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Recalibrating to Uncertain Remittances

What is the issue?

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- Migrant remittances from the West and West Asia have been displaying uncertain trends lately, due to various factors.

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- Indian policymakers would have to decipher this trend early to appropriately deal with the fallouts.

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How has remittance benefited economies?

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- After the global financial crisis in 2008, the developing countries have become the prime engines driving global economic growth and recovery.

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- Emerging economies like India and China have become increasingly influential in determining global economic policies.

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- Notably, these economies have benefited from increasing globalisation and the growing movement of goods and people between countries.

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- Consequently, they are among the largest recipients of global remittances.

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- Notably, 23 countries, led by India and followed by China, Philippines, Mexico, Pakistan and Nigeria, receive over 80% of global remittances.

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- **Impacts** - Remittances has helped lift millions out of poverty and unemployment in the above mentioned low to middle-income countries.

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- It has also enhanced their standard of living and human development.

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- The positive impact of migration on economic growth and development through increased remittances is hence well established.

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- The experience of Kerala, which receives remittances equalling 36.3% of its state GDP, is a testimony to this.

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How does India's remittance profile fare?

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- India has witnessed sharp remittance growth since 1991, which grew from \$2.1 billion in 1991, and touched \$70.4 billion in 2014.

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- Since then, the value of remittances to India has seen modest declines - \$68.9 billion in 2015 and \$62.7 billion in 2016, although 2017 closed at \$65.4 billion.

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- However, considering the cranky debate on migration around the world, considerable uncertainties about remittances remain.

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- Notably, India receives about 56% of its remittances from migrants in West Asia, with the remainder from mainly North America and Europe.

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- But rapid changes in the economy and the socio-political climate in emigrant destinations have had an impact on remittances.

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What is the churn in West Asia?

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- Arab Spring in 2010 and subsequent counter-revolutionary moves by states had a drastic impact on its immigration policies.

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- Declining oil prices and sluggish regional economies, especially in the Gulf Cooperation Council (GCC) countries, aggravated the situation.

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- Consequently, most governments decided to prioritise filling their workforce with their nationals, which meant stricter visa norms.

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- **Visa Regime** - Notably, only UAE continues with its pre-2008 liberal visa regime, whereas, Oman has had a strict immigration policy since 1998.
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- The other countries (Bahrain, Kuwait, Qatar and Saudi Arabia) have now started looking increasingly inwards since the spring.
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- This move was clearly to appease its increasingly restless youth, many of whom were unemployed and participated in protests.
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- **Actions** - Saudi government enacted “Saudi Nationalisation Scheme” in 2011 with a view to reducing unemployment among Saudi nationals.
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- This included incentives for companies performing in accordance with this system and regularisation of over 5 million temporary workers.
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- Crackdown on illegal migrants, increased control over foreign workers and the apathy to curtail harassment of foreign labourers has also become common.
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- It is evident that the younger natives of West Asia, who are increasingly becoming educated, will replace migrants in the coming years.
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How will this impact Kerala?

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- Since the 1970s, the Gulf region has attracted millions of Malayalis, and their remittances charted a unique economic growth path for the state.
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- With remittance accounting to almost a third of the state GDP, Kerala presents a unique case as no other large State in India depends so much on remittances.
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- **The decline** - Kerala Migration Surveys, conducted by the Centre for Development Studies, has studied migration from Kerala since 1998.
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- Its 2016 report notes that the Malayali migrant community had for the first time shrunk by 10% from the previous and currently numbers 2.2 million.
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- This was on account of two aspects - nationalisation policies in destination countries and enhanced aspirations of the now richer and educated Malayalis.

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- Unskilled and semi-skilled Malayalis in the Gulf are now being replaced by Philipinos, Nepalis and other Indian migrants from Bihar, Rajasthan and UP.

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- While the more skilled Malayalis now seem to be eyeing better jobs, the 10% decrease in migration for sure will dent the remittance significantly.

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- **Economic Implications** - Remittances to Kerala exceeded Rs. 71,000 crore in 2014 and a migrant typically supports 3 to 4 family members back home.

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- A third of the population directly benefits from migration and another third benefit indirectly through multiplier effects.

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- If the State does not identify alternative means of employment and revenue generation, it will turn out to be problematic.

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- Notably, returned emigrants account for 1.2 million of Kerala's population and the State thus faces the huge challenge of reintegrating them into the economy.

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- This demands innovative policies targeted at equipping the workforce to find jobs and also promoting entrepreneurship and investments.

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- **The Hope** - Lower migration may not necessarily be a disaster for the State if local resources are channelized properly for enhancing opportunities.

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- This new trend might, in fact, lead to bettering the total scenario as migration comes with a lot of social costs and emotional costs.

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- Notably, while a migrant worker might make more money, he/she also has to leave a family behind, and live a life of hardship in a foreign land.

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- Also, women, children and elderly parents are left back to fend for themselves and deal with loneliness, anxiety and inadequate care.

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How does the future look?

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- North America, which is currently a major remittance sending regions of the world, is expected see dampened migration due to the Trump presidency.

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- Europe, which surpasses even the Gulf region in remittance, is currently facing its worst refugee crisis since the days of the 2nd world war.
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- This has already fuelled xenophobic and anti-immigration sentiments across the continent and has resulted in the rise of rightist parties.
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- It seems obvious that migration and remittances will take on a more prominent role in internal and international politics in the near future.
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- This is in striking contrast to the latter part of the last century, which was commanded by liberal ideas on migration and open borders.
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- As the richer nations start relying more on its own workforce and tightly controls borders, the poorer nation will have to rely less on remittances.
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- Therefore, it is imperative that developing nations that have relied on remittances to recalibrate strategies go ahead.
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Source: The Hindu

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