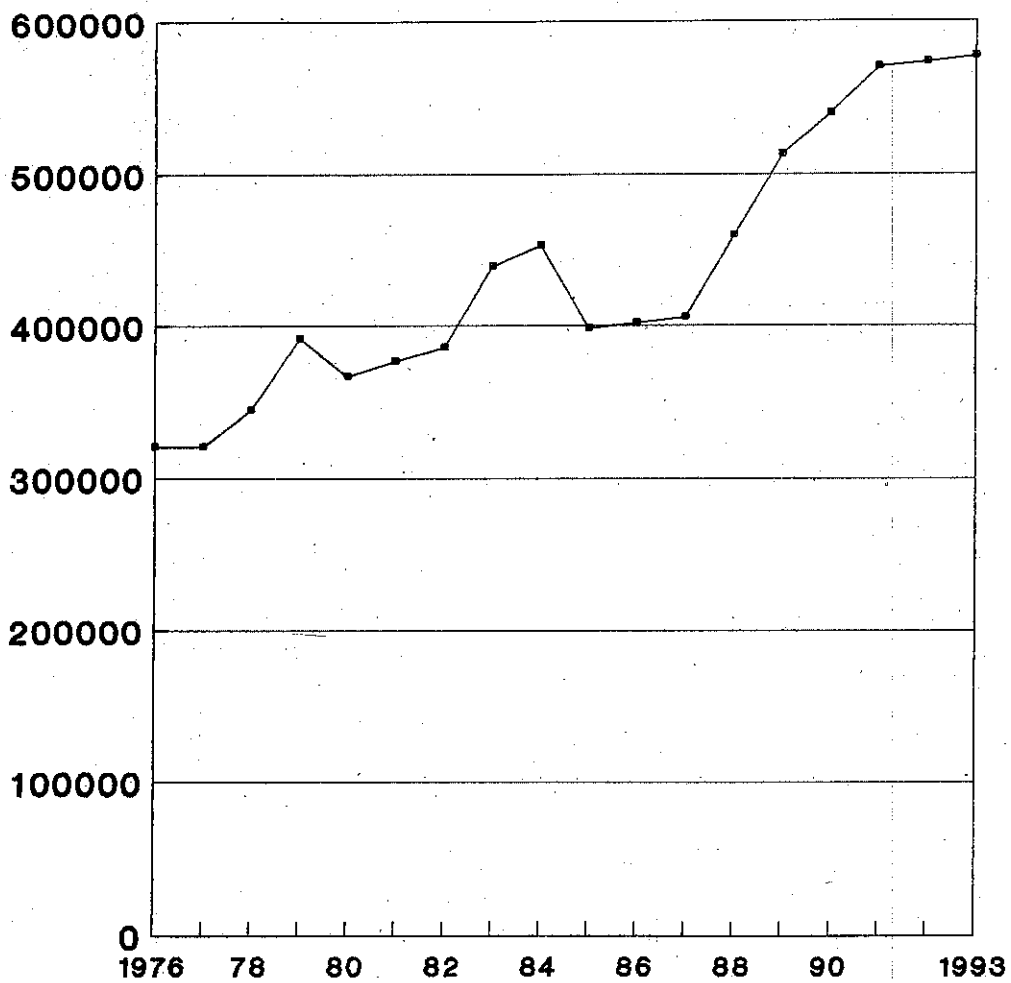


Remittances' Country Distribution



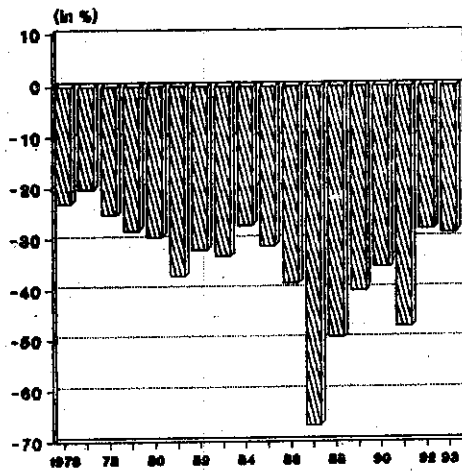
1976-1992

Tunisian Migrant Population 1976-1993



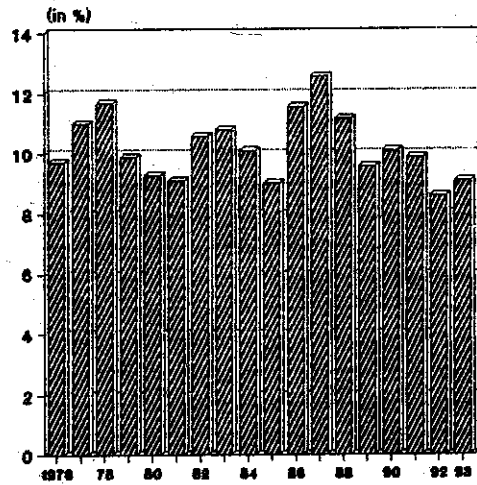
—•— MIGRANT POPULATION

Ratio of Remittance Inflows to Deficit trade



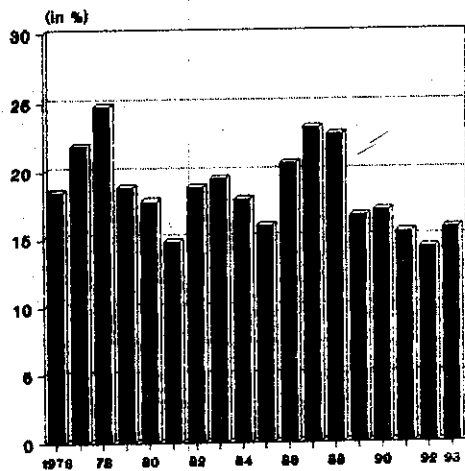
RM/DEFICIT TRADE

Ratio of Remittance Inflows to Current Receipts of the BOP



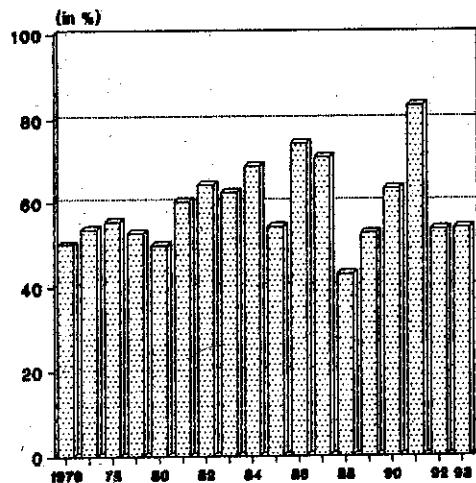
RM/CURRENT RECEIPTS

Ratio of Remittance Inflows to Exports



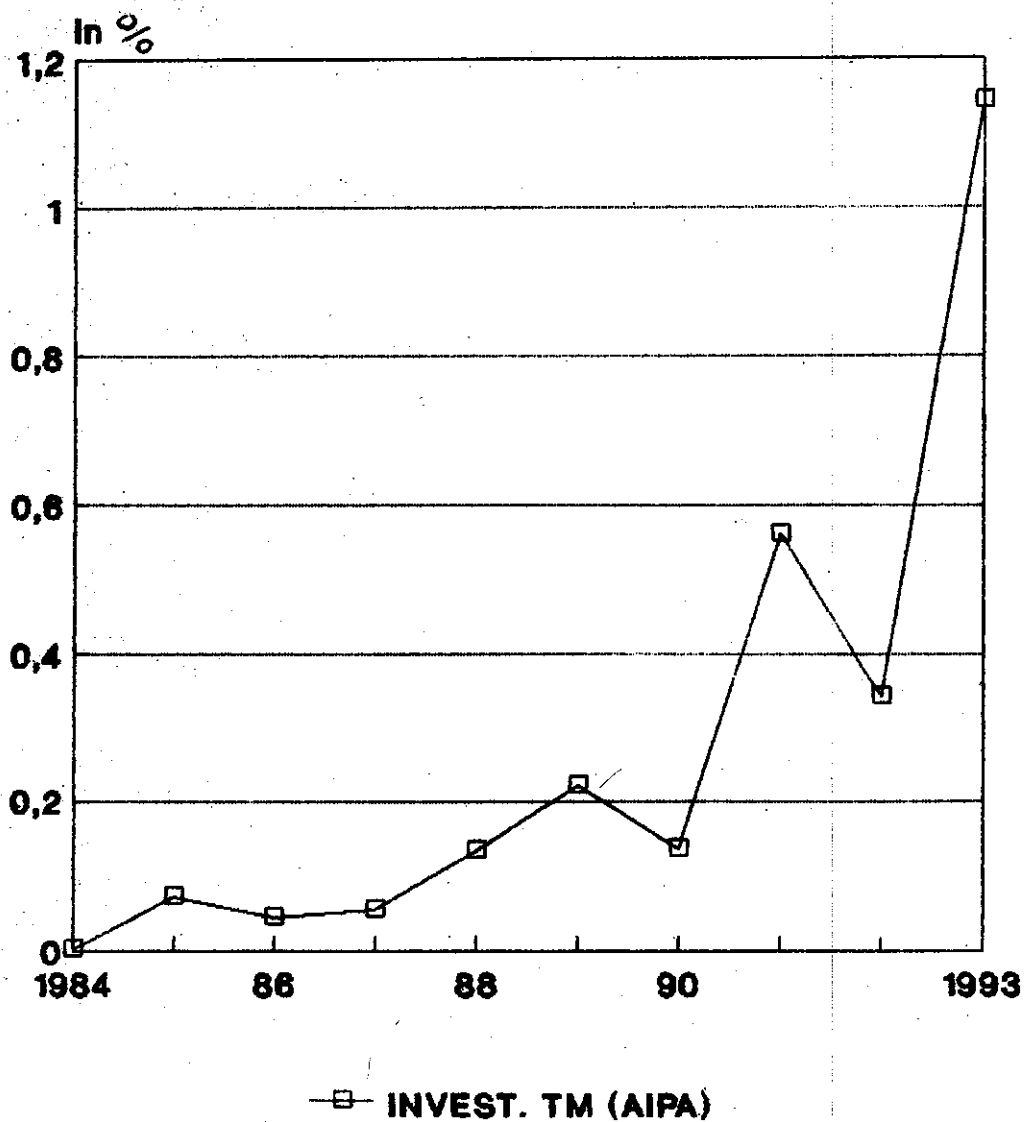
RM/MARCHAND.EXPORT

Ratio of Remittance Inflows to Tourist Receipts



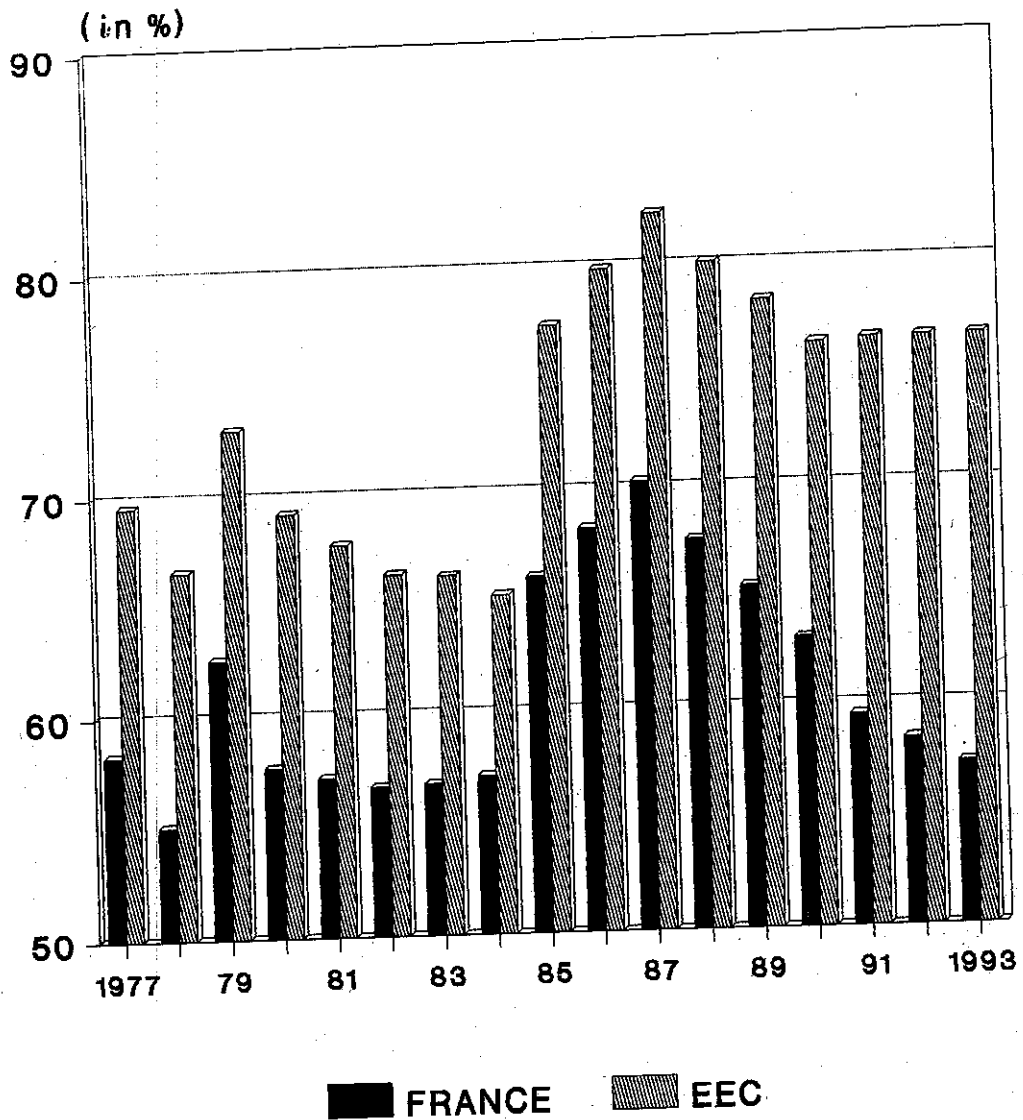
RM/TOURIST RECEIPTS

Tunisian Migrant Investments in Agriculture



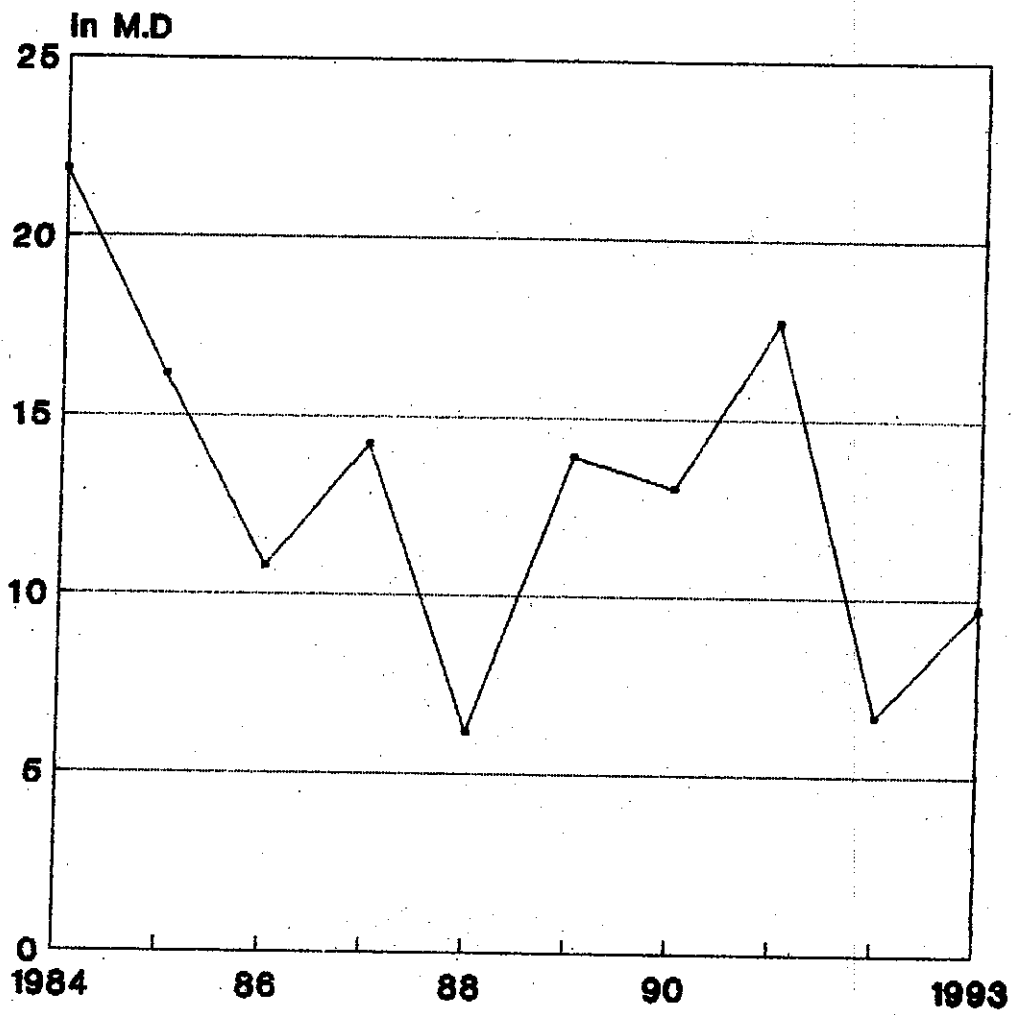
1984-1993

Tunisian Migrant Population in France and in the EEC



1977-1993

Tunisian Migrant Investments in Industry



— INVEST. TM (IPA)

1984-1993