

Cherishing the goose with the golden eggs: Trends in migrant remittances from Europe to Morocco 1970-2004

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Abstract

In contrast to earlier predictions, migrant remittances from Europe to Morocco have shown an increasing trend over the past decades. Remittances constitute a vital and relatively stable source of foreign capital. The so-called “Euro effect” and concomitant money laundering can only explain part of the recent, extreme surge in remittances. The structural solidity of remittances is explained by the unforeseen persistence of migration to northwestern Europe; new labor migration towards southern Europe; and the durability of transnational and transgenerational links between migrants and staybehinds. The stable economic-political environment and new “enlightened” policies towards migrants explain why Morocco has been relatively successful in channeling remittances through official channels.

1. Introduction

Migrant remittances have become increasingly important for a growing number of developing countries. Remittances have grown more rapidly than international migration (Buch *et al.*, 2002). Total world remittance credits (the sum of worker remittances, compensation of employees, and migrant transfers) rose from US\$ 2 billion in 1970 to US\$ 28 billion in 1988. Remittances to developing countries more than doubled between 1988 and 1999. In contrast, official aid flows fell through most of the 1990s.

Remittances are the second-largest source of external funding for developing countries behind FDI. In 2001, the total value of officially reported remittances to developing countries stood at US\$ 72 billion annually, which was much higher than total official flows and private non-FDI flows, and 42 percent of total FDI flows to developing countries (Ratha, 2003). Since this does not include transfers in cash and kind and remittances sent through informal channels, the actual amount of remittances is likely to be substantially higher (Puri and Ritzema, 1999).

For developing countries, remittances are a crucial source of foreign currency. On a micro and meso level, remittances sent back to migrant sending regions play a vital role in alleviating poverty and sustaining and improving livelihoods and improving the ability of migrant families to educate and provide health care for their children (Adams and Page, 2003; Jones, 1998a; Russell, 1995). It has been argued that remittances are a safety net for relatively poor areas, and that remittances are freer from political barriers and controls than either product or other capital flows (Jones, 1998a:4). However, as with the process of migration itself, the direct benefits of remittances are selective, and do neither tend to flow to the poorest members of communities (cf. CDR, 2002:2; Schiff, 1994:15) nor to the poorest countries (Kapur, 2003:

7-8). Nevertheless, for low-income countries in Sub-Saharan Africa and South-Asia, remittances are also on the rise and constitute a higher share of international capital inflows compared to middle-income countries (Gammeltoft, 2002; Ratha, 2003)

Morocco stands prominent among remittances receiving countries. With 2 million officially registered migrants abroad and 3.6 billion US\$ in official remittances in 2003, Morocco was the developing world's fourth remittance receivers in absolute terms (Ratha, 2003). However, since the onset of large scale-emigration from Morocco to Europe in the 1960s, severe worries have existed among scholars and Moroccan policy makers that remittances would decline mainly as a result of (1) increasingly restrictive immigration policies of European countries and the (2) integration of first, but especially second and third generation "Moroccans" in Europe and the supposed weakening of ties with Morocco this would imply. A future decline in remittances has therefore been commonly predicted (cf. Leichtman, 2002).

This reflects a more general concern in the migration literature. It has often been predicted that the surge in remittances would be a temporary phenomenon and a "sudden fall" can be expected (Birks and Sinclair, 1979:309). This argument was partly based on the prevailing assumption that, in the wake of the 1973 Oil Crisis, the era of massive South-North labor migration had largely ended. Complying to the "remittances decay hypothesis" (cf. Forsyth, 1992), remittances have therefore often been regarded as an unreliable source of revenue, which create an "artificial" and "temporary" improvement in livelihoods, which contribute little to sustained growth, and create a "dangerous" dependency on external revenues. Yet several recent studies on remittance flows suggest that remittances are a more stable and reliable source of income than more volatile sources of foreign exchange, such as FDI (foreign direct investment) and development aid (Buch et al., 2002; Gammeltoft, 2002; Keely, and

Tran 1989; Ratha, 2003). Therefore, it has been argued that it is likely that remittance flows along with migration movements will increase in the near future (Keely and Tran, 1989; Ratha, 2003).

It seems important to increase insight in the factors determining remittance flows¹. Evidently, remittances are influenced by factors such as numbers of migrants, their marital status, economic activity and earnings in host and sending countries, and their emotional and social ties with the country of origin. Furthermore, facilities for transferring funds, political risk and trust, relative interest rates, and general economic prospects in sending and receiving countries are supposed to have an impact (Puri and Ritzema, 1999).

Earlier studies by Swamy (1981), Straubhaar (1986), and others suggest that, apart from the number of migrants, the level and cyclical fluctuations in economic activities in destination countries explain most of the variations in remittance flows. Specific remittance policies such as “premium” exchange rates to attract remittances and special savings accounts for migrants seem to have an effect on the magnitude of unrecorded remittances, but hardly on total remittances (Puri and Ritzema, 1999). Nevertheless, the evidence is inconclusive due to the limited availability of reliable data.

Most remittance studies have been cross-country “snapshot” analyses for one particular year or period on gross remittance flows. It can therefore be illuminating to assess in detail longitudinal and receiving-countries specific data on remittance transfers to one prominent emigration country. In this, Morocco represents a good case, as (1) it has a history of four decades of sustained out-migration; (2) remittance data are available over longer periods from both Moroccan and European data sources; and (3) it is a country to which a relatively large

share of money is remitted through official channels. Finally, Morocco has been relatively neglected in the relevant literature compared to other emigration countries.

In this paper, we will analyze remittance flows from European countries to Morocco over the 1970-2004 period. The aim is to comprehend fluctuations and main trends in remittance transfers. The following questions are addressed: (1) What are the main trends in remittance transfers from the main destination countries in Europe (i.e., France, the Netherlands, Belgium, Spain, Italy, Germany, Sweden, United Kingdom) to Morocco? (2) How can we explain changes in the internal composition of remittance flows both in gross terms and on country-level? (3) To what extent can we explain these trends from changes in migration patterns and social, economic, and political factors affecting remittance flows? (4) From this, what can we say about remittance flows in the near future?

2. Data collection and methodology

A common problem in estimating remittances is that only a part of all remittances is officially recorded (cf. Kapur, 2003). There are two types of remittance leakage: The one due to erroneous, imprecise accounting – which we can little do about – and the one that is due to the use of informal channels for sending remittances (Puri and Ritzema, 1999). The latter include (1) transfers through intermediary financial operators in the informal foreign exchange market; (2) imports of goods “in nature” brought back by migrants on return on holiday; and (3) cash money brought home which is subsequently converted into local currency at local banks.

For Morocco, there is evidence that relative little money is remitted through intermediary financial operators, as the macro-economic environment is stable and banking and foreign exchange facilities are well-developed (De Haas, 2003). The relatively small transaction costs for remitting money through banks, post offices, and the efficiency of money transfer offices like Western Union, have prevented the creation of large, informal “parallel” remittance channels such as in Algeria and Somalia. In contrast, imports in nature and in cash are important. Much money is handed over personally and migrants take many goods (e.g., electronics, household appliances, furniture, cars, car spare parts, clothes) to Morocco as gifts or as merchandise. Refass (1999:102) estimated that in Morocco transfers in kind represent one quarter to one third of the value of official remittances. Nevertheless, empirical evidence remains sparse on this point.

Concerning cash imports, we have been able to estimate their magnitude through comparison of Moroccan and European data sources: the Moroccan “Office de Changes” (ODC) and the National Banks of the destination countries. Firstly, this allowed obtaining data sets that are as complete as possible. Secondly, remittance data of the ODC also includes cash brought by migrants converted into local currency at banks. This implies that for years we obtained data from both sides, we were able to analyze the magnitude of cash transfers which is in principle equal to the difference between remittances reported by the National Banks and the Office de Changes².

The data collected concern so-called workers’ remittances (i.e., the money transferred by migrants who work for more than one year abroad) recorded under the heading “current transfers” in the current account of the balance of payments. For two countries (France and the

Netherlands) we obtained data on the transfer of social security benefits as part of the total flow of workers' remittances. This mainly pertains to state pension and child and disablement benefits transferred back to Morocco.

Many remittance studies also consider compensation of employees, which include the wages, salaries, and other benefits of nonresident, temporary workers such as embassy staff, recorded under the "income" subcategory of the current account. We did not include compensation of employees in the analysis, as time series data were not available on receiving countries level. Furthermore, the share of this type of transfers is marginal compared to workers' remittances, since few Moroccans are recruited to work abroad as (contract) workers on a temporary basis.

The Moroccan ODC has provided time series data from 1980 to 2004 on gross and from 1982 to 2003 on destination-country level remittance flows. Earlier remittance data were not available on country level. From previous publications, we have however been able to retrieve data on gross remittance flows to Morocco as of 1968 for France. We did not succeed in obtaining time series data from the Spanish, British and Swedish American national banks or statistical offices. For these countries, we solely rely on data provided by the ODC. The national banks of other countries did provide data on remittances to Morocco. The National Banks of Germany and France provided the longest time series, which went back to 1971 and 1973, respectively. Time series provided by other National Banks of the Netherlands and Belgium were only available as of 1987 and 1983, respectively.

It also appeared that the significant difference between the magnitude of remittances recorded by the ODC and National Banks can be only partially attributed to cash transfers. National Banks do not apply uniform accounting procedures to register remittances. For instance, the

Banque de France only registers transfers by non-naturalized Moroccans as remittances. Other national banks register all remittances regardless of the nationality of the sender. The ODC provided data in Moroccan dirhams³. The data provided by National Banks were converted to Moroccan dirhams to enable comparison. For data before the formal introduction of the Euro in 1999, national currencies have been converted using information historical exchange rates provided by National Banks. Since 1999, and with the obvious exception of the UK and Sweden, transfers have been directly converted from Euros into dirhams using annual mean exchange rates.

3. Moroccan migration and remittances: policies and trends

Evolution of Moroccan migration

Throughout the post-independence period, the Moroccan government has stimulated out-migration for both political and economic reasons. International migration was seen as a “safety valve” to decrease poverty and, hence, prevent political tensions. This seems also why the Moroccan state stimulated migration from Berber regions with the reputation of being rebellious against the central government (De Haas, 2005; Reniers, 1999:684). Besides a political instrument, the Moroccan government saw migration as a tool for national economic development. Migrants, whose stay abroad was considered as temporary, were seen as innovative agents of development, who would help Morocco in its economic take-off, relieve pressures on the labor market while remittances provided a flow back of foreign currency (Heinemeijer *et al.*, 1977).

Over the past decades, Morocco has become one of these typical emigration countries comparable to Mexico, the Philippines, and Turkey. Since the 1960s, Morocco witnessed large-scale migration to France, the Netherlands, Belgium, Germany, and, since the 1980s, Spain and Italy. The former expectation that these “guestworkers” would return never came true. Following the economic recession and the tightening of immigration policies following the 1973 Oil Crisis, relatively few Moroccan migrants returned (De Haas, 2005).

The number of Moroccans abroad has been on an almost constant and remarkably linear rise ever since the mid-1960s with a mean increase of 50,000 persons annually, despite increasingly restrictive immigration policies. Migrant networks combined with a sustained demand for migrant labor explain why policies aiming to curb migration have had only limited or even countervailing effects, and why migration has continued at high levels. Restrictive immigration policies have nonetheless had their influence on migration strategies, characterized by an increasing reliance on family migration and undocumented migration, as well as a partial shift in the geographical orientation of migration, in which Spain and Italy have evolved into the principal destination countries of “primary” labor migrants over the 1990s. Whereas migration used to be predominantly oriented towards France due to colonial bonds, the number of Moroccan migrants and their descendants in other European countries have increased faster, and represented half of the Moroccan Diaspora in Europe in 2000 (De Haas, 2005).

Moroccans form not only one of largest, but also one of the most dispersed migrant communities in Western Europe. Out of a total population of 30 million, an estimated 2 million people of Moroccan descent lived in Europe in 2000. In 1999, France housed the

largest Moroccan population comprising an estimated number of 840,000 individuals of Moroccan descent and 504,000 Moroccan nationals. The second largest community of Moroccans lives in the Netherlands with about 290,000 Moroccan ‘descendants’ and 104,000 nationals in 2001. According to official statistics, Belgium, Spain, and Italy housed communities of 93,000, 235,000, and 158,000 Moroccan nationals in 2001, respectively. Germany is the sixth destination with about 90,000 people of Moroccan descent. Smaller, but significant communities exist in Sweden and the United Kingdom. The actual number of migrants, and in particular in Spain and Italy, is likely to be substantially higher due to the importance of undocumented migration. The actual number people of Moroccan descent in classical destination countries like Belgium is far higher than official statistics suggest due to the effect of naturalization (De Haas 2003; Fondation Hassan II and IOM 2003; OECD 2004).

Outside Europe, the United States and the Canadian Province of Quebec have recently attracted a relatively small but growing numbers of mostly educated labor migrants (estimated at 25,000 and 40,000, respectively, in contrast to comparatively low-skilled labor migrants in Europe. Arab oil countries like Saudi Arabia and Libya attract relatively small numbers of temporary contract workers. Taking into demographic and economic determinants and the high unemployment rates, it is likely that migration from Morocco will remain strong at least in the coming one or two decades (De Haas 2005; Fadloulah *et al.*, 2000:xxiii; Giubilaro, 1997:64).

Migration and remittance policies

From the onset of migration, the Moroccan government has attempted to maintain a tight control on migrant communities in Europe. The Moroccan state explicitly addresses all people of Moroccan descent as its ‘subjects’⁴, and even actively discouraged their integration in the receiving countries until the early 1990s. With such policies the government wanted to prevent Moroccan migrants from organizing themselves politically, and thus from becoming a potential factor of political opposition “from outside”. Second, integration was perceived as endangering the vital remittance flows (cf. Obdeijn, 1993).

These policies were not only criticized by European governments—which perceived them as running counter to their “integration policies”—but also seemed to alienate the migrant population from Moroccan government institutions. In the early 1990s, the Moroccan government recognized that such policies had increased feelings of distrust among migrants vis-à-vis the Moroccan state. Fearing a future decline in remittance transfers vital to the Moroccan economy, the Moroccan government therefore changed course through adopting a more positive attitude towards the integration of Moroccans abroad, which is now seen as an instrument for attracting remittances. This reflects a general change in many emigration countries, where the fears for declining remittances has led politicians to switch positions vis-à-vis migrant Diaspora’s “from benign neglect to active courtship” (Kapur, 2003:21).

This shift was influenced by a general change in macro-economic policies that placed a high priority on attracting remittances and stimulating migrants’ investments as a tool for national economic development. Consequently, migrants were no longer approached as “indolent remittance senders”, but increasingly as potential businessmen who should be convinced to

invest in Morocco. There also seems an increasing awareness of the need to reduce obstacles to return and investments by migrants, such as the complexity of regulations, problems of corruption, and excessive red tape (Kaioua, 1999:124-5).

In 1990, the Moroccan state established the Fondation Hassan II pour les Marocains Résident à l'Étranger. The aim of this foundation is to foster and reinforce the links between Moroccan migrants and Morocco through assisting them in various ways both while in Europe and during their summer holidays in Morocco, and to inform and “guide” migrants on investment opportunities. In 2002, the new Moroccan king Mohammed VI announced a series of measures aimed at easing administrative procedures for obtaining business permits.

Since the late 1960s, Morocco has encouraged the creation of a network of consulates, bank branches (i.e., the Banque Centrale Populaire), and post offices to facilitate the transfer of remittances. As of the early 1980s, remittance transfer via banks has progressively replaced postal orders as the primary means of money transfer (Refass, 1999:98). Since the end of the 1980s, new monetary policies have been applied in Morocco, involving the lifting of restrictions on exchange and on the repatriation of money (Giubilaro, 1997:30). Remittance transfers are further encouraged through fiscal policies favoring migrants (Refass, 1999:98). Moreover, currency devaluations have increased the value of remittances and encouraged migrants to remit money (Giubilaro, 1997:30).

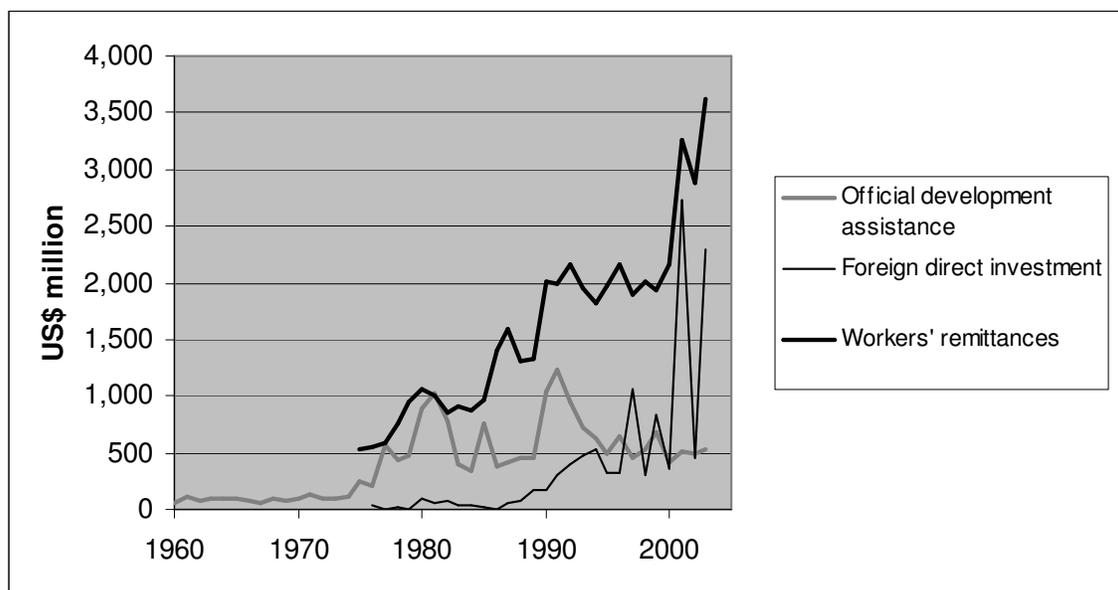
Trends in gross remittances

Through the likely effect of fiscal policies, low inflation, the absence of large black markets for foreign exchange and considering relative political-economic stability in general, Morocco has been relatively successful in directing remittances through official channels. In neighboring Algeria, for instance, most remittances are sent through unofficial “parallel” channels as the official exchange rates do not reflect black market rates (Mezdour, 1993).

Notwithstanding some relapses, remittances surged from 200 million dirham (23 million US\$) in 1968 to over 18.5 billion dirham (2.1 billion US\$) in 1992 (see figure 1). Over the 1990s, stagnation occurred at levels of around 2.3 billion US\$. It has often been thought and feared that this would herald a future decline in remittances. Some researchers explain this by the combined effect of unfavorable development perspectives in Morocco and the integration in the host countries of the “second generation”, which would be less inclined to remit money (Fadloulah *et al*, 2000:58; Leichtman, 2002; Mezdour, 1993:189). In this light, it seems that the great age of Moroccan migration has ended, and that the aging migrant population in northwestern Europe—who either reunified their families or returned—represent a declining potential in terms of remittances.

However, at the end of the 1990s, a sudden and unexpected increase in remittances occurred to a level of 3.3 billion US\$ in 2001. As inflation has been low and exchange rates stable around 2001, these factors cannot explain this increase. It has been suggested that this spectacular surge was largely due to the introduction of the Euro, which has incited migrants to deposit their ready money in Moroccan banks or to convert it into dirhams while on holiday in Morocco (cf. Marniesse, 2001).

Figure 1. Volume of official remittance, ODA, and FDI flows to Morocco



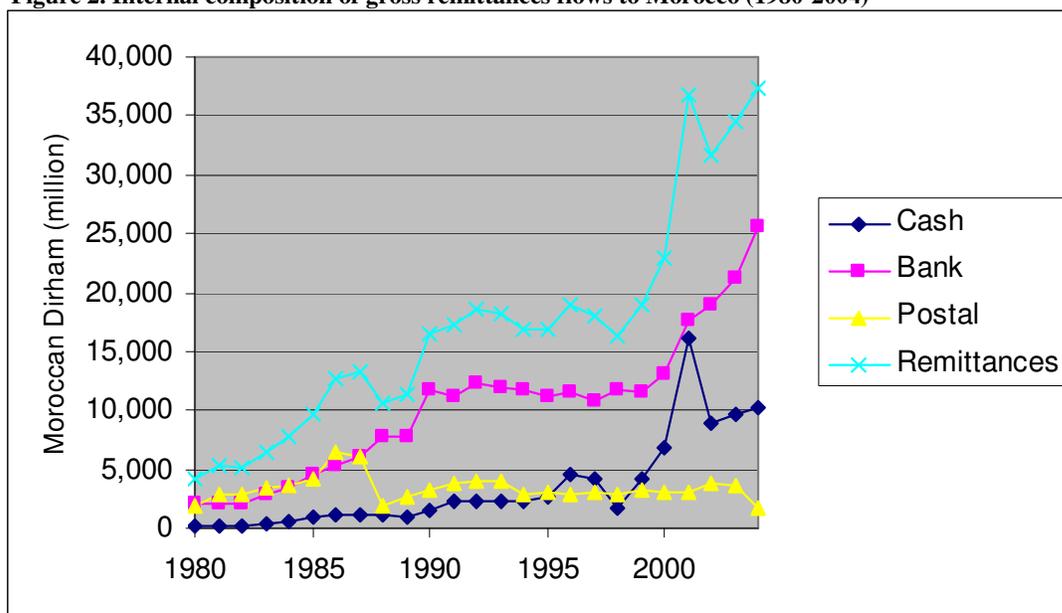
Source: World Development Indicators database (World Bank)

Figure 2 shows the internal composition of gross remittance flows to Morocco since 1980. It reveals that the surging transfers through banks have outstripped money orders through post offices especially after 1989. Since 1995, migrants have been allowed to open foreign exchange banking accounts with Moroccan banks (Fellat, 1996:316), which have established an increasing number of foreign offices in European cities with sizable Moroccan communities. This indeed seems to have boosted remittances sent through banks. The volatility of cash remittances is much higher than for bank and postal transfers, with a calculated coefficient of variance (based on ODC data 1980-2004) of 116, 60, and 32, respectively.

Cash remittances played a significant, though secondary role until recently. Between 1995 and 2000, cash remittances accounted for 22.5 percent of total remittances on average. The 2001 peak in cash transfers – increasing from 6.8 to 16.2 billion dirham – seems to be the effect of the introduction of the Euro. However, after a relapse in 2002, cash remittances increased

again, suggesting an upward trend. Also bank transfers showed a remarkable and continuous increase over the same period. Although the volume of remittances showed a decrease from 36.9 billion dirham in 2001 to 31.7 billion dirham in 2002, they rose again to 34.6 and 37.4 billion in 2003 and 2004, respectively. This cannot be explained by the “Euro effect”. This all suggests that the post 2000 surge in remittances is partially structural.

Figure 2. Internal composition of gross remittances flows to Morocco (1980-2004)

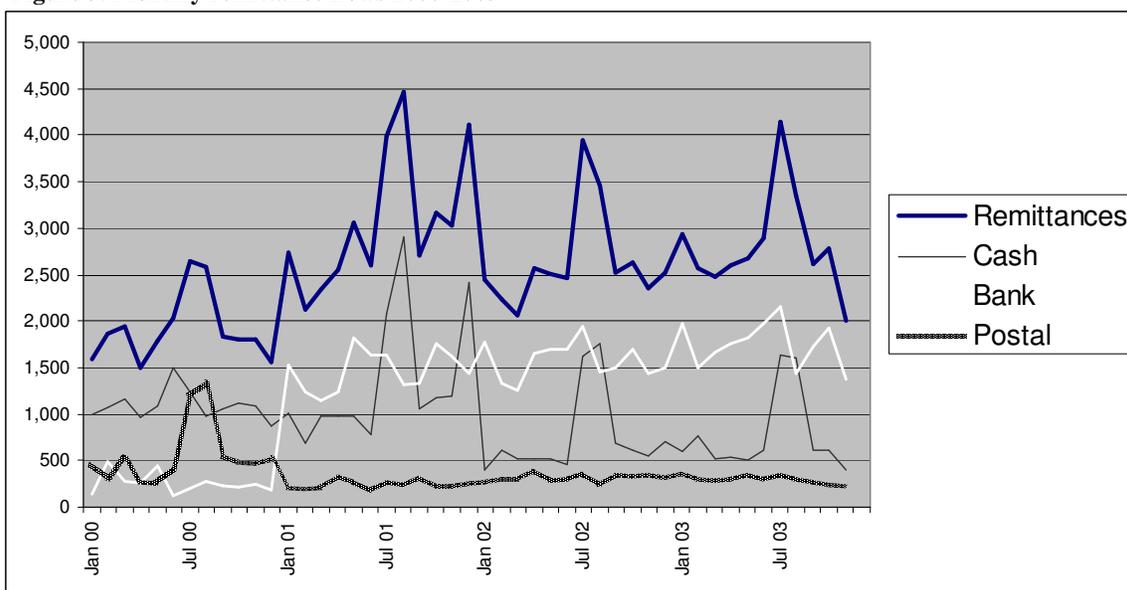


Source: Office des Changes

Figure 3 shows the monthly remittance transfers between January 2000 and December 2004. It reveals a particular peak in January 2002, which indeed seems the effect of cash conversions of pre-Euro currencies into dirhams⁵. As Morocco has a sizable informal economy around smuggling and hash drug trade, significant money laundering might also have taken place in the process⁶. However, the 2002 incidental winter peak increase is not spectacular compared to regular summer holiday peaks in 2002 and 2003. The figure also shows that these summer peaks, when migrants spend *en masse* their holiday in Morocco, are almost uniquely the effect

of converted cash money taken from Europe. Bank transfers are remarkably stable, but witnessed a sudden, unexplained, but apparently structural increase in January 2001.

Figure 3. Monthly remittance flows 2000-2003



Source: Office des Changes

Economic significance of remittances

The macro-economic significance of migrant remittances is considerable. While remittances represented 6.4 percent of Morocco's GNP over the 1990s on average (thereby occupying the 14th place in the world ranking), remittances represented 20.1 percent of all imports in goods and services (Buch *et al.*, 2002). It has been argued that remittance transfers contribute to income growth and poverty alleviation both directly and indirectly (cf. De Haas 2003; Teto 2001). For the Moroccan state, remittances are a crucial source of foreign exchange and have become vital in sustaining Morocco's balance of payments.

Over the past two decades the value of remittances has not only proved to be substantially higher than other international resource flows such as official development assistance (ODA) and foreign direct investment (FDI), but its relative importance as a foreign exchange resource has also increased (see figure 1). Notwithstanding several one-year surges since 1997, FDI is not only lower, but also much more volatile than remittances. Based on 1976-2003 WorldBank data presented in figure 1, the volatility (coefficient of variance) of remittances, ODA, and FDI flowing to Morocco are 47.5, 40.2, and 162.1, respectively. For the entire Middle East and North Africa. Buch et al. (2002) estimated remittance volatility over the period 1970-1999 at 46.8, which shows that Morocco fits in the regional pattern.

Whereas official aid flows (ODA) were almost equally as high as remittances over the 1970s, their volume lagged behind in the 1980s and 1990s, and only represented 16.9 percent of remittances in 2002. Fluctuations in remittance income are inferior to income from other sources of foreign exchange, and thus represent the most stable capital inflow over time (cf. Giubilaro, 1997:31). Over the 1980s and 1990s, the revenues of remittances dwarfed those of phosphates, Morocco's main primary export commodity. Over the same period, remittances were also higher than receipts from agricultural exports, that other pillar of the Moroccan (export) economy. In 2002, remittances represented 22.9 percent of total exports and 21.6 percent of total imports of goods and services, and remittances were only 5.0 percent lower than receipts from the expanding Moroccan tourism industry.

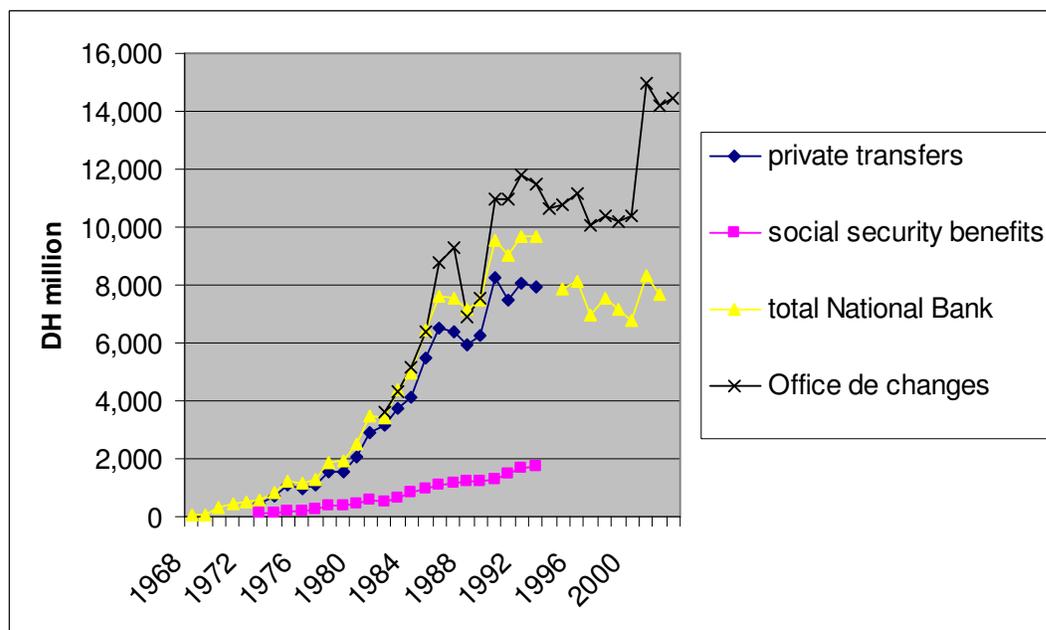
4. Trends in remittances on destination country-level

France

Almost half of France's foreign population is born in North Africa (Schnapper, 1995).

Although Algerians constitute the largest Maghrebi community, France has received large numbers of Moroccan labor migrants since the 1960s. Following the Oil Crisis in 1973, France imposed restrictions on immigration. However, family reunification and formation explain that migration has not ceased (Schnapper, 1995). France is the European country with the largest population of migrants of Moroccan descent. Figure 4 displays time series of ODC and the Banque de France, the latter time series differentiating between transfers of private incomes and social security benefits.

Figure 4. Remittances from France to Morocco, 1968-2003



Source: OECD/Eurostat, Banque de France, and Office des Changes⁷

As has been mentioned before, the time series of the Banque de France only include remittances sent by residents of Moroccan nationality. Therefore, the differential with almost twice as high figures for the Office de Changes (7.68 against 14.21 billion in 2002) cannot only be explained by cash transfers, but also by remittances sent by naturalized French citizens of Moroccan descent. This could explain why this differential increased over the 1990s. Over the entire period of three decades the trend is clearly increasing, although after 1993 remittances relapsed before stabilizing at levels at about 7 billion dirhams between 1997 and 2000. Data on inflows of social security benefits (only available for 1973-93) reveal that these have constituted approximately one fifth of total remittance transfers reported by the Banque de France ever since 1970. The percentual increase social security benefits has thus kept equal pace with private income transfers.

In general, remittance data of the ODC reveal a largely similar pattern and increasing trend, with stabilization in the 1990s at around 11 billion dirham annually. In 2001, the remittance flow was four times bigger than in 1982. The ODC data show a sharp increase (44.2 percent) in 2001 to 15 billion dirham, whereas the Banque de France reported a more modest (22.9 percent) increase. This could indeed point at a temporary inflow of cash money due to the “Euro effect”. However, in 2002 the relapse was only minor and 2003 ODC data show an increase, which is unlikely to be the effect of the introduction of the Euro.

The Netherlands and Belgium

In the 1950s, the Netherlands started recruiting “guestworkers” in south-European countries like Spain, Italy, and former Yugoslavia. However, in the late 1960s and early 1970s, most new labor migrants came from Turkey and Morocco. In the 1980s and 1990s, similar to

France, chain migration via family migration explains the remarkable continuity of immigration from Morocco. With nearly 300,000 documented residents of Moroccan descent, the Netherlands has been the second destination of Moroccan migrants after France.

According to data of De Nederlandsche Bank (DNB), remittances have doubled between 1987 and 2002 to a level of 2.5 billion dirham (see figure 5). Since the late 1980s, there has been an increasing trend. This is remarkably different from the decrease reported by the Banque de France. This is possibly related to the fact that the Dutch figures include naturalized residents of Moroccan descent.

The comparison between transfers of social security benefits and private incomes is particularly revealing. Until 1994 social security benefits were almost equal to private transfers. Again, this is a remarkably different situation from France. Interestingly, while transfer of social security benefits has since decreased to 509 million dirhams in 2002, private transfers surged to a level of 2.0 billion dirhams in the same year. This clear divergence can be explained by the following factors. First, cutbacks in government expenditure and changes in legislation have decreased access to social security benefits and lowered allowances. Second, the completion of family reunification and the death of return migrants decreased the level of transfers, comprising child benefits, state pensions, and widow's benefits, accounting for 9, 28, and 15 million Euro in 2003, respectively⁸.

Third, the increase in private income transfers is probably related to the clear improvement in labor market participation rates and sharp decrease in unemployment among Moroccan migrants as a consequence of the relatively high growth of the Dutch economy as of the mid 1990s. On the basis of a survey conducted in Turkey, Morocco, and Egypt, Fokkema and

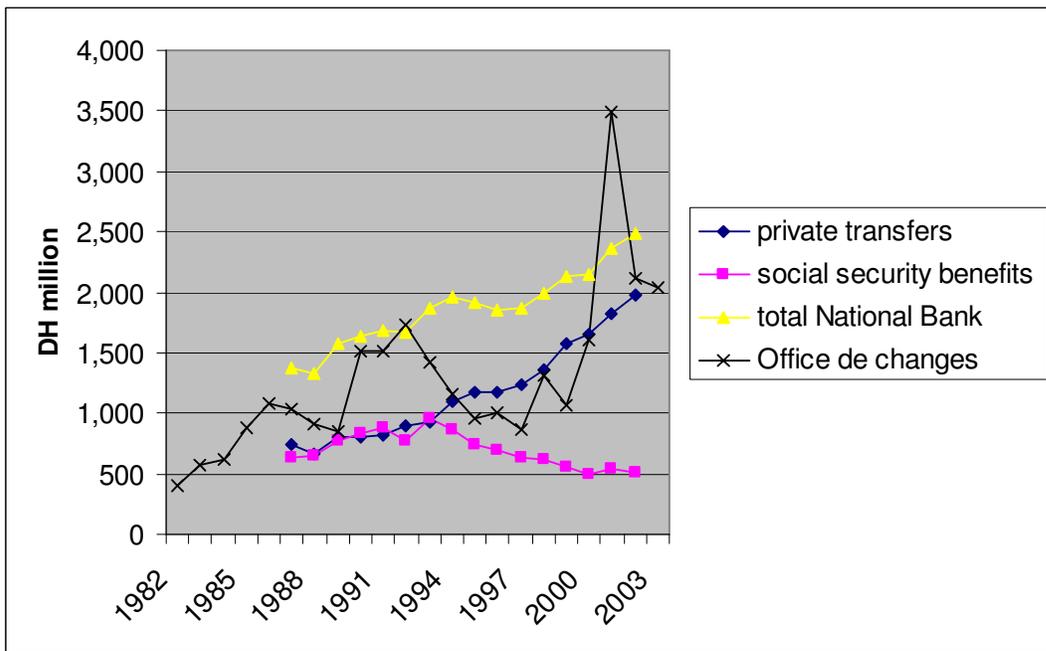
Groenewold (2003) concluded that employed migrants remit four times more money than unemployed migrants. In this light, it does not seem coincidental that the increase in private transfers correlates with a remarkable increase in labor market participation among people from Moroccan origin since 1994 (Dagevos *et al.*, 2003) Their higher incomes have increased their capacity to remit money. This seems to confirm the hypothesis that the level and cyclical fluctuations in economic activities in destination countries explain most of the variations in remittance flows (Puri and Ritzema, 1999; Swamy, 1981; Straubhaar, 1986).

In France, unemployment among residents of foreign descent and also among Moroccans have generally been lower than in the Netherlands, a country with comparatively high unemployment among immigrants. This might partly explain why social security benefits were already lower in the early 1990s. Unfortunately, we have no data on social security transfers for France after 1993, which was the year in which they started to sharply decline in the Netherlands. Until 1993, they kept equal pace with private transfers in both countries. However, on the basis of the Dutch experience, it is unlikely that transfers of social security benefits from France have increased. A decrease is more likely.

The data provided by the ODC on remittances from the Netherlands are confusing in the sense that they are lower than the figures from DNB. This is theoretically impossible, as the first data set also included cash transfers. This is probably due to imprecise accounting from the Dutch side⁹. Although the ODC data also reveal an increasing trend, the overall picture is more pessimistic than the DNB data give, in particular through a clear remittance decline in the mid 1990s. However, the sudden rise in 2001 well above DNB levels to an amount of 3,5 billion dirham are in line with the expectations raised by the hypothesis of the “Euro effect”. With an unprecedented 117 percent increase in 2001 followed by a 39 percent decrease in

2002, the Dutch 2001 remittance peak was the most distinct of all European destination countries. It almost certain that this peak is largely due to conversion of foreign currency cash. This is presumably the partial effect of money laundry operations, by which large amounts of Dutch guilders already in Morocco have been changed against local Moroccan currency¹⁰. In this context, it seems relevant that most “Dutch Moroccans” originate from the northern Rif region, where a large informal economy exists around smuggling and hash drug trade (cf. De Mas, 2001).

Figure 5. Remittances from the Netherlands to Morocco, 1982-2003



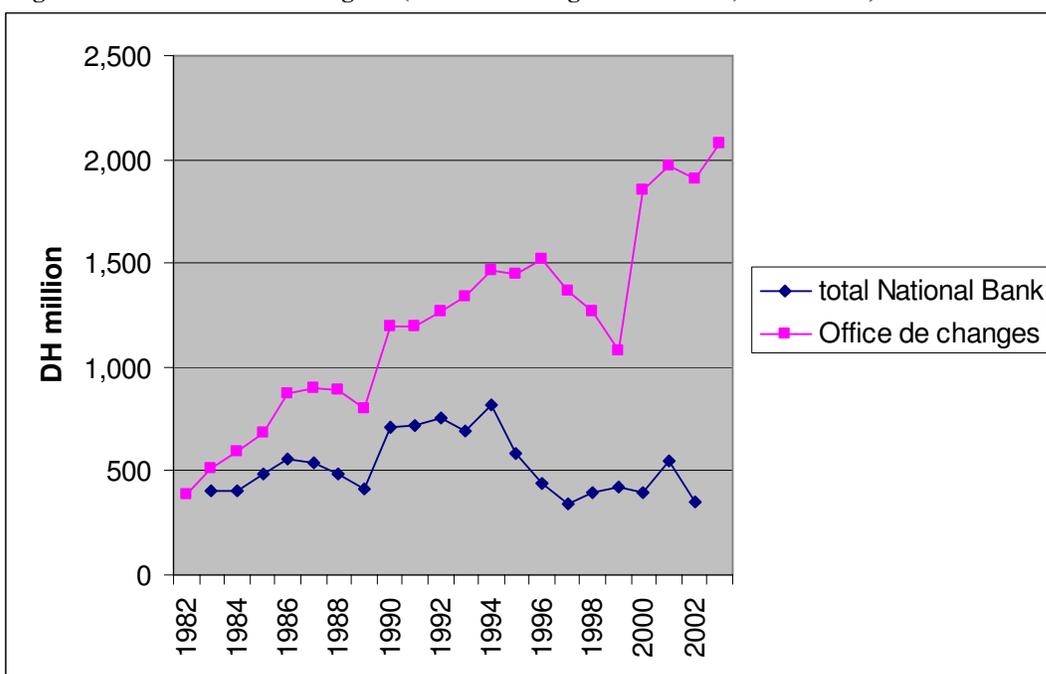
Source: De Nederlandsche Bank and Office des Changes

Similar to the Netherlands, Belgium received many Moroccan labor migrants in the late 1960s and early 1970s. Nevertheless, its Moroccan community, which counted about 155,000 persons in 1999 (including naturalized persons), has increased at a relatively slow pace compared to the Netherlands (cf. Muus, 1993: 48). This possibly explains that, according to

data of the National Bank of Belgium, the trend in remittances between 1982-2002 is almost flat, and has even witnessed a clear decrease after 1994 (see figure 6).

The ODC data do however reveal an increasing trend, despite a relapse in the late 1990s, which could point at an increasing importance of cash transfers. In 2000-2, there also seems to be a “Euro-effect”, which is however small compared to the surge in remittances from the Netherlands at the dawn of the third millennium. It is however striking that the biggest increase takes place in 2000 and not in 2001, as is the case in other countries. Furthermore, if this was the “Euro-effect”, how can we then explain that the level of Belgium remittances does not lapse into pre-Euro levels but has instead stabilized in recent years?

Figure 6. Remittances from Belgium (and Luxemburg for ODC data) to Morocco, 1982-2003



Source: National Bank of Belgium and Office des Changes

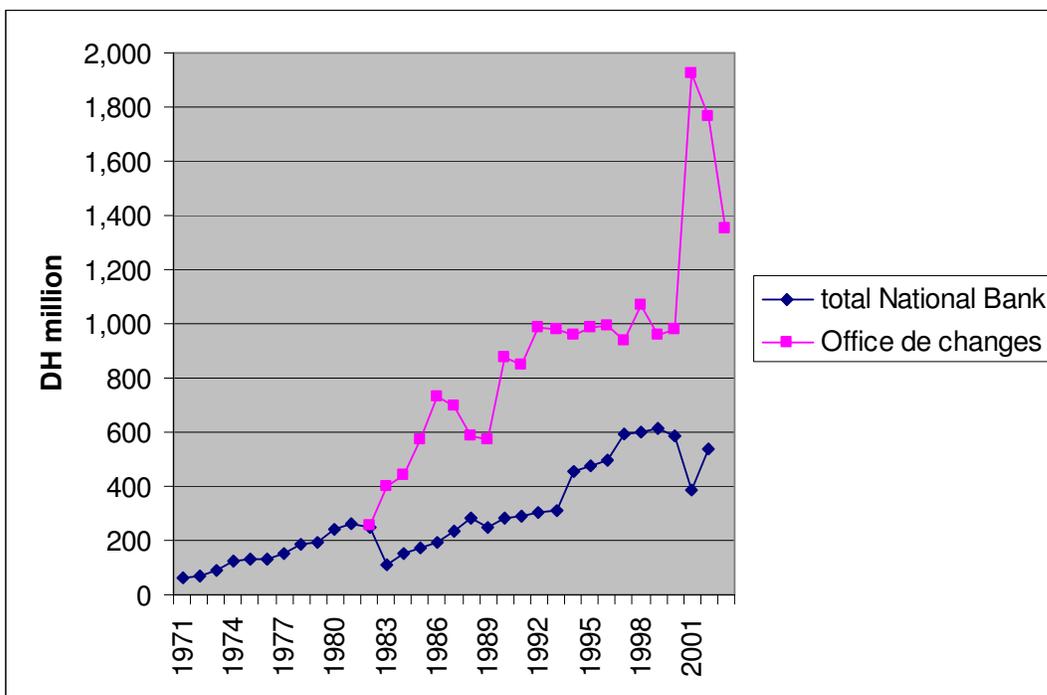
It should be noted that the remarkable differential between National Bank and ODC data cannot solely be explained by cash inflows, since the ODC registers remittances from the

Economic Union of Belgium and Luxembourg (UEBL) on the same account. Nevertheless, only few Moroccans live in Luxembourg (Muus, 1993: 48). More relevant is that, of all OECD countries, Belgium has the second largest informal economy after Italy (cf. Schneider & Enste 2002). Cash money earned in the informal economy and converted in Morocco might explain the large differential between ODC and National Bank data.

Other destination countries

Germany is the country that admitted the largest number of immigrants in post-War Europe (Heckmann, 1995). Ethnic Germans initially constituted the largest group of immigrants before the “Gastarbeiter” program was established in the 1950s. Although most “guestworkers” originate from Turkey, it also houses relatively large communities from several other Mediterranean countries, among which approximately 90,000 people of Moroccan descent. According to the data from Deutsche Bundesbank (since 1971) and the ODC (since 1982) German-Moroccan remittance transfers have clearly witnessed an increasing trend (see figure 7). The differential between the two time series suggests that cash transfers account for about the same amount as official workers’ remittances. Whereas official workers’ remittances decline in 1983-84 – presumably as a consequence of the economic recession – it is remarkable that cash remittances more than compensated for this decline. Conform to the general north-west European pattern, remittance stagnated at the end of the 1990s, before surging again in 2001. The 2002-3 relapse resembles the Dutch pattern. This is not surprising, because most Moroccan migrants in Germany are from the same northern source region, where European cash has been converted through money laundry operations.

Figure 7. Remittances from Germany to Morocco, 1982-2003

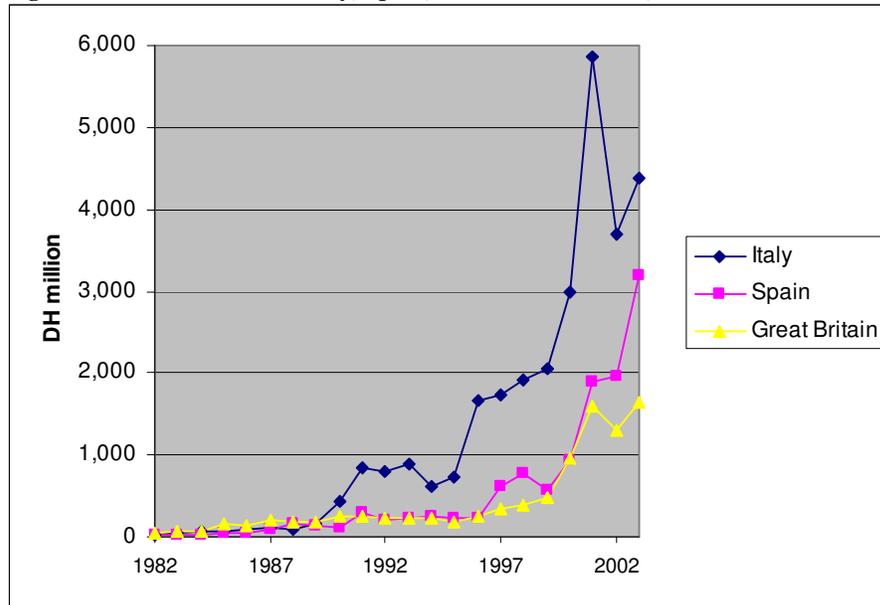


Source: Deutsche Bundesbank and Office des Changes

Although the UK and especially Sweden contain relatively small Moroccan communities, they represent interesting cases against which to test the “Euro hypothesis”, since these countries did not participate in the Euro. Since the 1980s, there has been increasing migration the northern region around Laârache (south of Tangiers) to the United Kingdom, and now form a community of about 25,000 people who have mainly settled in East London (Abu-Haidar, 1999:39). Figure 8 reveals a stagnation in remittances in the first half of the 1990, but an increase after 1997 with a peak in 2001. Moroccan remittances originating from Sweden have risen steadily over the past two decades, although the increase in 2001 is not as steep as in other countries. This raises some doubt on the validity of the “Euro hypothesis”. Interestingly, it has been hypothesized that the 2001 increase, in particular from non Eurozone countries might be partly explained by the effect of 9/11, through which many Moroccan migrants generally felt less secure about their future in the destination countries. This may have incited

them to remit money “to ensure better security in the country of origin” (Khachani 2002:15). The fact that the highest 2001 increase occurred in the US, where remittance were 152 percent higher than in 2000, seems to support this hypothesis (see table 1). However, data from 2002 and 2003 show that this peak conceals a structural, increasing trend.

Figure 8. Remittances from Italy, Spain, and GB to Morocco, 1982-2003



Source: Office des Changes

Italy and Spain are relatively recent destination countries. The size of their Moroccan immigrant communities has rapidly increased over the 1980s and 1990s. There is a high demand for unskilled labor, especially in the relatively large informal sectors of these countries, Italy in particular (cf. Schneider and Enste, 2002). This makes it relatively easy to find work given local demand for low-skilled, low-paid workers. A new trend is that more and more independent female migrants are migrating to these south European countries. Until Italy and Spain introduced visa requirements in 1990 and 1991, respectively, Moroccans could enter relatively easily as tourists, after which many of them overstayed and became *de facto* undocumented migrants. Many of them have been able to obtain residence papers through a

series of legalization campaigns. Especially in the second half of the 1990s and the early 2000s the number of legal Moroccan residents in these countries has drastically increased.

In 2001, 158,000 and 235,000 Moroccan immigrants legally resided in Italy and Spain, although the actual number is significantly higher due to ongoing undocumented immigration, and is likely to increase in the coming decades through ongoing immigration and family migration similar to the experience of “classical” destination countries in northwestern Europe. With the establishment of new Moroccan communities, they are also likely to become increasingly important source countries for future remittances.

Large-scale migration to Italy started after northwest European countries formally closed their borders after the 1973 Oil Crisis (Zincone, 1995). Italy started became a destination country for Moroccan labor migrants in the early 1980s. The sharp increase in Moroccan immigration and the legalization campaigns have increased the possibilities to transfer and document remittances. Undocumented migrants tend to rely more on informal, unrecorded channels for remittance transfers. Legalized migrants tend to have easier access to ID documents, banking accounts, better paid jobs, and are also able to travel freely back and forth while taking cash money. The effect on total remittances is unclear due to a lack of data.

This is visible in a clear increase in remittances in the second half of the 1990s (see figure 8). In the 1980s, remittances were negligible, which is not only due to the low number of migrants, but also to the fact that most of them lacked formal residency status and were still in the process of settling. This suggests that remittances only get really off after migrants have settled themselves and found relatively stable jobs, and therefore lag behind migration. In 2001, remittances peaked at a level of almost 6 billion dirhams. Although the 2002 relapse

suggests a certain Euro effect, it is unlikely that the increase in general is the mere effect of the introduction of the Euro. With the settlement of a Moroccan community, the increase in remittances from Italy is largely structural.

Although we only dispose of National Bank data between 1997-2001, the comparison with ODC data suggests that the lion's share of Italian remittances enter Morocco in cash. This differential is far higher than for France, the Netherlands, and Germany. Over the 1997-2001 period, remittances reported by the Italian National Bank were only 7.4 percent of remittances reported by the ODC. This seems to confirm the hypothesis that from countries with a large informal economy (Belgium and in particular Italy) – in which many Moroccans are apparently involved as (undocumented) workers – most remittances are sent in cash or through informal channels.

Although Spain is the former colonizer of northern and southern parts of Morocco, large-scale migration from Morocco to Spain is a relatively recent phenomenon, which really gained ground in the late 1980s and 1990s. Moroccans mainly work in agriculture, construction, and service sectors. Remittance flows from Spain to Morocco increased between 1986 and 1991, stagnated in the early 1990s and steeply increased since 1997 as a consequence of continuing migration and legalization. Although there was a sharp increase in 2001, in subsequent years remittances did not relapse but further increase (see figure 8)¹¹.

5. Inter-country comparison

The share of France in total remittances has been steadily decreasing from 71.2 to 44.5 percent between 1982 and 2003. The shares of Belgium (and Luxembourg), the Netherlands and Germany in total remittances has slightly decreased. The most significant riser is Italy with a sharp increase from 0.3 to 12.7 percent. Second in row is Spain with an increase from 0.3 to 9.2 percent. Although occupying a smaller share, also the UK classifies among the “newcomers” with an almost fivefold increase from 1.0 to 4.8 percent (for full data, see table 1).

Table 1. Total remittanc transfers from European country to Morocco, 1982-2003 (mln Dirham)

	France	Belg/ Lux	Nether- lands	Ger- many	Italy	Swe- den	GB	Spain	US	Other	Total
1982	3,641	386	395	257	14	5	52	15	24	325	5,115
1983	4,333	512	570	399	49	7	70	23	21	532	6,515
1984	5,132	596	623	443	65	8	75	31	32	677	7,681
1985	6,381	680	880	576	76	11	158	37	36	898	9,732
1986	8,786	869	1,074	732	80	20	144	53	40	933	12,731
1987	9,278	896	1,028	698	111	19	215	101	47	876	13,268
1988	6,886	889	908	588	91	24	175	163	70	906	10,700
1989	7,524	799	853	572	158	22	188	137	68	1,023	11,344
1990	10,944	1,196	1,513	873	444	28	252	123	71	1,093	16,537
1991	10,941	1,196	1,515	846	847	36	242	289	146	1,272	17,329
1992	11,810	1,270	1,725	988	805	44	231	196	114	1,349	18,531
1993	11,487	1,338	1,421	980	879	31	226	225	125	1,505	18,216
1994	10,615	1,467	1,166	957	618	39	228	252	104	1,369	16,814
1995	10,806	1,447	954	987	725	41	192	235	129	1,305	16,820
1996	11,160	1,520	1,006	997	1,660	80	259	471	187	1,535	18,874
1997	10,036	1,366	860	939	1,740	43	349	617	260	1,824	18,033
1998	10,373	1,264	1,315	1,070	1,916	48	393	787	311	1,836	19,311
1999	10,206	1,075	1,065	960	2,044	60	487	580	676	1,848	19,002
2000	10,386	1,854	1,607	980	2,994	60	954	924	896	2,308	22,962
2001	14,974	1,970	3,486	1,924	5,864	77	1,596	1,895	2,258	2,814	36,858
2002	14,462	2,073	2,109	1,349	3,698	72	1,293	1,957	1,874	2,822	31,708
2003	15,385	2,062	2,032	1,179	4,380	84	1,650	3,189	2,036	2,585	34,581

Source: Office de Changes

Considering the relative increase in remittances in the 1994-2003 period, we can distinguish two groups of countries. Italy, Spain, and the UK follow rather similar patterns – that of the “new destination countries” – and increased six to eleven times within ten years. The classical “guestworker” destination countries also follow rather similar pattern with stagnation or even a slight decrease in the 1990s, an increase in 2001, after which stabilization occurred in France and Belgium and a decrease in Germany and the Netherlands. Remittances from Sweden show a more continuous increase.

When analyzing the correlation ratios for yearly percentual changes in remittances between individual destination countries in the 1982-2003 period, we find the highest correlations between Netherlands and Germany (0.894), France and Germany (0.826), and France and the Netherlands (0.753) (see table 2). This suggests that these countries show rather similar economic cycles and histories of Moroccan immigration. Surprisingly, remittances from Belgium and Luxembourg correlate comparatively weakly with the Netherlands (0.504), and not with the other classical destinations. Recent destination countries show low and insignificant mutual correlations. Remittances from Spain (and the US) show the lowest correlations with other countries.

Table 2. Correlation ratios between yearly changes in remittance flows on country level 1982-2003

	Italy	Spain	GB	Sweden	Germany	Netherlands	Belg/Lux	France	USA
Italy									
Spain	.064								
GB	.300	.224							
Sweden	.130	.113	.101						
Germany	.602**	.094	.414	.467*					
Netherlands	.545*	.137	.582**	.385	.894**				
Belg/Lux	.407	-.038	.424	.204	.367	.504*			
France	.513*	-.079	.367	.490**	.826**	.753**	.433*		
USA	.103	.399	.212	.114	.261	.290	-.220	.103	
Total	.583**	.083	.537*	.451*	.902**	.899**	.509*	.941*	.270

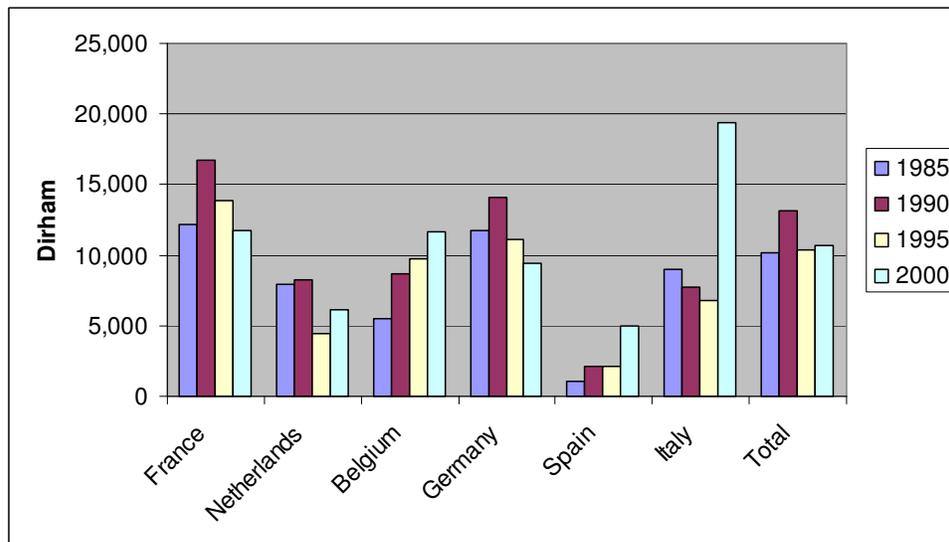
** = Correlation is significant at the 0.01 level (2-tailed).

* = Correlation is significant at the 0.05 level (2-tailed).

Figure 9 displays the country-level breakdown of average remittances per migrant (including children), based on the ODC data and estimations of the total population of Moroccan descent in 1985, 1990, 1995, and 2000. This was before the strong surge in remittances in 2001, so as to rule out any possible Euro effect. These data reveal that the amounts per migrant are relatively high in France, but decreased over the 1990s. This suggests that the stagnation of French remittances is the combined result of a relatively slow increase of the Moroccan population (68 percent) compared to other destination countries except for Belgium, as well as a decreasing inclination to remit. In Belgium, the stagnation in remittances can only be explained by a particularly slow growth (30 percent) of the Moroccan community, because remittances per migrant actually increased.

The Netherlands shows a comparatively low inclination to remit money per migrant, which also decreased in the 1990s. However, this has been counterbalanced by a 136 percent increase in its Moroccan migrant community since 1985, which is the highest recent increase among the classical destination countries. Therefore, total remittances have actually increased, especially if we consider the data from De Nederlandsche Bank (see figure 5). In Germany more or less the same applies. Although remittances per migrant declined in the 1990s, its Moroccan community has more than doubled, which explains why remittances transfers from Germany to Morocco have clearly increased over the same period.

Figure 9. Yearly remittances per migrant



Source: Own calculations based on Office des Changes and De Haas 2003.

Concerning the evolution of remittances per head in the classical destination countries, three of them show a peak around 1990. The only exception is Belgium, but these data are distorted because they also include remittances from Luxembourg. Since labor migration to these countries peaked around 1970s, this seems in line with the indications from other studies that migrant remittances sent by individuals tend to reach a peak approximately 15-20 years after migration (Brown 1994; Fokkema and Groenewold, 2003). With integration, family reunification, diminishing family obligations, and the growing up of a second generation, people would be less inclined to remit. However, the decline is apparently much more delayed and lower than once expected.

Stark (1991:223) argued that it is difficult to predict future remittances, because migrants are part of larger social units such as families and households. The inclination to remit strongly depends on contractual arrangements and bargaining powers within the family. Therefore, it is far from certain that remittances will rapidly decline over time. Furthermore, the ongoing

immigration of family and undocumented migrants counterbalance possible decreases in the inclination to remit. The fact that migrants keep remitting money after several decades and that many second generation immigrants tend to marry spouses living in Morocco reveals the relative durability of transnational as well as intergenerational family ties. Underestimation of the strength of these bonds may partly explain why the prior expectation that remittances would soon decline has not materialized.

Both Spain and especially Italy show a strong increase in per migrant remittances between 1995 and 2000. This is related to the large-scale legalization campaigns as well as the phenomenon that remittances tend to increase in the first (two) decades of the settlement of migrants. This, in combination with expected future rise of the legally residing Moroccan migrant communities in both countries, make it likely that total remittances from these countries will continue to increase in the coming one or two decades. There is a remarkable difference in the per migrant remittances with Italy scoring almost four times higher than Spain in 2000. Italy's average is the highest average for all countries. This might reflect a serious underestimation of the number of Moroccans in Italy due to the high incidence of undocumented immigration. What could also play a role is that relatively many Moroccan migrants in Italy are active as private entrepreneurs (in particular traders), whereas migrants to Spain do more resemble "classical" labor migrants (cf. Costanzo, 1999:43; Refass, 1999:100). The prevalent type of informal commercial activities of "Italian" Moroccans would imply that they bring a lot of cash to Morocco.

In 2000, migrants in France, the Netherlands, Belgium, Germany, Spain, and Italy remitted about 10,740 dirhams per person per year to Morocco. This means that, on average, each "migrant" sends about € 1,000. This is rather high, as this included children, the adult inactive

population, and the second and third generation. On family level, this implies that remittances may reach € 4-6,000 annually on average. This more or less complies with evidence from a recent survey in southern Morocco showed however that the average remittance-receiving household receives 32,000 dirham annually (De Haas, 2003). The difference might be partly explained by the fact that migrant families often support more than one household in sending areas.

6. Discussion

In contrast to earlier predictions, remittances from Europe to Morocco have shown a clear increasing trend over the past three decades. Although stagnation in remittances occurred over the 1990s, a new surge occurred since 1999. In 2001, remittances rose steeply.

Notwithstanding a certain relapse in 2002, this positive trend has been continued in subsequent years. With a large Diaspora of about 2 million migrants living across Western Europe, and receiving 3.6 billion US\$ in remittances in 2003, Morocco is now the fourth remittance receiver in the developing world.

Remittances have proved to be a comparatively reliable source of income. In the classical destination countries, they have remained on a surprisingly high level and even tend to increase. Although the majority of first generation labor migrants have reunified their families, this has generally not coincided with the expected drop in remittances. Remittances are not only a crucial source of foreign exchange on Morocco's balance of payments, but have also proven to be a more stable source of foreign capital. While ODA to Morocco has been declining over the 1990s and now only represents one fifth of the value of remittances, FDI

has proven to be an extremely volatile source of foreign currency. So, dependency on remittances is a less dangerous or uncertain one than dependence on capital inflows, and Morocco's labor exporting policy has proven to be rather successful.

The analysis revealed that the unexpected solidity and increase of remittances to Morocco can be explained by the following combination of factors. The first explanatory factor is the unforeseen persistence of migration from Morocco to north-western Europe after the 1973 Oil Crisis and subsequent economic recession in Europe. Through family reunification, increasingly popular family formation (which often acts as labor migration "in disguise") and new (often undocumented) labor migration, the Moroccan migrant population in the classical destination countries France, Belgium, and in particular in the Netherlands and Germany have witnessed a high increase.

Second, new and increasingly massive "primary" labor migration occurred towards the new destination countries Spain, Italy, and to a lesser extent the UK in the late 1980s and 1990s. Spain and Italy – which transformed from net labor exporters to immigration countries – are now the most important destinations for new "primary" labor migrants. The main cause of this new labor migration is the resurgence of a demand for migrant labor in agricultural, service, and construction sectors in southern Europe, but also in other countries such as the UK and the Netherlands.

Third, there has been a tendency to underestimate the durability of transnational links between Morocco and the settled migrant communities in northwest Europe, which have proven to be strong and intergenerational. This is not only testified by the high incidence of family formation through new marriages, but also through a remarkably persistent inclination to

remit money. Although it might be true that second and third generations might be less inclined to remit, integration does not automatically imply less involvement in the country of origin. The classical integration model seems not to be valid anymore, since migrants increasingly have transnational identities and foster double loyalties. A possible decline in motherland involvement only occurs slowly, and is at least partly counterbalanced by the arrival of new immigrants from Morocco, through which family links are continuously renewed. This explains why the expectation based on the classical integration model (immigration – adjustment – integration – assimilation) implying a cutting of family ties after one generation, has not come true.

Fourth, the so-called “Euro effect”, concomitant money laundering, and, perhaps, the effect of 9/11, seem to explain part of the particularly extreme surge in remittances, in particular in the form of cash, in 2001. This applies particularly to Germany and the Netherlands, where most Moroccan immigrants originate from the northern Rif region, in which smuggling and the hash drug trade are prevalent. However, this increase conceals an underlying, structural increasing trend, in particular as a consequence of the permanent settlement of new migrant communities in Spain and Italy which are expected to become soon second and third in size after France. Remittances from the non-Eurozone countries UK, Sweden and also the US have also increased in recent years. Apart from the extreme surge in cash remittances, bank transfers of remittances have also been steadily rising. Moreover, remittances did not fall back to pre-Euro levels in 2002 and 2003, years in which the Euro effect should be largely drained away.

Fifth, Moroccan policies to attract remittances through the new fiscal and monetary policies favoring migrants have decreased transaction costs of remitting money and increased the

attractiveness of repatriating money. Relative little money is remitted through unofficial channels. Morocco is characterized by a comparatively stable macro-economic context, and the absence of a large black currency market. Moreover, the creation of a network of Moroccan bank branches throughout Europe, and the extremely rapid extension of money transfer offices of companies such as Western Union¹² throughout Morocco in the past few years have facilitated remittance flows.

This explains why the policies of the Moroccan state to encourage remittance transfers through official channels have been rather successful in comparison with other countries in North Africa and the Middle East. Nevertheless, cash remittance transfers have become increasingly popular in the past decade, and especially in 2001. The introduction of the Euro seems to play a certain role in this, but it also seems to be a structural effect of the new, often undocumented labor migration to southern Europe, and Italy in particular, where the informal economy plays a larger role.

Recent changes in attitude of the Moroccan government towards migrants go beyond sheer economic and fiscal policies. It also relates to a more positive attitude towards Moroccan communities abroad away from past repression. Urged by the fear that the vital remittance transfers and migrants' investments might decrease, Moroccan officials became increasingly that positive and 'binding' policies are needed that increase trust in order to stimulate both remittance transfers and investments by migrants. This implies guaranteeing civil rights to migrants, combating investment obstacles such as corruption and excessive bureaucracy.

With this, Morocco might be developing towards what Bhagwati (2003) has referred to as the Diaspora model, which “integrates past and present citizens into a web of rights and obligations in the extended community defined with the home country as the centre”. This shows that the impact of migration goes beyond economic effects. Migrant communities also are a “latent pressure group” on which governments increasingly depend for their survival, inciting governments to implement reforms aiming at creating more open and democratic societies.

This study relates to the general theoretical debate in four different ways. First, it confirms that remittances are more reliable than other capital inflows. Second, country-level analyses suggest that remittances witness a “delayed” response to migration, and per migrant remittances only tend to peak after two decades after migration (cf. Fokkema and Groenewold, 2003), after which a slow decline in remittances occurs according to an inverted J-curve like pattern with a very long tail to the right (cf. Keely and Tran, 1989). As migrant communities continue to grow through new migration and because transnational links are strong and intergenerational, remittances are more “durable” than once assumed. This raises doubts on the classical integration model.

Third, the study seems to confirm the hypothesis that economic conjuncture and employment levels among migrants explain most of the variations in remittance flows (Puri and Ritzema, 1999; Swamy, 1981; Straubhaar, 1986). The case of the Netherlands shows that private income remittances might increase if the labor market position of migrant improves. This study confirmed that, paradoxically, successful economic integration of migrants can in fact increase their capacity and inclination to remit. This effect may partly or wholly counterbalances the weakening of family ties.

Fourth, although specific policies by the Moroccan state aiming at attracting remittances have been relatively successful, this primarily pertains the magnitude of recorded remittances rather than on total remittances (Puri and Ritzema, 1999; Kapur, 2003). The Italian and, to a lesser extent, the Belgium cases seems to confirm that remittances need not to be lower where the informal sector is important, but are mainly remitted in cash. However, the most important factor explaining relatively high and stable official remittance flow to Morocco is its relatively stable macro-economic and political environment. We therefore agree with Puri and Ritzema (1999) that the “first best solution” to prevent remittances leakage is setting the general macro-economic house in order, and that the second-best solution is using micro-finance tools and improving the existing banking networks.

It is notoriously difficult to predict how migratory, macro-economic, and political developments will affect future remittance transfers. However, based on prior experience it seems likely that remittances will remain a vital source of income (for Moroccan households) and foreign exchange (for the Moroccan state) in the near future. Besides the relatively stable remittances from classical destination countries, Morocco has probably secured remittance for the coming decade(s) through a diversification of migration destinations. New migrant communities have been established in Spain, Italy and North America over the 1990s, which are likely to significantly increase in the coming decade through continuing labor migration, family reunification and family formation.

If Spain and Italy follow the pattern of northwest Europe, remittance flows from these countries to Morocco are expected to peak in the 2010s. These are likely to partly or entirely counterbalance a presumed declining tendency to remit among the second and third generation

in northwest Europe. Therefore, depending on the rate of future labor migration and economic-political stability, remittances are, *ceteris paribus*, likely to remain at high levels, or even to increase further in the coming decade or two.

First and foremost, successful remittances policies boil down to cherishing the goose with the golden eggs through encouraging migration and “courting the Diaspora” (cf. Hamilton 2003). Regarding the current economic and demographic situation, migration will continue to serve a crucial interest in relieving pressure on the labor market and generating remittances. Although the labor-exporting policies of the 1960s and 1970s have been abolished and lip service is currently being paid to migration restrictionist aims of the European Union, this is mainly done for diplomatic reasons. For the time being, the Moroccan state has little interest in a decline in migration – and for good reasons. In the meantime, ambitious young people continue to leave the country and it is unlikely that governments are genuinely willing or able to stop this movement.

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¹ This paper does not address the “migration and development” debate and the controversial question to what extent migration and remittances have a positive impact on social and economic development in migrant sending areas (cf. De Haas 2003; Taylor 1999).

² Databanks of WorldBank, IMF, OECD, Eurostat, and national statistical offices were also consulted, but we have not been able to retrieve destination-country specific time series data on remittances to Morocco from these sources.

³ In 2002, 1€ was equal to approximately 10,4 Dirham

⁴ Moroccan nationality is inalienable. Moroccans who obtain citizenship of their country of settlement cannot relinquish their Moroccan nationality, so that they acquire double nationality. In order to stress their “Marocanité”, migrants—whether first, second or third generation—are officially called MRE: *Marocains Résidant à l'Étranger* (Moroccan Residents Abroad).

⁵ Only until 28 February 2002, it was possible to convert pre-Euro currencies into Dirhams at the Moroccan national bank (Le Matin du Sahara, 14 October 2001).

⁶ The fact that other Europe-oriented emigration countries in the Mediterranean such as Tunisia and Turkey did not show a similar increase or even decrease in remittances in 2001 seem to confirm that the Moroccan Euro effect is indeed closely connected to such money laundering.

⁷ Data on 1994 of the *Banque de France* are lacking.

⁸ This information was provided by the SVB, the Dutch institution responsible for implementation of the Dutch social insurance schemes.

⁹ Until 2003, for small remitted sums (below 11,345 euro) the Dutch National Bank estimated how much money is remitted to each country based on distributive codes derived from an earlier survey.

¹⁰ Personal communication with Paolo De Mas, University of Amsterdam.

¹¹ Since the Spanish National Bank could not provide remittance data, so that we are unable to estimate the part that is sent in cash.

¹² Since its arrival in Morocco in 1995, Western Union has developed into a major, new channel of remittance transfers. Its services are on offer in more than 700 post offices throughout the country, and into the smallest countryside towns. Despite the high costs, its high speed and reliability have made this service widely popular. In 2003, Western Union started a large-scale publicity campaign among Moroccan migrants in Europe. Especially for undocumented migrants and those – in particular women – without banking accounts, this service is an

attractive, hassle-free and discrete alternative to bank transfers and informal remittance channels. It is therefore likely that services like Western Union have siphoned off part of the informal transfers. Part of the recent surge in officially registered remittances may thus merely reflect a shift from informal to formal channels (cf. Kapur 2003:11).