2 The Importance of Remittances

There is considerable evidence in many countries, at least in past years, that migrants' remittances are a significant part of disposable income especially in Samoa, Tonga, and smaller states such as Cook Islands, Kiribati, Tuvalu, and Wallis and Futuna. In fact, the smaller island countries (specifically Cook Islands, Kiribati, Tokelau, and Tuvalu) were dubbed MIRAB states, where migration, remittances, aid and the resulting, largely urban bureaucracy are central to the socioeconomic system (Bertram and Watters 1985). It quickly became evident that this acronym had wider relevance (Connell 1988). While the term is disliked in the Pacific because it implies a handout mentality, it nonetheless suggests the centrality of migration and remittances and has been largely unchallenged for two decades (Bertram 1999a). On the other hand, it has been recognized quite correctly that the term appears to deny the initiative of Pacific islanders other than as migrants in spite of a range of activities such as the 1990s boom in squash cultivation in Tonga (van der Grijp 1999; cf. Hooper 1993). Moreover,

> Islanders in their homelands are not the parasites on their relatives abroad that misinterpreters of 'remittances' would have us believe. Economist do not take account of the social centrality of the ancient practice of reciprocity. ... They overlook the fact that for everything homeland relatives receive they reciprocate with goods they themselves produce, by maintaining ancestral roots and lands for everyone. ... This is not dependence but interdependence (Hau'ofa 1984)

At the very least, remittances have complex and important social and economic dimensions.

The original acronym has spawned others. MURAB places extra and appropriate emphasis on urbanization in island states such as Tuvalu (Munro 1990), and ARAB applies to French Polynesia where there is virtually no migration because of high wage levels and other forms of state support but where atomic rent produced similar outcomes (Poirine 1994). Finally there have also been MIAB countries where migration has not stimulated a significant flow of remittances (Ogden 1994).

MIAB describes some parts of Micronesia including the Marshall Islands and the Yapese (Federated States of Micronesia) outer island of Woleai (Ogden 1994; Karakita 1997). Indeed more remittances flow from the Marshall Islands to migrants in the United States than into the islands. This is a function of relatively high incomes because of American aid, high education expenses in the United States (Hess 2004), and the fact that Marshallese have exceptionally low-paying jobs in the United States. This situation is also true for some parts of the Federated States of Micronesia (FSM). Migrants from the atoll of Namoluk do not send remittances home on a regular basis since the cost of living in California, Hawaii, and Guam is such that they have nothing to send. Moreover, with few exceptions they work in notoriously poorly paid, largely forgotten jobs (Marshall 2004). However, as Micronesians acquire superior education and better jobs, it is probable that the migration-remittance system will eventually move towards the more standard form. In fact, the largest survey of remittances of migrants from FSM to Guam and Hawaii in the late 1990s demonstrated that more than a third of households did send them (Grieco 2003). The proportions were lower than those of first generation Polynesian migrants and the sums were also smaller, but it is clear that remittances are of growing significance. Connell's observations on the atoll of Woleai in the early 1990s suggest that this transition was also occurring there as other sources of cash income were both few and declining.

Remittances are even more important in the more remote parts of small Pacific island states whether as international or national flows. On the tiny coral atoll of Manihiki in Cook Islands, migration and remittances constituted nothing less than a socioeconomic strategy for collective survival (Underhill 1989). In Nanumea in Tuvalu, remittances grew from half the island's income in the 1970s and 1980s to 75% in the 1990s in large part because of the collapse of copra marketing as world prices slumped (Chambers and Chambers 2001). Similar situations occur in other small islands and island states.

In Tonga and elsewhere, migrants have been seen as part of a "transnational corporation of kin" that may seek to maximize extended household incomes across different continents (Marcus 1981). Similarly for households in Samoa, "…having young wage earners abroad diversified families' earning streams and reduced their dependence on high-risk activities. Having family members in several locations abroad diversified earning sources and reduced risk levels still further" (Macpherson 2004). Moreover Macpherson went on to argue that, "Families, using intelligence from migrants abroad, periodically surveyed risks and returns in various enclaves and encouraged others abroad to relocate in places in which returns were found to be higher and risks lower." In this way Samoans were encouraged to join the United States military because jobs were assured, wages were higher,

and education could be obtained without loss of earnings. "If this analysis depicts Samoans as calculative and instrumental, it is because in relation to risk and return they are necessarily so... [as] risks and returns available in various places were formally canvassed and modeled by families" (ibid).

It has been argued, however, that applying the same kind of model in Tonga tends to portray families as in agreement about their economic aims and functions whereas there are often conflicts and tensions within them (Morton Lee 2004). Moreover, over a decade ago, James argued that in many Tongan villages remittances were becoming individualized and that the idea of a transnational community of kin was becoming increasingly invalid (James 1993b; Morton Lee 2003). In Kiribati and Tuvalu where seafarers send remittances to wives and parents, there are frequent disagreements about their allocation and use (Dennis 2003). Evans has pointed out that since remittances necessarily tend to be received by a single person, their use remains more complex than just meeting certain household goals (2001). In the absence of detailed studies in the Pacific in the last decade, the extent to which there has been greater individualization is impossible to determine. Such conflicts over use emphasize, rather than downplay, the role of remittances.

Only recently have second and third generations of Pacific islanders grown up outside their island homes, hence the extent to which these people will remit and even whether they can be described as islanders or migrants is not well known. Already there is some evidence that the links between second generation Samoans in New Zealand and Tongans in Australia with their kin on home islands are declining though in the latter case links are maintained with migrant Tongans elsewhere (Muliaina 2001; Morton Lee 2003; 2004a). These new generations are more likely to act as individuals rather than to perceive themselves as members of wider transnational social groupings.

Until the 1990s, there was a degree of consensus about migration and remittances in the Pacific centered on their high volume, their social significance, and their relatively conservative use for consumption and social events. While it is generally accepted that remittances are an important benefit of migration, at the same time they have been perceived as both central to and an element of distortion and dependence in island economies. Charges have been laid that remittances fuel conspicuous consumption of imported goods of little real value, that they fail to transform or rejuvenate languishing rural economies, and that they discourage local effort. Pacific islanders, on the other hand, have often viewed remittances more positively. In 1992 Malama Meleisea wrote,

> In less than twenty years Samoan villages have been rebuilt with permanent material houses, shiny glass and concrete churches.

> Many rural families own smart new Japanese or American made pick-up trucks and young people wear jeans and shorts instead of lavalava – all this has been due mainly to the remittance dollar.

Similarly in Tonga,

> The consequences of having a relative overseas were often conspicuous in daily life in the early 1980s. New store bought outfits. A household appliance, or frequent trips to the village shop were local signs that a letter or package had come from overseas. A house in the village with a sink or bath-tub, sometimes sitting uninstalled on the property, was an indication that a husband working overseas would soon be returning (Small 1997).

Though incomes from outside the islands (whether remittances or aid) have tended to contribute to inflation, to raise the opportunity cost of labor, and possibly to depress some local development, they have nonetheless produced higher material standards of living where the local resource bases, fragmentation, and isolation would otherwise have impeded development. In many circumstances, remittances are very high proportions of national, village, and household incomes. For the Samoan economy, for example, remittances are a crucial element in national development plans. Even as early as 1962, Pirie and Barrett predicted that migration and remittances would become central to Samoan economic planning. Forty years ago, Pirie observed that Samoans in New Zealand had remitted US$15 million and that this was, "...of major assistance to Western Samoa in meeting its overseas payments" (1960). At much the same time, Shankman recorded that, "…in 1974, 20 percent of the Western Samoan population was overseas and remitting over 50 percent of the national income" (1976). This situation was broadly similar in Tonga where remittances were the single most important source of national income at least by 1973 (Connell 1983) although these early trends were less well documented (see Campbell 1992). In Cook Islands, high proportions were also recorded though aid played a greater role (Loomis 1990; Mataio 1991). In each of these states, for more than a quarter of a century since, remittances have remained at similarly high proportions or have increased.

The overall data on remittances as gross private transfer receipts (see following table) though under-recorded indicate the very considerable long-term significance of remittances in Samoa and Tonga and their recent growing importance in Fiji Islands.

Gross Private Transfer Receipts [a] in US$ million 1990–2002

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Cook Islands [b]	-	-	-	-	1.2	1.3	1.4	1.4	1.2	1.1	1.1		
Fiji Islands [c]	-	-	-16.3	-11.1	-23.8	-26.5	-30.4	-11.4	-7.0	-10.7	-12.3	40.4	53.0
Kiribati [d]	-	-	-	-	4.0	5.2	6.0	6.8	6.7	7.1	6.0	5.7	6.0
Marshall Islands	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6
Micronesia, Federated States of	-	-	-	-	1.1	1.2	1.4	1.7	1.9	2.2	2.2	2.2	2.3
Papua New Guinea	-	-	-	-	59.4	66.5	51.7	70.3	83.0	61.8	13.0	26.0	18.0
Samoa [e]	-	-	-	31.3	33.1	35.3	36.8	42.0	37.3	41.6	43.7	41.8	57.9
Solomon Islands	-	-	-	-	-	22.1	18.6	17.5	11.9	24.9	16.5	23.9	15.9
Tonga [f]	-	35.5	32.5	41.7	42.5	46.9	44.9	44.4	44.2	40.2	48.0	54.2	65.2
Tuvalu [g]	-	1.7	1.7	1.7	2.0	2.0	2.0	4.0	4.0	4.0	4.0	4.9	
Vanuatu	6.9	6.0	5.4	4.9	5.8	6.1	12.5	13.8	15.6	18.7	27.3	39.5	30.6

[a] Private transfer receipts in the Balance of Payments account are current transfer payments received by private persons and nonofficial organizations of the reporting country from the rest of the world that carry no provisions for repayment. In addition to workers ' remittances, private transfer receipts would include current transfers by migrants; gifts, dowries, and inheritances; and alimony and other support remittances.

[b] Private remittance receipts only

[c] Net Private sector transfers

[d] Refers to seamen's remittances which are classified by Kiribati authorities in the Balance of Payments as factor income receipts rather than transfer receipts.

[e] Excludes earnings remitted by residents working on short-term contracts overseas (this would be defined as factor income from abroad).

[f] In fiscal year ending 30 June.

[g] Estimates for the early 1990s, 1997 to 2000, and 2001 from the Central Statistics Division and the TTF Advisory Committee 2001 report as cited in the Tuvalu 2002 Economic and Public Sector Review, ADB Manila, page 9.

Sources: Treasury of Samoa Quarterly Review, various issues; National Reserve Bank of Tonga Quarterly Bulletin; Cook Islands Quarterly Statistical Bulletin; Reserve Bank of Fiji Quarterly Review, Fiji Islands; Bureau of Statistics Key Statistics; Reserve Bank of Vanuatu Quarterly Economic Review; Central Bank of Solomon Islands Quarterly Review; Pacific Island Economic Reports; International Monetary Fund.

In 1998–99, remittances to Tonga amounted to P$63 million, more than three times the value of exports and very much the largest component of the economy; since then they have increased by about 50%. Data from Samoa reveal a very similar situation. The recent growth in Fiji is remarkable and represents both domestic economic problems and still rapid but relatively recent overseas migration. Current reports indicate that remittances in Fiji have now reached US$140 million and are still rising. This is a function of the declining national economy, rising numbers (more than 2000) in the British army, a rise in the number of nurses and caregivers overseas, and a new migration into security services in Iraq (Radio New Zealand International 13 October 2004). In Kiribati too remittances from seafarers grew almost tenfold between 1979 and 1998 (Borovnik 2004) though national data suggest that there was a parallel decline in remittances from Nauru. The situation may well have been similar in Tuvalu. What little macro evidence there is suggests that these kinds of levels, proportions, and rates of growth are also broadly similar elsewhere but are clearly larger in Samoa and Tonga than in other, partially remittance-dependent economies such as Cook Islands, Kiribati, and Tuvalu.

In countries where remittances are of great national significance they are, not surprisingly, important throughout the country. For example, a series of studies in Tonga in the 1980s and 1990s recorded that remittances constituted anywhere between 15% (a very low figure) and over 50% of the income of various villages (Hardaker et al 1987; Faeamani 1995; Sudo 1997; Evans 2001). Similarly, in Fusi, Samoa some 90% of households received remittances (Muliaina 2001) while 86% did so in Nukunuku, Tonga (Halatuituia 2001) though both villages had a range of other sources of income including nearby urban employment. In more remote villages such as Ha'ano in Tonga, almost all households received remittances (Evans 2001).

Fewer households receive remittances in countries like Kiribati where a relatively small proportion of the national population is overseas at any one time. Though the volume may not be large, the limited availability of alternative income sources means that demands on recipients may be great. In Kiribati almost all remittance recipients gave money to those who asked for it, and although there was an expectation of reciprocity, some recipients were actually worse off financially by the time their remittances arrived (Clark 2004). While this situation is unusual and probably rare outside Kiribati, it indicates the extreme dependence on remittances and the limited contribution they may actually make to development.

A large number of mainly anthropological studies of one or two villages over brief periods of time have documented how migrants' remittances maintain social ties and act as insurance schemes. They are principally used,

at least initially, to repay debts, to finance migration of kin, and to purchase consumer goods including housing. They often reinforce a traditional set of values that emphasizes the prevailing social hierarchy and strengthens established social organization. Remittances tend to go to senior family members who use them in traditional ways instead of for structural changes such as land tenure reform. Overseas migrants invariably retain land rights even after long periods of absence and may also discourage spending remittances in nontraditional ways.

Through these social ties, remittances play a critical role within extended Pacific kinship groups. The transnational corporation of kin not only helps to maintain family and communal networks but may even enlarge networks of support and empowerment. Despite occasional conflicts within households about economic and social strategies, migrants might also be seen as acting as a family firm in terms of both consumption and investment in different geographical locations (Bertram 1999). Poirine has suggested that remittances may even be seen as informal loan agreements (1997; Brown and Poirine 2005).

Marcus emphasized over a decade ago that, "…the capacity to call on international resources has become a crucial factor in influencing a family's local economic conditions. The lowest stratum in contemporary Tonga are [sic] those totally dependent on the nation state framework, and the limited resources it embodies, without any overseas options at all" (1993). It is increasingly argued as in Tonga that, "…every family needs to have someone overseas. Otherwise the family is to be pitied" (quoted in Small 1997). Hence, in contrast to western societies, it is often female-headed households that survive most effectively (Gailey 1992a).

Remittances have raised living standards in the islands (Faeamani 1995), have contributed to employment especially in the service and construction sectors, and have eased balance of payment problems (despite contributing to inflation) especially in the larger Polynesian countries. However, increased demand for improved consumer goods can usually only be met by further migration, and it has generally been argued that little of the remittance income has been invested in economic growth.

In some countries, international migration has been viewed as a kind of safety valve reducing pressures on governments to provide employment and welfare especially when the rate of population growth is high and that of economic growth is low. Thus in virtually all the home countries in the Pacific, there is little concern over international migration though there are concerns about specific issues such as absolute population loss, brain drain, and the use of remittances for development. Nevertheless, none of these concerns has ever been translated into policy. Rather, throughout the region, the safety-valve effect, limited economic growth, and priorities given to freedom of

movement have resulted in steady, unimpeded migration though bonds have been imposed on many of those receiving higher education abroad to reduce the skill drain. In both Samoa and Tonga, the size of the domestic population has therefore remained unchanged for much more than a decade despite relatively high rates of natural increase.

In Tuvalu, where international migration to Nauru declined and reversed following the closure of the phosphate mine and where there have been concerns over rising sea levels, there has been pressure on Australia since 1994 to increase migration opportunities. The potential impact of the greenhouse effect in other atoll states has also resulted in increased interest in international migration (Connell and Lea 1992; Connell 1999, 2003a). In FSM and the Marshall Islands, the possibility of migration to the United States was written into the Compact of Free Association when the two states moved towards independence (Connell 1986). The possibility of restrictions on international migration, on the other hand, has discouraged independence in the Cook Islands, Wallis and Futuna, and American Samoa.

There is little evidence so far that the safety valve of international migration has enabled home countries to significantly reduce their populations and/or to use remittances to restructure their economies. Migration has tended to be viewed rather as a substitute for development or even as development itself instead of as short term support for national efforts. The use of remittances is therefore of greater significance.

Overall, the available evidence on international migration in the Pacific islands demonstrates that in the short run a number of distinct benefits accrues to individual migrants and their families and to home countries. Despite rising unemployment and recession in host countries, this appears to remain true although there are many poor migrant families. Migration has reduced the level of open and disguised unemployment although it has also contributed to a loss of skilled human resources. In the case of migration of Samoans and Tongans to the United States alone, "Emigration results in the permanent loss of young educated skilled labor from the Pacific island nations. Skilled labor is in short supply and emigration probably hinders development" (Ahlburg and Levin 1990). This is certainly true in the health sector where more costly (and less skilled) replacements have been required (Brown and Connell 2004a; Connell 2004) and is widely true in the government sector in Samoa (Liki 1994) and almost certainly true elsewhere. Exceptions occur where wages and salary levels are more comparable with those in the main migrant destinations. Thus in Cook Islands, the extensive migration of skilled personnel is balanced by a considerable degree of return migration (Hooker and Varcoe 1999).

Despite the benefits of international migration, there are indications that in the long term it may impose considerable costs. Governments have not been able to control or to direct the use of remittances nor have they generally sought to do so when migration generates increased demand for consumer goods. This demand can usually only be satisfied by further migration if other sources of national income are difficult to develop. Inequalities may increase, and establishing population and migration policies may be postponed.

The available data on remittances in the Pacific are fragmented and limited, hence many questions have not been thoroughly investigated. Those include the extent to which remittances are sensitive to variables like foreign exchange rates, relative rates of interest and inflation and the extent to which migration and remittances contribute to inequality. Are demographic characteristics (age, gender, duration of stay, residential status), economic characteristics (employment status, income levels, etc.), and conditions of migrants in home countries good predictors of remittance levels? How do family reunification and the potential for returning home affect propensities to remit? In the absence of adequate data, answers may be inaccurate or may apply only to specific locations and times.