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EMIGRANTS' REMITTANCES IN SPAIN: AN OPPORTUNITY FOR ACTION ABROAD

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Emmigrants' Remittances in Spain: An Opportunity for Action Abroad

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Summary: In Spain, remittances are the main expression of international solidarity in economic terms, and the same is true globally, where the worldwide flow of remittances more than doubles Official Aid to Development globally. Yet these flows are much more than family charity. In net terms, remittances are currently the main vehicle to transfer funds from rich to poor countries. In gross terms, they exceed development aid, foreign investment or tourist revenues in most developing countries

According to the Bank of Spain, in 2003 foreign emigrants residing in Spain sent remittances totalling 2,895 million euros. This is a formidable figure, equivalent to the GDP of Malta and, for comparison's sake, it almost trebles the Spanish Foreign Ministry's annual budget, easily exceeding the Development Aid granted by the country. In Spain, remittances are the main expression of international solidarity in economic terms, and the same is true globally, where the worldwide flow of remittances more than doubles Official Aid to Development globally. Yet these flows are much more than family charity. In net terms, remittances are currently the main vehicle to transfer funds from rich to poor countries. In gross terms, they exceed development aid, foreign investment or tourist revenues in most developing countries, such as Morocco. Based on the official minimum wage rate in a more developed country like Bulgaria, remittances from Spain alone could pay the annual wages of 4.3 million workers. However, there is no reliable map of the destination of remittances in Spain, although a good deal probably does end up in more precarious countries than Bulgaria, whose entry into the EU is scheduled for 2007.

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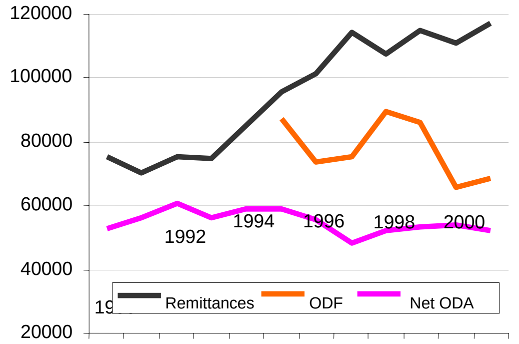
Graph 1.

Remittances exceed development aid

Global flow of remittances, Official Development Aid (ODA) and Official Development Funding (ODF) in US$ mn



Source: UNCTAD remittances. Handbook of Stat. Development AID: OECD.

Furthermore, the official figures on remittances are scarcely a fraction of the real picture. The Bank of Spain points out that 'potential remittances'[1] almost treble the official figure to 6,500 million euros per year. This figure exceeds 1% of Spain's GDP, as evidenced in a report by La Caixa[2].

Remittances sent from Spain have increased almost twelve-fold in the last decade, whereas the specific weighting of Spain in the worldwide total of these flows has increased eightfold. 3.18% of all global remittances are sent from Spain, ranking eighth worldwide. The Spanish economy is therefore of capital importance for some developing countries. For example, remittances from Spain to Morocco in 2003 amounted to 3,205 million dirhams (300 million euros). This sizeable sum would be enough to cover the annual minimum wage of 118,000 Moroccans.

However, Spain is not aware of the importance of these flows and is not developing any programme to foment them. For example, the most reliable studies calculate that the cost of sending remittances could account for up to 15% of their total value. If Spain were to cut this figure by just one point, each developing country would receive 28.9 million euros more. If Spain were to cut the cost by 56%, as the United States did for remittances to

[1] Sadek Wahba's classic taxonomy distinguishes between potential remittances (maximum figure of possible remittances, which result from adding all emigrants' revenues and subtracting the indispensable minimum amount for their own livelihood in the country to which they have emigrated) and fixed remittances (minimum figure which the emigrant needs to transfer to his country of origin in order to meet the basic indispensable need of the persons receiving the remittances, normaly his family). All money in excess of these fixed remittances is described as discretionary. Finally, there are the saved remittances (or retained savings), which is the difference between potential remittances and the amount actually sent. For more information, see S. Wahba, 'What Determines Workers' Remittances? A Framework for Examining Flows from Migrant Workers, with a Focus on Egypt's Experience in the 1980s', *Finance and Development*, 28 (4), 1991.

[2] Available at *www.pdfs.lacaixa.comunicacions.com/webes/wpp0pdfp.nsf/vico/051oex_esp.pdf/$file/051oex_esp.pdf*

Mexico, poor countries could receive 243 million euros more in remittances each year.

Nor has Spain devised any programme to increase the impact of remittances on the development of the receiving countries. If 1% of remittances sent from Spain to Morocco were destined to investment, hundreds of jobs would be created, which would in turn ease the migratory pressure on the country, one of the leading sources of illegal immigration. Finally, Spain does not have any role in the international initiatives in regard to this matter. It is not even involved in the main projects which could lead to the creation of a specialist international body.

These factors make remittances the main opportunity for Spanish Action Abroad in terms of the potential cost/benefit.

What are remittances?

What are remittances? They are funds in foreign currencies which expatriates send to their country of origin, normally in order to help support their families. Globally, in 2001 these flows amounted to 117,373 million dollars, according to UNCTAD. But this estimate is on the low side. It is very difficult to account for remittances since they do not have any verifiable counterparty. They are essentially private, frequently informal, funds, delivered via personal mandate, *Hawala networks* where the money itself does not actually travel, or sent in kind. No statistic depicts more than a fraction of their real volume, as we shall analyse later. Nevertheless, based on the available figures, they are the main gross income in foreign currency for a number of developing countries, far outstripping foreign investment or tourist revenues.

Table 1.

Who lives off remittances?

Worldwide ranking of remittances revenues
In 2001 as a percentage of GDP

Country	Remittances as % of GDP
Tonga	37.1
Lesotho	26.3
Vanuatu	24.8
Jordan	22.8
Bosnia Herzegovina	18.1
Albania	17.0
Moldova	15.3
El Salvador	14.0
Cape Verde	13.8
Jamaica	13.6
Nicaragua	13.3
Morocco	9.5
Dominican Republic	9.3
Philippines	8.6
Uganda	8.5
Honduras	8.5

Source: UNCTAD, Handbook of Statistics.

Yet considering remittances from this perspective and in gross terms would imply underestimating their importance, as essentially free and in exchange for nothing tangible. Unlike all of the aforementioned items, they do not have a counterparty which drains currencies from the country as in the case of imports and exports. While remittances imply net revenues, free of any attachments, which are immediately available, other international economic flows entail currency expenses. In net terms, remittances are the main currency revenues in almost 90 countries throughout the world, some pitifully poor like Lesotho, others developing, such as Morocco and even some who are moving beyond that stage, like the Philippines. Today they are considered to be 'Latin America's most important financial flow'[3].

Based on the considerable importance of these flows, and the extreme dependence of some countries on them, it would not seem unreasonable to expect a number of studies on the subject, deriving in a consensus of good practice in regard to their management. And, although there are various guidelines in this connection[4], there is not even theoretical agreement as to whether receiving remittances helps or hinders the receiving country. This may seem shocking because of the obviously beneficial effect for the pockets of those on the receiving end; not to mention remittances' moral value, since they are based on the generosity of those who send them, altruistically giving their funds to their poorest relatives in order to help them through their precarious situation.

However, moral rectitude does not always have an equal accumulated economic effect.

Remittance theory

At the risk of losing readers along the way, I think it is interesting to take a brief look at the two extremes of the theoretical debate on remittances which are represented at the world's leading economic institutions. Very basically, one might say that the World Bank considers them to be healthy and beneficial, whereas some representatives of the International Monetary Fund (IMF) see them as incompatible with economic growth.

In this controversy, the different mandates of the two institutions could carry more weight than the remittances, but I think it is worth analysing their positions briefly, since it will help to understand the nature and effects of these flows.

On the one hand, a number of studies by the World Bank have underlined the significant volume of remittances. Developing countries alone in 2002 received 88,100 million dollars, ie, no less than 5% of their total imports or 8% of domestic investment[5]. The same World Bank source highlights the fact that remittances are the second largest financial flow for developing countries, after direct foreign investment. Having established their sizeable volume, subsequent World Bank studies highlight an obvious fact: people

[3] *All in the Family, Latin America's Most Important International Financial Flow*, Inter-American Dialogue Task Force Report on Remittances, January 2004.

[4] The most exhaustive analysis is the one performed by the Inter-American Development Bank and its Multilateral Investment Fund (FOMIN) under the title 'Remittances towards Latin American and the Caribbean: targets and recommendations' for the meeting in Lima in March 2004. Available at *www.iadb.org/mif/v2/spanish/ files/Recomendaciones_Lima2004spa.pdf*

[5] World Bank, *Global Development Finance 2004*, 'Appendix A: Enhancing the Developmental Effect of Workers' Remittances to Developing Countries'.

receiving remittances have more money than they otherwise would. So that remittances help mitigate poverty, and, therefore, the engine behind these flows, emigration, reduces poverty in the emigrants' countries of origin. This is a positive effect which could offset and perhaps even exceed the problem of brain drain or loss of skilled labour to emigration. On average, 'a 10% increase in the percentage of a country's emigrants reduces the numbers of poor by 1.9%' (poor being defined as those who live on one dollar a day). The reason is that 'on average, a 10 percent increase in the share of international remittances in a country's GDP will lead to a 1.6 percent decline in the share of people living in poverty' (based on the same definition)[6]. Since remittances increase individual revenues, they also have a positive effect on consumption, savings and private investment. This is also true in general terms of development, when part of the funds are spent, for example, on education or health, although for the same reason they could have an impact on inequality of revenues[7], creating a difference in income between families who receive remittances and those who do not. As a reflection of this positive vision, the World Bank and bodies linked thereto have been making great efforts to understand and foment these flows.[8]

Table 2.

Who lives off remittances?

World ranking of remittances revenues in 2001 as a percentage of foreign trade

Country	Remittances as % of FT
Tonga	220.9
Albania	83.4
Uganda	71,8
Lesotho	65.6
Bosnia Herzegovina	60.2
Jordan	53.3
Cape Verde	48.5
El Salvador	48.4
Sudan	43.2
Vanuatu	37.9
Nicaragua	36.0
Jamaica	31.5
Bangladesh	30.8
Moldova	30.5
Morocco	29.2
Ecuador	24.6

Source: UNCTAD. Handbook of Statistics.

Nevertheless, in contrast to this positive view, other studies (including some performed by the IMF) are highly critical of remittances. One even asserts that 'remittances have a negative impact on economic growth' arguing that 'they do not act as a source of capital

[6] Richard H. Adams, Jr., and John Page, *The Impact of International Migration and Remittances on Poverty*, World Bank Policy Research Working Paper 3179, World Bank Poverty Reduction Group, World Bank, December 2003.

[7] Dilip Ratha, 'Workers' Remittances: An Important and Stable Source of External Development Finance', in *Global Development Finance 2003*, World Bank.

[8] For a good selection of these reports and studies, consult the Inter-American Development Bank's website on remittances at *http://www.iadb.org/mif/v2/remittances.html*

for development'[9]. The mechanism which according to this report links remittances with a lack of economic growth is the ubiquitous '*moral hazard*'. The authors of this report underline the fact that the receiver of remittances does not feel obliged to invest the funds, or indeed to make an effort to stop needing them. Normally, they simply spend them (most commonly on food). This effect might be assumed to be similar for the country as a whole. Particularly if remittances enable the accounts of emigrants' home countries to balance while by-passing the far-reaching reforms that these nations require. To say that remittances do not help development is rather like saying that emigration does not generate any long-term benefit to the country of origin. This would mean that emigration could lead to further emigration. This study suggests, literally, that 'sending a family member to work abroad may at this time be a family's main investment project, yielding a greater financial return than any local investment'. This return is the remittances which will be used in consumption or in a new 'investment', thereby fomenting emigration. The authors argue that 'to transform remittances in capital for development means changing the very nature of remittances from compensatory transfers to investment', in addition to removing the problem of moral risk through intermediate institutions such as specialists in microfinance. It has to be said that this study was performed by three highly prestigious IMF economists, one of whom (Ralph Chami) is Deputy Division Chief at the IMF Institute, and it is based on the analysis of remittances received by 113 countries over 29 years. Consequently, a discussion of the arguments contained therein would require extending ourselves beyond the object of our own analysis. However, it is worth recalling that Spain did not experience any incompatibility between the sizeable economic growth in the 60s and its dependence upon remittances, which at the time were one of its main sources of foreign currency.

Why is there no agreement?

No international economic flow lacks its negative effects on the economies of the countries where it originates or where it arrives. However, in the case of remittances, there has hitherto been no in-depth research as there has in regard to other flows; studies which have generated a theoretical consensus about positive and negative aspects, allowing the creation of a code of 'good practice' so as to avoid the risks and take advantage of the benefits.

There are many reasons why this has not been the case with remittances. The main reason is that remittances are the only significant international economic flow which has no multilateral body specialising in its analysis, study or governance. For example, tourist flows are monitored by the World Tourism Organisation and trade flows are looked after by the World Trade Organisation. International banking funds are booked and analysed by the Bank for International Settlements, and direct foreign investments are examined in detail by UNCTAD, among others. Even flows that are less significant than remittances, such as Development Aid, are worthy of the OECD's attention, with an entire division devoted to their accounting and analysis. Without the backing of a similar organisation it is not surprising that there is such a lack of theoretical material on this subject, with no disrespect meant for the aforementioned and notable effort by the World Bank and its related bodies, especially the Inter-American Development Bank and its Multilateral Investment Fund.

[9] Ralph Chami, Connell Fullenkamp and Samir Jahjah, *Are Remittance Flows a Source of Capital for Development?*, IMF Working Paper, September 2003.

Among the reasons why there is no such institution is the fact that remittances are probably the most modern international economic flow. Whereas trade was born with humanity itself, thousands of years ago, remittances have only been a global and significant phenomenon for less than fifty years. It is true that the precondition for remittances, namely migration, has been around for as long as trade. But remittances did not appear until the income from work was enough to enable emigrants to save periodically. The appearance of remittances also depends on the creation of secure communication mechanisms to send them to far-off countries, either via banks or by making it possible to plan trips to carry the funds physically. According to the IMF, remittances from emigrants attained an annual average of only 1,456 million dollars between 1970 and 1974. This average was 59,402 million dollars in 1995-1998, and in 2001 it stood at 117,373 million dollars, according to UNCTAD. In other words, in just 30 years the volume of remittances has increased almost a hundred-fold.

Another good reason for the absence of an international institution to monitor remittances is the circumstances of the person sending or receiving them. While tourism or foreign investment are backed by major corporations, remittances depend on simple emigrants. This formulation is not demagogic if one considers that major corporations enjoy legal status, and thus rights. Emigrants, especially illegal ones, do not have ‘documents’ which afford them rights. Major corporations of course are not just capital, but also people and voters, and their existence also has a political dimension. Emigrants, who are of course people, are not however normally entitled to vote in the country to which they have emigrated, and this is frequently the case in the country they have left too, so that this political dimension disappears. Even if the political and legal dimensions did exist, they do not have the resources to underpin these aspects and they do not tend to join associations that defend these rights.

Table 3.

Who sends remittances?

Worldwide ranking of remittance-issuing countries in 2002 and in US$ mn

Country	Remittances in US$ mn.
European Union*	33,042
United States	29,970
Saudi Arabia	15,875
Germany	8,181
Luxemburg	3,973
France	3,814
Italy	3,581
Japan	3,348
Spain	2,912
Holland	2,873
Israel	2,634
United Kingdom	2,155
Belgium	1,757
Russia	1,732
Korea	1,398
Austria	1,076

Source: UNCTAD. Handbook of Statistics, *figure for EU25 ex-Cyprus, Czech Rep., Estonia, Poland and Slovakia.

Finally, one might say that remittances are a flow which embarrasses the country that receives them. The countries where these remittances end up tend to try to avoid recognising their significance, although they no doubt appreciate them and hold them in high esteem. For example, in almost all developing countries there is a ministry for every international economic flow (Tourism, Trade, Foreign Investment and Cooperation). Yet we know of no country with a ministry of Remittances, which in almost every case contributes far more financial resources than the aforementioned ones, even the sum of all of them. At best, as in Morocco, there is a Deputy Minister, euphemistically in charge of the 'Moroccan Community Resident Abroad'.

While the country receiving remittances tends to lend them secondary importance, the country from which they are sent does not afford them much significance either. There is no body or ministry in any developed country whose main responsibility is to make remittances more fluid. Nevertheless, it is quite normal to see ministries of Cooperation, to cite another free flow which depends largely on donors, or General Directorates for Investment Abroad, to cite another private flow, and this despite the fact that these two flows are smaller than remittances in regard to developing countries, and therefore their impact, whether positive or negative, is smaller.

So, if neither the sending nor the receiving country is interested in them, it seems natural that the International Community should largely ignore remittances.

This seems about to change.

Police interest

At the beginning of this century, the question of remittances attracted the interest of certain institutions concerned with development. At the end of the 1990s a number of organisations began to express an interest in these flows based on the relationship between the US and Mexico and then with other Latin American countries. Centres such as Inter-American Dialogue and CEPAL began publishing analyses on this issue, while the World Bank and the Inter-American Development Bank have made significant efforts, reflecting their positive vision of these flows. Yet remittances were still nowhere near the international economic agenda.

In the wake of 9/11, interest in remittances soared, with a new current of opinion more interested in security than in development. This was due to the suspicion that these flows are among the main channels, if not the main channel, for financing Islamic terrorist networks. Just after the attacks, the Financial Action Task Force which exists in parallel to the OECD began to enquire into the financing of terrorism, and issued eight specific recommendations, including greater vigilance in regard to remittances[10].

Following these recommendations, the US Treasury Department began devoting part of the efforts of its Office for Terrorism and Financial Intelligence to analysing remittance mechanisms[11]. Among other issues, they noticed that a suspect country like Saudi Arabia was the world's second-largest remittance sender. A number of police bodies became

[10] Special Recommendations on Terrorism Financing, Financial Action Task Force, October 2001, available at *http://www1.oecd.org/fatf/pdf/SRecTF_en.pdf*
[11] *http://www.ustreas.gov/offices/enforcement/key-issues/hawala/*

interested in remittances and, for example, in 2002 Interpol drafted various studies on the relationship between remittances and crimes such as money laundering[12]. These studies led to the creation in 2004 of the '*Interpol Working Group on Money Laundering and Terrorism Financing*', which includes a sub-group specifically devoted to 'Alternative Remittance Systems'[13]. In September 2002, the APEC Finance Ministers set up a working group on remittances, among other things in order to analyse whether these flows complied with standards for combating terrorism financing[14]. At the same time, the IMF and the World Bank have carried out a number of studies in regard to remittances from the security standpoint, and even some jointly[15]. As a result of these antiterrorist efforts, remittances have curiously increased notably in the last few years. A likely explanation is that 'fear of being deported or investigated might have led emigrants to send all their savings to their countries of origin'[16]. Another explanation is that these are not new flows but that efforts to reduce opaque transfers may have 'moved part of the existing funds from alternative channels to formal channels', making them therefore appear on the official statistics.

In remittances, the issues of security and development are today combined, and as one of the main international economic flows, they have attracted the interest of bodies concerned with international economic stability. For example, the IMF has devoted efforts to evaluating the degree of stability of these flows and, therefore, the risk they might pose for receiving economies[17]. Due to the confluence of these three areas of interest, remittances today enjoy pride of place on the political agenda in the United States. For example, Congress has just devoted one of its highly interesting hearings to this issue[18], whereas President Bush himself raised the matter in the last G-8 Summit held in Sea Island. It was here that rich countries' sealed their commitment to lower the cost of remittances, as well as making it easier for them to be used in investment in the receiving countries. This is all encompassed by a broad Action Plan[19] in which G-8 countries undertake to 'work with the World Bank, IMF and other institutions to improve information on remittances and develop accounting standards in this connection'. Furthermore, the world's eight richest countries have undertaken to 'lead international efforts to help cut the cost of sending remittances'.

All of this introduces the question of remittances irrevocably into the international agenda with a degree of significance at least in line with its notable and growing volume.

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[12] Patrick Jost and Harjit Singh Sandhu, 'The Hawala Alternative Remittance System and its Role in Money Laundering', Interpol, Austria, 2002, available at *http://www.interpol.int/Public/FinancialCrime/MoneyLaundering/Hawala/default.asp*

[13] More information on the Interpol portal at *http://www.interpol.int/Public/FinancialCrime/MoneyLaundering/Meetings/WG20040922/default.asp*

[14] *http://www1.worldbank.org/finance/html/amlcft/ARS%20Background.htm*

[15] Mohammed El Qorchi, Samuel Munzele Maimbo and John F. Wilson, *Informal Funds Transfer Systems. An Analysis of the Informal Hawala System*, joint IMF and World Bank report.

[16] *Ibid*.

[17] Jacques Bouhga-Hagbe, *A Theory of Workers' Remittances With an Application to Morocco*, IMF Working Paper, 2004.

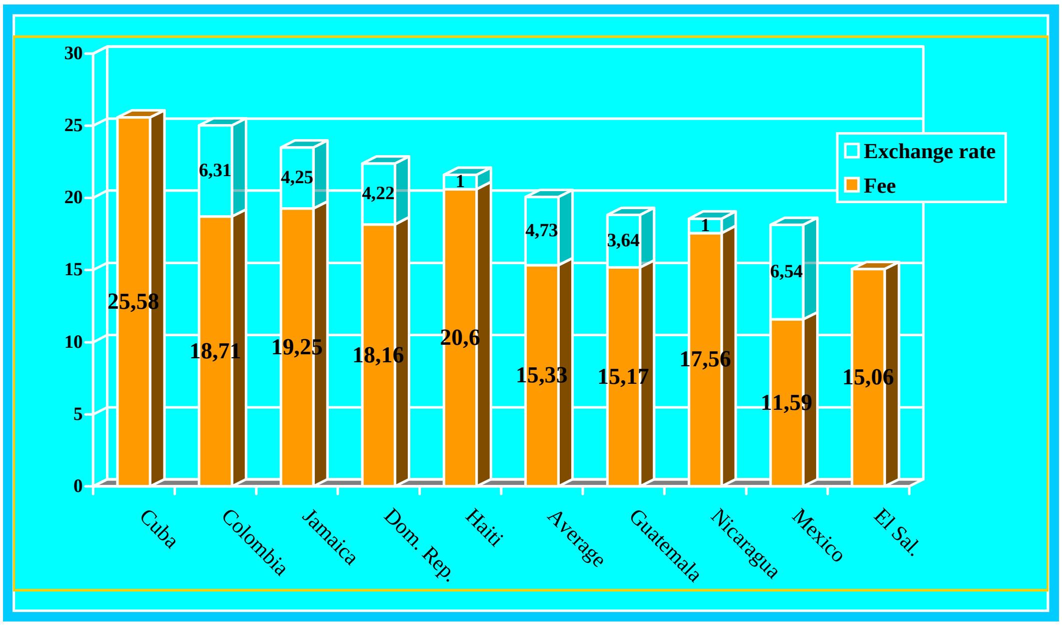
[18] *Remittances: Reducing Costs, Increasing Competition and Broadening Access to the Market*, US House of Representatives, Committee on Financial Services, available at *http://financialservices.house.gov/hearings.asp?formmode=detail&hearing=259* and *http://commdocs.house.gov/committees/bank/hba92335.000/hba92335_0f.htm*

[19] *http://www.g8usa.gov/d_060904a.htm*

The cost of remittances

Today the question of remittances is being tackled by a wide range of different analysts and institutions from such divergent standpoints as security, development and economic stability. The main common denominator is the concern for the high cost of sending them. It is calculated that between 10% and 15% of remittances do not reach their destination. They remain in the source country fattening the accounts of the companies which are responsible for sending them. This is an unjustifiable percentage considering that an international swift transfer costs fifteen cents of a euro[20]. For this and other reasons, the impact of remittances on the development of receiving countries could be higher. If their costs were cut by just 1%, an additional 28.9 million euros would flow from Spain to poor countries. This is an easy target, considering that the US managed to slash the cost of sending remittances to Mexico by 56%.

Graph 2.



The aforementioned official report by the G-8 asserts that the average cost is between 10% and 15% of the remittance value[21]. The graph above shows the cost of sending a remittance of 200 dollars from the US to Latin American countries, which varies between 12.5% to Cuba and 7.5% to El Salvador. This study was conducted by the expert Manuel Orozco for Inter-American Dialogue, based on an analysis of the fees charged by 70 remittance companies. Remittance fees between the US and any other country are probably the cheapest in the world. Aside from the competitiveness of the US economy and the decades for which these services have been operating, there are structural reasons for this. Among others, the Electronic Fund Transfer Act of 2001 obliges companies performing these services to break down the cost of the remittance in comprehensible terms, including the exchange rate applied and the benchmark rate for calculating deviation, as well as additional costs, explicitly detailing the amount which the addressee will receive[22]. This

[20] *www.swift.com*
[21] *http://www.g8usa.gov/d_060904a.htm*
[22] *www.ncua.gov*, H.R. 1306–Wire Transfer Services.

obviously prevents customers from being deliberately misled by slogans such as ‘zero commission’.

Despite the figure, the only Spanish study we are aware of in this regard asserts that the fees for sending remittances in Spain are mysteriously low. This study, performed by a group of Savings Banks (*Cajas de Ahorros*)[23] asserts that a remittance of 370 euros ‘if the transfer is performed via a remittance company, would cost a total of 20.50 euros’. Alternatively, if a credit institution makes the transfer, the average fixed fee would be around 13.85 euros, ie, between 5.5% and 3.7%. What the report does not explain is how sending remittances from Spain can possibly be cheaper than from the ultra-competitive US market. Not to mention the fact that a remittance is one thing and another, quite different, kettle of fish is a banker’s transfer, which requires the receiver to have an account, which is highly uncommon among emigrants. The data from this study contrasts with a simple enquiry as to the fees charged by Spain’s mail system (*Correos*)[24], whose postal order service is without doubt one of the main senders of remittances in the country. A service similar to the ones outlined above, for example, an urgent postal order to Morocco for 100 euros costs 22.98 euros, ie, 22.98%. If the ‘*dinero en minutos*’ (money in minutes) service offered by Correos is used, arriving on the next day, fees are 23% up to 45 euros, 14% up to 85 euros and 10.9% up to 165 euros.

Remittances in Spain

To be specific, according to UNCTAD remittances totalled 117,373 million dollars in 2001. This figure is equivalent to the GDP of the 66 poorest countries in the world, which are precisely those who most depend on these flows[25].

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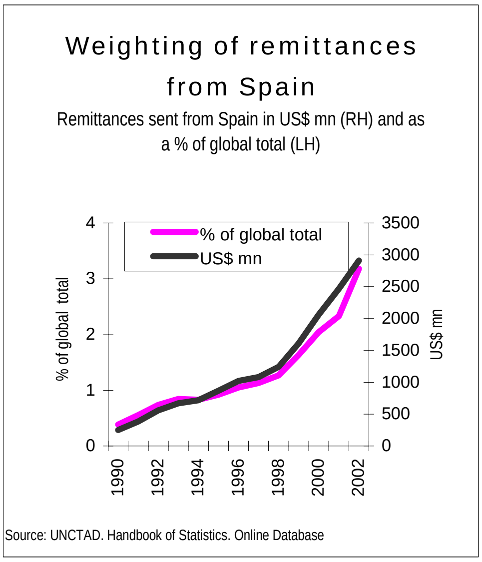
[23] CECA, Caja Murcia, Caja de Ahorro El Monte, Sadai, “Estudio sobre las remesas enviadas por los emigrantes latinoamericanos residentes en España a sus países de origen”, 2002, *http://www.iadb.org/mif/website/*

[24] *http://www.correos.es/13/05/tarifasEU.asp*

[25] According to the World Bank’s World Development Indicators Database, GDP (in millions of US dollars) of the world’s poorest countries totalled 119,204 million dollars: Mauritius 5,225, Macedonia 4,705, Namibia 4,658, Mali 4,326, Mozambique 4,322, Cambodia 4,299, Zambia 4,299, Burkina-Faso 4,182, Nicaragua 4,111, Georgia 3,937, Malta 3,877, Guinea 3,626, Rep. of Congo 3,521, Benin 3,.499, West Bank 3,454, Papua-New Guinea 3,395, Equatorial Guinea 2,894, Armenia 2,797, Haiti 2,745, Niger 2,731, Chad 2,648, Barbados 2,628, Fiji 2,251, Laos 2,036, Moldavia 1,964, Aruba 1,875, Swaziland 1,845, Togo 1,759, Kyrgyzstan 1,737, Malawi 1,731, Rwanda 1,637, Tajikistan 1,303, Central African Republic 1,198, Mongolia 1,188, Lesotho 1,135, Mauritania 1,128, Surinam 952, Belize 928, Cape Verde 831, Sierra Leone 793, Antigua-Barbuda 757, Guyana 742, Eritrea 734, Seychelles 720, Maldives 696, Saint Lucia 693, Burundi 669, Bhutan 645, Djibouti 625, Liberia 442, Grenada 439, Gambia 386, Saint Vincent 371, St. Kitts 370, Comoros 323, Samoa 323, East Timor 314, Vanuatu 283, Solomon Islands 257, Dominica 255, Fed. Micronesia 241, Guinea-Bissau 236, Tonga 163, Palau 132, Marshall Islands 106, Kiribati 58, Sao Tome 54.

Graph 3.



According to the Bank of Spain[26], in 2003 emigrants residing in Spain sent their families no less than 2,895 million euros. This figure almost trebles the annual budget for the Foreign Ministry, which in 2004 came to 1,043 million euros.

According to the UNCTAD figures, Spain ranked 8th in the world in the amount of remittances sent in 2002 (2,912 million dollars). This implied 3.18% of all remittances sent anywhere in the world, making Spain one of the major remittance powers in the world, despite not belonging to the G-8 group tackling this issue now. Spain's share in these flows has increased notably in the last few years, as has the number of immigrants here.

In 1990, Spain sent remittances totalling 253 million dollars, ie, 0.3% of the global total. This means that remittances sent from Spain have increased almost twelve-fold in the last decade, whereas the specific weighing of Spain in the worldwide total of these flows has increased eightfold. This is a reflection of the increase in the numbers of immigrants to Spain, which only in the five-year period from 1998 to 2003 increased from 0.6 million to 2.6 million[27].

[26] Bank of Spain, Balance of Payments 2003.
[27] Instituto Nacional de Estadística, Statistical Bulletin nr. 3/2004

Table 4.

How many annual wages do remittances from Spain pay?		
Source: Bank of Spain for remittances in Spain and Eurostat for minimum wages		
Country	Minimum monthly wage in euros	Number of minimum annual wages which at this rate could be paid for by remittances from Spain
Bulgaria	56	4,308,036
Romania	73	3,304,795
Latvia	116	2,079,741
Slovakia	118	2,044,492
Lithuania	125	1,930,000
Estonia	138	1,748,188
Turkey	189	1,276,455
Czech Rep.	199	1,212,312
Poland	201	1,200,249
Hungary	212	1,137,972

The spectacular surge in remittances sent from Spain coincided with the increase in the number of agencies specialising in transferring these funds. According to the Bank of Spain's figures[28], at 2003 year-end there were 55 companies authorised to perform this task, whereas in 1999 there were only ten. In other words, they are growing fast, and they already outnumber the savings banks, totalling 47 (according to the Bank of Spain). Furthermore, at 2003 year-end these remittance companies had a huge branch network totalling 4,937 agents, between persons and legal entities, with 6,754 premises throughout Spain.

The Bank of Spain reports that in 2003 these companies sent remittances totalling 2,821 million euros, almost the entire amount of 2,895 million euros which the balance of payments includes under remittances. This could lead to the mistaken conclusion that banks and savings banks participate only marginally in this business. In fact, the real remittance figure from Spain is well above the Bank of Spain's official figures, as we shall see later.

Where do remittances from Spain go?

There is no reliable map of the destination of remittances from Spain.

So far, establishments specialising in remittances are only obliged to inform the Bank of Spain of the main countries with which they operate. This incomplete picture of the destination of transfers encompasses 78.7% of the total volume issued by these institutions, consequently with a definite bias towards the most common destinations. The resulting statistics suggest that in 2003 the top destination for remittances was Colombia with 25.2%, followed by Ecuador with 25.09% and Morocco with 5.16%.

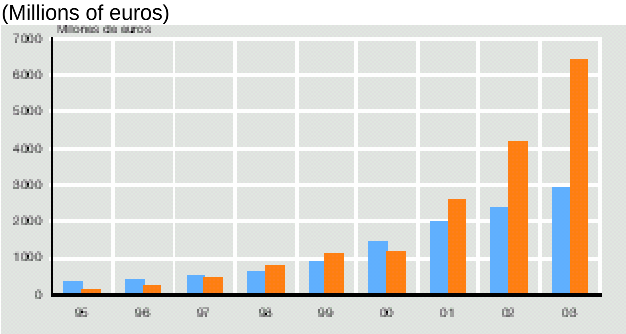
[28] "Los establecimientos de cambio de divisas y transferencias al exterior en 2003", *Boletín Económico*, Bank of Spain, September 2004.

Graph 4. Emigrants' Remittances and Estimated Potential

— Remittances on balance of payments

— Potential remittances

(Millions of euros)



However, this partial geographical breakdown is in turn based on remittance figures that are also incomplete (a fair description of the official figures), as they are merely an estimate and fall short of their real volume. This is also true of all worldwide statistics on remittances. The explanation is that remittances from emigrants are the most difficult international flow of funds to quantify, because they are also the only one that does not have a verifiable counterparty.

Consequently, official figures on remittances often contain surprises. For example, the Bank of Spain asserts that Spain received 4,171 million euros in remittances from workers in 2003. This figure far outstrips the 2,895 million euros sent from Spain in 2003. This notable difference suggests that Spain has more emigrants than immigrants, or that the former are much more generous, or that other items are being accounted as 'remittances from workers' or, finally, that the remittances being sent are underestimated.

In a commendable act of self-criticism, the Bank of Spain has devoted considerable space to calculating 'potential remittances'[29] in the last edition of its balance of payments. This item, which is the maximum possible figure for remittances which Spain could have sent in 2003, came to around 6,500 million euros, instead of the official figure of 2,895 million euros. The considerable difference between the two figures seems to 'suggest that there may have been some underestimates', and points out that the 'figures from the last few years do not seem to adequately reflect growth in the income of the population under study"[30], ie, the emigrants sending remittances. This 'potential' figure would make Spain the world's fourth-largest issuer of remittances, assuming statistics from other countries are not affected by the same problems that hamper the Bank of Spain.

Official figures seem to suggest that banks and savings banks scarcely participate in this activity. In part, it is true that emigrants are reluctant to use bank services. This is only in very exceptional cases due to discriminatory attitudes. Normally, the addressee of the remittance does not have a bank account in which to receive the funds. However, financial institutions' participation in this business is greater than suggested by the figures. Bank of

[29] *Ibid* note 1.
[30] Bank of Spain, Balance of Payments 2003, Table II 2, pp. 44-46.

Spain regulations require banks and savings banks to specify the reason of transfer in international transfers only for amounts in excess of 12,500 euros, which is far more than the amount of a normal remittance. Below this threshold, banks report the transactions, but they are not obliged to specify whether they are remittances or export payments. So far, the Bank of Spain has always assigned a reason to these smaller transfers, based on the same percentage share of those which exceed the threshold and which, therefore, it knows. This explains the lower accounted participation of banks and savings banks.

In addition to this methodological reason which might explain the difference between accounted and potential remittances, as referred to by the Bank of Spain itself, there are other significant circumstances. For example, a high percentage of remittances do not travel via official financial circuits, and therefore there is no way to account for them. These remittances arrive through orders, but they also involve practices which tend to contravene current legislation. For example, a common practice with remittances to countries with strict currency exchange controls, or where the official and black market exchange rates are different, such as Venezuela, is not to actually move the funds. The emigrant delivers euros to an agent in Spain whose colleagues in Venezuela deliver bolivares to the addressees. At the same time, they have obtained the bolivares from a resident in Venezuela with an account in a Spanish bank. The operation is closed by the agent depositing the euros in the Spanish account of the Venezuelan person who thus moves funds outside of Venezuela. This scheme may be used by businessmen who wish to obtain foreign currency to pay for imports that are not authorised by the Venezuelan Government (thus adding the offence of smuggling to that of currency fraud). And, naturally, it could also entail risk of a different sort if, instead of Venezuela, we are dealing with an Islamic country of doubtful repute.

In order to assess the risk it is worth recalling that in Spain there are 6,754 establishments from which to send remittances, some of which could be guilty of these practices without the knowledge of the emigrant who is sending his remittances; this is very difficult to detect due to the many establishments which would have to be inspected.

We would add some other methodological observations. It can be assumed that postal orders are among the most common ways of sending remittances. They do not require the addressee to have a bank account and official bodies offer guarantees in the event of sums being lost. Accordingly, Correos issued international money orders worth 372 million euros in 2002, probably making it the main issuer in Spain, although the Bank of Spain does not includes its figures in the official total, booking the costs in the balance of financial services and sharing the rest in line with the same criteria for transfers of less than 12,500 euros.

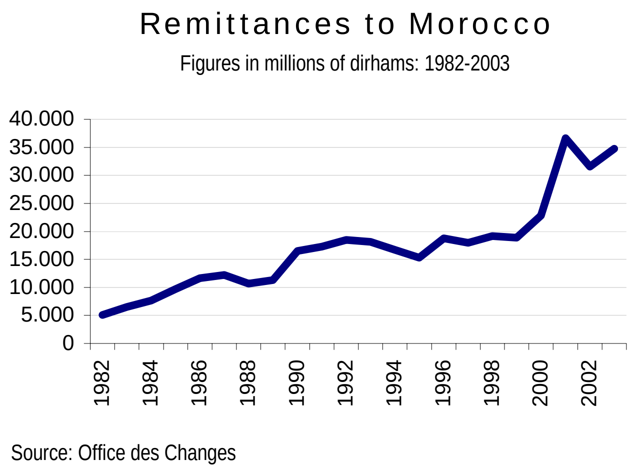
Finally, the salaries of non-resident workers, such as those who cross the border every day from Ceuta and Melilla and those resident in Portugal and working in Spain, as well as salaries of Spanish embassy staff abroad, should also be considered as remittances. Also remittances are those funds which, due to their amount or nature, appear on the balance of payments as capital transfers provided that they are issued by emigrants, and so are exports which emigrants take as ‘gifts’ when they visit their countries of origin. One has only to look at the amount of luggage in the vehicles driven south by Moroccans every summer.

One way of verifying the Spanish statistics is to analyse those of the countries receiving the remittances. For example, Morocco, to which we will devote the next section.

The surprising remittances of Moroccan emigrants

The question of remittance in Morocco is full of surprises. The first surprise is that Morocco is one of the world's most dependent countries on remittances sent by emigrants. In 1990, Morocco received remittances worth 16,573 million dirhams, and in 1999 this figure had reached 19,001 million dirhams. Suddenly, in 2001, they almost doubled to 36,858 million dirhams, remaining at this level in 2002 and 2003. However, there are no figures to suggest that in this period the number of Moroccan emigrants doubled, and no indication of a sudden boom in the wealth of those already abroad.

Graph 5.



Until this huge increase in Morocco in 2001, Egypt was the main receiver of remittances in Africa, but 'in 2001 remittances received by Morocco exceeded those of Egypt'[31]. In fact, in absolute terms, Morocco ranks fourth among developing countries receiving remittances in the world, behind India, Mexico and the Philippines. Of course, Morocco has only a fraction of the population of these countries, and even of those behind it in the ranking (Egypt, Turkey and Bangladesh).

[31] Cerstin Sander and Samuel Munzele Maimbo, *Migrant Labor Remittances in Africa: Reducing Obstacles to Developmental Contributions*, Africa Region Working Paper Series nr 64, World Bank, November 2003.

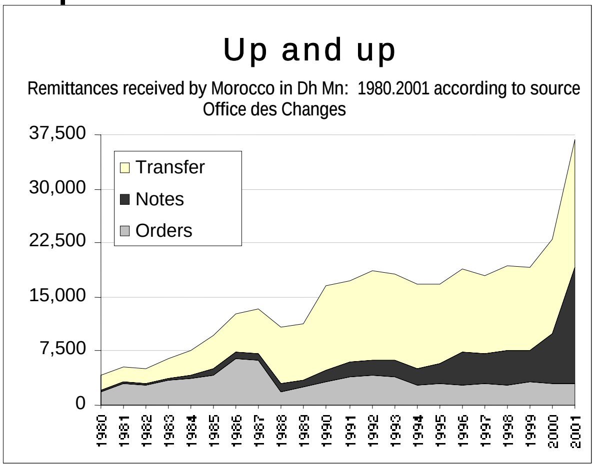
Table 5.

Who receives remittances?	
World ranking of developing countries by Remittances received in 2001 in US$ mn	
Country	Remittances in US$ mn
India	10,228
Mexico	9,920
Philippines	6,164
Morocco	3,261
Egypt	2,911
Turkey	2,786
Bangladesh	2,105
Jordan	2,011
Colombia	1,996
Dominican Republic	1,982
El Salvador	1,925
Brazil	1,775
Pakistan	1,461
Ecuador	1,421
Thailand	1,252
China	1,209
Source: UNCTAD. Handbook of Statistics.	

One plausible explanation might be that Morocco has more effective emigrants than these countries whose populations are nevertheless much higher. Unfortunately, no more than a handful of developed countries have a reliable census of expatriates. Normally, these expatriate censuses are drafted and updated to allow expats to vote, either by post or at consulates. However, Moroccan expats are not entitled to vote from their place of residence. A less plausible alternative is that Moroccan emigrants have a more buoyant personal economy and that they simply have more money to send to their families. Finally, it is possible that other countries account for remittances in a different way from Morocco, a country which is highly transparent in connection with this matter, about which the Moroccan *Office des Changes* offers ample statistics which are periodically updated (*www.oc.gov.ma*), at an even higher standard than Spain, for example.

Part of this notable increase would be due to the dirham's decline against the euro: 10% since the latter's launch. But this does not explain it all and one is inevitably led to think that in the past the statistics glossed over a part of the reality of this situation which they are now beginning to portray reliably.

Graph 6.



This implies a problem that is common to any study of remittances, about which official figures should always be considered to be merely a guide. This is not the case, for example, with exports, which go through customs and are accounted for. But remittances are easily the most difficult international economic flow to calculate, because they are also the freest since they have no verifiable counter party.

Table 6.

Who sends remittances to Morocco?

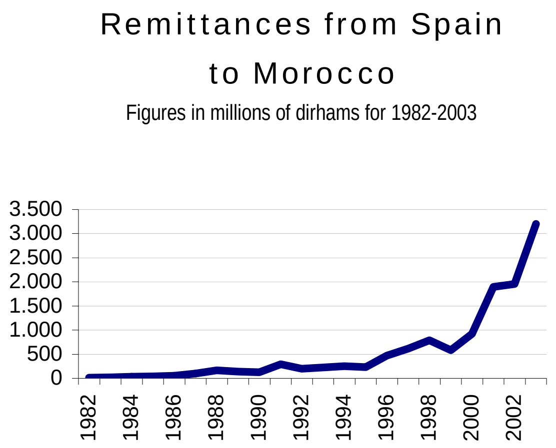
Ranking of issuing countries in millions of dirhams

Country	1982	%	1992	%	2003	%
FRANCE	3,641	71.2	11,810	63.7	15,460	44.5
ITALY	14	0.3	805	4.3	4,398	12.7
SPAIN	15	0.3	196	1.1	3,205	9.2
UEBL	386	7.5	1,270	6.9	2,072	6.0
THE NETHERLANDS	395	7.7	1,725	9.3	2,041	5.9
US	24	0.5	114	0.6	2,026	5.8
UK	52	1.0	231	1.2	1,669	4.8
GERMANY	257	5.0	988	5.3	1,185	3.4
OTHER	330	0.9	1,393	1.1	3,457	9.9
Total	**5,115**	100.0	**18,531**	100.0	**34,733**	100

Source: Office des Changes.

In all cases, including that of Morocco, remittances arriving via postal order or transfer can be accounted for. But those that are hand delivered by relatives or friends or through informal systems remain unaccounted for. The only way to detect them is when the receiver takes this foreign currency to the bank to be exchanged for local tender, dirhams in the case of Morocco. At this point, it would be necessary to determine which originated in emigrant remittances and which originated elsewhere, for example, in purchases paid by tourists in foreign currencies at the local craft markets. Suffice to say that in the case of Morocco this type of what are considered to be remittances accounted for 8% of the total in 1990. But in 2001 these funds, which might have originated anywhere except from the altruism of emigrants, accounted for 44% of the total. That is to say, one of the major trends in Moroccan remittances is that they are becoming ‘less formal’ as well as growing notably.

Graph 7.

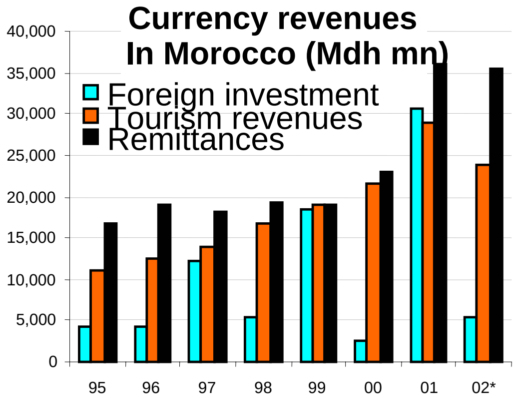


Source: Office des Changes

The third surprise is the high degree of generosity of Moroccan emigrants. Although there are no official numbers for Moroccans resident abroad, various sources have cited the figure of between 2 and 3 million, who are the ones who send the remittances. If we assume that there are 2 million of them and we divide this figure by the amount of remittances in 2001, we would obtain a yearly amount sent by each emigrant of some 18,429 dirhams (1,675 euros at the current exchange rate); and if we assume that there are 3 million of them the figure would be 12,286 dirhams (1,117 euros). Based on the calculation that the minimum wage in Spain is just over 500 euros per month, these figures would imply between two and three complete monthly payments, somewhat less if we take the minimum wage in France. This economic effort seems out of proportion, although it is consistent with the attraction which Moroccans feel towards their country, which 2 million expatriates visit on summer holidays from all over Europe every year, normally via Spain.

This average suggests that remittances worth between 3.8 and 6 billion dirhams (349-558 million euros) should reach Morocco from Spain, based on there being between 250,000 and 400,000 Moroccan emigrants in Spain. The Moroccan Government figure for 2003 is 3.2 billion dirhams, making Spain the third-largest provider, behind France and Italy, with 9.2% of the total. The surprise here is in the previous figures. For example, the Moroccan Government claims that in 2002 Spain sent remittances worth 1.9 billion dirhams (172 million euros), ie, 5.36% of all remittances received by Morocco. This percentage has steadily increased in the past few years. In 1998, 4.07% of remittances received by Morocco came from Spain. The 1999 figure is just 0.5 billion, ie, 3.1% of the total. Observation suggests that the number of Moroccans settled in Spain has increased since 1999, but by no means does it seem to have increased six-fold, as the remittance figures have.

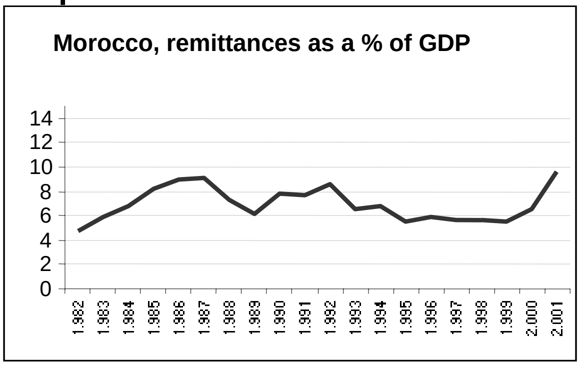
Graph 8.



Source: own research based on figures from Office des Changes.

According to the Bank of Spain, in 2003 a total of 2,895 million euros were sent from Spain in the form of remittances from emigrants to every corner of the earth. Based on this figure, the 300 million euros which Morocco says it received from Spain would account for 15%, when the evidence suggests that the Moroccans represent a higher percentage of emigrants in Spain.

Graph 9.



The fourth surprise is the economic importance of these remittances in the Moroccan economy. They are the main source of foreign currency in net terms and in gross terms they clearly outstrip foreign investments or even tourism revenues, and they far exceed Official Development Aid, whose scant volume prevents it from appearing on the chart's scale. All kinds of calculations have been performed in regard to their impact on the local economy. One of the most interesting of these indicates that 'in the absence of remittances, the national poverty rate in Morocco would affect 23.2% of the population, vs. 19% currently'[32]. For comparison purposes, without the transfer from NGOs and administrations, 21.4% of Moroccans would be poor, vs. the actual figure of 19%.

In addition to being important for the economy, there is another surprise, namely the fact that they are increasing. In 1985, remittances accounted for 3.81% of Moroccan GDP,

[32] Khalid Oudi and Abdelkader Teto, paper presented at the 5th Mediterranean Social and Political Research Meeting, Montecatini, March 2004.

totalling 967 million dollars[33]. In 1990, they accounted for 4.24%, with 1,336 million dollars. But in 2001 they accounted for 9%, a percentage which still stands. Throughout this period, Morocco's GDP has more than tripled, but remittances have increased seven-fold. That is to say, the larger the Moroccan economy, the more the country depends on remittances, or on emigrants, thus reducing the role of those who stay. This has led some to conclude that 'Morocco does not fully benefit from the talent of its new generations'[34].

Conclusions

In the last few years, Spain has become the eighth world power in terms of issuance of remittances. These flows, at a global level, have entered the international political stage because of their significant volume worldwide, the development which the receiving countries could obtain, and for security reasons. It is reasonable to expect that this interest will be transformed into specific actions and institutions from which Spain could remain sidelined, despite its significance in this area.

Spain must become conscious of its importance in worldwide flows of remittances, which were of capital importance in its own development fifty years ago. This is worth highlighting in order to tap Spain's vast experience in this area and afford it a proportionate role in future international initiatives. To assess this suggestion, one might ask if tourism development would have been the same in Spain if Madrid had not been designated to host the headquarters of the World Tourism Organisation. All this considering that any international initiative in regard to this matter would only be successful globally if it is based in the European Union, which is by far the main issuer of remittances in the world (see Appendix).

While it is in Spain's *interest* to make evident the importance of its remittances, it also *needs* to take an interest for security reasons. As a major source of remittances, there is a greater risk in Spain of this channel being used improperly. We have mentioned certain networks which use remittances in capital evasion or to avoid exchange rate controls, but these opaque flows can also be a vehicle to finance even more worrying activities. Especially if they are based in or destined to countries with lax attitudes towards mafia, drug trafficking or terrorist networks.

Thirdly, Spain *must take an interest* in the conditions in which these remittances are sent and in the development which they generate in the destination countries. This is a dual need, consisting firstly in the lack of protection for emigrants themselves, who are sometimes forced to pay unjustified fees to send their remittances.

The most reliable studies estimate that the cost of sending remittances could account for up to 15% of their total value. If Spain were to cut this figure by just one percentage point, each developing country would receive 28.9 million euros more. If Spain were to cut this cost by 56%, as the United States did for remittances to Mexico, poor countries could receive 243 million euros more in remittances each year. These amounts are not significant for Spain, but they would have considerable political, not to mention economic, value for a

[33] Richard H. Adams, Jr., and John Page, *International Migration, Remittances and Poverty in Developing Countries*, World Bank Policy Research Working Paper 3179, World Bank, December 2003.
[34] Jacques Bouhga-Hagbe, A Theory of Workers' Remittances With an Application to Morocco, IMF Working Paper, 2004.

developing country.

Also evident is the lack of protection of those receiving the remittances, who rarely have the capacity to undertake productive activities with these funds, although their amount would often be sufficient for this purpose. If Spain managed to channel 1% of remittances for productive investment, thousands of jobs would be created every year in the developing countries which receive them. This would ease migratory pressure considerably.

But, for now, Spain has not devised any specific programme to foment remittances, such as those that exist in the US and which the G-8 has just multilateralised. Programmes which, furthermore, could find a firm ally in the Spanish banks in Latin America, institutions capable of lowering the price of these flows and making them into instruments of development in the receiving countries.

Some Specific Ideas

Cut the cost of remittances and increase their impact in development terms is the crux of the matter for economies such as Ecuador and Morocco. An efficient response could drastically improve the conditions of life for thousands, perhaps millions, of people in those countries. All at a very low cost. Indeed, it would be financed by the emigrants themselves.

It is easy to be blinded by this El Dorado, so here we will limit ourselves to putting forward certain attitudes which could lead to achieving this objective which, from a general standpoint, must always focus on measures that generate 'a real, specific gain'[35].

The first problem, the huge cost of sending remittances, of up to 15% of their total, is relatively easy to solve. For example, the US managed to cut this abusive price by 56% via a few simple actions. For this purpose, it was conceived as a problem of competition: the price of remitting funds was high due to the lack of competition in the market. The solution was to increase competition in order to bring prices down. In Spain's case, an immediate way to increase competition would be to take advantage of Correos' government ownership and order a fee cut for smaller international orders. If this initiative were directed to the international forum of the various postal services under the umbrella of the Universal Postal Union, it would be even more efficient. This measure would not necessarily cut revenues on Correos' money order services. Indeed, it would probably boost them based on the Laffer Curve Theory.

However, the best way to introduce competition into the sector would be to increase the participation of banks and savings banks, hitherto mostly uninvolved in services to emigrants. It is true that on certain specific occasions this has been due to negative attitudes on the part of banks. But, in general, emigrants do not use banks because they do not feel capable to do so. Sometimes they simply do not know what a bank is. In other cases, they are unable to read their documents; due to illiteracy or because they do not speak Spanish, or even because, although they may speak Spanish, they cannot read it

[35] *La Communauté Algérienne établie en France: Quel Apport Dans la Développement Economique et Social de l'Algérie?*, Rapport de la Commission de la Communauté Algérienne à l'Etranger, Conseil National Economique et Social, People's Democratic Republic of Algeria, 2003.

because their language uses different characters. Some of the remittance companies have twigged to this and use Cyrillic or Arabic characters to advertise their services, for example in the Madrid underground. At the same time, illegal emigrants whose documents are written in these characters do not have an easy time of it. The bank cannot identify them. Some institutions, like BSCH, have solved this problem by giving each emigrant an identification document including his name and the normal destination of his remittances, so that all the user has to write is the amount for remittance. Apart from these private initiatives, the State has an obvious role to play in solving this problem via banking literacy programmes like those implemented successfully by the US Treasury Department, which in 2003 created a Financial Literacy and Education Commission[36]. Furthermore, this would help emigrants' overall integration.

But the main obstacle to 'bankifying' remittances is that it is necessary for the receiver to have an account into which the funds can be remitted. But countries with emigration tend to have a weak banking system. Thus, it is calculated that in Morocco, for 28 million inhabitants, there are only seven million bank accounts. One way to increase this figure would be to foment the creation of bilateral agreements between financial institutions in issuing and receiving countries, like the World Council of Credit Unions, which launched the *International Remittance Network* (IRNet), with the commitment to cutting remittance costs and, especially, not charging for receipt of remittances. The proposal is to charge 10 dollars per remittance of up to 1,000 dollars[37]. Another method would be to encourage Spanish banks operating in the receiving countries to develop programmes to increase their local customer numbers and, therefore, the possibility of using the banking channel for sending remittances.

The advantages of encouraging financial institutions to approach these markets are quite clear when one also factors in the local impact of remittances, which are mostly used in consumption, and whose significance for local economic growth is therefore limited.

The IMF goes further and describes a vicious circle in which families in poor countries save in order to finance their members' emigration, so that they can later send remittances, with which another family member's emigration is often financed. To break this circle, it would be sufficient to use a small fraction for productive investment, which would offer opportunities for local jobs. In an abstract way, it is also simple to operate this exchange. It is sufficient to create the conditions for a productive investment to seem profitable with respect to the benefits of financing the emigration of another family member. Of course, this depends on many factors, but one of the main ones is financing.

These financing opportunities would appear spontaneously if remittances were received via bank transfer. The bank could use these flows to underpin small loans that would fund productive investments. And this would provide an alternative to simple saving to finance further emigration. In regard to this matter, there are a few experiments on which to base efficient action. For example, the Multilateral Investment Fund finances projects which

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[36] More information at *http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/commission/*
[37] More information at *https://www.woccu.org/prod_serv/irnet/index.php*

can specifically convert remittances into a tool for development[38]. These initiatives may be in the form of local micro credit institutions, especially active in developing countries. Globally, remittances show remarkable stability, which could be enough for international institutions to express an interest in products based on them, such as, for example, mortgage certificates. Any bank in a developing country that grants small loans based on remittances could consolidate all the remittances received and resell them on the foreign market as bonds, thus obtaining funds in advance to finance the most precarious classes.

But one must not forget that the higher the remittances the greater the development thereby generated. To attain this objective it would be reasonable to act together with the other EU countries, since the EU is by far the largest issuer of remittances in the world.

Together, both aspects offer Spain's Foreign Action a return in line with that of remittances. This is one of the very few questions which capture the interest, necessity and even the obligation to perform specific actions.

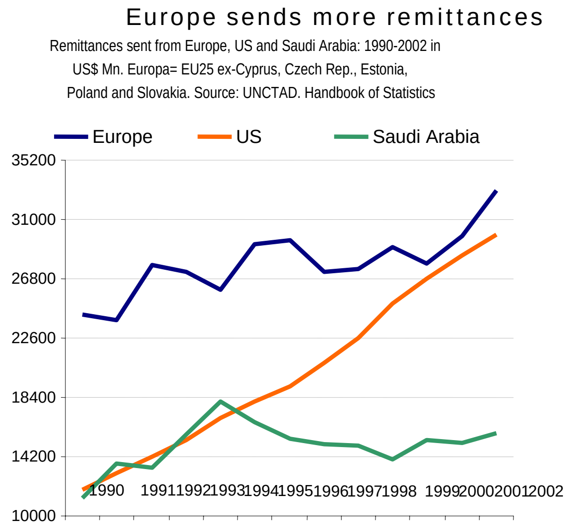
APPENDIX

The European Union: the Leading Sender of Remittances

UNCTAD figures suggest that Europe has been the world's main issuer of remittances since statistical records began, well ahead of the United States, which ranks second, and Saudi Arabia, third. In 2002, the European Union sent remittances totalling 33,042 million dollars, a spectacular figure, similar to the GDP of a recent member of the EU such as Slovakia. It is hard to determine the reason for Europe's primacy in these flows. It could mean that Europe hosts more emigrants, or that solidarity here is higher, or simply that salaries are higher than in the US or Saudi Arabia.

[38] See *www.iadb.org/mif*

Graph 10.



There is no reliable map of the destination of these remittances, although part of this huge figure can safely be assumed to be sent from one European country to another, reflecting the intense history of intra-European emigration, now more evident than ever among eastern European countries.

But there is no ignoring the considerable size of these flows. They would be sufficient to cover the annual minimum wage of 37.8 million workers at the current rate in Bulgaria[39]; although it seems likely that a notable percentage of European remittances end up in far more precarious countries than Bulgaria, whose entry into the European Union is scheduled for 2007. Consequently, it does not seem exaggerated to calculate that European remittances could today be equivalent to 50 million annual minimum wages in their destination countries.

[39] Official statistics on minimum wages in the European Union are available at *http://europa.eu.int/abc/doc/off/bull/es/200304/p103008.htm*

Table 7.

EU: Remittances ranking	
Ranking of EU member countries by issues of remittances in 2002 in US$ mn.	
Country	Remittances in US$ mn
European Union*	33,042
Germany	8,181
Luxemburg	3,973
France	3,814
Italy	3,581
Spain	2,912
Holland	2,873
United Kingdom	2,155
Belgium	1,757
Austria	1,076
Denmark	857
Portugal	825
Greece	476
Ireland	261
Finland	113
Hungary	107
UNCTAD. Handbook of Statistics, *EU25 figures	
Ex-Cyprus, Czech Rep., Estonia, Poland and Slovakia.	

Consequently, the impact of these flows is highly significant, not only in economic terms, but also in political terms and even from the standpoint of image. Remittances offer millions of people a specific, direct and immediate expression of the European Union, perhaps the only one they perceive in their lives. They are therefore the EU's main presentation in developing countries.

It therefore seems reasonable that the EU should be interested in these flows, creating a specific institution for their defence and promotion. This is something which, furthermore, would allow Member States' national policies to be coordinated so as to have an accumulative effect.

This question will also have a natural place in the programmes which are developed in regard to the Euro Mediterranean Partnership, Eastern European countries or the new Neighbourhood Policy. These frameworks are aimed mainly at contributing to the development of neighbouring countries and fomenting economic relations with the EU. The MEDA or PHARE programmes, specialising respectively in Mediterranean and Eastern countries, have devised programmes to foment all economic flows with the EU, from tourism to foreign investment, and including banking relations. It is therefore surprising that in the official list of related programmes[40] the word *remittances* does not appear once, despite being the main economic flow in net terms from Europe to these countries. And since they are the main flow, one must also assume that they are the one with the greatest possibilities of generating development.

[40] The list can be consulted at *http://europa.eu.int/comm/europeaid/cgi/frame12.pl*

Table 8.

How many million annual salaries would European remittances pay?		
Source: UNCTAD for remittances from Europe and Eurostat for minimum wages		
Country	Minimum monthly wage in euros	Number of annual minimum wages which at this rate could be paid for by European remittances
Bulgaria	56	**37,821,429**
Romania	73	**29,013,699**
Latvia	116	**18,258,621**
Slovakia	118	**17,949,153**
Lithuania	125	**16,944,000**
Estonia	138	**15,347,826**
Turkey	189	**11,206,349**
Czech Rep.	199	**10,643,216**
Poland	201	**10,537,313**
Hungary	212	**9,990,566**

This latter factor affords remittances a strategic dimension which the European Union could take advantage of to reduce the migratory pressure it currently has to tackle. Since one of the drivers of this migratory pressure is the accelerated de-ruralisation of countries in the surrounding area, like Morocco, it would make sense to cooperate with any investment made in the Moroccan rural context using these flows, either by offering additional financing or transfer of know-how, or affording preferential treatment to the fruits of these investments. There is no doubt that 'aid to development in Morocco must favour an improvement in productive activities in rural areas'[41] and it seems natural that this be underpinned by remittances. This would offer Moroccans a real and specific benefit to make these programmes efficient.

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[41] Nina Nyberg Sørensen, *Migrant Remittances as a Development Tool. The Case of Morocco*, Danish Institute for Development Studies, April 2004.