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Note on Remittances

The sending of money home by migrants—commonly known as remittances—is nothing new. In the first issue of the *The Journal of the Indian Archipelago and Eastern Asia* from 1847, for example, Chin wrote of the “coolies from the Gambier and Pepper plantations, who had come into town for the purpose of sending their annual letters and remittances to their families in China by the Junks which were leaving on their return voyage.”¹ Remittances also played a significant role in the financial development of European countries during the mass migration of the late 19th and early 20th centuries.² Bosniaks who were displaced as a result of the Yugoslavian conflict of the early 1990s (estimated to be 25% of the pre-conflict population) kept Bosnia from going bankrupt by sending money home.³ Bosnia’s economy was destroyed by the conflict and the country received little foreign direct investment.

Remittances have swelled in recent decades, however. Indeed, the World Bank estimates that global remittances totaled more than 596 billion USD in 2017, which is more than three times formal economic development money. The majority of the flow (some 450 billion USD) is to emerging economies. Mexico, for example, received 30.5 billion USD in 2017.⁴ As a percentage of GDP, however, other countries are even more dependent on remittances. Tajikistan, for example, derived 28% of its gross domestic product (GDP) from remittances.⁵ As both skilled and unskilled migration proliferates, and as the costs of sending money abroad decline, remittances will continue to grow.⁶

The purpose of this note, therefore, is to explore remittances. It begins by defining remittances and outlining the typical methods for sending them. It then highlights the size and scope of remittances globally. The note continues by identifying factors which affect remittances, and by exploring the controversy over remittances. It then discusses the case of Somalia and its reliance on remittances. Finally, the note considers the future of remittances.

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