Openness, Economic Growth and Labour Migration in times of Global Downturn: with special reference to Asian examples.

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Introduction:

This paper starts by examining some of the variables that have been considered important determinants of openness and how views of these have changed over the last twenty years. It then considers the importance of migration and remittances back to countries of origin in such variables. It contrasts the growth of remittances with the growth of Aid, Trade and Foreign Investment and considers their effectiveness in combating poverty, as well as their absolute numbers. It ends with a reflection on how these variables may impact on the developing countriesô experience of the current financial recession, using the experience of some Asian countries as illustration and concludes that migration and remittances will play a pivotal role in determining the outcome for developing economies.

The Context of Openness:

Much of the globalisation literature relating to development has involved the consideration and considerable discussion, of various concepts of openness and liberalization in a general and non specific manner. In the 1980s economic literature the concern was with relatively narrow economic measures such as trade intensity measures (see for example Leamer, 1984, 1988). The eight categories involved in the search for the sources of growth encompassed by Leamerôs work, included explanatory variables related to Capital, Labour, Land, Oil production, Coal production, other mineral production, distance to markets and the trade balance. Between 1984 and 1988 he had added the last two: distance to markets as a proxy for natural protection and a trade balance variable (Leamer, 1988: 179-80).

In the current environment the distance variable could become even more significant with the appearance of the ñtrade milesò issue, although this is more related to a regulated or interventionist protective device disguised as an environmental concern, rather than a natural one. The addition of distance does, however, mean that the approach of Leamer, which appears at first glance to be somewhat dated by virtue of its concentration on the production of goods and its being largely focused on trade intensity ratios, has some greater promise in the modern era in terms of a possible analytical structure for considering the impact of migration and remittances. Distance and the level of economic activity and consequently the level of domestic labour demand would appear to be of considerable importance in determining the potential for hypotheses related to the shift of Labour. The technical differences between the 1984 and 1988 models are of more relevance to the trade balance variable than to the distance one and the indicator/measure used for distance (the airflight distance between capitals) is, if anything, more appropriate to labour migration than to goods shipment. With respect to the current global recession and the analysis of the consequential impact on remittances, the data is not sufficient to do much more than consider the question in an in informed and conceptualised manner, in part grounded on Leamerôs thinking, rather than utilising such a model in a formal analysis, meaning the model in this case is implicit, rather than explicit.

Openness, as associated with trade liberalisation, has been seen as a major factor in producing economic growth and relatively high standards of living as measured by Real Gross Domestic Product (GDP) per capita. In the economics literature this has been described as: ñé believed to have been central to the remarkable growth of industrial countries since the mid-20th century é ò (Winters, 2000: 43).

Trade liberalisation, along with the variables identified by Leamer, is certainly measurable, although practically difficult to accurately capture when long run time series measures are sought. The Leamer approach remains very goods-related, with little or no mention of the movement of people, ideas or other aspects of openness. Joseph Stiglitz views and characterisations of Globalisation may seem to involve the closeness and integration of countries and peopleôs of the world, but the movement of people has remained a less noticeable target of general Globalisation policy. People movement might be consistent with neo-liberal views of free movement, but it is not something that is comfortable for politicians to champion, especially in receiving countries.

By the 1990s those looking at development issues found measures of openness to be deficient, not so much because of their lack of reference to the movement of people but more because of the lack of a services trade aspect. To this can be added the omission of issues relating to the policy stance of trading nations and the particular characteristics of the outward orientation of Least Developed Countries (LDCs). Thus Pritchettôs classic concern with trade policy stance and impacts in his (1996) work at first appeared likely to fill a perceived gap in the literature, although in the end the conclusions really only add to the frustrations rather than removing at least some of them. Pritchettôs findings suggested that whilst it is generally held that a country's trade policy stance appears related in some way to that countryôs economic performance, what specifically does the trick, what is the key element in the process, is less than obvious and constitutes something of a holy grail. ñThe growth literature to date has shown there is *something* about trade policy that has an important effect on growth.ò(Pritchett, 1996: 328). What it is specifically, is less easy to identify or separate, with proponents of the variously mentioned and defined: trade liberalisation, picking export winners, outward orientation, incentives, avoiding crisis in balance of payments or massive overvaluation (Pritchett, 1996: 328-9) amongst other topics all claiming the same sort of data studies to support their own choice.

What results is the observation that changes in policy stance reflecting a more open approach may induce a short run spurt in output growth and a new ñmiracle economyò for us all to study and follow in the footsteps of, but often this is a temporary product which is masking a long run growth path determined by an underlying rate of technological change. Some temporary supply-side shocks to the system may appear and then be quickly assimilated. From a policy perspective, perhaps the best that can be achieved is to enhance the positive aspects of the shocks and attempt to embed the openness to new ideas and thinking about innovation and diffusion so as to enable the best economic outcome of technological change.

Such an approach gives a qualitative aspect to the investigation as well as the quantitative. However, during the past decade an extensive literature on the impact of Trade and Foreign Direct Investment (FDI) on the rate and nature of development has been added to by the investigation of the role of remittance flows from migrants, further developed by the extension of this phenomenon to include considerations of the role of the Diaspora more generally. Extending the scope of what is really meant by openness and what it should be extended to for full coverage, far from assisting in narrowing down the list of candidates for the real driver, just makes the process somewhat more difficult.

It has to be admitted that this paper represents an attempt to extend openness, only by focussing more specifically on migrants and remittances, amongst the many other dimensions that could be included if the full role of the Diaspora is considered, rather than just that of current migrants. The members of the Diaspora represent not only a source of remittance income, but also a potential source of FDI. They can also contribute to the building of general economic linkages, as well as safeguarding or promoting abroad the diplomatic, social and political interests of their ñhomeò Governments. Improved communication and the internet particularly, have also meant an increased level and exchange of ideas, including technological innovation diffusion and the development of a strong social network (Hugo, 2005).

The paper considers what can be said about the definition of openness now, so that policy, particularly that relating to developing countries and the movement of people, ideas and financial flows, can be more directly and usefully targeted. Some consideration of the importance of such a wider definition are included in the paper, both for small developing countries and the large, from the island states of the Pacific to the Asian giants of China and India. It has to be admitted that the wider the scope of the definition becomes, the more difficult it is to distinguish between multiple possible causes and their particular effects and to test for causal links rather than correlation.

Migration Remittance and Development Issues:

Glytsos found in his study of five countries experience that there were significant macro - economic effects for all countries studied and that these were positive more often than they were negative (Glytsos, 2002: 18). On the downside there was evidence of a Dutch disease or negative supply-side shock in some cases, although the extent of the negativity and dependency anticipated in some of the antagonistic critical Migration, Remittances, Aid and Bureaucracy (MIRAB) reactions to the more optimistic original work of Bertram and Watters (see Bertram and Watters, 1985) does not seem valid. For a recent brief discussion of the MIRAB approach, critiques and consequences for the Pacific from a New Zealand recipient perspective see (Stahl and Appleyard, 2007).

If the relative roles of Trade, Aid, Investment and Remittances are considered in a general manner for the last decade or two, then there are two ways in which the contribution of remittances can be seen as becoming dominant. The first is that it is the fastest growing source of incomes coming into the developing world from outside and the second that it is arguably more effective than the other potential sources of outside funds, in terms of its ability to directly reduce poverty for those it affects. Neither trade and investment liberalisation, nor even debt relief packages hand power directly to large numbers of the population in the way that freer migration can. In an era of rhetoric concerning freer trade and investment, restrictions on movement are an increasing rather than decreasing feature. Shifting goods and service provision is a poor substitute for shifting people, or rather allowing them the choice to do so if they wish. In a 2006 newspaper article professor Mirko Bagaric pointed out that in 1976 seven percent of UN member nations had restrictive immigration policies. By the first few years of this century this figure had risen to some 40 percent (Bagaric, 2006: A17).

This theoretically beneficial outcome, however, has to be put in the context of the costs of migration and the lack of satisfactory outcomes for some in terms of the remittance flows. A study conducted at the beginning of the decade looking at migrants from Bangladesh, put the proportion of families economically benefiting at a figure of 56 percent, with 26.5 percent as losing and some 15.5 percent unclear (Siddiqui, 2001). This suggests that a significant number are not clearly benefiting, possibly the rosy picture is not entirely warranted, especially in times of recession and returning unemployed migrants. However, many of the critics of migration from developing countries are potentially more concerned with the feared impact on the receiving country rather than truly concerned with the impact on the society of the sending country. As Hayter described it, the proponents of immigration controls are unlikely to be doing so for the benefit of the migrants and if that migration is leading to some redistribution of global wealth then imposing controls will act against such outcomes (Hayter, 2000: 166).

The possibility of analysing the role of remittance flows in economic growth and development is relatively easier to do in an aggregative quantitative sense than it is in the way in which it affects particular countries groups, individuals and their families. Institutional differences make for particular problems and distinctions, making the application of universal theorising less than perfect as a means of analysis. What can be said is that the level of remittance flows has been increasing far more rapidly than Aid and other international assistance mechanisms.

Remittances are a powerful tool for development that has been relatively neglected and even often opposed outright by some of the international programmes and agencies claiming to be concerned with increasing welfare and equity for developing nations as their main aim. Official Aid proponents seem at times more concerned with raising the proportion of National Income of donor countries than they are with the effectiveness of what is spent, more a matter of achieving Aid levels of 0.7 percent of GDP regardless, than achieving Paris Declaration or Accra Agenda for Action related effectiveness in Aid expenditure. In an era of calls to significantly increase foreign Aid as a percentage of national income, the current 0.7 campaign being the latest example of such efforts, there has been relative neglect of the possibility of a more effective development movement resulting from the flow of migrant remittances back to their countries of origin.

Good governance structures and evaluation of project outcomes may be seen as less important, by some agencies, in favour of boosting Aid in total, but both campaigns for increasing Aid totals and for better governance can be used as attempts to secure a dominant position in what is heavily contested territory. Critics of much of what is undertaken in the name of the need to increase the aid total and the accompanying rhetoric can happily seize on the opportunity provided. As an example William Easterlyôs recent blog statement regarding lax governance and denial of accountability for promises made goes on to talk about those who ñé try to do too much and are ill focused and spend much of their time talking about the level of aid money raised rather than the outcomes that result and they can end up allowing the inference to be drawn that the money will clearly not be spent as it best could be (Easterly, 2009).

Aid has grown in amount over the long run and reached historic peak levels in 2008 total real, net official development assistance from members of the Organisation for Economic Co-operation and Development - Development Assistance Committee (OECD-DAC) rose by over 10 percent to US $119.8 billion or 0.30 percent of membersô combined gross national income (DCD-DAC, 2009). So far the fears of this falling away with the recession have appeared to be unfounded.

The background experience, to put the 2008 level in context demonstrates that until the early 1990s there had been a continuous expansion of Aid in real terms, the OECD figures for assistance provided by the ñdevelopedò world reached a first peak of almost 60 billion US dollars in 1993 (German and Randell, 2004: 182). This figure then fell through to the late 1990s, when it subsequently revived, but still failed to reach the 1993 peak. Between 1960 and 2002 Aid per capita grew only slightly at a rate far below that of donor countryôs National income per capita. Only in the recent past has Aid grown again in significant fashion.

Aid was significant and growing with recovery in donations from the early part of this century through to the present. The growth of internal resources in most developing countries was likely to be greater, however. Aid, even when growing, was also doing so far less fast than the growth in remittance flows, even when judged by the rather deficient official figures of remittances through the official financial systems. Although by 1998 the remittance figures were already in excess of those for Aid, including subsidised loans (Hayter, 2000: 166).

In individual cases where the absolute amount of Aid still exceeds that of remittances, there remains the issue of their impact and effectiveness in acting upon the main overarching goal of most National and International development agencies, namely poverty alleviation or reduction.

Similarly to the Aid story the expansion in trade and investment has been below that of remittance increases, at least up until 2008. On a global scale remittances sent through official channels were by 2003, already the equal of FDI flows as a source of hard currency for developing countries, and for many countries they had exceeded Aid as well (Goldin, 2006: 112-3). Table 6.1 (p.112) in Goldinὸs article demonstrates remittances as a percentage of Aid and FDI by region and selected countries. Sub-saharan Africa is the only region that shows remittances as less than 100 percent (27 percent) of Aid totals, due to a combination of the recent concentration of Aid on this region and a degree of prejudice towards migrants from the region, in skill as well as race and colour. For individual countries the difference was sometimes marked with the extremes for remittances relative to Aid hitting 366 times (Jamaica) and for remittances to FDI the highest being over 10,000 percent in the case of Haiti. These are gross figures, but the errors in the figures are not sufficient to render the observations without significance. Remittance flows have continued to increase rapidly from 2003 to 2008. During 2008 total remittances were estimated by the World Bank to have reached in excess of US $ 300 billion more than double the record Aid figure for that year and not taking account of the unofficial or informal transfers of remittances which are estimated to add significantly to the total with unofficial estimates being reported as in excess of US $ 450 billion for

2008 (ICBI, 2009). Certainly official figures are far less than the actual for a variety of reasons that the World Bank sponsored working group, the Luxembourg Group (World Bank, 2008: xii) have explored. Illegal immigration and informal remittance amounts must represent a significant addition to the official numbers.

Official Foreign Aid is an important element in development, but far from the most important. The official UN campaign target of 0.7 percent of National Income is reached by very few donors typically those from Scandinavia, Denmark, Norway, and Sweden, with one or two other European countries such as the Netherlands and Luxembourg (German and Randell, 2004: 187). Currently sub Saharan Africa is seen as most in need and over one third of official OECD-DAC member assistance is targeted there. Some might suggest this could produce a clear relationship between aid and growth, but only because it is aid concentrated on very poor countries. Academically rather more concerning must be the findings of Raghuram and Subramaniam, (2005) that after examining the:

ñé effects of aid on growth-- in cross-sectional and panel data--after correcting for the bias that aid typically goes to poorer countries, or to countries after poor performance. Even after this correction, we find little robust evidence of a positive (or negative) relationship between aid inflows into a country and its economic growth. We also find no evidence that aid works better in better policy or geographical environments, or that *certain forms of aid work better than others*.ò (Italics added).

Investment flows and trade are seen as drivers of development as well as Aid, but the linkage, whilst playing an important part in generating economic growth, is less than perfect and can suffer leakage in the form of restrictions, including the difficulty of getting agricultural products into the World Trade Organisation (WTO) agreements in an effective manner and in getting implementation of the agreements when such products are included. Investment is often restricted to particular countries or areas of countries in the form of special trade zones, with limited impact on the host country at large. Where foreign investment does generate employment this is often met with criticism concerning the non implementation of good labour standards, including low wage levels by comparison with prevailing international levels.

More particularly for the Asian area, is the phenomenon by which much of the Foreign Direct Investment that is available has been largely targeted at only two destinations, namely India and China with the latter dominating and receiving US $70 billion for 2007 (Ash, 2007: 223). India dominated in Remittances and continues to do so. From a situation of some caution regarding the influence that foreign investment might bring with it, China has moved to a generally welcoming attitude to such financial inflows. Special Economic Zones in Southern China and joint venture activity also reflect the acceptance of this aspect of openness. The role of the Diaspora in investing in both India and China has been an important dimension as it has for other countries (Lall, 1995: 1482).

Many developments both internal and external have challenged the concept of openness for China during the last twenty years or so. Chinaȇs total of exports and imports compared to National Income amounted to some thirty percent by the beginning of this century, whereas the figure for India is much lower at about twenty percent (Weller, Scott and Hersh, 2001:6). More recent figures would suggest that China was by 2008 possibly twice as exposed to global influences as is India, at least for the percentage of its manufacturing output being traded internationally.

According to World Bank (2008) data and analysis the two countries have exhibited the largest global migrations, India has the largest remittances flow reported for the World and China dominates India in FDI. This is interesting in the light of India as the emerging IT centre, whereas one would anticipate from the general literature that remittances are spent in unproductive, basic and consumption related activity rather than in productive investment and high technology. Remittance expenditure is not of course entirely consumption related.

The apparent contradiction here is partially explained, if we view this as the fault of the way the literature defines such expenditure, rather than querying the statistics. An economic analysis would often tend to typify human capital expenditure as consumption rather than investment. If social and human capital, are more fully appreciated we can see the importance and role of the linkage of remittances to development, that for development and growth: Investment is important, Aid is important, Trade is important, but that we can hypothesise that Migration and remittances are even more important a product of openness in terms of their growing numerical aspect and their qualitative aspect, especially for the poorer migrants and their families. They are not the products of somewhat fickle ñcharityò either in official or non official aid, nor are they the happenstance product of trickle down from investment, either direct or in infrastructure, nor the indirect product of trade expansion and they are less tied by conditionality. ñRemittances go direct to the families of the people who have emigrated, to use as they think fitò (Hayter, 2000: 167). Although there may well be a differentiation at times between the choice the family makes and the expectations of the sender, they are certainly less constrained and controlled in terms of how they are to be spent and therefore are more likely to generate maximum welfare, if for no other reason than that the process is closer to a free market solution (Jackson, 2007: 77). Some might object that the expenditure is sometimes unwise and not as growth enhancing as it might be, but this is usually because of prejudice as much as judgement and analysis, allied to a desire to control on the basis of presuming to know better what people need, than they do themselves.

In the current downturn the focus needs to be placed on what is happening to remittance levels more than any other factor of openness.

Current Recession and Remittance Issues:

The response to the downturn, or more specifically the apprehension of an Aid reduction response resulting from fear of the downturn, does not seem to have eventuated so far. In fact to avoid a development crisis, DAC donors have joined in an Aid Pledge ï initiated by OECD - reaffirming their previous aid promises and commitments to try and mitigate the impact of the crisis.

Aid levels do not appear to be actually falling. Investment is a greater concern for many, not least in that it has been associated with technological innovation and growth over the past few years. The analysis of the figures suggests, however, that investment flows depends on the income levels of the recipient countries and the consequential anticipated local markets rather than anything else. FDI is reported to have peaked in 2007 at US$1.9 trillion, with a global decline of some 15 percent in 2008. The subsequent decline, however, was confined to developed countries, since developing countries in total experienced an FDI increase, certainly small, but equally certainly positive (UNCTAD, 2009a). Again the fear of imminent decline for developing countries is often quoted rather than the reality. If Aid and FDI numbers are holding up then trade and remittances would seem to be the areas in which there is the most immediate cause for concern fro developing countries. A 2009 report on the financial crisis reflects the confusion in attempting to summarise the by saying:

ñIt was emphasized that the world economy was undergoing a serious global crisis that originated in the financial sector of developed countries and spilled to the real sectors in the last quarter of 2008, leading to a global recession. This had manifested itself in a rapid decrease in international trade exacerbated by a lack of credit and trade finance, in falling commodity prices, a slowdown in FDI, declining remittances, and increases in unemployment all over the world, with consequent declines in family incomes. Many developing countries were also dependent on official development assistance (ODA), which could shrink during the crisis.ò (UNCTAD, 2009b: 7).

If developing country Aid and Investment do not appear so far to have followed the predicted gloomy path, trade problems and migration/remittances are left as the big issues with some certainty of problems for developing countries. The revised data from the World Bank, *March 2009,* estimates two basic facts with respect to remittances. They are predicted to fall by between 5 and 8 percent over the course of 2009. This is an even greater contraction than had previously been predicted and the Glytsos finding of 2002, that the contraction effect of a downturn in remittances is seen as greater than the positive impact of an expansion of remittances, an asymmetry in effect, (Glytsos, 2002: 16) only adds weight to the significance of the qualitative assessment of the pivotal role of remittances in development and growth. Two of the five countries studied by Glytsos, Egypt, and Morocco exhibited almost a three times greater contraction effect from declining remittances compared to the positive effects of expanding remittances (Glytsos, 2002: 32 table 9 columns 7 and 8). The possibility of a significant feed through effect of the current recession could therefore be expected, although this was not exactly what Glytsos was investigating and the impressionistic first take may not necessarily hold up consistently in the light of the evidence. The point still suggests that concentrating more on remittances than on other financial flows in the current recession is a reasonable approach to take.

If the asymmetry did hold then greater openness, in the form of greater reliance on remittance income could be seen as a threat rather than as a way out of the contagion of global recession. By contrast the experience of some is that remittances are likely to be a saving grace rather than a transmission mechanism by which the disease enters the developing countries, that in fact remittances will act counter-cyclically to dampen the impact of recession and boom.

Migration from the Asian region has been of major importance from as early as the late 1980s, when there were already over two million people migrating overseas every year. Before this, even only twenty years before, the numbers were relatively negligible. Although, as with remittances, these official migration figures are often reckoned to be an underestimate, with much higher numbers of people moving internationally despite not meeting immigration criteria of the receiving countries (Skeldon, 1992: 4). The numbers are far greater in the current era and seem to hold the prospect of securing growth, albeit at a reduced rate, as well as contributing to poverty reduction.

The other major factor is that the income from remittances was growing at fast and increasing rates in many places, well into double-digit annual growth rates for much of the immediate past. An absolute fall in such flows therefore represents a significant threat for many countries, which have become used to such a growth trend. During 2007 the growth rate had been some 23 percent, with the recession this fell to 9 percent over the course of 2008 and into anticipated negative territory for 2009.

Ratha and Mohapatra conclude that whilst South ï South remittances are particularly vulnerable at present, including those emanating from India and Malaysia, along with remittances from the Gulf area which are considered as being subject to great uncertainty, the overall impact on Asia is limited. The base case forecast indicates a flattening or dip from 2008 to ñrecoveryò in 2011, for East Asia and the Pacific through to 2011, as well as for South Asia and in the case of most areas other than Europe and Central Asia. The low case (a return of migrants equal to one yearôs outflow) differs really only in two respects: namely that the depth of the forecasted fall off in remittances in 2009 and that the 2011 ñrecoveryò fails to reach 2008 levels in all regions (Ratha and Mohapatra, 2009: 2).

Table 1 Forecasted remittance flows to 2011 (Adapted from Ratha and Mohapatra, 2009: 2)

US $ billion		**Base**	**Case**	**Forecast**	**Low**	**Case**	**Forecast**
	2008 est.	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
Developing countries	305	290	299	317	280	280	289
East Asia & Pacific	70	67	68	72	64	64	65
Europe & Central Asia	53	48	50	53	46	47	50
South Asia	66	63	65	70	61	62	64

Low-Income Countries	45	43	45	48	41	42	44
Middle-Income Countries	260	247	254	269	239	238	245

Table 1 suggests a relatively uniform experience for Asia, but given the distinctions to be made for individual countries a diverse impact is to be expected. If just China and India are taken as examples then already the expectations may be seen as pessimistic The World Bank estimates for 2008 remittances have been revised upwards from 30 to 45 billion for India and those for China have gone from 27 to 35 billion US dollars. A similar future revision for the 2009 year would seem unlikely, but even if the fall is now from a higher than expected peak with some recovery to come after the fall then the in the medium term, the downturn would start to look more illusory than real, with an artificial peak for 2008 generated by fear that the door to migration and remittances is closing.

Raha and Mohapatra have suggested that resilience of remittances, relative to private debt, equity and FDI inflows can be expected, because of five factors. These five factors include, there being a considerable stock of migrants already overseas who will continue remitting, any fall in current migration numbers will bring about a flattening in remittance growth in the short run, rather than long term decline, remittances are a small part of remitterǒs income, and as a result of tightening border controls, migrants already in country are likely to extend their stay rather than return in expectation of future migration. Stimulus packages in host countries, could increase labour demand for both local and migrant workers (the later showing some greater flexibility in job choice) and remittance levels in the short run could increase if migrants return with accumulated savings (Raha and Mohapatra, 2009: 4).

It is certainly the case that controls on migrants are rising, not just in the US and European countries, but in countries like Malaysia and Russia as well. Surveys of

Vietnamese construction workers in Malaysia, (Dang, 2009) revealed a large source of remittances from there, with no, or little, use of formal financial channels, meaning that a downturn may not fully show up in the official figures, or meaning that if the official figures record a downturn, they may obscure the reality of ñillegal migrantsò staying longer than they otherwise would have and using informal transfer methods to reduce the chance of detection.

The impact of the recession could be seen as expected to hit India harder than China in respect of Chinaôs greater action on stimulus of the domestic market and their being more reliant upon the non high technology sector for their growth and allowing the domestic stimulus package and internal expansion to replace overseas markets for manufacturing.

The sudden boost in remittance activity for India, reflected in the revised 2008 figures is a welcome addition to the positive forces offsetting trade and Investment downturns. Remittances become the key to surviving the recession and from a poverty perspective the opportunities for migration of the relatively unskilled. An absolute downturn in remittances, so that they are pro-cyclical rather than counter-cyclical as is usually expected, would, however, represent a potentially extensive crisis for many developing countries in Asia.

China also appeared likely to be better placed to make use of its Diaspora for equity, from entrepreneurs with technology and marketing links, whereas India seemed more likely to receive short run capital inflows (Lal, 1995: 1482) meaning that the Indian vulnerability to a financial crisis was greater than that of China.

Compared to the anticipated fall in private capital and possibly official aid, the fall in remittances is still restricted or speculative. However, until actual and consistent figures start to appear, much of this is mere conjecture rather than actual hard fact. What does appear likely is that the potentially negative impact on developing countries of their openness, has so far only really shown up in terms of drying up of export opportunities and that the most significant international sector is likely to be migration and remittance activity.

Conclusions:

By considering the concepts of Economic Openness and Labour Migration as well as labour migration and remittances, the paper suggests that the strongest component of these for development is migration and remittances. Not only are they becoming statistically forceful compared to trade, Aid and Investment, but it is argued they have a greater qualitative dimension and power for reducing poverty, by virtue of their being directed to families without controlling intermediaries deciding on the correct way in which they should be spent. In the last twenty years or so much of the developing world has become more open, especially in terms of joining an emerging global labour market. If the current recession results in protective attitudes, policies and actions then it may well be that for the developing world it is the impact on remittance flows that is most important, followed by trade impacts, with Investment and Aid at the moment restricted to feared downturns rather than realised ones. Rhetoric from agencies seeking an increase in Aid funds may only contribute to increasing the fear.

Restrictions on migrants and the return of migrants to developing countries from overseas is being noted, not just from the high income countries, but also from receiving countries like Russia and Malaysia. So far revised figures suggest that the downturn is there, but may not be as great as anticipated. It is suggested that openness by receiving countries to continued migration may be more important for the developing world than trying to avoid trade restrictions and other protectionist or inward looking policies. Avoiding all restrictions might be the perfect world, but unrealistic to expect.

By considering the global factors and concepts of openness it is found that: the older concepts of openness that appeared overly concerned with trade in goods and services were added to by including policy issues and policy stances and still have something to offer. If distance is included in the examination of migration, allied to examining the policy stances of both sending and receiving countries there is the possibility of some fruitful outcomes in analysing the impacts and outcomes of migration and remittance sending. Distance is usually taken to be represented by geographical distance, but there are other institutional and cultural dimensions which also should be taken into account.

The current recession sharpens the focus on what are the drivers of growth and development and what can be the role of migrants and the Diaspora. This is found to be in need of reconsideration and could be done in terms of how these people can produce a moderating influence on the extent of the downturn, if not a total answer to the current problems of developing countries in the face of the financial recession.

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