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1. Introduction

In addition to inter-regional trade and investment, labour migration is also a common feature in Asia and in some countries the workers' remittance plays an important role to support balance of payments deficit for a long decade. Unlike trade and investment however, workers migration has not contributed much to economic growth in those countries. In order to utilize returned migrants and remittance to affect economic growth better, some preconditions are needed.

2. The Actual Situation of Migration and Remittance

I take four Newly Industrializing Economies (NIEs: South Korea, Taiwan, Hong Kong and Singapore), four Association of South East Asian Nations (ASEAN: Malaysia, Thailand, Philippine and Indonesia) and four South Asian Countries (India, Pakistan, Bangladesh and Sri Lanka) to analyze the actual situation of migration in Asia. Migrant can be of various types such as contracted workers, emigration, refugees and so on, but here analysis is focused on contracted workers who intend to earn money and to return their home countries after some period. Workers' remittance is defined as a part of the labour income earned abroad by the contracted workers which is sent back to their home countries[i].

(1) The Actual Situation of Migration and Remittance

a. The General Situation of Labour Migration

Trends of the labour migration were caused by two oil shocks during the seventies. At that time, some Asian countries encouraged labour migration to the Gulf countries to earn foreign currency which was badly needed to support their oil imports and repayment of foreign debt.

The number of the migrant workers from the Philippines, Thailand, Indonesia and four South Asia as a total reached 1.7 million in 1992. In those countries, labour migration is also regarded as a tool to ease domestic unemployment problems. However the proportion of the labour force who migrate is at most 2 % in Sri Lanka, and much lower in other countries, so it cannot be said to have eased the unemployment problem much.

Even today, major recipients of migrant workers are the Gulf countries, but their importance has been decreasing since 1983 and Taiwan, South Korea, and Malaysia have hosted increasing numbers (Table 1). A large part of the labour migration to the Gulf area was of construction workers, and engineers and other specialists and their increased numbers have later reflecting the increased demand. Most of the labour migration to the Asian countries has been of unskilled-workers engaging in service industries and a large part of it is female workers.

In the hosting countries, the negative effects of labour migration such as delay in the changes in the industrial structure and an increased burden on social securities are often discussed. But in the labour exporting countries, merits such as the easing of unemployment problems, the increase of foreign reserves , the development of workers job skills and so on, are often claimed by proponents. However, the actual existence of such merits have yet to be proven. Sometimes returning migrants originally from rural areas worsen the unemployment problem in urban areas by electing to stay there even when there are no jobs available. Also, return migrants find few opportunities to utilize skills acquired abroad because of the differences in technical level and industrial structure between their home countries and the host countries where they once worked.

Table 1 Asian Labour Migration by Destinations 1993

(Numbers Migating)

to \ from	Philippines	India (1992)	Bangladesh	Thailand	Indonesia (1992)	Sri Lanka	Pakistan
Asia	165,452	0	70,401	118,600	53,549	4,374	908
Malaysia	12,409		67,938	11,358	37,757		276
Singapore	11,560		1,739	14,171		2,065	
Brunei	10,960			14,750	10,114		7
Hong Kong	62,583			5,182			5
Japan	43,542			5,588			2
Rep. op Korea							609
Taiwan	23,025			66,891			
Other Asia	1,373		724	660	5,678	2,309	9
Middle East	300,934	416,784	174,107	17,019	72,631	119,326	94,224
Saudi Arabia	230,996	265,180	106,387	5,035	71,594	51,413	58,181
Grand Total	541,497	416,784	244,508	137,950	126,180	123,700	95,132

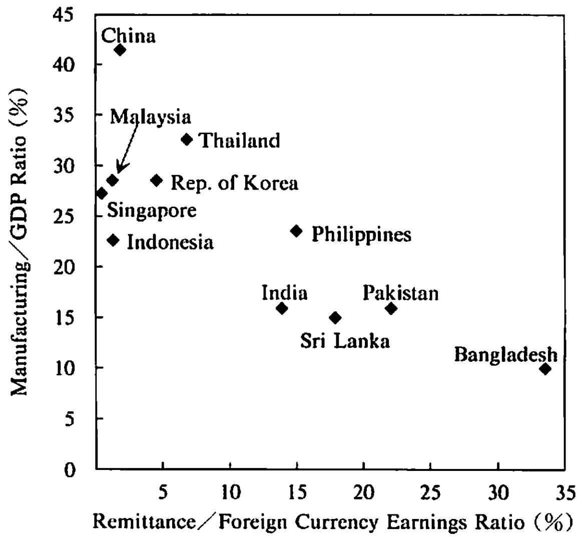
Source : Wickramasekara, P., *Recent Trends in Temporary Migration in Asia*, 1995, Table 6.
(Reference document at the Symposium "Migration and the Labour Market in Asia in the Year 2000" which was held under the joint auspices of the Government of Japan, the OECD and the Japan Institute of Labour)

b. General Situation of Labour Remittance

The flow of the remittance in the 1970's was regarded as a part of the flow of Oil-Dollars from the Gulf area to the rest of the world.

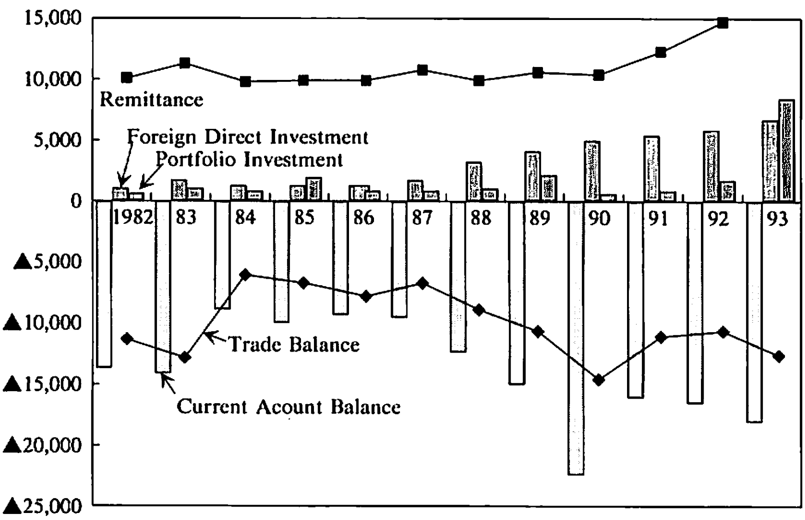
In the 1980s, after the external debt crises, the capital flows from the developed countries to the developing countries decreased and developing Asian countries tried to increase labour export in order to obtain foreign currency.

Chart 1 Dependence on the Remittance



Source : IMF, Balance of Payments Statistics

Chart 2 Balance of Payments Structure of the Traditional Labour Exporting Countries



Note: Traditional labour exporting countries are ; the Philippines, India, Pakistan, Bangladesh and Sri Lanka.
Source: IMF, Balance of Payments Statistics

The degree of dependence on the remittance to earn foreign currency is the highest in the South Asian countries (Chart 1). The amount of remittance is equal to the amount of trade deficit in Bangladesh. In India, Pakistan and Sri Lanka, it is equal to 80 to 90 % of trade deficit and in Philippine it is almost equal to 50 % of the trade deficit. In contrast to the Philippines, Indonesia, which has about the same level of industrialization as the Philippines, labour migration has not been significant in number. This difference can be attributable to the differences in the policy of the two governments and the number of the people who speak English. The four NIEs receive more foreign labour than they export.

Here I define South Asian countries and the Philippines as traditional labour exporting countries, as a large part of their trade deficit is financed by labour remittance. Chart 2 shows that in those traditional labour exporting countries, foreign capital flows in the form of remittance is a larger and more stable source of foreign currency than foreign direct investment.

(2) Background of the Labour Migration

Many countries both receive and export labour at the same time, and the wage levels of labour exporting countries are not the lowest. From this, we can tell the background of the labour migration is not simply attributable to the wage levels, but is more complex. The background of the labour migrations can be identified as follows;

a. Policy and Institutional Framework

The policy and institutional framework plays a very important role in labour migration.

As for the policy, some government define labour migration as a major tool to earn foreign currency, and encourage workers to migrate through various policy tools. For example, in the Philippines, government trains workers to meet the demand of the labour receiving countries.

To support government efforts, private sector companies also play a suplimental role. For example in Malaysia, there are more than 170 private companies to help migration procedure.

b. Internationalization of the Labour Qualification

Especially for the skilled-workers, internationalization of the labour qualification is one of the factors which promotes labour migration. This is why some countries such as India are able to export many skilled-workers. India educational institutions offer training in high-tech skills to match international standards and historically have been sending many graduate abroad.

c. Increased Foreign Direct Investment

Introduction of foreign direct investment also promote labour migration. Workers from rural areas who once worked for a foreign company in an urban area do not normally return to their home towns but stay in the urban area or find a new job in foreign countries. In part, this is often because they have found it rather difficult to be accepted in the community once they have experienced the culture of urban life, especially in the case of females.

d. Internationalization of Information

Increased availability of information through mass-media or labour migration itself encourages migration. As more labourers work abroad, more migration is encouraged because more information about opportunities is passed among their relatives or aquaintances. This movemtnt is called the "Migration Chain".

3. Impact on the Economic Development and Implications for the Future

(1) Impact on the Economic Development

We have seen that there is active labour migration in Asia and for those traditional labour exporting countries, remittance has been an important way of financing external imbalances. In traditional labour exporting countries, exportation of goods will not be expected to expand rapidly because of the lack of technology and policies of putting more emphasis on import substitution in some countries. At the same time labour shortages in Malaysia and Singapore is becoming severe and the demand for labour import is increasing. Considering those conditions, it is more probable that in the traditional labour exporting countries, reliance on the labour migration and their remittance to finance external balance will be continue to be quite high for some time.

Next we might consider if it is, possible to utilize the labour migration and their remittance not only to finance external deficit but also to enhance economic development. If it is possible, we should then ask what kind of conditions are needed.

To answer above questions, I have compared the impact of labour migration on the economic development in South Korea and traditional labour exporting countries. South Korea is a typical case of a former labour exporting country whick took a set of policies to encourage labour migration and utilized remittance for its economic development and has since graduated from the status of the labour exporting country to one which imports labour.

There are two main points for this comparative study. One is whether remittance to the home country is done through formal channels or informal channels. If the labour income is consumed abroad or remitted through informal channels, remittance counted in the balance of payments becomes very small and does not contribute to easing the external payment problem. The other is whether remitted labour income is utilized to finance investment in the strategically important area of industries in the home country. Even when remittance has been done through the formal channels, if it is utilized for the increase of imports or invested in those areas which do not contribute to long term growth, impact on the economic development becomes limited.

a. Channel of the Remittance

As for the channel of the remittance, I will examin whether i) Migrant workers labour income is spent abroad or remitted to their home countries, and ii) remittance is done through formal channels or informal channels.

There are not many statistics available which show how migrant workers labour income is spent. But it is known that in the case of migrant labour from Asian countries, workers aim to save and remit labour income to their home[ii]. So it can be said that migrants from the traditional labour exporting countries have the same charactor. As for the way of remittance, there are some estimates which show that migrants of the traditional labour exporting countries tend to remit through the informal routes (Table 2). In contrast, migrants from South Korea remitted about 90 % of their labour income through the banking system[iii].

Table 2 Informal Remittances as a Persentage of Total Remittances

	Estimation Period	Estimate	Source
Bangladesh	1980-86	20	Mahmud (1989)
India	83	40	ESCAO (1987)
Korea	1980-85	8	Hyun (1989)
Pakistan	86	43	ILO/ARTEP (1987)
Philippines	82	60	Tan and Canlas (1989)
Sri Lanka	1980-85	13	Rodrigo and Jayatissa
Thailand	1977-86	18	Tingrabadth (1989)

Source: Athukorala, P., Enhancing Development Impact of Migrant Remittances : A Review of Asian Experiences, International Labour Organization, 1993, p. 8.

According to Athukorala, migrants from the Philippines, Pakistan, and India, remit through informal channels for the following four reasons, i) over-valuation of the local currencies, ii) restrictions of trade and capital account transactions, iii) low interest rates of the formal financial sector and iv) as a result of above three, the formal financial network is under-developed[iv].

However, also in South Korea, conditions i) and ii) changed gradually during 1980s, so that above four points do not sufficientlly explain the reason why the labour income is remitted through informal channels in case of the traditional labour exporting countries other than South Korea. I would pay more attention to the fact that i) South Korean migrants were obliged to remit more than 80 % of their labour income to their home country and ii) the banking network of South Korean banks are developed by the South Korean government and financial authority. Also, iii) the fact that South Korean currency Won lacked the convertibility but labour income were paid in the Won[v].

Those factors identified in the South Korean case do not always succeed in encouraging more remittance to be done through formal channels. The Thai and Philippine governments have tried to introduce or actually introduced policies similar to South Korea's, but they failed to get significant result from them. In addition, to force companies which employ for which migrant workers to pay wages in their employees' home countries currency or through their home country's banking system are not realistic policy options. The policy intervention of the South Korean government were made effective partly by the political circumstances of being under pressure from North Korea.

To rely on the policy options of correcting over-valuation of their currency or to deregulating restrictions regarding trade and capital account transactions to enhance the remittance through formal channels is rather dangerous. Because deregulating capital account transactions can cause capital flight. At the moment, the government policy goal of traditional labour exporting countries are the combination of i) to keep over-valuation of their currencies and regurating capital account transactions and ii) to introduce some incentive measures to remittance such as admitting foreign currency holding of remitted income and put some premium on foreign currency deposits in the banking system. This kind of incentive scheme has had a strong effect to encourage foreign currency remittance. In India in late 1980's, the foreign currency deposits of the Non-Resident Indians (NRIs) became equivalent to about 30 % of the current account deficit. However, in early 1990's, in the face of the Gulf Crisis, those foreign currency deposits were drawn out from the country and worsened the foreign exchange crisis in India. From this experience, relying on incentive scheme can be said to be a risky option.

b. Impact on Industrial Development

The second point of comparison is whether remitted labour income is invested in the strategically important areas of industry or not. In general, remitted labour income would i) be invested in those areas directly via the financial market or ii) stimulate investment as demand increases due to increased disposable income. In most of the traditional labour exporting countries, however, financial market plays a limited role in either mobilising saving because of lack of trust among savers or providing funds to industrialists because of the lack of ability of banks to investigate investment project proposals. At the same time, returning migrants tend to prefer foreign-made durable goods like home appliances after having become aware of their value while staying abroad. This trend is encouraged by the policy to permit reduced import duties on goods brought back by returning migrants as incentives to work abroad. Likewise, increased demand would not mean increased demand for domestically produced goods but increase imports.

In contrast to above typical situation in the developing countries, in Korea, i) investment was funded by internal generation of companies which raised profit in the Gulf area and not funded through financial market, ii) the government adopted a policy to discount prices of domestically made home appliances for return migrants in order to increase demand for those industries. The first point was made possible because Korean conglomerates had thrived by earning profits from construction projects in the Gulf area. Korean construction companies had advantages in doing business there because government provided budgetary and financially preferencial treatment to them, as well as to exporting companies. The second point was made possible because there were base of import substitution of durable goods under the First Development Plan (1962-66) and other government's policies. The World Bank mentioned in the East Asian Miracle that introduction of foreign funds and technologies and export promotion measures contributed to economic development in the East Asia[vi]. But in 1960's and 1970's, the attempt to introduce foreign direct investment was not successful because South Korea lacked international trust. In addition, exportation was stagnant because of old equipment and technology. Under such conditions, labour export and Korean business ventures in the Gulf area contributed to ease foreign currency shortage and allow needed imports of capital goods and intermedially goods.

In some traditional labour exporting countries, like Pakistan, government tries to promote investment by return migrant in themselves by in "Self-Employment Schemes" which utilises their income earned abroad and includes lower rate of lending. But many return migrant finds it more attractive and safer to invest in real estate to guarantee stable income like a substitute for pension or retail business or other short term investment than to invest in manufacturing.

(2) Impact of the Structural Adjustment Policies

Because of the Gulf Crisis, remittances from the Gulf area have decreased and most traditional labour exporting countries had difficulty in repaying external debt or import. This was the reason why they introduced the Structural Adjustment Policies after the Gulf Crises.

The belief behind the Structural Adjustment Policies is, "fundamental problem of developing countries are caused by government internvention". This belief seems at a glance to explain the reason why labour migration and their remittances could not have contributed economic growth. For example, government tried to increase efficiency of use of foreign currency and to substitute imports by over-valuation of the currency and restriction of trade and capital account transactions, such internvention policies had negative effects like discouraging remittance through formal channels. Another example is that of incentive schemes to encourage remittance through formal channels by offering higher interest rate increased volatility of capital movement.

It is true that over-valuation of currency, regulation of trade and capital account transactions and control of interest rates had discouraged remittance and financial intermediation. And by correcting all those interventions, incentives to migrate and remit to home would be stimulated. However, we must not be too optimistic because too much migration could be a bottleneck to industrialization, and too much remittance could reduce competitiveness of exports by strengthening currency. There are already some signs of trouble such as in India, where most graduates of higher technological institutes choose to work abroad, and in Pakistan, where returm migrant are not willing to work at home because of the wage gap and wait for next chance to work abroad. In Sri Lanka, teachers of vocational school themselves are eager to find jobs abroad and this caused a serious problem in quality of the vocational education system. Some argue that this kind of brain drain cannot be a bottleneck of development because there isn't a demand for it yet at the pre-industrialization stage. Non theless, in a sense that even at the pre-industrialization stage, the wage level of engineers' has become closer to the international average, this is surely one of the disadvantages of starting the industrialization process. Under the current situation where not only capital but also labour moves beyond national borders, we cannot assume that by de-regulating trade, some comparatively advantageous industries which are determined according to capital and labour allocation of each country would grow. Labour migration from developing countries to developed countries can create the situation where developing countries pay for education and training of labour and developed countries utilize those human resources, which is a similar problem to that between uban and rural area within national boundaries.

(3) Tasks of the Traditional Labour Exporting Countries for the Economic Development

The situation where labour moves beyond national borders makes it difficult for developing countries to realize comparative advantage of having cheap and abundant labour. The task for developing countries is to utilize their labour domestically and this requires more active enterprises. The core function of enterprise's activities is to combine labour, capital, technology and other resources for production.

To establish and enhance the activity of domestic enterprises, vocational training to meet demand for domestic markets have to be given more emphasis. Also introducing foreign direct investment can be a useful way of promoting an enterprise's activities.

There was an argument in Japan that we should allow more foreign workers to work in Japan as one of ways of promoting economic cooperation with developing countries. Behind this argument, there was a belief that workers can aquire skills in Japan and utilize them at home. But it is more likely that their chance to utilize those skills is very limited. Therefor it is better to create a production base in developing countries and train workers to meet demand of those enterprises.

Notes

i) In the Balance of Payment Manual of International Monetary Fund, remittance is devided into three categories (Labour Income, Workers Remittances, Migrant Transfers). Although those three terms are very precisely defined, it is diffucult to distinguish actual flow of money.

ii) Athukorala, P., Enhancing Development Impact of Migrant Remittances: A Review of Asian Experiences, International Labour Organization, 1993, p. 9.

iii) Athukorala, P., op. cit., p. 11.

iv) Athukorala, P., op. cit., p. 6.

v) Kim, S., Contract Migration in the Republic of Korea: International Migration for Employment, International Labour Organization, 1982, p. 26.

vi) World Bank, The East Asian Miracle, Oxford University Press, 1993