

Migrant transfers in the MENA region: A two way street in which traffic is changing

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Abstract

While remittances from the GCC countries to Asia slowed down during the crisis, there is no evidence of large decreases. On the other hand, remittances to several MENA countries decreased during 2009, but the evidence for 2010 suggests a reversal of this pattern. Most of the recent labour policies adopted in the region have been directed towards improving the conditions of foreign workers and there is still a considerable demand for foreign labour in the region. As such, the future may bring extra competition between Asian workers and workers from other MENA countries for jobs in the GCC countries.

Keywords: Migration, Remittances, Crisis, MENA, GCC.

Introduction

This study explores the remittances in the Middle East and North Africa (MENA) region in the face of the current crisis.¹ This is an interesting region given that it hosts some of the top remittance-receiving and remittance-sending countries of the world. For instance, while Saudi Arabia ranks second in the globe in remittances outflows with over US\$16 billion, Morocco ranks in the top remittance-receiving countries with US\$6 billion in inflows (Ratha and Xu, 2008). Flows in this region are also remarkable relative to the size of the receiving and sending economies. Lebanon, Bahrain and Oman rank in the top-ten remittance-sending countries in terms of Gross Domestic Product (GDP), while Lebanon and Jordan rank in the top-ten remittance-receiving countries in terms of GDP. These facts illustrate that remittances in the MENA region should be studied as a two way flow.

Nonetheless, as a result of the recent financial crisis remittance flows in both directions might have been affected. Therefore, there is a need for an analysis of the changing patterns of remittances in the region. We attempt this by studying data on remittances received from the MENA by some of the main labour exporting countries to the region and data on transfers received by key remittance-receiving countries in the MENA region. We also discuss several labour policy changes that may affect the long-term prospects of migration in the region and, hence, the flow of remittances.

The response of migration and remittances to crises:

Previous evidence

A large fraction of the literature on remittances has focused on the determinants of these flows (e.g. Brown, 1997; Funkhouser, 1995; Lucas and Stark, 1985). Based on these findings the literature has identified a variety of reasons for mi-

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¹ MENA countries: Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates (UAE) and Yemen.



grants' transfers such as: altruism, self-interest, loan repayment and insurance motives.

In at least three of these motives there are reasons to speculate that remittances would respond to a home country crisis. Altruistic migrants are expected to remit more when the home country gets hit by a crisis to compensate for the decrease in income. Self-interested migrants, especially those that are remitting for investment purposes may decide to decrease their flows and invest in the host country where they may obtain more stable returns. Finally, those migrants that have some type of co-insurance agreement with the household are likely to increase their flows in order to fulfil their part of the deal.

In fact, the previous literature does suggest that remittances respond to crises. For instance, Sri Lanka's Central Bank reported an increase in remittances, especially from the Gulf Cooperation Council (GCC) countries, following the 2004 tsunami (Savage and Harvey, 2007).² Remittances may also respond to ordinary business cycle fluctuations with migrants increasing transfers in reaction to downturns in economic activity back home (Chami et al., 2005). Yet, this response of remittances is more likely after local fluctuations in output and in cases in which the majority of the host economies remain stable. In a situation like the recent financial crisis with a sluggish world economy, migrants are also experiencing economic hardships and, therefore, it would be challenging for migrants to help households back home.

The distinct nature of this crisis may also lead to long-term consequences for migration and remittances that are different from previous events. For instance, as a response to the 1973 oil crisis, several European countries terminated their guest-worker programs. Nonetheless, many migrants decided not to return home and used some of the rights that they had acquired over the years to bring their families to the host country (Martin, 2001). Hence, instead of a decrease in migration, there was change in the type of migration from labour oriented to family reunion. Moreover, while there was an economic downturn in oil-importing countries, there was an economic expansion in oil-exporting countries. Many of these countries started to recruit foreign workers and there was a change in the direction of labour migrant flows. In specific, there was a massive inflow of migrants to the GCC.

Another relevant episode is the Asian financial crisis. Remittances to Asian countries decreased during the crisis, but the impact was short-lived. The evidence also suggests that emigration was part of the coping mechanism of households during that crisis (Hugo, 2000).

Migration and remittances in the MENA region

In Table I we report the number of times that a country is a top-ten destination for emigrants of one of the MENA countries. There is nothing surprising about the top destinations: Canada, United States, United Kingdom and Germany. Nonetheless, this region also has large numbers of internal migrants with the GCC countries being the most popular destinations. For instance, for almost half of the countries, Saudi Arabia is a top destination.

This intra-regional migration in MENA is usually more common in younger workers given that in MENA unemployment is high for first-time job seekers (Kab-

² GCC countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE.

bani and Kothari, 2005). Finally, foreign workers in this region come mainly from Asia, particularly from countries such as Bangladesh, India, Pakistan and the Philippines (Ratha and Xu, 2008).

Table 1. Top-ten destinations of migrants from MENA countries (2005)

Destination	Number of Times	%
Canada	20	100.0
United States	19	95.0
United Kingdom	16	80.0
Germany	16	80.0
France	15	75.0
Australia	14	70.0
Saudi Arabia	9	45.0

Note: The middle column lists the number of times (out of 20) that a destination is listed as a top-ten destination for migrants of one of the MENA countries.

Source: Ratha and Xu (2008).

The top portion of Table 2 lists several countries in the MENA region along with the mean value of remittance inflows for 1970-2008. Five countries recorded an average of remittances inflows that surpassed US\$1 billion and three countries reported an average double digit remittances' share of GDP. In the last two columns of Table 2, we link the financial crisis with the traditional remittance-receivers in the region by reporting the growth in Gross National Income (GNI) for these countries for 2008 (PPP/per capita). It seems that some of the main remittance-receivers in the region such as Yemen are among the countries most affected by the crisis in terms of GNI decrease. Meanwhile, Egypt, the top remittance-receiver during the period, seems to be the least affected country.

According to the bottom portion of Table 2 the average remittance outflows surpassed the US\$1 billion mark in at least seven countries. Interestingly, it seems that the economy of Saudi Arabia the undisputed remittance-sending champion of the region has remained relatively strong with its GNI increasing by 5%. The working conditions of foreign workers in Saudi Arabia may change due to recent labour policy changes. For instance, many Asian workers in Saudi Arabia are "domestic helpers" (about 1.5 million) and have recently benefited from new laws that improve their legal protections (Human Rights Watch, 2009a). While the legal improvements are a step forward in terms of human rights, there may also be a negative effect on migrant earnings given that the law limits these workers to nine hours of work per day. These changes in labour policy may affect migrant's incomes and thus their capacity to remit money back home.

One of the lowest increases in GNI for 2008 is that of Israel. This combines with some recent policy changes to reduce migration to Israel. For example, the Israeli government agreed with local farmers to a gradual reduction of permits for foreign workers during the next half-decade in exchange for subsidies for the adoption of capital-intensive technology (Thai Labour, 2009). The ultimate goal is a reduction on the dependency on foreign labour and this may have important impli-

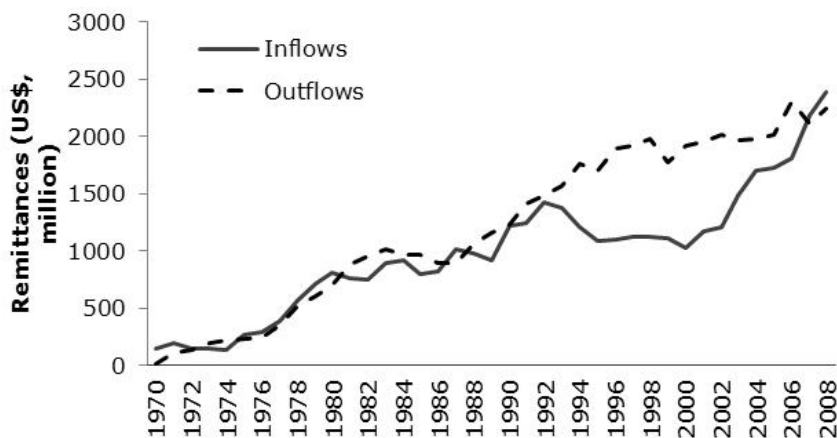
cations for the future volume of labour inflows to the country, potentially resulting in a decrease in remittances.

Table 2. Remittances inflows and outflows in selected MENA countries (1970–2008)

	Value (US\$ million)		%GDP		GNI (2008)	Growth
Remittances to:	Rank	Mean	Rank	Mean	Rank	%
Egypt	1	3,721	4	7.79	1	7.5
Lebanon	2	2,889	1	21.73	2	6.6
Morocco	3	2,184	5	6.68	4	6.1
Jordan	4	1,285	2	18.50	3	6.5
Yemen	5	1,218	3	16.44	11	-9.4
Algeria	6	819	9	1.81	8	3.1
Tunisia	7	690	6	4.12	6	4.3
Israel	8	540	10	1.17	9	2.7
Syria	9	461	8	2.98	5	4.4
Oman	10	38	11	0.38	-	-
Djibouti	11	22	7	3.39	7	3.6
Libya	12	11	12	0.03	10	0.6
Remittances from:	Rank	Mean	Rank	Mean	Rank	%
Saudi Arabia	1	9,232	5	6.04	4	5.1
UAE	2	4,145	6	5.45	-	-
Lebanon	3	3,484	1	15.85	2	6.6
Qatar	4	2,008	4	7.71	-	-
Kuwait	5	1,388	7	4.19	-	-
Oman	6	1,247	3	8.75	-	-
Israel	7	1,175	10	1.35	8	2.7
Libya	8	707	9	1.54	9	0.6
Bahrain	9	683	2	11.88	6	3.5
Jordan	10	183	8	2.58	3	6.5
Egypt	11	115	14	0.17	1	7.5
Yemen	12	102	11	1.12	10	-9.4
Algeria	13	101	12	0.23	7	3.1
Syria	14	66	13	0.22	5	4.4

Sources: Ratha and Xu (2008), the World Development Indicators and the Arab Monetary Fund.

Figure 1 displays remittances inflows and outflows for countries in the region. Remittances outflows followed the inflows closely until 1992. This may be a sign of the high level intra-regional migration. However, this connection vanished between 1992 and 2006. While remittance outflows continued on the same growth trend, inflows deviated from this path and declined in 1993. A possible explanation for these facts is that GCC countries have progressively substituted regional workers with workers from Asian countries.

Figure 1. Mean remittances flows in the MENA region 1970–2008

Source: *Ratha and Xu (2008)*.

Remittances during the crisis

The economic crisis has taken a toll on large segments of the population in MENA countries including foreign workers. These workers took pay cuts, lost jobs and some had to return home. Therefore, their remitting power is expected to be affected.

This section examines recent data on both, remittance outflows and inflows from selected MENA countries in order to shed more light on the dynamics of these flows during the crisis. Note that we do not control for other factors that could explain some of the changes in remittances. Furthermore, the dynamics presented here do not necessarily reflect the totality of the impact of the crisis since the economic crisis affected countries at different stages and its ultimate consequences are still not clear.

Outflows

One of the major impediments for migration research in MENA is the lack of adequate data. For many countries in the region the data does not exist and when it does it is not accessible. Moreover, there are a variety of reasons for expressing concerns about the existing remittance data in MENA, which range from inconsistencies in reporting formats by central banks to difficulties in measuring informal flows.

Hence, to explore the impact of the crisis on remittances from the MENA region, in Table 3 we resort to data published by the Central Banks of the Philippines, Bangladesh and Pakistan. Together with India, these countries represent some of the most important sources of foreign workers for the GCC. We focus first on the Philippines, Bangladesh and Pakistan because these countries' central banks report monthly data on remittances from the GCC. Then we discuss the case of India for which this data is not readily available. Column 1 (2) reports remittances from the GCC countries to the Philippines for 2008 (2009). Filipino workers in Saudi Arabia remit over US\$1 billion per year. Notice also that five countries sent more than

Table 3. Remittances from GCC to the Philippines, Bangladesh and Pakistan for 2008 and 2009 (US\$ million)

Sending Country	Philippines			Bangladesh			Pakistan		
	2008	2009	Growth Rate (3)	2008	2009	Growth Rate (6)	2008	2009	Growth Rate (9)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Bahrain	159.5	166.2	4	167.4	154.2	-8	147.8	157.0	6
Kuwait	125.1	104.6	-16	949.5	993.9	5	426.9	437.7	3
Oman	27.8	34.4	24	243.0	337.4	39	264.4	278.5	5
Qatar	122.9	184.6	50	324.8	366.3	13	283.6	375.4	32
Saudi Arabia	1,387.1	1,470.6	6	2,733.63	194.3	17	1,403.21	1,690.6	20
UAE	621.2	644.8	4	1,379.51	1,958.1	42	1,289.42	011.1	56

Sources: <http://www.bsp.gov.ph/statistics/keystat/ofw.htm>, <http://www.bangladesh-bank.org/> and <http://www.sbp.org.pk/ecodata/index2.asp>.

US\$100 million to the Philippines during 2009. Only in one instance have remittances declined in 2009 in comparison with 2008 (Kuwait). Hence, remittances in the GCC-Philippines corridor have remained stable and, in fact, there is a rise in volume for most countries.

Columns (4) to (6) provide information on migrant transfers from the GCC countries to Bangladesh. The figures indicate that the leader in remittances from the region is Saudi Arabia with over US\$3 billion in remittances during 2009. This sum combines with almost US\$2 billion from the UAE. The growth rate of remittances from the GCC to Bangladesh remains strong for all countries except Bahrain. Finally, columns (7) to (9) provide similar information for Pakistan. As can be appreciated from the last column, a comparison of flows for 2008 and 2009 indicates that flows from all the GCC countries to Pakistan have increased.

The discussion of Table 3 suggests that the reduction of remittances from the GCC to these three countries during the crisis period was only mild. Yet, as shown in Figure 2, if we look at the remittance growth rates for the period January-May 2010 in comparison with the period January-May 2009 we can detect a further reduction on the flow of remittances from the GCC to some of these countries. In the case of Pakistan there is a reduction of inflows from Bahrain, Qatar and the UAE, while in the case of Bangladesh (Philippines) there is a reduction in flows from the UAE and Qatar (Bahrain).

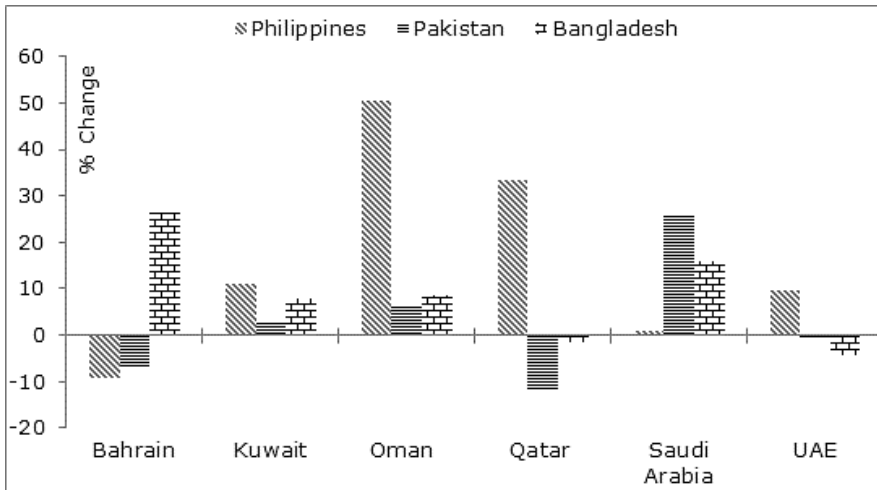
Table 3 supports our possible explanation for the drift in the growth of remittance inflows and outflows in MENA. A large share of remittance flows from the GCC is not directed towards other MENA countries but rather to Asian countries. Two facts may explain this pattern. First, Asian migrants typically do not settle in these countries and do not bring family members with them and, therefore, may have more responsibilities back home (Kapiszewski, 2006). Second, it is argued that in the GCC countries, Asians are preferred to Arabs because they are not seen as a political threat. An influx of Arab workers may encourage the idea of a pan-Arab union in which actual national borders in the region are challenged (Kapiszewski, 2006).

Notice that in all three cases flows from Kuwait are among the most affected. Yet, the situation of foreign workers in Kuwait may improve in the future due to a new law that grants over 2 million foreigners more rights (Human Rights Watch, 2009a). However, the law continues to maintain the *kafala* system by which each foreign worker needs a local sponsor, *kafeel*. Other countries in the region have modified their sponsorship system. In Bahrain, for example, the Labour Market Regulatory Authority, and not employers, is now in charge of sponsoring migrants' visas (Human Rights Watch, 2009b). Foreign workers in the GCC countries need a sponsor and their rights vary greatly and mainly depend on their occupation. Therefore, any significant change in these rights will ultimately affect their working conditions and their remitting patterns.

In addition to the Philippines, Bangladesh and Pakistan, India is one of the main labour-exporting countries to the GCC countries. The UAE is the main destination for Indian migrants in the region. Around 1.5 million Indian migrants reside in the UAE and Indian migrants are believed to account for about 30% of the population of Dubai (Rajamony, 2009). These migrants are typically employed in the construction or the service sector. This can be worrisome given that Dubai is experiencing a tough economic downturn with particular prominence of a weak construction sec-

tor. Just a few months ago, Dubai World, the investment company that manages the portfolio of the Dubai government, announced that it was suspending the repayment of its debt (Bloomberg, 2009). The recent data suggests that migration from India to the GCC countries is actually slowing down (Rajamony, 2009).

Figure 2. Growth rate of remittances from GCC to the Philippines, Bangladesh and Pakistan for the period January to May (2009-2010)



Inflows

As mentioned above, the MENA region is also an important receiver of remittances and as such it is important to evaluate the impact of the crisis on remittances to some of the main receiving countries.

In Table 4 we list the quarterly volume of transfers received by Egypt, Jordan and Morocco since 2008, along with the growth rates with respect to the same quarter of the previous year. Egypt and Morocco are probably the two most important labour exporters in the MENA region, while Jordan is another important regional labour exporter and its central bank reports remittances received on a frequent basis. In all cases there is a clear pattern of increasing remittances at the beginning of the period, then decreasing transfers and increasing transfers once again towards the end of the period. Hence, there is support for the notion that some of the countries in the region suffered a decrease in remittances around the peak of the crisis. In the case of Egypt it seems that the decline in transfers in 2009 was dramatic with remittances declining by about 24% during the second quarter and 25% during the fourth quarter. Yet, remittances increased significantly during the first quarter of 2010. For Jordan we do not have data after the second quarter of 2009 but the Central Bank of Jordan announced that remittances to Jordan decreased by 4 per cent in the first seven months of 2009 relative to the same period of 2008 (Gulfnews, 2009). This decrease seems to have been temporary given that

Table 4. Quarterly remittances received for 2008, 2009 and 2010 (US\$ Million)

Period	Egypt		Jordan		Morocco	
	Volume	Growth Rate	Volume	Growth Rate	Volume	Growth Rate
2008: Q1	2,064.8	-	830.9	8.51	1,628.8	17
2008: Q2	2,393.2	24.28	985.6	13.88	1,816.4	18
2008: Q3	1,950.7	-1.21	1,035.6	13.49	2,120.0	3
2008: Q4	2,285.3	7.46	944.0	6.02	1,347.6	-23
2009: Q1	1,738.0	-15.83	823.2	-0.93	1,243.7	-24
2009: Q2	1,831.7	-23.46	917.7	-6.89	1,446.6	-20
2009: Q3	1,855.7	-4.9	-	-	1,942.1	-8
2009: Q4	1,724.2	-24.6	-	-	1,647.0	22
2010: Q1	2,877.4	65.6	-	-	1,628.8	17

Note: Sources are <http://www.cbe.org.eg/> and www.worldbank.org/prospects/migrationandremittances. The growth rates are estimated with respect to the same period during the previous year.

the Central Bank of Jordan now reports that remittances have increased by 2.4% during the first four months of 2010.¹

Finally, for Morocco there was a significant reduction in transfers starting in the fourth quarter of 2008, but since late 2009 these flows seem to be increasing. Some European countries with large numbers of Moroccan migrants, such as Spain, started voluntary return programs in which they provide incentives to encourage migrants to return home. While a considerable number of Latin American migrants have signed up for this program in Spain, the program has not been successful with regards to Moroccan migrants (McCabe et al., 2009). Hence, it seems that many Moroccan migrants have decided to weather the storm in the host countries instead of returning home.

Conclusion

Remittances from countries in the MENA region followed the remittance inflows into countries in the region closely until 1992, which we take as a manifestation of the high levels of intra-regional migration. Interestingly, this connection vanished after 1992. One potential explanation for this fact is the growing dependence of this region on workers from Asia. During the 1970s the thriving GCC countries demanded a large pool of unskilled workers that was largely filled with workers from other MENA countries. However, workers from the MENA region have faced increased competition from Asian workers.

With regards to the financial crisis, it seems that remittances from the MENA region to some popular destinations did not decline in 2009, but there is some evidence that suggests that we may see a slowdown in remittances for 2010. On the other hand, inflows to Egypt, Morocco and Jordan decreased significantly during 2009. These were bad news for these countries given that their revenues from tourism and exports were also impacted by the crisis. Oil exporters in the MENA region also face challenging conditions (Ellaboudy, 2010) given the noteworthy drop in investment that has, in the end, affected the number of jobs available for migrants. However, remittances to the MENA countries seem to be in the upward trend for 2010, hence, it is possible that the impact of the crisis on remittances was only short-term. In general, the short-term prospects of remittance outflows and inflows in this region remain uncertain.

In regards to recent labour policies adopted in the region, most of these policies have been directed towards improving the working conditions of foreigners. While the majority of these policies fall short of granting full human rights to foreign workers, these policies are a step forward. Only in a few cases such as that of Israel there is a formal government policy to reduce the number of foreign workers. The new policies that are in place in several countries in the region suggest that there is still a considerable demand for foreign labour. As such, the future may bring extra competition between Asian workers and workers from other MENA countries for jobs in the GCC countries.

¹ ⁴ Source: Central Bank of Jordan Monthly Report. The data for Jordan is available at the Central Bank of Jordan website but it is provided in Jordanian dinars. The data suggests that remittances decreased (increased) by 8(4)% during the third (fourth) quarter of 2009 and increased by 3% during the first quarter of 2010.

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