

**MINISTRY OF HIGHER EDUCATION
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COLLEGE OF ECONOMICS AND ADMINISTRATION**

***THE INFLUENCE OF WORKER'S REMITTANCES
ON THE SOME MACROECONOMIC VARIABLES
- ARABIAN STATES CHOSEN -***

A Thesis Submitted

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Summary

The remittance phenomenon has been developed and expanded over the last 30 years to become one of the most important source of foreign currency, particularly in countries encountering lack of public and private financial flow. These countries have worked cautiously to envisage means and policies to increase in-flows of remittances through official channels . But , these policies were not up to the required level as only minimal part of the desired goals was achieved .

Therefore, it became imperative to study the subject of remittance carefully , taking into consideration the short – term impact of the in-flows on the workers- sending economies and the long-term side effects resulted there from .

On these basis , this study was conducted in an effort to address and analyze the influences of the abroad - workers' remittances leave on the structure of some macroeconomic variables by quantitatively appraise this influence , its causes and the policies that could be profitable to the countries in question .

This study has been emerged on the assumption that the abroad – workers remittances in –flows would have positive and negative effects on the structure of some macroeconomic variables whether directly or indirectly , based on certain mechanism (framework).

To achieve these goals , the study was divided into three chapters. Chapter one dealt with the theoretical understanding frame of abroad –workers remittances . Chapter two has focused on presenting the actual economy of the workers – sending countries, development and importance of in – flow remittances to those countries' economies .

While , chapter three has concentrated on the measure and analysis of the remittances' influence on some macroeconomic variables , by taking an experimental sample of (5) five Arab workers – sending countries .

As a result , the following conclusions were deduced :-

- 1- The workers' remittances have positive influence on some Macroeconomic variables (like GDP, Investment and Cash supply) as the practical analysis revealed that GDP had been positively influenced in all countries of the sample during the study period through consumption and investment.

This influence had varying impacts on the sample countries according to economic activity of each country . However , the impact was much clear on consumption .

As for cash supply , it was noted that remittances in most countries have positively influenced the volume of cash at different rates .

2- Remittances have negatively affected the Balances of trade of the sample countries with exception of Syria , as its Balance of trade depends , to a larger extent , on oil export in addition to the export of locally produced commodities .

So , in-flow remittances have no negative effects , in fact it might be looked at as a positive influence in Balance of trade , especially when the country's economic activity is healthy , diversified and depends on various sources that are not largely responsive to currency exchanges , general prices level , or to other variables that help in generating feed – back to remittances .

Lastly , some recommendations benefiting , if adopted , the remittances receipt economies , were introduced ; mainly ,

1- Increase customs tariffs on imported commodities , especially consumed commodities ; which are not locally produced; in turn , decrease taxes levied on commodities exported to maintain the stability of Balance of trade ; and hence , alleviate the negative impact (i.e. increase deficit or reducing surplus rates) arising from the remittances.

Additionally , the adoption of a fixed currency exchange rate would maintain the Balance of trade's stability .

2- Workers – sending countries should give basic priority to economic development plans as appropriate policies would encourage the flow of capital ; including the workers' remittances ; and hence , ensuring the direction of those remittances to be used in a more productive and profitable investment projects .

By taking such trend , the gap between the local resources will be narrowed , besides , introducing better means for financing development operations to increase productive investment that might make commodities and services available to meet the incremental demand resulted from the flow of remittances ; and hence , reducing dependency on imports from abroad , and minimizing the negative impacts of the remittances .