

Regimes of Remittance Dependency: Global Structures and Trajectories of the Erstwhile Soviet 'Bloc'

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Regimes of Remittance Dependency:
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Trajectories of the Erstwhile Soviet 'Bloc'¹

by

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Introduction

In this study, I link a conceptual contribution with a three-step empirical inquiry. I conceptualize migrant remittances as a form of external economic dependency. Next, I describe recent changes in the strength of the empirical relationship between migrant remittances as percentages of the GDP and *per capita* GDP for all societies of the world. Employing what Charles Tilly called “variation-finding comparison,”³ I examine, next, the—as it turns out, quite sizeable—residual variation in the relative magnitude of remittances that remains after controlling for *per capita* GDP, and interpret it as a marker for patterns of remittance dependency. Finally, I trace the recent trajectories of the societies that had, until one generation ago, constituted the Soviet “bloc” against the backdrop of the global distribution in remittance dependency.

The data have been adopted from two sources: Estimates for migrant remittances as percentages of the GDP of their home country come from the online World Development Indicators dataset of the International Bank for Reconstruction and Development⁴, while *per capita* Gross Domestic Product (GDP/cap)⁵ figures have been borrowed from economic historian Angus Maddison’s widely used population, GDP and GDP/cap dataset.⁶

Migrant Remittances, 'Development' and Dependency

All forms of commerce involve importation and exportation of labour. In terms of social conditions and consequences, however, there is a considerable difference between those forms of trade where the labour that is exported / imported is embodied "only" in the product, and those that involve human beings crossing state borders to exert their labour power as non-citizens. My interest lies in deciphering the economic significance of the latter⁷ for migrant-emitting societies—an issue that is emerging, in the context of an ever more closely integrated world-economy, as an increasingly serious socioeconomic and –political problem.

Of particular conceptual interest are the experiences of the societies of the erstwhile Soviet bloc that have recently experienced the reinstatement of (semi-)peripheral capitalism. They deserve special attention for three main reasons. First, because many (although not all) state socialist states had operated some restrictions on foreign travel, one of the relevant social changes the collapse of states socialism brought in was the removal of such domestic constraints on flows of all kinds, including labour exports. Of course, the end of the socialist state's administrative restrictions on cross-border population movements was paralleled by the creation of new barriers, this time by the two largest economic entities in the world, the European Union and the United States. Those obstacles have since been removed only with considerable hesitation, delays and—even today, i.e., more than ten years after formal accession of the first batch of erstwhile-state-socialist states in the

European Union—the presence of the east European EU-member states' citizens in the labour markets, and, more broadly, in the social spaces, of at least some other EU-member states is subject to considerable political resistance and consternation.

Second, all post-state-socialist states sustained deep losses in economic output⁸ over the first two decades of the post-state-socialist transformation. Resulting in severe drops in incomes and a massive reduction of the labour force, the downward slide of post-state-socialist societies produced powerful incentives to engage in cross-border flows for the purposes of selling their labour power. Third, the post-state-socialist transformation in the erstwhile Soviet-bloc resulted in a multiplication of states: Czechoslovakia broke up into two, the end of Yugoslavia created seven successor states, and the collapse of the USSR produced fifteen post-Soviet republics. The existing sociocultural ties due to those linkages thus became cross-border ties by *fiat*.

Administrative designations of the state socialist era, such as residency, came to be re-inscribed as citizenship, suddenly creating a sizeable cohort of “foreign” workers in the post-Soviet successor states. To be added to this are the forced cross-border population displacements that resulted from the four post-Yugoslav wars and various civil and international wars in Central Asia.

Consequently, it is reasonable to expect that the relationship between the exporting live labour and the economic performance of the migrant-emitting societies would show some particularly strong patterns in the post-state-socialist context.

[Figure 1 about here]

The idiomatic expression ‘remittance dependency’ is widely used⁹ in the literature on transnational / international migration. To be noted, however, is that the term often appears without a definition, making the idea suggestive but also rendering it inaccessible to empirical specification.

Another feature of the literature is that the use of the expression “remittance dependency” is somewhat undifferentiated in terms of scales: In some instances it refers, clearly, to the micro- and/or meso-scale, denoting families of migrants that experience dependence on remittances; at other places, it designates a macro-level phenomenon, referring to entire societies / states / economies as subject to such dependency. My conceptual interest and data refer to the macroscopic scale.

The “migration-development nexus” is a ubiquitous concern for studies in international migration.¹⁰ To be sure, global structures of capital-labour relations ensure that the remuneration of foreign labour—likely the least protected, most precarious, often systematically discriminated-against and overall most exploited segment of the working classes of the world—remains very low. Hence, the remittance flows generated by non-citizen labour are relatively insignificant when compared to the total volume of the world economy, or even if measured against the economic output of the migrant-receiving, often high-income, societies. But that does not mean that those sums are equally insignificant for the migrants’ home societies.

The last decade has seen considerable growth in remittances: After two decades of near-stagnation around the .4% level, the sum total of migrant savings sent home by the approximately 3% of the world's population that is foreign-born¹¹ increased from .44% to .75% of the Gross World Product during the first eleven years of the 21st century.

As the data presented in a recent Migration and Development Brief¹², published by the World Bank (reproduced here as Figure 1 below), suggest, the estimated total volume of migrant remittances surpassed the magnitude of Overseas Development Assistance (ODA) in 1996 and remained higher ever since. Worldwide remittances overtook private debt and portfolio equity in 2008 and, as Figure 1 indicates, the steepness of the curve indicating growth in migrant remittances since the mid-nineties is comparable to the rate of increase in Foreign Direct Investment (FDI) during the same period. Writing as experts for the World Bank, Dilip Ratha and Ani Silwal forecast that, by 2014, the sum of worldwide migrant remittances will reach the levels that FDI had in 2006 and 2010. To the extent that it is necessary to understand aid dependency and foreign direct investment dependency as major structural problems for some of the poorest and least powerful societies of the world, the sheer magnitudes of, and the increasing trends in, migrant remittances—which show magnitudes comparable to OAD and FDI—suggest that dependence on transfers resulting from labour exports deserves scholarly attention as well.

[Table 1 about here]

Over the most recent years, global remittances have shown considerable fluctuation—likely a short-term effect of the global crisis of 2008. However, even if we take this volatility into account, the overall growth in remittances has been remarkably strong. As Table 1 suggests, the upswing in remittances to what the World Bank calls the “Third World” has been considerably more robust than the overall rate of growth in the world economy, irrespective of whether the latter was estimated via Gross National Income (GNI) or Gross Domestic Product (GDP). This is particularly striking, given the likelihood that the data on which these computations are based likely underestimate the magnitude of the remittance flows (for more about this issue, see below).

The number of states receiving relatively high levels of migrant remittances also shows a dramatic recent increase. While the number of the world’s societies where migrant remittances exceeded 10% of the GDP¹³ remained at or below five until 1990,¹⁴ that number doubled by 1999,¹⁵ only to double again by 2004. It has hovered above twenty ever since.¹⁶

[Figure 2 about here!]

Figure 2 depicts the dynamics of this transformation in percentage terms. Starting from around 5% of the world’s societies in the 1980s, the share of

states with high levels of MRD has increased to 16.8% by 2004, and has remained around 15%.

[Figure 3 about here]

As the dashed line in Figure 3 shows, between 1980 and 1997, the world mean in remittances as a percentage of the GDP remained more or less constant around 3%; thereafter, it had a dynamic upswing, stayed above 4% since 2003, and peaked at almost 5% in 2007. Meanwhile, the distribution of the world's societies in terms of remittance levels became considerably less dispersed over the same period. The coefficient of variation (standard deviation/mean) among the world's societies in terms of the relative importance of migrant remittances has halved (dropping from around 3 to around 1.5) between the early part of the eighties and the mid-nineties. As the share of migrant remittances in GDPs grew and variation among the world's societies sharply decreased, some observers—mainly neoliberal economists—came to expect that increased remittances will lead to perceptible “economic development” in the migrant-emitting societies.

And yet, in spite of the indications of growth and the optimistic expectations based upon them, as Alejandro Portes has recently pointed it out, “[t]here is no known instance of remittances economically “developing” by themselves a labour-exporting country.”¹⁷ In fact, remittance dependency is widely reported to entail a number of consequences that cannot be described as “development” in any sense of the word: Repatriated migrant savings are

reported to have contributed to lowering political participation;¹⁸ instead of finding their way to locally meaningful forms of investment, they have increased immediate consumption and inflation,¹⁹ forcing “land use changes from agricultural production to cattle ranching,”²⁰ and, at least under some conditions, to “serious[ly] distort[ing] the local labor market.”²¹ There is no clear, positive evidence regarding infrastructural development in migrant-emitting economies either.

Witnessing such adverse effects, Douglas S. Massey and his collaborators report,²² “nobody [among officials of inter-governmental organizations] believes [. . .] any more” in the possibility of an unambiguously positive causal connection leading from cross-border migration to economic development. Given the “rapid growth in remittances to less-developed countries,”²³ the relationship between the two must be understood as significantly more complex than a straight-line causal arrow.

To solve the impasse regarding the developmental effects of remittances, Castles and Delgado-Wise propose the idea of “the migration-development nexus,”²⁴—a notion devised to transcend the traps of the “nonsensical [discussion about] what comes first”²⁵ in the relationship between cross-border flows of labour and economic development.²⁶ Migrant remittances offer an excellent empirical focus for such an inquiry as they constitute a real-life, embodied, strongly institutionalized instance of the “migration-development nexus.” By focusing on the relative magnitudes of remittances at

various levels of economic performance, we have empirical observations concerning patterns of migration and patterns of economic integration jointly, as elements of a single social fact.

The scholarly literature on global structures and inequalities devised, on the most generic level, the idea of 'dependency' to grasp "an unequal relationship between societies"²⁷ that "shapes the nature of development."²⁸ A classic definition of economic dependency, proposed by Theotonio dos Santos in 1968, apprehends "dependence [as] a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected."²⁹ In more formal terms, dependency obtains in situations where entire societies are tied to other societies in such a way that the linkages between them are considerably more important to some than to others.

Dependency is, thus, a relatively stable, unequal network relationship observed from the standpoint of the society that experiences significantly less network power than its significant alters. Viewed through a network 'lens,' the world economy is but a set of asymmetrical network ties, and the significance of those linkages is exceedingly rarely, if ever, balanced, or equal, for all societies involved.³⁰ Simply, experience suggests that, in the capitalist world economy, various dimensions of dependency tend to be clustered.³¹

From this perspective, I define migrant remittance dependency (MRD), most broadly, as the way in which the dependence of a society on the economic,

political, and social conditions prevalent in a set of other societies takes the form of value transfers by its own citizens who sell their labour power abroad.³² Just like dependency on aid or on foreign direct investment, remittance dependency is a process whereby external structural conditions are internalised so that the migrant emitting society loses a significant part of its control over the internal economic, political, social, etc., processes. The greater its MRD, the less autonomous the migrant-emitting economy will become.

MRD can be thought of as a ratio scale variable: It is that percentage of the GDP of the migrant exporting economy which is accounted for by migrant remittances. “High-MRD” obtains when the economic importance of remittances into society A by A’s own citizens who work abroad is high. As with most empirical measures, of course there is no *a priori*, or context-free, way to determine what exact magnitude constitutes a “high” level but, given sharp differences in magnitudes, finding a society consistently in the top segments of distributions signals the likely presence of MRD.

Data Caveats

While migrant remittances are the products of network phenomena, network data are not available anywhere in an even remotely comprehensive fashion.³³ While we do know something about where remittances go, we know considerably less about where those specific remittances came from. In other words, all the World Bank data—clearly, the best globally comprehensive

source of information on remittances available to scholars—allow us to do is try model some results of a network phenomenon without network data. The analysis I am presenting below focuses essentially on that endpoint of a network process where the savings of non-citizen workers abroad enter the migrant emitting society. This allows only a first step toward an analysis of migrant dependency because, given the absence of information on specific remittances by source state, it is impossible to calculate pairwise, state-to-state rates of dependency on remittances. However, the data do allow calculating the degree of the dependency of a specific economy on the external linkages that emerge as a result of the exportation of its citizens' labour power.

More damaging, the World Bank data set includes only formal-sector transfers, i.e., it provides no information on remittances transferred through informal channels. This is quite a serious problem because—as the literature on international migration and migrant transnationalism³⁴ has insisted for quite some time—a considerable part³⁵ of migrant remittances never enter formal financial institutions. We ought to expect this to be the case with most migrants who find employment in the informal sector, and at least some of even those who are engaged in the formal sector. The powerful involvement of “labour supply companies” as well as recruiting agents and touts of all sorts—i.e., almost always informal components of the value chains in the labour export industry that have every reason to conceal their activities³⁶—is likely further to decrease the visibility of at least some of the related monetary flows into the migrant-emitting economies. As a result, what we are looking at

are data that definitely undercount the phenomenon they purport to represent.

Worse yet, there is reason to expect that the magnitude of the undercount is systematically related to the level of *per capita* income: Because of a host of social, political and cultural reasons, not to mention the widely noted³⁷ lower transaction costs of informal-sector banking services, the undercount becomes more pronounced as we proceed from the richer to the poorer receiving societies. This also raises the possibility that at least some of the recorded changes in reported levels of remittances may be the result of migrants switching between institutional arrangements, some of which might involve shifts between the formal and informal sectors.³⁸ Some of the state-by-state differences may also stem from institutional variation in the transmission of funds along the formality-informality distinction, and there is no way to account for these effects empirically.

Finally, yet another caveat is at order. This has to do with the fact that the World Bank presents its remittances data without disclosing either its sources or the specific techniques used in obtaining / estimating them.³⁹ This constitutes a serious cause for concern, given the great worldwide variation in the ways in which national banks and other central financial authorities are able, and willing, to monitor banking activity. This is especially so in the case of financial transfers—such as migrant remittances—that dwarf, for the most part, in comparison to other cross-border financial transactions.

We should keep all these caveats in mind. The validity of the analysis below rests on the assumption that the data are robust enough to withstand the damage caused by the obvious imperfections at the source in order to yield meaningful results.

Empirical Expectations and Analysis

The dependent variable is a single ratio-scale distribution of the world's societies in terms of percentages of their GDP that is accounted for by officially recorded migrant remittances. According to the precepts of a neoclassical-inspired "push-pull" model of migration,⁴⁰ we should expect, *ceteris paribus*, strong negative covariance between migrant remittances and levels of income at the migrant-emitting societies.⁴¹ That is so, first, because, as "push-pull" theories would argue, individuals in poor societies have a greater incentive to go abroad to search for work than their colleagues in richer societies. In addition, the lower the position of the migrant emitting economy on the global income scale, the more opportunities there are for labour to find more highly remunerated positions. Amplifying this effect is the likelihood that, once incomes are earned, migrants' savings go farther in terms of purchasing power in the poorer "home" economies than in their less poor counterparts.⁴²

Summarising the tradition of sociological critiques in 1989, Alejandro Portes and József Böröcz offered the following outline⁴³ of the conceptual weaknesses of the "push-pull" paradigm as a selection bias fallacy: "The

tendency of the push-pull model to be applied to those flows which are already taking place conceals its inability to explain why similar movements do not arise out of the other equally 'poor' nations or why sources of outmigration tend to concentrate in certain regions and not in others [. . .].⁴⁴

The present study allows an explicit empirical examination, not only of the explanatory power of this empirical expectation but, more important, also of the empirical dispersion of the world's societies in terms of the degree of their dependence on migrant remittances, at similar levels of *per capita* GDP.

A defective theoretical tool as it is, the "push-pull" perspective can still serve a useful scholarly purpose by affording a detailed account of the variation in remittances by levels of economic performance. That will be done in the subsequent section of this study. As a first step, let us examine the shape of the distribution of the magnitude of migrant remittances according to *per capita* GDP for 2008.⁴⁵

[Figure 2 about here]

Quantifying the economic impact of non-citizen labour on labour exporting states for 2008, Figure 2 strongly confirms the critique of the "push-pull" paradigm made by Portes and Böröcz.⁴⁶ As the vertical spread of the dots representing the world's societies indicates, the relative importance of migrant remittances varies considerably, even after controlling for overall level of income (measured as *per capita* GDP along the horizontal axis). For instance, at the median *per capita* GDP (at 58.3% of the world mean *per capita* GDP in

2008),⁴⁷ we find (see Figure 2) that societies dispersed on a range between .155% and 23.8%, i.e., the distribution shows a width of over 150 times. At other levels of *per capita* GDP, Figure 2 shows even wider dispersion in remittances.

[Table 2 here!]

Table 2 reports the strength of this relationship over the last three decades or so—the entire period for which relevant data are available. Throughout the period, R^2 -levels are quite low. There appears to be a certain tendency of over-time increase as we approach the more recent time points. I do not have a specific explanation for this apparent empirical regularity, but it is amply evident that even the highest R^2 -s leave more than four-fifths of the variation in the level of migrant remittances un-explained. In other words, clearly, the most exciting aspect of the relationship between migrant remittances on the one hand and levels of economic performance on the other is not their weak, negative covariance—a relationship expected on the basis of the central insight of the “push-pull” paradigms—but the wide dispersion we observe in migrant remittance levels after controlling for relative wealth.

[Table 3 about here]

Conceptually, the wide dispersion of remittance levels and their low sensitivity to control for *per capita* GDP allows consideration of various regions of this plot as distinct types of insertion in the global system of economic integration.

In the rest of this study, I shall term these distinct locations regimes of remittance dependency. At the simplest, we can distinguish, as does Table 3, between high and low levels of dependency along poor and rich migrant emitting states. In terms of this typology, the “push-pull” perspective’s expectation would be that most cases will fall in the top-left and bottom-right cells of this table.⁴⁸ Our alternative perspective opens up the question of where in this typology given societies fall—and examines the question empirically. Intuitively, it is reasonable to expect sharp contrasts in the available economic policy, geopolitical strategy, as well as labour, educational, pension and other social policy, etc. options for two states with approximately identical levels of *per capita* GDP where migrant remittances constitute, say, 12% of the GDP of one and 0.12% of another. As Figure 2 and Table 2 suggest, such contrasts do, clearly, exist at virtually all levels of national income.

Trajectories in Post-State-Socialist Remittance Dependency

The post-state-socialist transformation of the erstwhile Soviet ‘bloc’ produced 27 states, covering the world map in a fully contiguous manner from the former East German-West-German border and the eastern borders of Finland, Austria and Italy through the Pacific Ocean. This political transformation made available approximately 8.14% of the world’s population,⁴⁹ and added altogether circa 10.4% of the gross world product⁵⁰ at

the time, to that part of the global productive assets of humankind that is valorised by global capital without interference by a socialist state.

In the remainder of this study, I examine the trajectories of these 27 societies in two batches: the states of (South)-Eastern Europe (referred to in the graphs as (S)EE) and the 15 successor states of the erstwhile USSR. I examine the trajectories of these two groups of states at four time points: 1996 (the earliest year for which a reasonable number of data for the post-state-socialist states is available in the World Bank data set), 2000, 2005 and 2008 (the last year for which the Maddison data set offers estimates of *per capita* GDP). In order to facilitate visual comprehension of the position of the post-state-socialist states in the world, they will be marked with red and (in the case of the successor states of the erstwhile Yugoslavia) blue squares in the graphs, while I keep the distributions for all the societies of the world for which data are available for the given year (marked by small black dots) in the background of the graphs.

[Figure 3 about here]

Let us begin with the states of (South-)Eastern Europe. As Figure 3 suggests, Albania (Alb)—the poorest of this lot—was already among the world's most highly remittance-dependent societies by the time it began reporting remittance information to the World Bank in 1996. We find the Former Yugoslav Republic of Macedonia (MK), as well as Croatia (HR), Slovenia (SL) and the Czech Republic (CZ) also in the top half of the global distribution.

Closest to the median are Poland (PL) and Bulgaria (BG), followed, from some distance, by Hungary (H). Meanwhile, Slovakia (SK) and Romania (R) are definitely in the low-RMD segment of the graph.

[Figure 4 about here]

By 2000, we see (in Figure 4) the definite signs of a rearrangement. Most dramatic, Romania's MRD had rose from .025% to .26% of its GDP during the four years elapsed—but, even with this increase, Romania was still among the less remittance-dependent societies of the world in 2000. Poland has also moved up to the median of the global distribution of MRD, while the Czech Republic and Slovenia began their descent toward the regression line. The remaining societies of the region registered no perceptible movement.

[Figure 5 about here]

In 2004, the European Union underwent what is referred to as the “Big Bang” enlargements. As part of this expansion, five states of (South-)Eastern Europe—the Czech Republic, Hungary, Poland, Slovakia and Slovenia) were formally admitted⁵¹ in the EU. It is quite a surprising insight about the dynamics of remittance dependency that, contrary to some alarmist expectations of the EU being “flooded” by “Polish plumbers”⁵² and other temporary labour migrants from the newly acceded lands, only one, Slovakia experienced a major jump in RMD: Slovakia went from well below to considerably above the global median (its remittances increased from .06% to

1.54% of the GDP), showing a more than twenty-five-fold jump. Although the others show only moderate increases, all states of Southern and Eastern Europe have moved to or above the regression line by 2005.

To be noted is that, other than Slovakia, the highest increases in MRD were registered in Romania (jumping from .26% to 4.78% of the GDP, an uptake of more than 18 times) and Bulgaria (which shot from .45% to 5.58%, an increase of over 12-fold)—i.e., in states that were not included in the European Union's "Big Bang" enlargement. Viewed in the global context, Hungary, Slovakia, Croatia and Poland occupied a position almost exactly on or, as with the Czech Republic, somewhat below, the median of RMD, with Romania and Bulgarian already joining Albania, Bosnia-Herzegovina (BIH) and Macedonia in the high-MRD category.

Meanwhile, Slovenia requires special attention because, by 2005, it was clear that its trajectory was the exact opposite of the trends observed with the rest of (South-)Eastern Europe. The wealthiest (and smallest) state in the region began its migrant remittance experience at relatively high levels (registering 1.03%) in 1996. However, while most other societies of the region experienced an upward-pointing trajectory or began high and stayed high (as most other successor states of the former Yugoslavia), Slovenia went down such that, by 2005, its MRD was .74%, a figure that put it well below the global median and almost exactly on the regression line.

[Figure 6 about here]

By 2008, we see the culmination of the trends that began during the previous period. Albania, Bosnia-Herzegovina, Serbia, Romania, Macedonia and Bulgaria show high MRD levels, Croatia, Hungary, Slovakia and Poland are around the median, and Slovenia is joined by the Czech Republic as the two exceptions in (South-)Eastern Europe whose MRD can be characterised as relatively low. With their figures at .63% and .64%, respectively, they show almost exactly the value expected on the basis of the “push-pull” perspective.

[Figure 7 about here]

It is a testimony to the complexities of the post-Soviet landscape that the data representing the MRD of the successor states of the former USSR start with a remarkably wide dispersion. In 1996, Armenia's (AM) MRD level already stands at 5.25% of the GDP, while Ukraine (UA) registers .013%, a difference between two former-Soviet successor states of over 400 times. Next to Armenia, we find Moldova (MD) and Latvia (LT) also considerably above the global median, with Belarus (BY), Lithuania (LV) and Russia (RU) around the intersection of the median and the regression line. Slightly below, well below the global median, then we see Kazakhstan (KZ), Kyrgyzstan (KS), Azerbaijan (AZ), Estonia (EST) and Ukraine (UA). Particularly noteworthy are the positions of Ukraine, Estonia and Azerbaijan, because they are particularly far below the regression line, clearly among the world's societies with the lowest levels of migrant remittances.

[Figure 8 about here]

By 2000, we see a radically different map. Ukraine has moved up (going from .013% to .105%, showing a 7.8-fold increase in four years). Kyrgyzstan and Azerbaijan both show similar upswings, putting Kyrgyzstan just below the global median, slightly trailing behind Kazakhstan and just above Russia and Belarus. Estonia, the wealthiest state in this group, continues to have remarkably low levels of MRD. Among the high-MRD states, Moldova and Georgia (GE) are at the top, followed by Armenia and Latvia.

[Figure 9 about here]

The period of 2000 to 2005 (including, again, the year of the “Big Bang” enlargement of the European Union, bringing, from this group, Estonia, Latvia and Lithuania into the organisation) shows an enormous degree of flux. During this time, as Figure 9 suggests, Estonia moved from far below to almost exactly on the global median (a jump of 26.7 times, from .071% to 1.899%), putting it considerably above the regression line as well. Kyrgyzstan was catapulted into the high-MRD category, next to Tajikistan (TJ) and Moldova. Azerbaijan also became a high-MRD state during this period. Ukraine has continued its upward trajectory. By way of a movement in the opposite direction, Georgia’s (GE) MRD decreased, but it still remained within the high-MRD category, while Russia and Kazakhstan (KZ) experienced a considerable drop in their MRD.

[Figure 10 about here]

By 2008 (see Figure 10), the polarisation of the successor states of the USSR had become complete. With a striking 49.3% of its GDP accounted for by migrant remittances, Tajikistan reached the world record in remittance dependency for 2008. Moldova and Kyrgyzstan follow suit, with 31.3% and 24.%, respectively. Ukraine has finally shot into the high-MRD category so that, all other successor states of the former USSR except Russia and Kazakhstan are above the regression line. Of the latter group, Estonia, Lithuania (LV) and Belarus are on the global median, the rest are considerably above it. Russia and Kazakhstan—two heavily energy- and raw-materials-export-dependent economies of the former USSR that saw considerable international revenue increases due to the consistently high energy prices during the last decade and a half—are the only two in the low-MRD category.

[Figure 11 about here]

Two additional comparative perspectives deserve to be examined. Figure 11 highlights some of the similarities between the situation of the societies of (South-)East Europe and societies in other parts of the world in terms of their dependence on migrant remittances as of 2008. As Figure 11 reveals, in terms of MRD, Albania occupies a position almost identical with that of Guatemala (GUA), slightly below Jamaica (JAM) and higher than Morocco (MOR). Bosnia-Herzegovina is, meanwhile, inserted in the global system of

migrant remittances in a way that is, by and large, similar to Jordan (JOR). Serbia's position is very close to that of Ecuador (ECU), with Romania between Ecuador and Tunisia (TUN). Slovakia, Poland, Croatia and Hungary have MRD levels just below that of Mexico (MX)—likely the most-discussed migrant-emitting and remittance-receiving state in the literature on migration—and by and large comparable to that of Costa Rica (CRI), with slightly higher *per capita* GDPs, while Slovenia's and the Czech Republic's MRD is just a notch below that of Israel (ISR).

[Figure 12 about here]

Finally, the last graph plots all post-state-socialist states against the background of the world distribution for 2008. This presentation allows us to gain a visual sense of the current position of the post-state-socialist former-*'bloc'* in the global system of migrant remittances.

Two things are particularly noteworthy about this image. First, and most suggestive, the squares representing the post-state-socialist societies of the former Soviet-*'bloc'* have by and large come to occupy the top quintile of the global distribution of MRD, almost completely irrespective of their position in the global distribution of income. Tajikistan, Moldova, Bosnia-Herzegovina and Armenia are in fact exactly on the very top edge of the distribution of the world's states, and even the second "layer" is constituted by Latvia, Bulgaria, Azerbaijan, Georgia, Albania and Kyrgyzstan, with only such highly remittance dependent cases as Jordan, Lebanon and Lesotho making it on the list

otherwise dominated by post-state-socialist societies of the former Soviet-
“bloc.”

I have also examined an additional set of post-state-socialist societies in the graph for 2008. These are “third-world” states that had undergone a socialist transformation at some point in their histories but—except for Mongolia—protracted anti-colonial liberation struggles and other wars dominated their socialist history. Nor are they (again, with the exception of Mongolia) geographically contiguous with the Soviet “bloc.” The list includes Angola (ANG), Cambodia (KM), Mongolia (MNG), Mozambique (MOC) and Laos (LAO). As Figure 12 clearly indicates, Mongolia and Cambodia are above the global median and on or above the regression line; the others are very clearly in the low-MRD category.

Finally, Figure 12 also includes a marker for the Philippines (PHI). The Philippines offers an important point of orientation because its government has, for a generation now, taken very strong pro-migration- and, more important, pro-migrant-remittance measures, becoming what Robyn Magalit Rodriguez calls “a labour-brokering state.”⁵³ The Philippine government trains selected groups of its citizens in specific skill areas, promotes the life strategy of working abroad as a service to the nation, acts as an agent and a representative of sorts for them *in lieu* of trade unions, its embassies employ specialists whose job it is to keep contact with Filipina/Filipino workers abroad and, most important, it makes a series of concerted efforts to enable Philippine citizen migrants to return and repatriate their earnings.⁵⁴ In other

words, the Philippines ought to be seen as a society in the global South whose government is strongly focussed on promoting a high level of migrant remittances.

As Figure 12 reveals, with its concerted efforts, the Philippine government has managed to achieve a 10.7% level in migrant remittances. Of the group of post-state-socialist states, Tajikistan, Moldova, Kyrgyzstan, Bosnia-Herzegovina and Albania each derive higher proportions of their respective GDPs from remittances, and Armenia is not lagging too far behind. This should help contextualise globally the condition of labour exports in the post-Soviet-“bloc.”

Discussion and Conclusions

We can isolate three distinct MRD patterns in the post-Soviet context. They are:

- “Global South”-style poor economies with high MRD throughout the period under study (Tajikistan, Albania, Moldova);
- Medium-to-high MRD early on, followed by precipitous drops (Slovenia, Czech Republic, Russia, Kazakhstan);
- Systematic “march” upward, populating the top quintile in the global plot of remittance dependency (all others, both in (S)EE and the former USSR).

The by now quarter-of-a-century-old critique of “push-pull” theories, quoted above, argued that, by themselves, global inequalities in income levels fail to explain the manifold complexities of international migration. The wide dispersion of the world’s societies in terms of the share of migrant remittances in GDP, after controlling for *per capita* GDP, strongly confirmed this critique.

Examination of the recent experiences of the post-Soviet states added another layer to that critique of the “push-pull” model. For, it is not just that relative income levels do not fully explain the variation in remittance levels; the world’s societies can, and as the post-state-socialist trajectories indicate, very much do, move in the global system along the dimension of remittance dependency. The empirical task for the researcher is, hence, not simply locating a position but following the trajectories of (groups of) societies.

The experience of post-state-socialist societies suggests, clearly, that there is considerable movement in the system—in some exceptional cases that movement can be quite extreme, involving greater than twenty-fold increases in the percentages of the GDP accounted for by migrant remittances over relatively short periods (three to five years). Only a small subgroup of the world’s post-state-socialist societies (Albania, Moldova and Tajikistan) show evidence of having begun their involvement in global labour exports at levels comparable to the most remittance-dependent poor societies of the world. Practically all other societies examined here travelled quite a long distance in the analytical graph. Most of them proceeded upward. This makes the cases of the three or four low-MRD exceptions (which, without an exception, begun

at higher levels and “descended” over time) that much more exciting for analytical purposes.

To recap, most post-state-socialist societies of the former-Soviet-“bloc” have recently become highly dependent on migrant remittances, almost completely irrespective of their level of income. There are two sets of exceptions from this regularity. Slovenia and the Czech Republic came down from their initial, mid-to-high-MRD to the regression line during this period, while Russia and Kazakhstan descended from medium-to low to really low levels of MRD (below both the “push-pull” regression line and the global median).

By the end of the period under study, almost all societies in what used to be the state socialist “bloc” have shown evidence of specialisation in high dependence on migrant remittances. This is a unique, specific, and, thus far, unknown finding. The implications of the sudden and unique move of most societies of (S)EE and northern Eurasia to this particular kind of specialisation will require much more analytical space than what is available in the framework of this paper.

The inclusion of Mongolia and the non-contiguous, “former-third-world” erstwhile-state-socialist states (as it is done in Figure 12) offers an additional clue pointing toward a possible explanation for this striking empirical regularity. Because of the absence of high MRD among the latter group, the simple “post-state-socialism” explanation (one that would argue that specialisation on high levels of MRD is somehow caused by the post-state-

socialist transformation—i.e., a combination of a transition to a more formal multiparty political system with the constitutional guarantees for private capital ownership—does not hold by itself.

I cannot offer a firm alternative explanation in this preliminary analysis, but I will venture to say that this difference may have something to do with combinations of factors such as the historical legacies of Soviet-style state-socialist policies (industrialisation, education, urbanisation, collective and individual class mobility, including proletarianisation, etc., during the state socialist period) and the geopolitical presence of two large economies—the European Union and Russia—with intense needs, for their own distinct reasons, for industrially socialised, educated, urbanised and proletarianised and extremely inexpensive labour. In other words, my point is that neither the “transition to democracy,” nor property change, nor the mere cheapness of labour explain these extremely high levels of MRD by themselves.

We could get closer to an understanding of the full complexity of the story by way of a much more detailed examination of the histories of each of these societies in terms of their participation in the Eurasian labour migration systems. It is also important to note that the Czech Republic, Slovenia, Russia and perhaps even Kazakhstan—i.e., three of the four that are exceptions from the rule of high MRD—had emerged, during the post-state-socialist period, as strongly migrant-attracting economies, and it stands to reason that the conditions that attract foreign citizens to work there might work as factors that help persuade their own citizens not to seek employment abroad.

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Tables

Table 1. Rates of Growth in Total Remittances to the Third World and Global Economic Growth [%]. Sources: for remittances: Ratha and Silwal, 2012; for GNI and GDP: IBRD, World Development Indicators, 2012.

	2008	2009	2010	2011
Growth in remittances to Third World	16.1	-6.3	5.7	10.5 ⁵⁵
Total GNI growth (annual %) ⁵⁶	1.2	-2.57	4.47	..
Total GDP growth (annual %) ⁵⁷	1.33	-2.25	4.34	2.73

Table 2 Percent of Variance in Remittance Dependence Explained by GDP/cap (R^2 yielded by univariate regression, Select Years). Sources: IBRD, World Development Indicators and Maddison.

	1980	1985	1990	1995	2000	2005	2008
GDP/cap as % of world mean	.009 ⁵⁸	.011 ⁵⁹	.008	.009	.021	.135	.169

Table 3: Regimes of Remittance Dependency (MRD)

High remittance dependency	<i>Poor—high MRD</i>	<i>Rich—high MRD</i>
Low remittance dependency	<i>Poor—low MRD</i>	<i>Rich-high MRD</i>
	<i>Low per capita GDP</i>	<i>High per capita GDP</i>

Figures

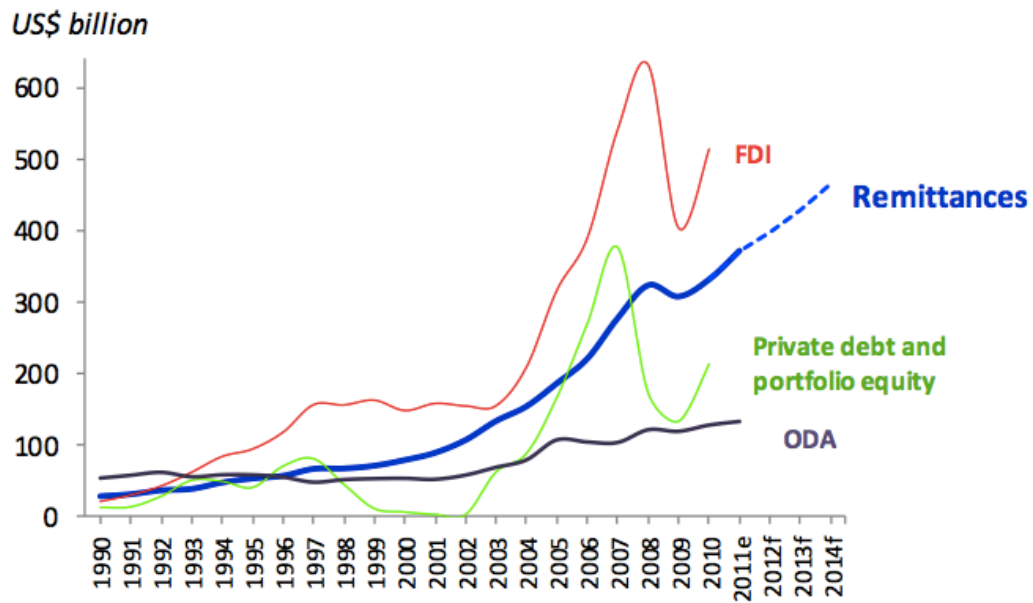
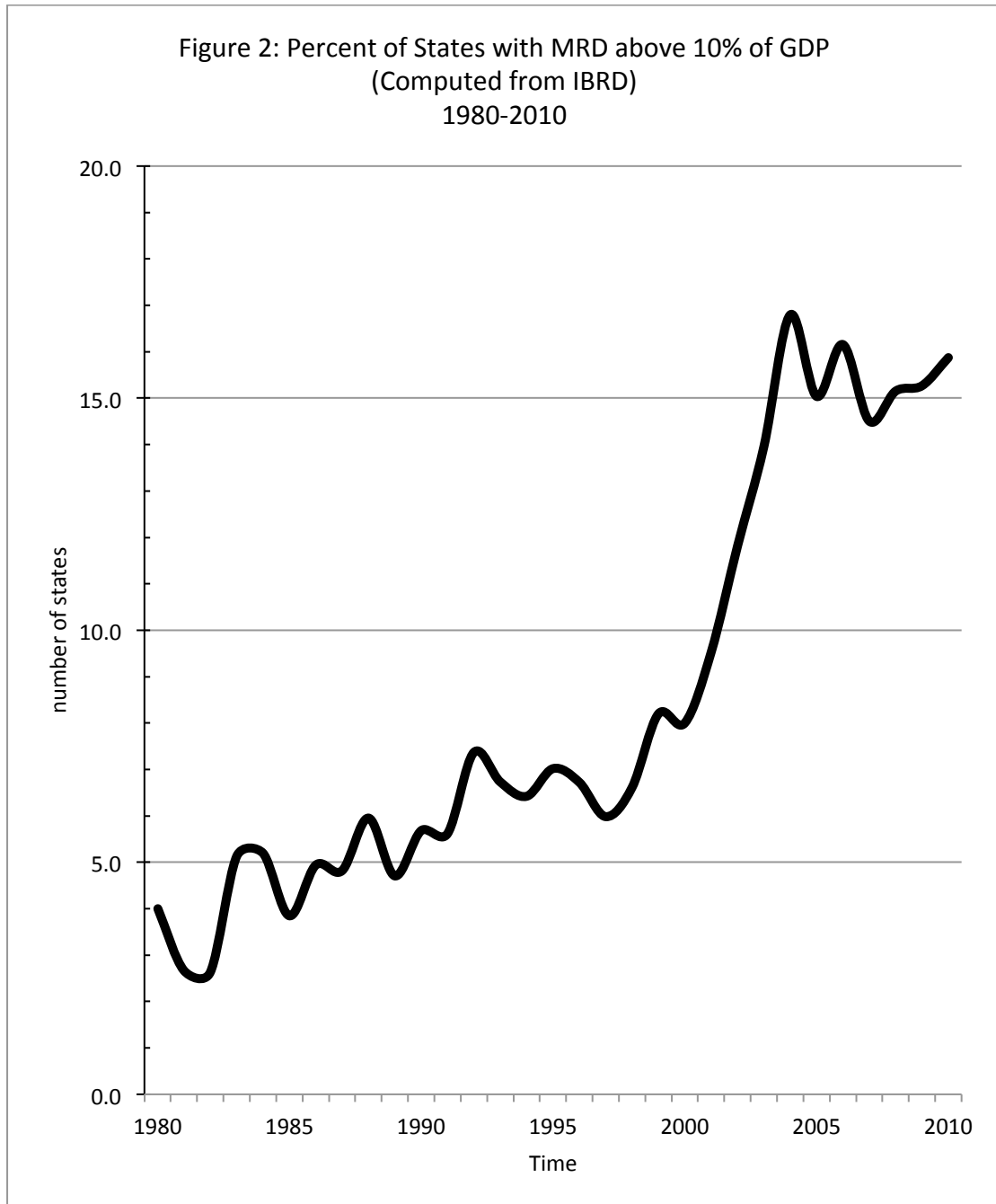


Figure 1 "Remittances and Other Resource Flows to Developing Countries, 1990-2010," Source: Ratha and Silwal.



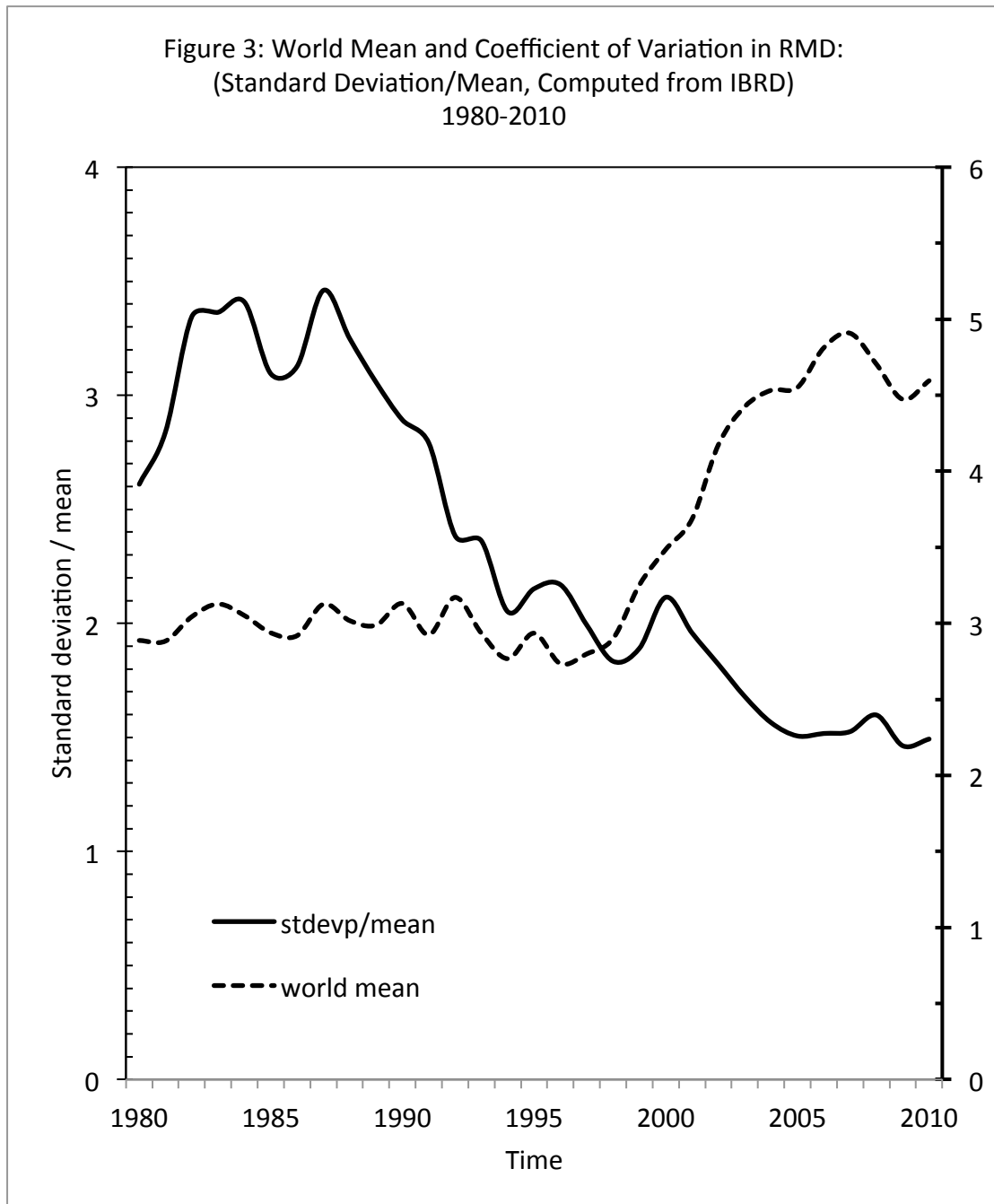


Figure 2: Relative Wealth and MRD,
States of the World, 2008
(% of GDP by % of world mean GDP/cap)
Computed from Maddison and IBRD

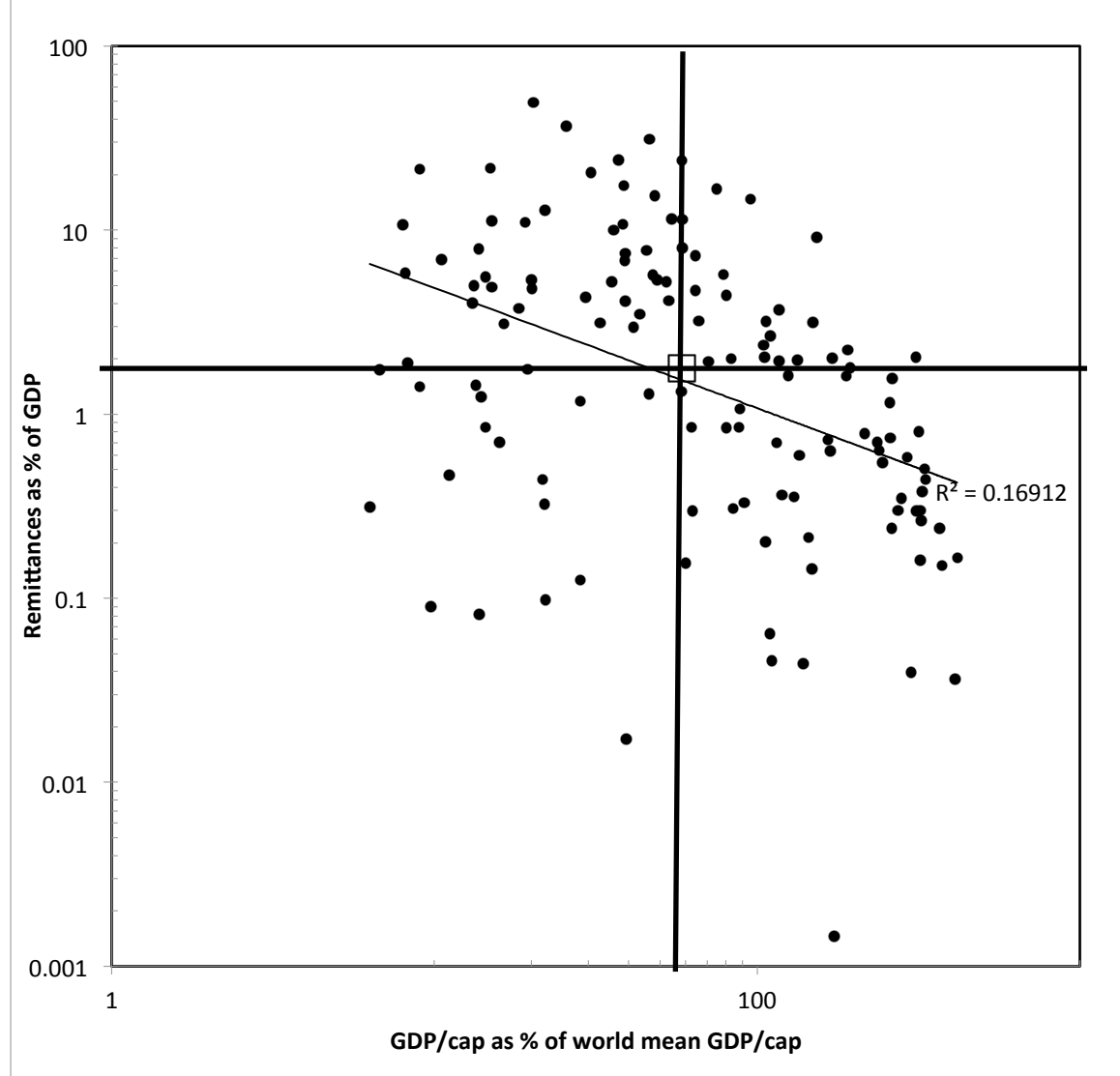


Figure 3: Relative Wealth and MRD,
(S)EE and World, 1996 (% of GDP by % of world mean
GDP/cap)
Computed from Maddison and IBRD

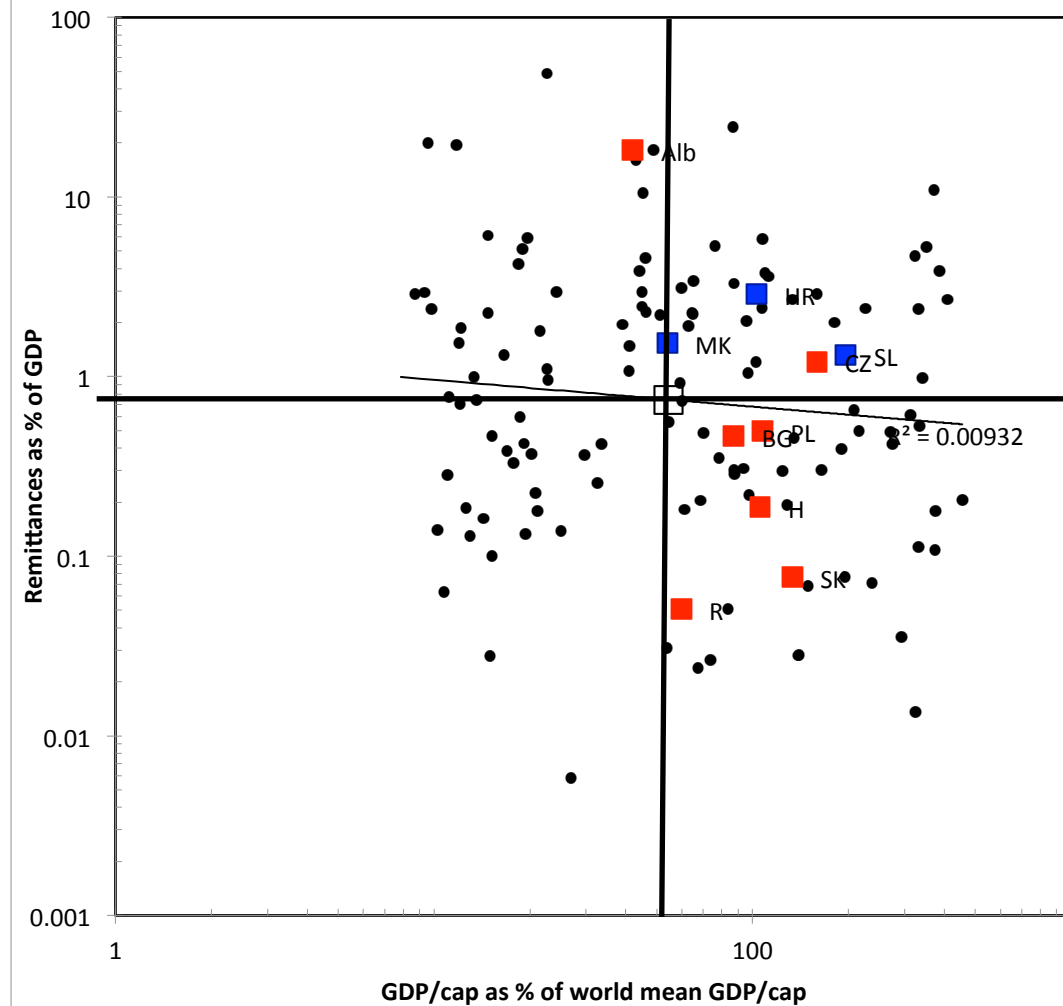


Figure 4: Relative Wealth and MRD,
(S)EE and World, 2000 (% of GDP by % of world mean
GDP/cap)
Computed from Maddison and IBRD

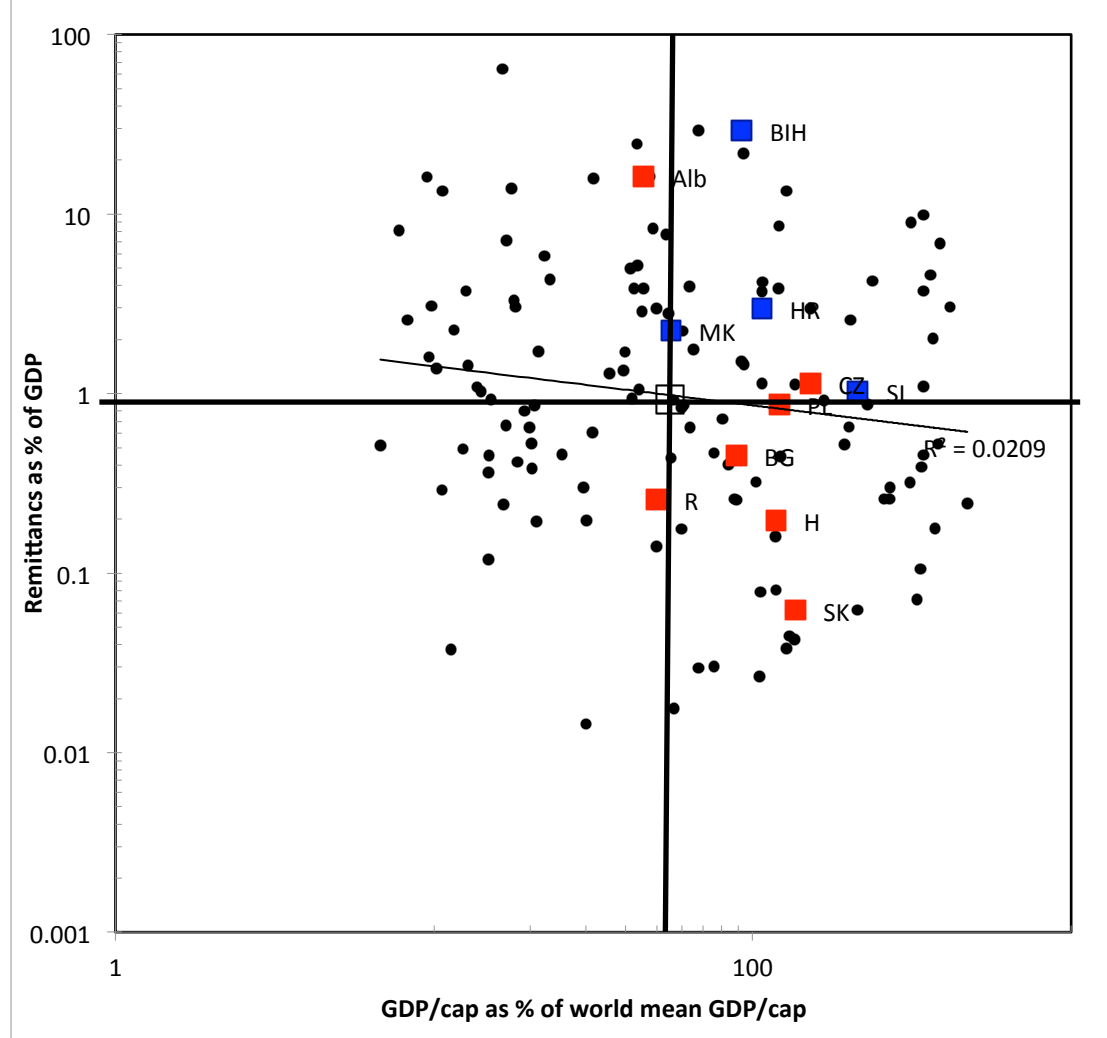


Figure 5: Relative Wealth and MRD,
(S)EE and World, 2005 (% of GDP by % of world mean GDP/
cap)
Computed from Maddison and IBRD

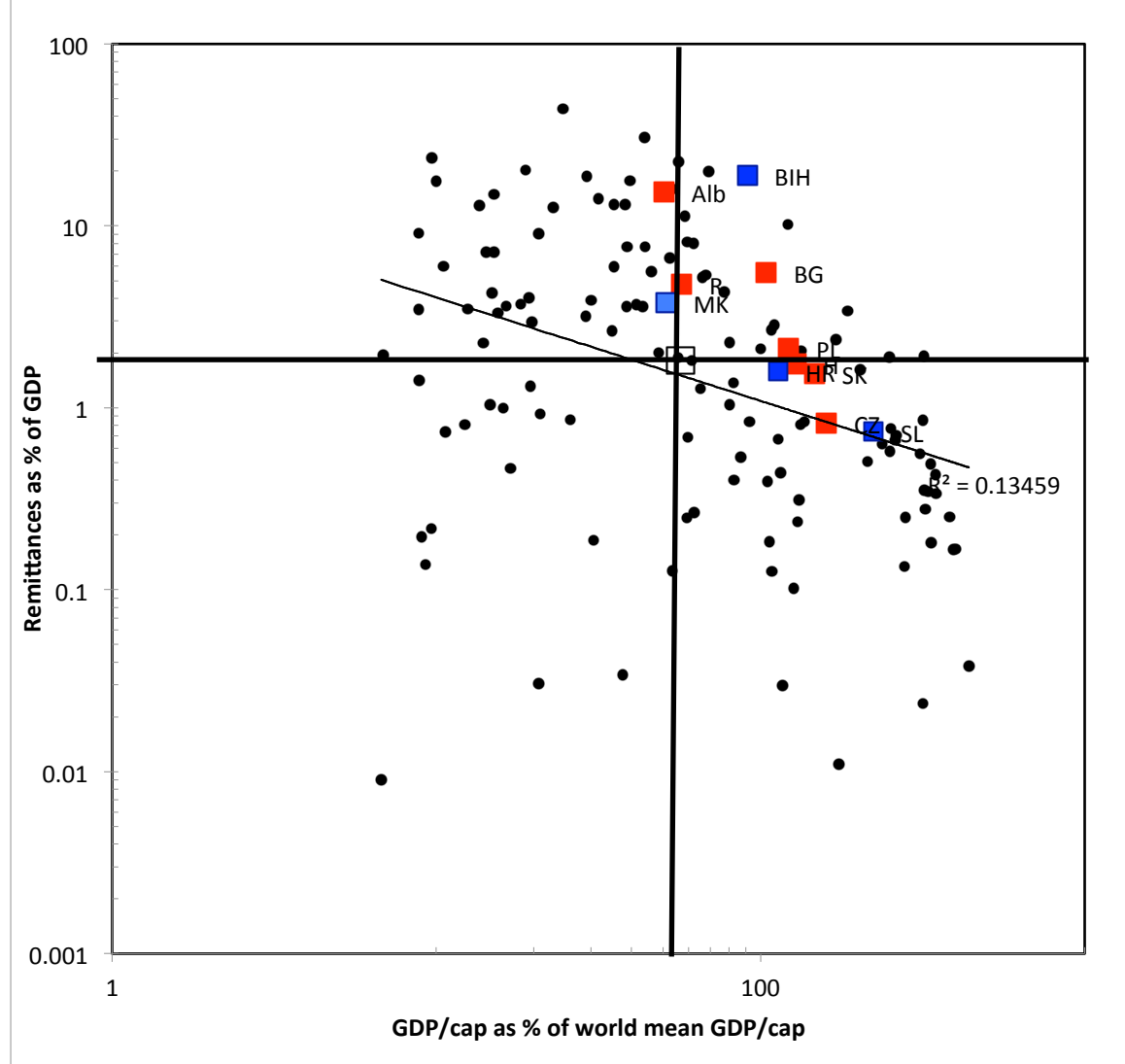


Figure 6: Relative Wealth and MRD, (S)EE and States of the World, 2008 (% of GDP by % of world mean GDP/cap)
Computed from Maddison and IBRD

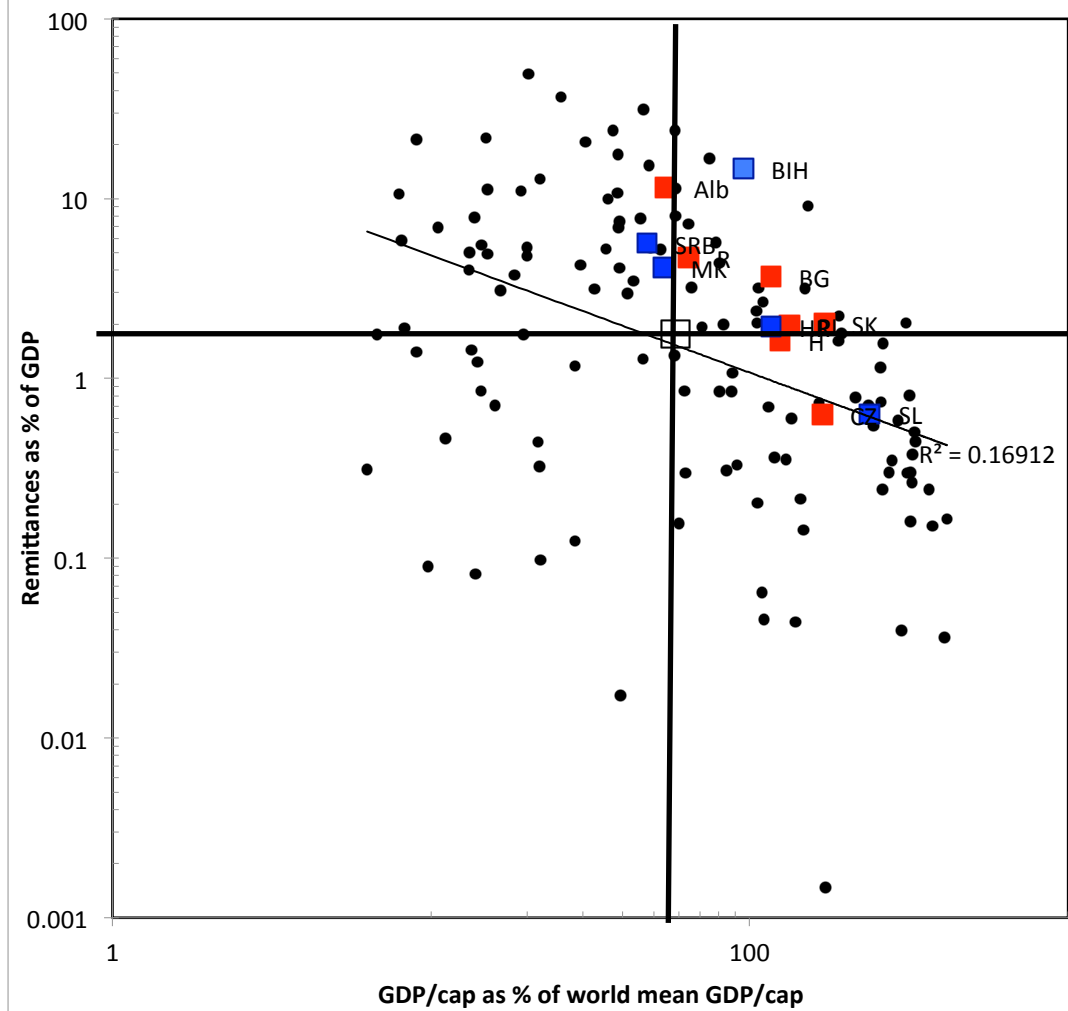


Figure 7: Relative Wealth and MRD,
Former USSR and World, 1996 (% of GDP by % of world
mean GDP/cap)
Computed from Maddison and IBRD

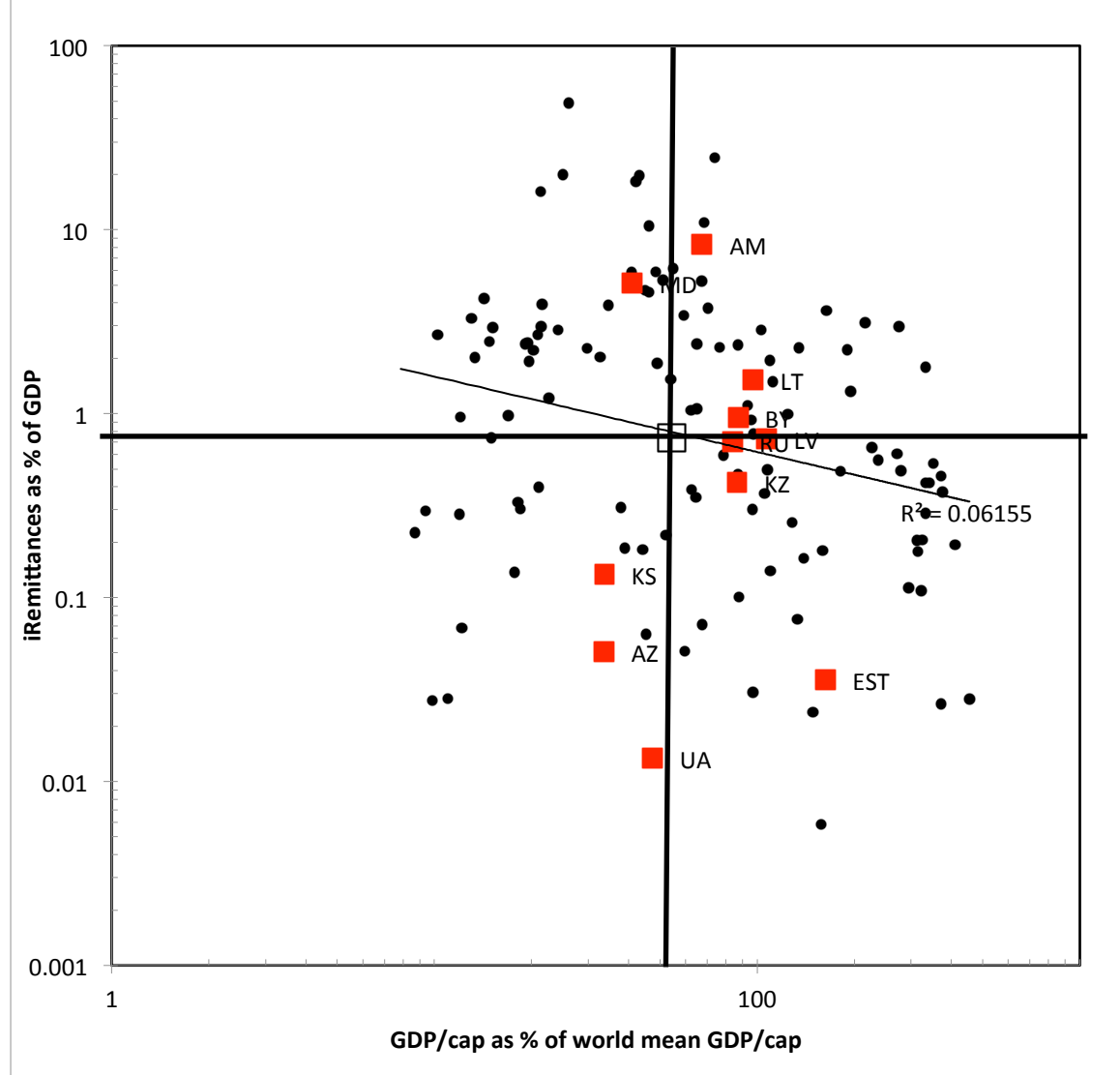


Figure 8: Relative Wealth and MRD,
Former USSR and World, 2000 (% of GDP by % of world
mean GDP/cap)
Computed from Maddison and IBRD

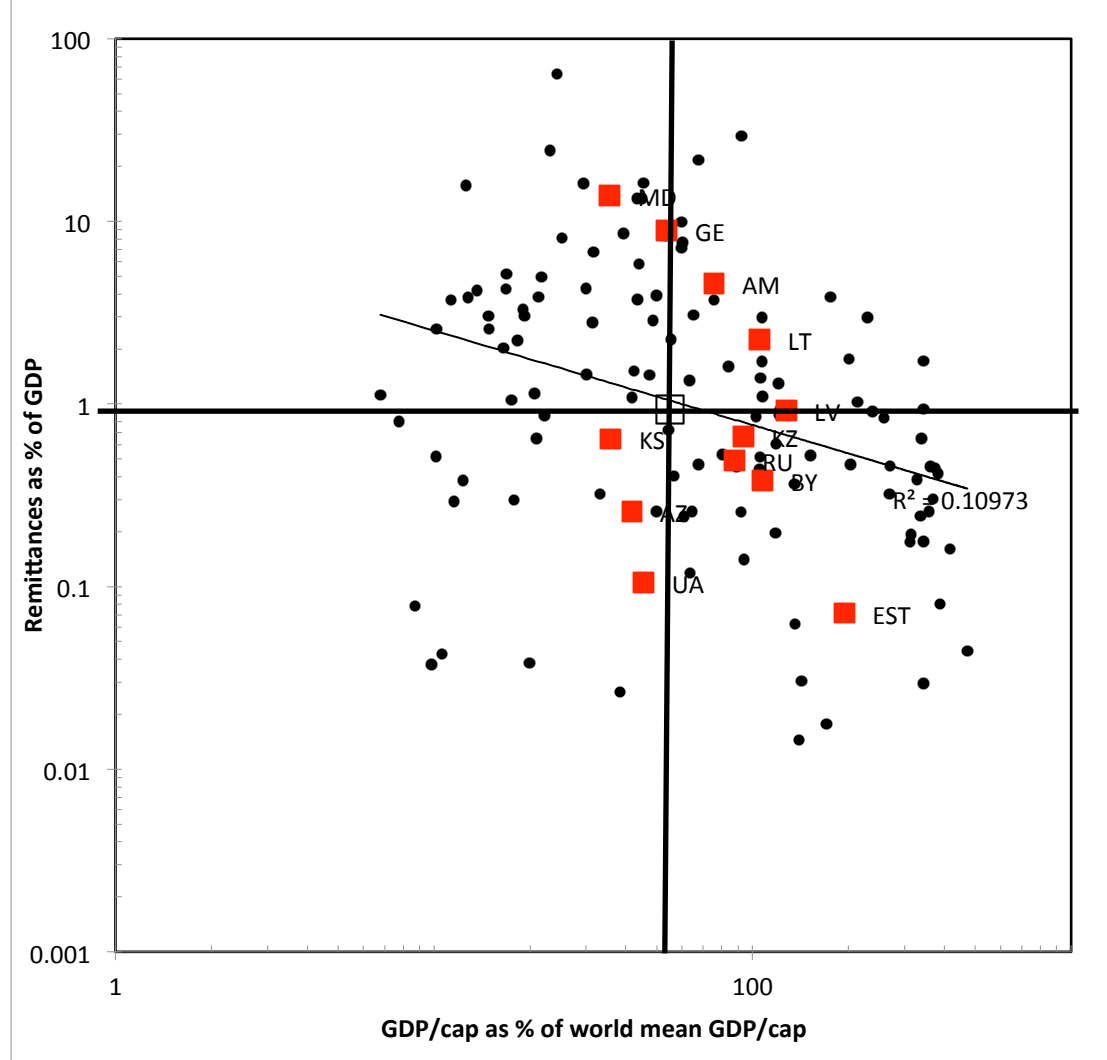


Figure 9: Relative Wealth and MRD,
Former USSR and World, 2005 (% of GDP by % of world
mean GDP/cap)
Computed from Maddison and IBRD

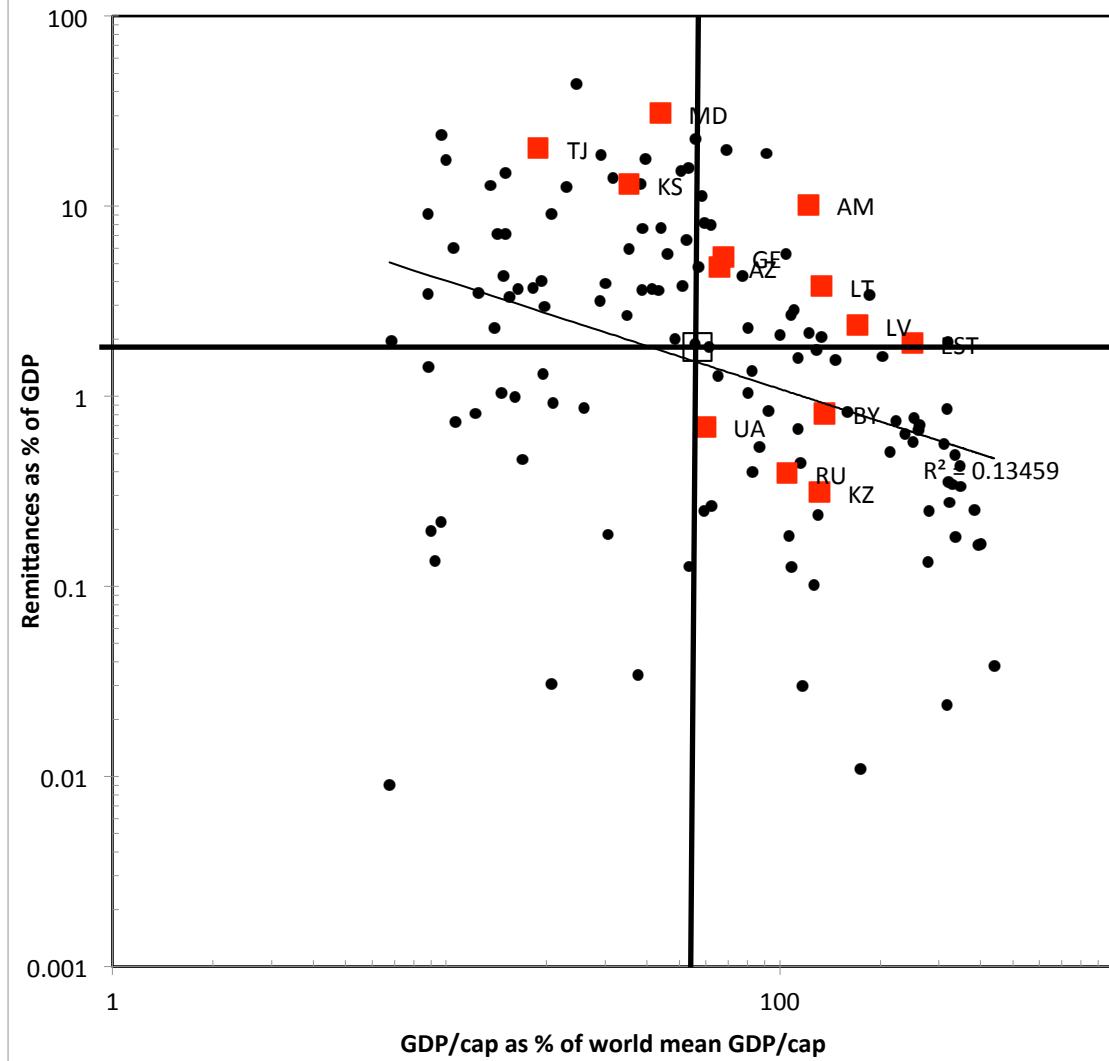


Figure 10: Relative Wealth and MRD,
Former USSR and World, 2008 (% of GDP by % of world
mean GDP/cap)
Computed from Maddison and IBRD

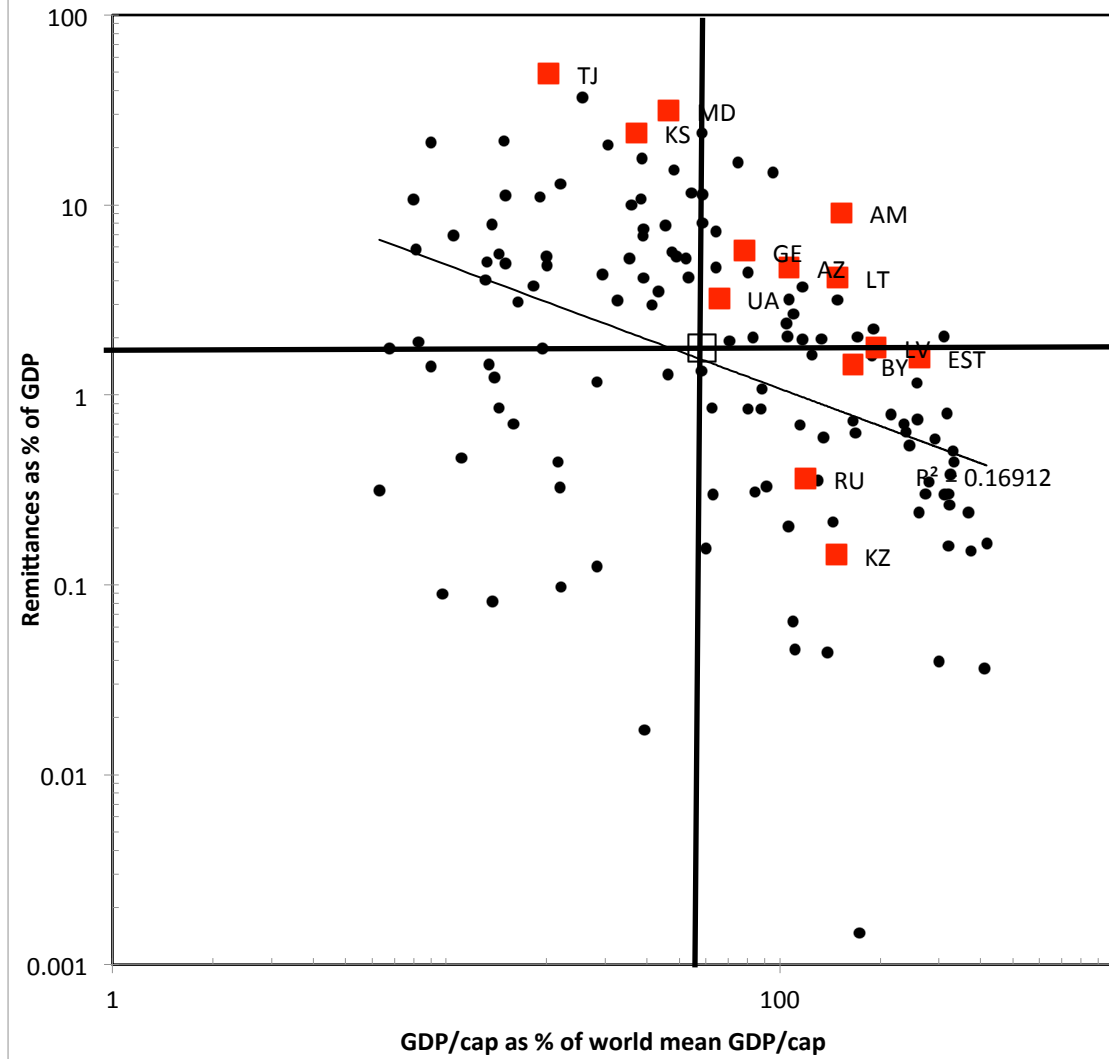


Figure 11: Relative Wealth and Remittance Dependency,
(S)EE and World, 2008 (% of GDP by % of world mean
GDP/cap)
Computed from Maddison and IBRD

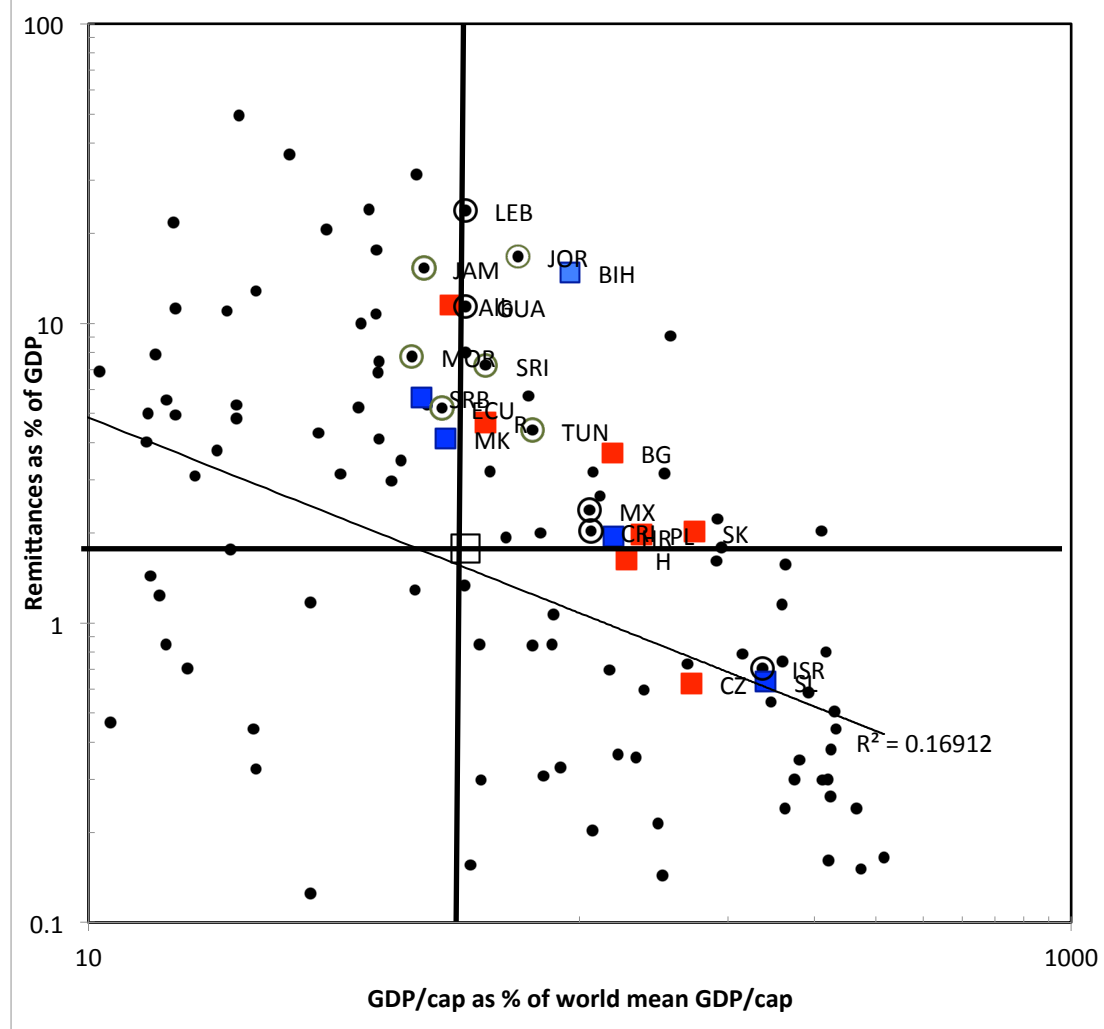
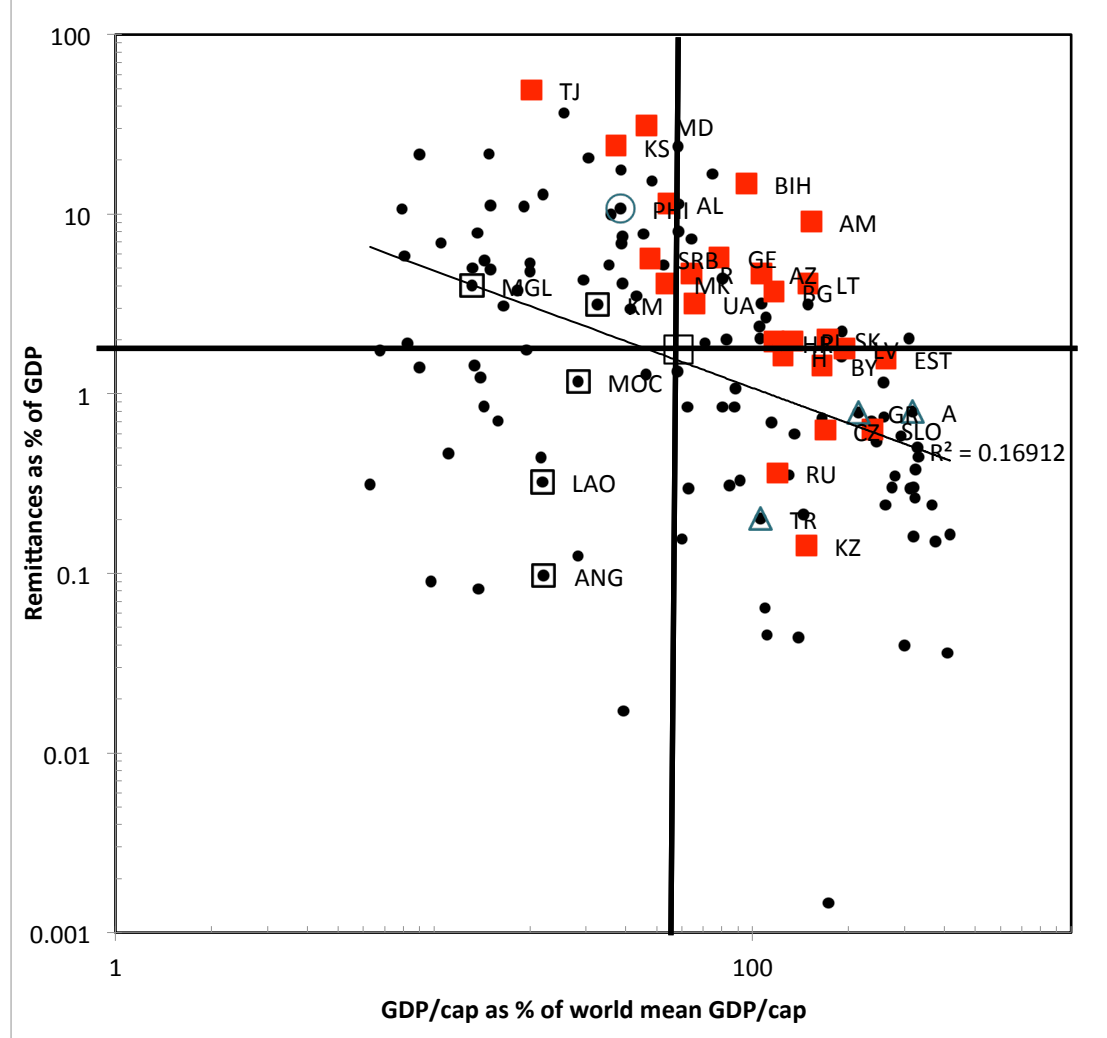


Figure 12: Relative Wealth and MRD,
 All Post-State-Socialist States, and States of the World,
 2008 (% of GDP by % of world mean GDP/cap)
 Computed from Maddison and IBRD



References

¹ This paper is an extended and revised version of a keynote address presented at the Launching Conference of SEEMIG, a research project entitled “Managing Migration and its Effects in South-East Europe: Transnational Actions towards Evidence Based Strategies” (SEEMIG - SEE/C/0006/4.1/X), realized from a research grant provided by the South East Europe Transnational Cooperation Programme. The conference was held at the Institute of Informatics and Statistics of the Faculty of Natural Sciences of the Comenius University in Bratislava, Slovakia, on September 19, 2012. The author wishes to thank Attila Melegh for the invitation to the project, and Mahua Sarkar and Attila Melegh for a number of relevant conversations about the topics covered in this paper. The author is also grateful to Endre Sik and Ágnes Hárs for their helpful comments on the keynote version of the paper. Additional research funding was provided by Rutgers, The State University of New Jersey, and the Hungarian TÁMOP research scheme dispensed through the Pázmány Péter Catholic University of Budapest.

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³ Tilly, 1984.

⁴ Variable code “BX.TRF.PWKR.DT.GD.ZS,” “Workers’ remittances and compensation of employees, received (% of GDP), IBRD.

⁵ Maddison estimates historical GDP/cap figures with the Geary-Khamis method—a version of the purchasing power parity (PPP) technique—at current USD. For the analysis, they have been translated into annual percentages of the world mean GDP/cap. PPP measures are known to have a close covariance with exchange rate (XE)-based measures, and have one clear advantage, namely, that they control for differences in real cost-of-living differences along the distribution. As a result, the overall variance in the PPP estimates tends to be more “conservative” than that of XE-measures; in other words, the rich appear somewhat less rich, and the poor somewhat less poor.

⁶ Maddison, 2012. Maddison’s figures are Geary-Khamis PPP estimates, offered in fixed 1980 USD. For better over-time comparability and easier interpretability as “relative position in the global system of economic inequality,” I have converted Maddison’s USD figures to percentages of the world mean GDP/cap for the given year.

⁷ Obviously, economic effects constitute only a subset of the many, far-reaching consequences of labour exports.

⁸ For more details, see Böröcz, 2012.

⁹ See, e.g., Keely and Tran, 1989, Guarnizo, 2003, Hujo and Piper, 2007, Koppenberg, 2012 or Thieme 2012.

¹⁰ See, e.g., Nyberg-Sorensen, Van Hear and Engberg-Pedersen 2002, the papers included in Castles and Delgado-Wise 2007, and Geiser and Pécould 2013.

¹¹ According to the World Development Indicators dataset, the total foreign-born population (SM.POP.TOTL) of the world increased from 178.1 to 213.3

million people. The World Bank estimates that that comprises 2.92% to 3.11% of the total world population (SM.POP.TOTL.ZS) between 2000 and 2010 (IBRD, 2012).

¹² Ratha and Silwal, 2012, Figure 1 (p.1).

¹³ 10% is of course an arbitrary threshold. I use it here to illustrate the changes in the magnitude of the situation. See also Helmke 2010.

¹⁴ Computed from IBRD 2012.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Portes, 2007, p. 20.

¹⁸ Krilova, 2008.

¹⁹ Guarnizo, 2003.

²⁰ Ibid.

²¹ Guarnizo, 2003, summarizing findings, for the Dominican Republic, by Grasmuck and Pessar 1991 and, for El Salvador, by Lungo and Kandel 1999 and Zilberg and Lungo 1999.

²² Massey et al., 1998.

²³ Ghosh 2006 and World Bank 2006, quoted non-verbatim by Castles and Delgado-Wise, 2007, p. 7.

²⁴ E.g., Castles and Delgado-Wise 2007, p. 7.

²⁵ Castles 2009.

²⁶ Castles and Delgado-Wise (2009) find this discussion “nonsensical” because “socio-economic change and human mobility are constantly interactive processes,” (p.1.) making it impossible to separate the mutual effects of the two empirically.

²⁷ Foran, 383.

²⁸ Ibid.

²⁹ dos Santos 1970, p. 231, quoting dos Santos 1968, p. 6.

³⁰ This is not necessarily and always a devastating socio-economic and -political problem: Small discrepancies in network power can be, and are, routinely absorbed, especially given the historic expectations that such external networks will, eventually, over time, provide possible avenues for a more equal relationship. However, magnitudes do matter, and it is also the case that true reciprocity in dependency—where society A and society B are by and large to the same extent, symmetrically dependent on each other in multiple dimensions—is almost un-heard-of.

³¹ Because of the tendency of asymmetrical ties to cluster, it is possible to regard the external dependency of society A as a structural condition, even without necessarily specifying which alters (societies B, C, D, etc.) A is dependent on. It is this insight that led, among other developments, to recognition of the importance of the existence and character of external linkages in explaining chronic problems of economic growth, industrialisation, and (internal as well as external) inequalities.

³² There appears to be such a degree of agreement about the existence, and significance, of remittance dependency that, while a large number of studies—e.g., Keely and Tran, 1989, Guarnizo, 2003, Hujo and Piper, 2007, Koppenberg, 2012, Thieme 2012—use a notion of remittance dependency, they do not offer a formal definition for it, nor do they specify its origins.

³³ The only example of a study that uses network data I have found, Lueth and Ruiz-Arranz (2006), works with data for 11 remittance destination states, linked to 3 to 31 alters. This creates a small and very uneven sub-matrix of the 200 by 200 state-to-state matrix that is the world economy.

³⁴ See, e.g., Portes, Guarnizo and Landolt 1999, Landolt, Autler and Baires 1999, Puri and Ritzema 1999, de Haas 2007, Zelizer. 2007

³⁵ According to one World Bank estimate, reported by Ratha and Shaw, 2007, “the true size of these flows, taking into account unrecorded flows through formal and informal channels, is believed to be at least 50 percent larger” than estimates based only on formal sector transfers. (See also Awal, 2011.)

³⁶ Sarkar, 2012.

³⁷ Freund and Spatafora, 2005, p. 5, state considers information concerning the lower transaction costs in the informal sector “anecdotal”; meanwhile, in the next paragraph, they assert without any qualification that “[f]ormal remittance channels are typically more expensive” (ibid.).

³⁸ Freund and Spatafora, 2005 raises the possibility that recorded higher levels may be artifacts of a movement toward the formal sector—but, from a sociological point of view, there is no *a priori* reason to exclude the obverse, i.e., that recorded drops may be results of a movement toward the informal sector.

³⁹ The description of the relevant variable— “Workers’ remittances and compensation of employees, received (% of GDP)”, variable code: BX.TRF.PWKR.DT.GD.ZS.—reads as follows:

Workers’ remittances and compensation of employees comprise current transfers by migrant workers and wages and salaries earned by nonresident workers. Data are the sum of three items defined in the fifth edition of the IMF’s Balance of Payments Manual: workers’ remittances, compensation of employees, and migrants’ transfers. Remittances are classified as current private transfers from migrant workers resident in the host country for more than a year, irrespective of their immigration status, to recipients in their country of origin. Migrants’ transfers are defined as the net worth of migrants who are expected to remain in the host country for more than one year that is transferred from one country to another at the time of migration. Compensation of employees is the income of migrants who have lived in the host country for less than a year. (IBRD, 2012.)

⁴⁰ See, e.g., Adams, 2008 (also quoting Glytsos, 1997).

⁴¹ To be noted is that “most—but not all of the results” presented by Adams (2008, p. 17) suggest an “inverted U-shape” relationship between remittances and *per capita* GDP—however, this is not directly relevant because Adams’ dependent variable is remittances *per capita* (not remittances as % of the GDP).

⁴² E.g., Poonam Gupta spells out the precepts of a neoclassical perspective on migration, savings and remittances as follows: “one can think of an optimising framework whereby a migrant maximises his utility by choosing the optimal level of his own consumption, remittances to family in his native country for their consumption needs, and investment in various available instruments in the native country as well as in the host country” (2006, p. 2772).

⁴³ Portes and Böröcz, 1989.

⁴⁴ *Ibid.*, p. 607.

⁴⁵ 2008 is the most recent data year for which both remittance and GDP estimates are available at the time of the writing of this study.

⁴⁶ *Ibid.*

⁴⁷ Medians in both dimensions are marked by straight black lines in this and all subsequent graphs.

⁴⁸ Further to aid orientation in this map of global positions, I also include a univariate power regression line in each graph—a visual aid that can be interpreted as the set of expected values under the “push-pull” perspective.

⁴⁹ Computed from Maddison, 2012.

⁵⁰ Computed from Maddison, 2012.

⁵¹ To be noted is that, with respect to labour migration, most already-EU-member states imposed a seven-year ban on the new entrants so, at least in theory, one ought to have expected a relatively minor effect on remittances until 2011, when the bans expired.

⁵² The xenophobic public debates about east European migrants supposedly “inundating” western Europe unfolded with a particular viciousness in France, in the context of the debate on the European Constitutional Treaty (Favell, 2008) and in Britain over the latter government’s decision not to restrict labour migration to citizens of the newly-admitted EU-member states (Martyniak, 2006). About the emerging, longue-durée moral-geopolitical patterns of ‘European difference’, see Böröcz, 2006 and Melegh 2006.

⁵³ Rodriguez, 2010.

⁵⁴ See, e.g., Rodriguez, 2010.

⁵⁵ Estimate for the first half of 2011.

⁵⁶ Variable code: NY.GNP.PCAP.CD . “GNI per capita (formerly GNP per capita) is the gross national income, converted to U.S. dollars using the World Bank Atlas method, divided by the midyear population. GNI is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad. GNI, calculated in national currency, is usually converted to U.S. dollars at official exchange rates for comparisons across economies, although an alternative rate is used when the official exchange rate is judged to diverge by an exceptionally large margin from the rate actually applied in international transactions. To smooth fluctuations in prices and exchange rates, a special Atlas method of conversion is used by the World Bank. This applies a conversion factor that averages the exchange rate for a given year and the two preceding years, adjusted for differences in rates of inflation between the country, and through 2000, the G-5 countries (France, Germany, Japan, the United Kingdom, and the United States). From 2001, these countries include the Euro area, Japan, the United Kingdom, and the United States.”

⁵⁷ Variable code: NY.GDP.MKTP.KD.ZG . “Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2000 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without

making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.”

⁵⁸ The effect points in the direction opposite the expectation.

⁵⁹ The effect points in the direction opposite the expectation.