

Leveraging Albanian Remittances
for
Economic Growth and Development

Master's Thesis

Presented to

The Faculty of the Graduate School of Arts and Sciences
Brandeis University
Graduate Program in Global Studies
Dr. Kristen Lucken, Advisor

In Partial Fulfillment
of the Requirements for the Degree

Master of Arts Program
in
Global Studies

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May 2015

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ABSTRACT

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Waltham, Massachusetts

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The purpose of this research is to outline the vital role remittances have played in the economic development of Albania following the fall of Communism in 1990, and to emphasize the potential they hold for future economic growth and development for the country. The precipitous decline in remittances following the 2007-2008 Global Financial Crisis caused much concern about Albania's dependency on this critical resource. In the years following the crisis, Albania's government began to shift its focus on remittances towards the cultivation of other resources, such as oil and gas, minerals, agriculture, tourism, and Foreign Direct Investment. This paper argues that, while the exploration of other resource options is important, these new interests should not overshadow the pivotal role remittances play in the sustenance of everyday life for Albanians. Through a wide array of academic literature and World Bank data on the topic of remittances, I argue that this source of income has not only minimized poverty at the individual level, but it has played a vital role in sustaining Albania's welfare system, providing investment funds for small business, and promoting Albania's culture and traditions. Remittances, as a source of international capital flows, continue to hold great, untapped potential for the future of the country. By failing to recognize remittances as a resource to be fostered and

cultivated, the Albanian government is missing an opportunity to maintain strong ties with its significant diasporic population that has contributed significantly to the economic growth and livelihood of the nation. It is a loss Albania cannot afford. This project seeks to rekindle interest in Albanian remittances by bringing to light the benefits it has provided to Albania in the past, and if nurtured properly, the great potential it holds for Albania's future.

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Chapter 1

Introduction

With the many advances in technology, transportation, and communications, the world has become more globalized and interactive. Millions of people leave their countries of origin each year and immigrate to new host nations with hopes of better opportunities, jobs, and living standards. Through their migration experiences, immigrants play a vital role in linking their country of origin with destination countries by forming bridges that encourage the exchange of valuable commodities, services, ideas and goods. Remittances are also an important byproduct of this phenomenon and have gained the attention of many countries for their potential to bring forth economic growth and development. They are considered a vital source of income, especially for countries that are developing.

However, the recent Global Financial Crisis of 2007-08 had a negative impact on the flow of remittances and has lowered the amount of funds arriving in the countries of origin. Among the many countries affected by the crises is Albania, a country whose diaspora is located primarily in countries where the crisis has hit the hardest. The World Bank Database, which monitors remittances worldwide, has illustrated a steady decline in the levels of remittances from 2008 to 2013, when a slight increase has been noted.

Albania is a country that depends highly on remittances, and this crisis-caused decline has caused much concern. The situation has prompted government officials to question whether remittances are worth pursuing further as a viable source of income that can spur economic growth and development in Albania. The most prominent example of this doubt was displayed

by Albania's Prime Minister, Edi Rama. On October 16th, 2014 the Prime Minister Rama was invited to speak at the John F Kennedy School of Government at Harvard University. In his speech, the Prime Minister Rama addressed the issues the country is facing due to a broad array of ineffective domestic policy initiatives. Among many issues addressed, he revealed a cynical attitude toward remittances:

We have taken many measures to start and tackle the physiological problem of our economic model. Because we have agreed that the economic model that provided growth, a jobless growth for twenty years has exhausted itself and the source of growth that has been there is not there anymore. Remittances from immigrants are lowering dramatically every year; the construction boom is over. So we have turned towards the potentials of the country and to the big resources of the country and use them in a way that they produce growth and prosperity. These are oil and gas, minerals, agriculture, tourism, FDI and for sure energy which has to change from a systemic problem for our country to an income.

With this declaration, the Prime Minister Rama made it clear that remittances received from Albania's large diaspora are no longer prioritized as a viable resource in the promotion of Albania's economic growth and development. His use of words such as "exhausted", "jobless growth," and "not there anymore" insinuate that remittances no longer hold potential in promoting the future of Albania, and that Albania must turn to other resources for its future growth and development. Prime Minister Rama clearly expressed a shifting focus toward the cultivation of oil, gas, minerals, agriculture, tourism, FDI and energy; leaving remittances in the back seat.

While broadening Albania's sources of income beyond a single resource can reasonably be seen as beneficial for the country, discarding remittances from the list of options comes as a surprise. The diminishing value placed on remittances is especially concerning when taking into consideration Albania's past immigration history and the role remittances have played thus far. As a response to Prime Minister Rama's declarations, this paper argues that, while exploring the

development of other resources, Albania's new sources of income should not overshadow the already existing impact of remittances, which have comprised anywhere from 8.3 % - 16.2% of the country's GDP in the last fifteen years (World Bank). The concern over the decreasing levels of remittances that Albania has received should not result in the government's total disregard for this income source. The government of Albania along with the other actors involved should work toward making the most of the remittances received.

This paper will be broken into four chapters. The Introduction offers an overview of this project, its methodology, and an academic discussion about how remittances are defined. Chapter Two outlines the vital role remittances have played in the development of Albania, with three points that support the claim that remittances remain an important resource contributing to Albania's growth and development. These include: 1) The important function remittances have played in supporting the Albanian welfare system and Albanian culture and tradition; 2) the mediated risk posed by remittances in comparison to tourism and foreign direct investment; and 3) the power remittances give local Albanians to take on leading roles in their country's development and economic growth. Chapter Three looks toward the future by identifying the untapped potential of remittances for the Albanian economy as well as the potential for the government of Albania and other entities to increase the level and impact of remittances received. Finally, Chapter Four summarizes the main findings and provides the policy implications of better remittance use and development in Albania. Here, I make the argument that the Albanian Government and business community should encourage and harness remittances more effectively and that there is really no reason not to make use of all available resources at hand.

Methodology

This paper is a case study on the impact of remittances on the country of Albania following the fall of communism in 1990. Drawing on historical, sociological and economic literature, this paper first defines the concept of remittances and outlines the impact they have had on the Albanian economy. Academic works, such as Stephen Castles's book, *Migration and Development: Perspective from the South*, along with Ghosh's book, *Migrant's Remittances and Development: Myths, Rhetoric and Realities*, will add to our understanding of remittances. Definitions and statistics for this paper are also drawn from World Bank publications in order to display the existing complexities embodied by the term 'remittance,' especially when trying to measure this phenomenon and its impact.

Once outlining a functional definition, I draw on book/articles by Bimal Ghosh, Şule Akkoyunlu*, and Bichaka Fayissa to establish the impact that is expected of remittances. While there is some disagreement about remittance impact on a national scale, there is general consensus that remittances play a significant role at the household and community levels. Then, leaning on Jeffery Sachs' theory on the "poverty trap," which suggests that poverty can be alleviated by providing the poor with an initial income boost, as well as on my own personal experience, I argue that remittances have played a vital role thus far in Albanian society, and continue to do so today.

Later in the paper, I compare remittances with other forms of income that are known to produce economic growth, including tourism and foreign direct investment. Using the concept of "leakage theory" as described in the UNEP's article, "Negative Economic Impacts of Tourism," I argue that tourism generally has hidden costs, and for Albania, specifically, it poses as a capacity problem. Similarly, Foreign Direct Investment (FDI) also poses some risks. The World

Bank Group's article, "Attracting FDI" (2011) defines key elements that draw FDI and explains how those could be problematic for Albania. The article, "A Race to the Bottom? Employment Protection and Foreign Direct Investment" (Olney, 2013), describes how the competition among countries for FDI can easily lead to a "race to the bottom" and the degeneration of standards. In comparison, Ian Goldin (2011) suggests that remittances can be less risky due to their non-volatile nature as well as their "multiplier effect," a point that is supported by World Bank data on Albanian remittances. Goldin's article also suggests that the possible risks that remittances might pose such as 'brain drain' are not as much of a concern as previously believed. Goldin argues that we should think of remittances more as "brain gain," because the possibility of migrating actually creates more human capital than no possibilities.

The next step in my argument is to demonstrate why remittances are so valuable to the Albanian economy and what steps could be taken to further increase its value. Nicolass De Zwager (2005) explains that Albania has great future potential because a large portion of the Albanian migrant population has a high savings rate, and that 56% of the immigrants say that they wish to return to their country of origin someday. This potential could be cultivated into a strong boost for the economy. But in order to tap into the full potential of remittances, Albania must nourish and care for this resource properly. Drawing on Nicolass De Zwagers' points, along with other works that describe the case study of Philippine remittances, I demonstrate certain strategies the Albanian government-- as well as other parties involved in Albania's development-- could follow in order to increase the flow of remittances to Albania and to use them more efficiently in building Albania's economy and infrastructure.

Defining Remittances and Their Impact

Before tacking the reasons why remittances are such a vital source of income for the country of Albania, one must first define what remittances are and how they function. This is the first stumbling block one faces because providing remittances with a functional definition is a difficult task. Often times when we imagine what remittances are, we tend to think of them as simply money immigrants send back home. But by oversimplifying the identity of remittances, we run the risk of limiting our analysis and undermining the real impact that remittances provide.

The book *Migration and Development: Perspective from the South* by Stephen Castles (2008) does a great job at widening the oversimplified perception and emphasizing that remittances encompass a great deal more. It first begins by pointing out three components that make up remittances: “1) Worker’s remittances- which broadly overlap with the popular conception of remittances. 2) Compensation of employees- money that people earn by working outside the country where they formally live, for instance by cross-border commuting, seasonal work or employment at a foreign embassy. 3) Migrants’ transfers- the assets or liabilities that migrants take with them when they move from one country to another” (Castles 2008, 43). Yet, the author also emphasizes that these three components do not cover the whole picture of remittances. He first questions the perception that money has to be sent by immigrants and provides evidence of two instances where this is not the case: the money immigrants receive through their pension, once having retired back to the country of origin, and money sent back from the descendants of immigrants which are not themselves immigrants (Castles 2008, 47). The author goes on to question other aspects like “Does the money have to come from employment income? Does the money have to be sent to relatives? Does the money have to be transferred to the sender’s country of origin?” For each question, the author points out examples

that broadened the definition of remittances (Castles 2008, 47). This is very important because by recognizing the broader definition of what remittances encompass, we are able to also take note of its broader impact. Remittances are not just money sent home by immigrants; it is an umbrella word that embodies the transfer of in-kind, services, ideas (social remittances), as well as the transfer of money and not just by immigrants; as Castle points out, it does not hold that limitation.

Of course, the broader term does pose an obstacle when the process of measuring comes into play. In-kind or the impact of ideas are difficult to measure properly or keep track of because they are not officially recorded nor are they specifically defined; the same kind of problems that are experienced with defining remittance money, can be, in theory, experienced when defining the other categories. But unfortunately, the broader definition is not the only problem that is present because even the limited definition as defined by Castle, and many others, poses problems. The book titled *Migrant's Remittances and Development: Myths, Rhetoric and Realities* clearly points out the issues that come along with trying to measure remittances even without broadening the definition (limiting it to the three components that Castles describes). This book argues that even if we were to define exactly what remittances as a term incorporated, measuring the money transfers is a challenge on its own. It is also pointed out that often times governments do not have the capacity or the resources to measure and therefore provide accurate data, as defined by the IMF's method of measuring remittances (these are Castle's three components mentioned above). What usually happens is that countries only count one aspect, for example worker's remittances, and neglect to report the compensation of employees or migrants' transfers. According to the article, trying to measure these flows of resources is also very difficult due to the fact that most of the resources that come from

emigrants travel through informal channels where data is not available, especially since the transfers are not always in cash but in the form of in-kind (Ghosh 2006, 15).

The arguments and issues that come with the term remittances are quite extensive and inexhaustible. For this paper, I am choosing the World Bank's definition of the term as my working definition primarily because the World Bank's website is where I will be receiving my data from and also because the data that the World Bank presents is derived from the IMF balance of payments data and is therefore derived from the three components that Castles mentioned. The definition the World Bank provides for remittances is: "all current transfers in cash or in kind made or received by resident households to or from nonresident households.... Transfers thus include all current transfers between resident and nonresident individuals. Compensation of employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities"(World Bank). The figure that sources like the World Bank Database provide is probably the best estimation that we currently have, but readers must always keep in mind that the data presented on remittances 1) only reflects the limited definition, 2) inaccuracies occur during the measurement process, and 3) a significant part of remittances is transferred through informal channels and thus very difficult to track. Therefore, the amount it is currently measuring in an actual number may stand to be significantly smaller, so the impact that one imagines and derives from it may also be undermined. This is important because when discussing the levels of Albanian remittances and their percentage of the GDP, we must keep in mind that those numbers are not set in stone. In fact, the actual amount of remittances could be much greater.

Once the definition of remittances has been established functional for the purpose of this

paper, we must next explore its impact. Usually when discussing remittances in academic literature, authors divide its impact in three categories 1) remittance impact at the household level, 2) remittance impact on the community level, and 3) remittance impact on the state/national level. For the most part, much of the academic literature on remittances come together on the household and community level and conclude that there is a positive impact. The third level (the state/nation wide impact) experiences contradicting conclusions to some degree. Akkoyunlu* has concluded in his article, "Remittances and Financial Development: Is There a Direct Link? Evidence from Turkish Data," that there is no direct link between remittances and the financial development of the economy. Other articles such as, "Can Remittances Spur Economic Growth and Development? Evidence from Latin American Countries (LACs)." argue that in Latin America, there is evidence that supports the correlation between remittances and economic growth. But the general view of remittances among academic literature is captured quite well by the book *Migrants' Remittances and Development: Myths, Rhetoric and Realities*, in which Bimal Ghosh concludes that on the 1) Household level- there is positive development effect. Remittances generate an increase in education, better health and housing as well as general family welfare. They promote future capital development. Alleviates, or at least minimizes poverty by supporting the family budget and basic. 2) Community level- the financial sector and banks are not so great in developing countries because they are very limited in the services they provide. Remittances ease credit constraints and provide risk insurance, which supports small enterprises, entrepreneurial skills and possibly a temporary fall in production. When remittances are pooled together they contribute to the development of communities by building schools, hospitals, and roads among other things. 3) National level- at times can be a valuable source of foreign exchange and an important overall development impact; however, at

the macro-level, it hasn't been promising so far (Ghosh 2006).

First, let's put the potential of remittances on the national level aside, and focus on the impact if the first two levels: house and community. Let's expand on the general process of how remittances influence these two levels since there is general consensus among academic work. First of all, as is mentioned by many scholars, one of the dominant push factors for immigration to occur is economic opportunity (Bhagwati, 2004). People from all over the world move to find a better paying job so they could support themselves and their families. From this we can assume that many immigrants (especially the ones that move for better economic opportunities) come from families who are not well off and are often in need of financial support. For the purpose of describing the impact of remittances at the household level, imagine that at least one member of the family is an immigrant somewhere in the world and is sending money and in-kind back home where the family as we assumed above is not well-off financially. This extra income that they receive allows the family unit to switch from survival mode to living mode. This means that parents are no longer so dependent on their children helping out with income through labor which in turn will allow them more free time to continue their education and there will be more income to support those children while in school and even encourage higher levels of schooling; so education becomes a reality. This is giving families the opportunity to possibly break free from their social status in the up and coming generation. One cannot begin to describe the benefits that come with education in the short run as well as the building of human capital in the long run.

But remittance money is not only used for education, it has impacted other parts of the life of the receiver such as the household's quality of health. The family unit has more money to spend, for example, on doctor visits, dental work and preventative care. This all contributes to a

healthier family in which maybe more people are able to work; maybe there is less economic dependency due to a lack of health-related issues which could lead to more income. Remittance money is also often times spent on the house in general whether it is fixing it up, rebuilding, or refurnishing. This could be seen as the family unit investing in its own future by investing in its own property. Again, there is a shift to be seen in the behavior of the family unit because the extra money is allowing them to invest in themselves (physically, mentally) as well as invest in their property and therefore their future.

But the most important of all uses of remittances is that which provides for the everyday life consumption. Remittances play an important role where it often times compensates for what is lacking in basic daily needs such food consumption or clothing. From the stipends that immigrants send back home, many families can escape the brutality of poverty. This cannot be overemphasized.

On the community level, the impact of remittances is often times associated with Hometown Associations. Often, immigrants come together and create a pool of remittances to send back home for the purposes of investing in road construction, building hospitals and schools. Communities in the country of origin benefit greatly from this collaboration because the pooling of financial resources together, allows for a larger scale of development that sometimes the single monthly stipends cannot do separately.

Also, as was mentioned above, remittances in the community level act as a supplement for the banking system deficiencies that developing countries are often faced with. At times, it is harder to get loans in developing nations to possibly start or expand a business. The insurance system is very weak or nonexistent. With the money people receive from remittances, they are able to take more risks, and if for some reason there are unsuccessful results, there would be a

security net in place. This security helps people expand their businesses, start new ones (Ex: farms, stores, restaurants, boutiques, and hotels), choose entrepreneurship roles and paint new pathways, and buy property. Remittances eliminate some of the difficulties with the banking system and therefore allow for money to circulate with more ease.

Chapter 2

The Vital Role Remittances Play in Albania's Economy

One of the most important reasons as to why the Albanian government should not deem remittances to be a depleted and hopeless resource is because they have continued to play a vital role in the life of many Albanian families, especially the ones that face economic challenges. Bimal Ghosh explains that remittances impact society at the household and community levels, and Albanian remittances are proof of this fact. However, remittances also play a supportive role to the welfare system and keep the Albanian culture and tradition thriving by financially supporting community life through events such as weddings, funerals, and birthday parties among other things.

As was already stated, migration often stems from a desire to pursue better economic opportunities. The case with Albanian emigration is no exception. The flux of out-migration that occurred in three waves, has taken Albania to the top of the list of countries that have a higher ratio of people working abroad than the population within the country, itself (Madani 2013). Research suggests that from 1990-2000 alone, Albania witnessed a mass migration of at least 600,000 people, which means that one person out of every five people was an immigrant living abroad (King 2003). Economic opportunity was the main reason for driving this mass migration of Albanians to mostly neighboring countries such as Italy and Greece was economic opportunities (as well as the U.S, Germany, and the UK). After the fall of communism in 1990, the political turmoil that followed shortly thereafter in 1997, and the pyramid scheme (an unsustainable system that promised high returns if people deposited their money, but instead that

was just a trick to enroll as many people as possible and strip them of their capital), left Albania ravaged and stricken with poverty (King 2003). For many people migration was the only way to provide for their families because unemployment at home was quite high and government and social actors were often weak or nonexistent. So, many Albanians found their best option was to emigrate abroad, work and send money back home.

The remittance monies that have flown into Albania have played a substitutive role in combating the deficiencies that of the welfare system in place was flawed with. Once the Communist regime fell, the country was left in turmoil, with rampant unemployment, and growing poverty. But as bad as that was, the impact was further magnified when harsh “neo-liberal economic reforms” were implemented in the post-communist period (King 2003). There was no safety net by the government to catch the thousands of families that fell into poverty. During this time of political and economic instability, there was no insurance of any sort; no health insurance, house insurance, savings, food stamps or any real aid from the government. For my family, this presented an untenable situation. Like many other, we opted to emigrate. However, many of these conditions remain today in Albania.

The poverty that Albania felt is described well by the World Bank in a cultural and historical context. According to the World Bank publications, the Albanian view of poverty “encompassed aspects such as lack of hope; feeling excluded from social and commercial life; inability to feed, clothe and house the family; and the difficulty of continuing traditions which are seen as vital for the permanence of the family unit, such as baptisms, marriages and funerals” (King 2003, 13). The limitations experienced by Albanians were more than just economic because they intruded every aspect of their lives by freezing their present existence and halting the continuance of life into the next generation. Since the prospects of marriage, family, career,

economic opportunity, and health all threatened at once with no government ability to solve these issues, threatened there is a weak government in place, Albanian people were in many ways forced into survival mode and left to migrate in the hopes of becoming the safety nets for their own families.

Remittances that Albania receives at the household level are more than just an extra, steady income; it is a source of aid that makes every day life activities possible. In Albania, the impact of remittances is significant at the household level because remittances continue to be used for feeding, clothing, and housing the family; they are used for hospital bills, for school books, and for furthering education. But it even goes further. Remittances are also used to keep tradition alive in Albania. For instance, remittance money goes to pay for weddings, funerals, and everything in between (King 2003). That is not to say that all of these things are sponsored solely by remittances or that the remittance money covers 100% of the expenses but remittances to make fill the cost gap for whatever the necessity may be.

My family and I have immigrated to the United States from Albania a number of years ago and like many others, we participate in the remittance sending process so I have experienced first hand the role remittances play within a family unit. My grandmother has four children, two live in the U.S. and one lives in England. From the money we send back home twice a year, my grandmother has secured a small amount of savings which acts as insurance for whatever problems her older age may bring. The monthly pension she receives from the Albanian government is around \$150, with which allows her to buy food, pay the electricity and water bills, purchase her medication, and to keep up with her social obligations. The pension secures her minimal necessities of life as long as she remains healthy. By the end of the month, however, she is only able to save a very small amount, if any at all. Fortunately, my grandmother is in

good health, but my grandfather was not so lucky. A couple of years ago, he was diagnosed with lung cancer. Apart from worrying about his own life, he also worried about the costs of medical procedures and medication. With his minimal pension and lack of health insurance, he was not able to afford medication, let alone any medical procedures. Fortunately, my immediate family and I had already immigrated to the U.S. by the time he fell ill so my parents were able cover all of his medical costs. For this reason, he lived the last few days of his life in peace. There are many others who have no family members abroad and suffer from the lack of a sustainable income.

Remittances also assisted my uncle's family in many ways. Money sent home covered most of the costs of his daughter's wedding ceremony. Additionally, remittances took care of the clothing and education expenses for my uncle's two younger children, and allowed him to remodel their house. When I see my four year old cousin use the computer or Skype, the impact of remittances at the household level are obvious. She is not lagging behind; she will have the opportunity to work hard, study and thrive.

What would it be like if remittances did not exist? What would it mean for many families to have no safety nets? Access to any real health care, support for weddings and funerals would certainly be lacking? When the Prime Minister of Albania stated that remittances were no longer considered a source of income worthy of the government's attention, he was ignoring an important resource that makes life possible for many Albanian families. If remittances have decreased in the past few years, then there is more reason for the government to try to cultivate this resource for the well being of its people and the vital functions remittances serve.

Remittances should be salvaged and not discarded for reasons beyond the individual and household level benefits they bring. There are signs that remittances impact Albanian life at the

community level Albania, as well. Although community level impacts are stated to represent the minority of the remittances sent back home, they are still worth mentioning (King 2003). Also, as I have pointed out, data is difficult to collect on the community impact of remittances. Russell King writes that remittances are often used to open “small retail and hospitality businesses, such as shops, bars, restaurants and tourists hotels...some investment in agricultural improvement as well such as setting up greenhouses, improvement of equipment for cultivation, small fertilizer and pesticide shops for local farmers. Other sectors of investments are car garages and construction material production” (King 2003, 49). These remittances have impact at the community level by helping to provide jobs. When families become self-sufficient, they break free of the remittance dependency cycle. These families are no longer stuck in the consumption phase of remittance cycle, but have progressed in the investment-stage that allows them to reach some level of sustainability. This is a very important step because remittances in this case have acted as a means of escaping the poverty trap (Banerjee 2011, 10).

In his Millennium Villages Project, Jeffrey Sachs demonstrated that if the poor were to be given one time aid, it would set them on a new trajectory by allowing them to invest in businesses that would sustain them in the long run. Of course, there are many other contributing factors, such as the lack of business acumen, no financial tools to keep those saving safe, and corruption or other social ills that stop development in its tracks. Skeptics may wonder about the fundamentals of this theory, but there are cases where the poverty trap is a reality and a one-time donation will make a great difference. The book *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty* gives an example where a farmer was helped one time with free fertilizer and he was able to produce more than usual and with the extra income he made, the farmer was able to buy his own fertilizer next year and was able to grow even more. The poverty

trap was broken (Banerjee 2011, 10). There are cases in Albania where remittances have acted as a one-time aid (or in the case of remittances, possibly a couple of times aid) that has helped individuals and families break free from the poverty trap. These are families that were able to open a store or a restaurant. They are no longer dependent on the remittances because they have a new income to make them self-sustainable.

While not all types of remittance-impacted sectors cultivate plentiful job openings, the construction sector in Albania that has seen quite a boom from (King 2003). When remittances are flowing, people are more inclined to reconstruct old houses, and to refurnish, or build new ones. This sector not only provided jobs for construction workers, engineers, architects, but also helped keep businesses that created and sold housing material. The impact of this on the macroeconomic level will be discussed in the pages to come.

As for Albanian Hometown Associations, there is no concrete evidence of their influence in Albania. While NGOs promote Albanian culture and identity among Diasporas, little to no collaboration has been seen between NGOs and large-scale money pooling among the Diaspora that's used to develop larger projects in the country (1). In the Albanian case, remittance money is sent mostly on an individual level, not in a collective manner. However the idea of the Albanian Diaspora coming and working together to promote well-being in Albania is currently being discussed and encouraged by a project at Harvard University called Economic Growth in Albania. There are three stages in this program and it is currently in the first stage of asking the Albania Diaspora in the U.S. to take a survey and then it will hopefully progress to the second and third stage which consist of inviting the Albanian Ministries to the U.S. together with the Diaspora to brain storm about the best way of promoting economic growth. The third stage would of course be the formation of some form of action plan with the willingness of the

Albanian government as well as the collective Diasporas to follow through (2). So there is hope for collaborations and expanding the impact of remittances (both physical and social). The fact that there is momentum growing from outside parties such as Harvard University as well as Albanian NGOs representing the Diaspora, gives the government of Albania a greater reason to place remittances on their agenda and value it with the importance that it deserves.

Remittances vs. Tourism and Foreign Direct Investment

Both tourism and foreign direct investment are possible pathways to economic growth for a country. As the Prime Minister of Albania stated in his speech at Harvard, these two resources, among a few others, are being considered with the hope that they will provide the new pathway to reaching economic growth. But as important as exploring all options a country has as well as expanding the sources of revenue, it is also important to realize that they are not sources of free money; they, like many other things come with baggage. Remittances, in comparison to tourism and foreign direct investment, are often associated with milder negative impacts for the country of origin and specifically the locals. Let's first consider tourism from a theoretical point of view.

The tourism industry has played a vital role in many different economies, whether it is developed nations or underdeveloped ones and continues to have great potential and success. The Albanian government, like in many other countries, hopes to transform Albania into a well-frequented tourist destination and expand its tourism industry. This was made quite clear when the government sponsored and launched a commercial that would play on CNN and would inform worldwide viewers of Albania's potential (3, 4). If that is not enough, the Prime Minister

of Albania clearly stated that tourism was on the top of the priority list (along with other like energy) in his speech at Harvard Kennedy School.

However tourism, in general, has many negative impacts. The UNEP (United Nations Environment Programme) brings to light the many hidden costs associated with tourism in their article *Negative Economic Impacts of Tourism*. First, the article points out that tourism is most needed in undeveloped countries because of their “urgent need for income, employment and general rise of the standards of living” (UNEP), yet it is the developed nations that are able to reap most of tourism’s benefits. The two most prominent reasons for why this happens are because of “large-scale transfers of tourism revenue out of the host country and exclusion of the local businesses and products” (UNEP). These are all explained with the “Leakage Theory” which describes all the costs that are subtracted from the income the country received. Leakage Theory states that, “The direct income for an area is the amount of tourist expenditure that remains locally after taxes, profits, and wages are paid outside the area and after imports are purchased” (UNEP). Just because tourists visit a country and spend money does not necessarily mean that that country is reaping most of the benefits.

The “Leakage Theory” is an umbrella term that encompasses different types of leakage, one of which is the “Import Leakage” as described by the UNEP. Often times tourism requires certain standards such as “equipment, food and other products” that underdeveloped countries cannot provide. What happens is that in order to meet these standards, they have to import the things they are missing from abroad. Developed nations deal with this problem at a much lower level because they already operate with the standards in place, and don’t have to import as much therefore reaping the rewards for themselves. Whereas in the case of the underdeveloped countries, because they are often the “standard accepters” not the “standard setters”, much of the

money that they make from tourism leaves the country just as fast as it comes by buying imports. The UNEP states that while underdeveloped countries experience “Import Leakage” at 40% - 50% of gross tourism earnings, the developed nations feel its impact between 10%- 20% depending on the case. This is because developed countries have a much more diversified economy and are able to fill more of their own needs. Developing countries on the other hand, are starting the process at a disadvantage. In order to attract tourists, they must fulfill their demands and in order to do that, they must import the standards and the luxury that the developed nations provide.

Another problem that the UNEP emphasizes is the “export leakage.” What this means is that, usually in underdeveloped nations, it is the overseas investors who have the capital and often times the experience and knowledge needed to invest in the tourism infrastructure. After building resorts and hotels, the export leakage occurs when they bring the profit back to their own countries. As soon as money comes in, it often times leaves to foreign investors abroad. This does little good to the economy of the country that is providing the tourism when compared to what it could gain if the investors were locals.

The UNEP also brought attention to “enclave tourism” which occurs when tourism infrastructures, such as resorts and cruises, provide most of the consumed products and activities visited by tourists with their entities, leaving little room for local businesses to profit from tourism. These enclave entities are known for importing more foreign goods as well as providing less employment opportunities for local. So if tourists arrive on foreign airlines, eat foreign goods, receive their entertainment within the entities, and obtain other services from foreigners, there is very little room for locals to play a part and therefore less money trickles down to the country where this tourism is actually taking place. The UNEP reports that for every \$100 US

dollars a tourist from a developed region sends on vacation in an underdeveloped region, only \$5 actually stays in that underdeveloped country. So ultimately, the underdeveloped countries may hold great potential but because they are underdeveloped, these countries are only able to reap a small percentage of the profit.

But even if one could look past this, there are other costs associated with tourism that countries must bear (the underdeveloped ones more so than the developed countries.). These costs consist of “infrastructure costs,” “increase in prices,” “economic dependence of the local community on tourism,” and “seasonal character of jobs” (UNEP). What often happens is that in order to attract investors to finance the tourism industry, local governments are asked to fix roads, airports, and other infrastructure as well as provide tax cuts. All of these activities are quite costly especially for underdeveloped countries who are already struggling with things like debt, mismanagement, and corruptions. This could ultimately mean more debt, less spending on the locals (such as on their education, healthcare), and potentially higher taxes. (UNEP). In comparison, developed nations have already invested on infrastructure such as roads and tourism now they can reap the rewards, whereas underdeveloped nations still need to do that initial investment in order to reap the rewards and sometimes that initial investment is too costly for a third world country to bear.

The locals can also be negatively impacted because the increase in demand of goods and services from tourists could result in price increases, which can leave the vulnerable part of the local population poorer than before (UNEP). Also underdeveloped countries already suffer from broken down tax system and are not able to water-down the negative impact causing the inequality gap within the country to broaden. Not to mention the risk of dependency, which promotes undiversified economies, putting high pressure on the tourism industry as well as the

people who partake in it to perform well, and at the same time leaving the country very vulnerable to the changes of tourism flux. Just as the country is insecure with its income, so are the regions that are dependent on tourism alone and the locals that work seasonally and experience employment-related issues such as a lack of “security,” “medical benefits,” and “recognition of their experience and unsatisfactory housing and work conditions” (UNEP).

As an underdeveloped country, Albania is not only exposed to the risks of tourism described above, but also to risks like damaging its environment, increasing public debt to unsustainable levels, and deteriorating the health and general wellbeing of locals. Let’s begin the analysis of Albania’s high debt. The Central Intelligence Agency stated that, “The country will continue to face challenges from increasing public debt, having exceeded its former statutory limit of 60% of GDP in 2013.” Can Albania handle more tourism and infrastructure related expenditure? Can it endure the costs now in order to enjoy the long-term benefits of tourism and easier transportation? Of course, increasing Albania’s debt in order to meet the costs of tourism stands in contradiction with Albania’s goal of becoming a EU member, which requires the maintenance of debt be kept under a certain cap (Randazzo 2013). If the Albanian government does not increase the debt level and continues to support tourism, then something else must be given. This could possibly be a cut in other important government services.

But the problem is not only linked with economics because unfortunately, tourism is often times associated with high costs and damages to the environment as well. In the Albanian case, tourism also poses capacity issues. Even though the Albanian government advocates for environmental and socially friendly approaches to tourism, what is said is often times not in line with the reality of the situation.

The types of tourism that Albania is promoting are cultural tourism, adventure tourism

(mountain climbing, canoeing), coastal or beach tourism, and possibly agro-tourism and historical tourism (Dedej 2012). Prime Minister Edi Rama made sure to emphasize in his speech at Harvard that all tourism would be sustainable and environmentally friendly (eco-tourism). Of course he is not the first political figure to have made these sorts of declarations in the past. In the article “Costa Rica on the Beaten Path,” Costa Rica, which was a country that strongly promoted ecotourism and human rights, was prone to moments of weakness. When Hotel Tambor was built, government officials such as Tourism Minister Luis Manuel Chacon (under President Rafael Angle Calderon Fournier) “destroyed mangroves, burned out the homes of the original residents who refused to be bought out, and ignored coastal regulations” (Honey 2008, 164).

On the international scale, the Hotel Tambor controversy is not uncommon and many countries fall to the pressure of powerful environmentally abusive companies. Albania, already suffers from problems with illegal construction, which is the building of private property without permits. An instance of this is when a few individuals built a restaurant/mini-resort on a private island on the coast of Ksamil (Albania) in 2012 as displayed by Photo A. This was an act of illegal privatization of a public good because the small islands were not for sale. After the government ordered the property be taken down and destroyed (the way which it decided to do so was through explosions), what was left for the summer of 2014 were piles of destroyed material and trash. The government has taken upon itself the responsibility of destroying this property, but no one cleaned up afterwards and the natural beauty of the island was tainted as shown in Photo B (and through my own personal experience of visiting this island during the summer of 2014).



Photo A- Ksamil 2012, (5). <http://i.ytimg.com/vi/6WUewlYtGg8/maxresdefault.jpg>



Photo B- Ksamil 2014, (6). <http://www.abcnews.al/uploads/shperthime.JPG>

One cannot help but wonder if these methods of dealing with illegal construction such as

the blowing up of buildings are actually the environmentally friendly approach to the situation. There is more to the story. A big part of the island has been extracted, as you can see in the pictures above. The islands, along with the coastal area of Ksamil face a capacity problem, as well as a lack of maintenance, which leads to trash pollution. Ksamil is known for its naturally beautiful beaches and it is often marketed in Albania's tourism ads (3)(4). But during the hot days of summer, these beaches are over crowded, the water quickly becomes polluted with trash, and cars are so abundant that parking quickly goes over its capacity limit, not to mention the air pollution the overabundance of cars may cause. This is not just a problem with Ksamil, because other cities like Saranda, Vlora, and Durresi are overrun by tourists. During the month of August, it is almost impossible to order in a restaurant, get a drink or even walk down the main boulevard of these cities because the flux of people is so overwhelming.

As these cities invite tourists in through tourist guides and ads, the capacity limit that locals, and hotels can handle is often abused. As the article, "The Ups and Downs of Albanian Tourism" points out; in 2008 "the ministry found that 11 out of 72 beaches do not meet the standards. It is advising people to stay far away from them" (Hala 2008). In the past, the sewage system has been very problematic because often times restaurants, hotels, and even local homes drain their sewage system right on the beaches to the point where the beaches of the city of Durres was no longer a safe place for people to swim (Hala 2008).

Another problem that Albania faces is its' has a broken down trash system. One way Albania gets rid of trash is collecting it in one place and burning it. The city of Elbasan is known for having the remains of a historical castle and for the culture and tradition it offers Albania, and aside from air polluting industries, it must also endure the burning of trash. The locals who live in this city no longer open their windows (especially when clouds of smog comes from trash

burning) and fear for their health. The Albanian article “Rreziku Nga Djegia e Mbeturinave” (which means “The Danger of Burning Trash”), points out that the trash has gotten worse as time passes and that it is now piling up against the houses of the locals and in their river streams where wild animals, as well as farm animals drink water. In addition, carcinogenic substances are released in the air during the burning process. Unfortunately, the government does not have the funding to deal with the situation.

One cannot help but assume that a higher number of tourists would increase the trash amount that needs to be processed, put more stress on the sewage system, and increase the use of transportation (car usage which leads to the pollution of the air). This puts more pressure to the existing broken systems that may have lethal consequences. Does Albania truly have the capacity to back up Prime Minister Edi Rama’s statement that tourism, like other resources the government is pursuing, will not cause harm to the Albania environment and will be sustainable? Albania is struggling as it is even without considering tourism when it comes to things like their trash disposal system, sewage system, and permit related issues. The increase in tourism will only make it worse.

Theoretically, these issues can all be resolved if the government spends a substantial amount of money as well as resources as efficiently as possible in order to fix the broken systems in place and limit the negative externalities that are often associated with tourism in general. But does a third world country like Albania, which sees tourism as a developing strategy, have the means to provide the initial investment to fix the capacity problems in order to escape the negative impact so that it can later reap the benefits and not deal with the repercussions of the aftermath? This question is difficult to answer because Albania sees tourism as an economy booster, but safe tourism cannot happen without already having the economy boost to begin with.

To make things even more fragile, the deterioration of the environment is not really an option for Albania. The Ministry of Tourism highly markets the natural beauty of Albania and how it is the untouched, European gem. Travel weekly titled its article “Albania: Europe’s Last Secrete” (Godwin 2011) and Lonely Planet writes “With its stunning mountain scenery, a thriving capital in Tirana and beaches to rival any elsewhere in the Mediterranean, Albania has become the sleeper hit of the Balkans” (7). So if Albania practices environmentally damaging tourism, it will ultimately lose the key ingredient it is selling that is its natural beauty. The delicate balance that must be provided for a profitable and sustainable tourism industry is quite fragile and the World Bank already holsters reservations towards the Albanian Government’s capability. It states that while “The Government of Albania is implementing a wide range of policies in the field of environmental protection and natural resource management, moving its respective laws toward a gradual approximation of EU environmental legislation, challenges include limited enforcement, due to the weak capacity of the environmental authorities at both the central and regional levels, and a lack of resources for monitoring and ensuring full compliance with environmental standards” (World Bank 2014, 6).

Foreign Direct Investment on the other hand, also comes with its own separate issues, even though it is often seen as a promising potential source of economic growth for the country of Albania. There are many sources that promote FDI, from the declarations of Prime Minister Edi Rama to the many alluring marketing advertisements that scream “Invest in Albania.” Of course Albania is not unique in this; many countries compete for FDI. Well-known international organizations such as the International Monetary Fund also vouch for the significance of FDI stating that “FDI has become an important source of private external finance for developing countries”(IMF 1999). The IMF goes on to say that benefits of FDI are more than just

“investment in production facilities;” it contributes to important groundwork elements for economic growth such as an increase in resources that are investable and the creation of capital. Also important, as the IMF points out is the fact that FDI transfers with it “production technology, skills, innovative capacity, and organizational and managerial practices between locations, as well as of accessing international marketing networks” (IMF 1999). The IMF is not alone in their point of view as many other sources such as the Sundaytimes newspaper that states, “There is a strong relationship between foreign investment and economic growth” (Sanderatne 2011). However, it is unreasonable to assume that a global force such as FDI attributes only positive impact, and there are other sources that not only emphasize the negative impact, but also shed doubt on the idea that FDI actually translates into economic growth at all. Maria Carkovic and Ross Levine, under the University of Minnesota, report that “After resolving biases plaguing past work, [they] find that the exogenous component of FDI does not exert a robust, independent influence on growth” (Carkovic and Ross 2002). As one can see, the debate on the impact of FDI is quite extensive.

But the impact of FDI is not where all concern must be placed; the factors that attract FDI must also be taken under consideration. As was already stated, many countries around the world compete for FDI and whichever country displays the ripest conditions “wins.” So this leads one to question, what are the factors that attract FDI? The World Bank Group, in their article “Attracting FDI”, points out four key aspects: “[1] *Natural-resource-seeking FDI*—to gain access to a natural resource not available in the company’s home market. [2] *Market-seeking FDI*—to gain access to new customers, clients, and export markets. [3] *Efficiency-seeking FDI*—to reduce production costs by gaining access to new technologies or competitively priced inputs and labor. [4] *Strategic-asset-seeking FDI*—to go after strategic assets in a local economy, such

as brands, new technologies, or distribution channels”(Hornberger 2011, 2). These four points, according to the World Bank Group, are what often attract foreign to invest in a country.

Companies are interested in places where they are able to extract natural resources, cheap labor, and new technology. The article “How does FDI React to Corporate Taxation?” explains that there are also things like tax cuts that governments may give in order to be more competitive for FDI (Bénassy-Quéré 2004). Another article points out the importance of 1) a country’s political stability because the fear of governments taking over and nationalizing foreign direct investment without any real compensation can become a deterrence for many investors and 2) a country’s debt status; higher public debt deters investors and visa versa) (Schneider 1985).

What would attract FDI in Albania? One of the appealing elements that is displayed in website ads and articles is that promotes FDI in Albania’s cheap labor. The website invest-in-Albania.org fully promotes and encourages investors to consider Albania. Under the category “**Why Albania**”, the website states that Albania’s workforce is quiet competitive because “57% of the population is under the age of 35” and that “Young people are well educated and more that 85% of high school pupils go to university” (Invest in Albania 2014). The website also states that Albania is a great place to invest because labor is so cheap; the minimum wage of Albania starts at \$200 a month. Cheap labor was among other benefits that Albania could offer to investors such as: “social security ‘on costs’ amount – 31% of gross wages,” “adaptable and flexible skilled labor force,” and “extensive language skills, the most of the younger generation are college graduates” (Invest in Albania 2014).

Let’s further examine the allure of cheap labor that Albania is currently advertising through a scenario. Assume an investor is interested in the efficiency of low labor costs and that investor does take a chance and invests in Albania. They open a company and hire Albanian

workers at minimum wage as was advertised on the invest-in-Albania.org website. In the beginning, the benefits are quite visible because Albanian locals are able to gain employment; young people are no longer standing idle. But is this the whole story? No. People may gain employment but there is a catch. The employment pays minimum wage. Now of course one may argue that minimum wage is better than no wage at all and at least locals are working. But is it really? Imagine a college student, graduating after 3 years of schooling, or even after five years with a master's degree and starting work in an Italian Call Center where the only skill needed is basic Italian. Now that student is thinking that they will work there for only a little while until they can get a 'real job', and in the meantime they barely get by with their minimum wage. Time passes by in waiting mode and that student is not practicing the skills he/she received through education and is getting further and further away from that reality. But the minimum wage gets him/her by and so he/she continues at the status quo. The job with the minimum wage, in this case, acts almost like a soup kitchen charity, where the poor are provided with some basic necessities, but still suffer in poverty. They are given enough so as not to revolt, but not enough to truly alter their living conditions and break free from the poverty trap. The last time Albania was facing extreme poverty was after the fall of communist and that extremity caused a reaction and launched waves of migration. Thus, is it better for that college student to barely make it by in a job that is not adding skill or better to migrate abroad, and possibly, with hard work and determination, find a job in his/her profession (or at least one that provides a skill set) and where the wage is not minimal?

The second concern with advertising cheap labor is that in a way, it functions as a system that enforces low standards. It is reasonable to assume that companies that are interested in cheap labor are not ones to encourage a wage increase. In fact, it is the opposite. If they were to enforce

anything it would be the status quo and a change towards an increase in minimum wage would tempt a company to move its investment to another country that provides cheaper labor. If Albania wants to be competitive in attracting FDI with cheap labor, it would inherently need to keep its wages low in comparison and it could very well be trapped in “a race to the bottom.” The article “A Race to the Bottom? Employment Protection and Foreign Direct Investment,” describes this process as “multinationals invest in countries with lower regulatory standards and that countries competitively undercut each other’s standards in order to attract foreign capital” (Olney, 2013). The “race to the bottom” is a real risk Albania faces when competing for FDI.

In comparison to tourism and FDI, remittances are not without their own risks and negative impact, but they are relatively milder. In his article “Migrants' Remittances and Development: Myths, Rhetoric and Realities,” Bimal Ghosh first emphasizes the counter effect of remittances which is: people are more likely to spend money rather than save it when there is a steady, predictable flow of remittances coming. This means less investment and weaker presence of development capital. The steady flow of income that comes in may change the behavior pattern of the receiver. When an individual that is struggling to make ends meet, suddenly receives a steady flow of income, it is easily imagined that that individual might feel a sense of security and therefore want to spend more and fulfill the deficiencies he/she were facing beforehand. This behavior could lead the individual towards the dangerous path of dependency. However this issue can be minimized to a certain degree due to the unique characteristic remittances have, that they are durable and reliable even when crises occur because they come from people’s savings not their daily income (Goldin 2011). So the income that comes does not experience sudden, volatile changes and therefore even if the remittance levels decrease, they do so gradually and do not fully diminish. Even if remittances cause a degree of dependency, the

dependent is not left in total ruin. The way remittances function is considered more of a phasing out process.

The reliability of remittances can be clearly seen in the data the World Bank has presented for Albania in the past couple of years.

Year	Amount in U.S. \$	% Of GDP
2000	597,799,988	16.2
2001	699,299,988	17.1
2002	733,570,007	16.5
2003	888,748,596	15.7
2004	1,160,672,119	15.5
2005	1,289,704,316	15.4
2006	1,359,467,325	14.9
2007	1,468,020,000	13.7
2008	1,495,038,254	11.6
2009	1,318,476,280	10.9
2010	1,156,021,682	9.7
2011	1,125,664,516	8.7
2012	1,027,055,045	8.3
2013	1,093,922,787	8.5

GRAPH 1, World Bank Database, 2014

As you can see from the graph above, from 2000-2008 Albania experienced an increase in the amount of remittances it received from year to year until 2009 after the Global Financial Crisis hit. After 2009, the remittance levels have shown a steady decline and it was not until 2013 that there was an increase seen. The increase in 2013 can also be visibly seen as a percentage of GDP, which has bumped up from 2012, which was 8.3 % to 2013, which is 8.5%. Even though Albania did experience a decrease in the level of remittances for a couple of years, the monetary

resources did not suddenly disappear. They dwindled down until immigrants abroad were able to adapt to new challenges.

Let's expand this theory further on an individual level in order to get a full picture. Let's suppose an Albanian immigrant in Greece has left his family behind in Albania, which he financially supports. When the crisis hits, he loses his job in construction. Now if the family he left behind were living day-to-day with his paychecks, he would not cut them off because that would mean disaster for his family; he would possibly send them a smaller amount from his savings. This amount would get the family by and the immigrant's savings would last longer just in case he needed more time to secure another job. If the family had its own savings, they would perhaps tell the emigrant to not worry about them for now but look for a new job before funds run out. In both cases the emergency funds are never stripped away from the family in need, but rather limited for a little while until the situation of the crisis improves. The mentality is that, immigrants will do what ever they can to secure their families future, even move to the next country if they have to in order to provide income because that is why they moved in the first place; the alternative would be to let your family suffer.

Of course the example I have given above, is not the only form of migration. There are many families that have moved as a unit and left behind extended family where family ties are not as strong. This translates into fewer remittances. (De Zwager et. al. 2005). Also to consider are the 1.5-generation, the 2nd generation and what their connection to the homeland looks like (De Zwager et. al. 2005). All these variations water down the remittances sending process to some degree but that is not to say that the basic needs of the people left behind are neglected even in these cases. It all depends on the situation. Migrants may be more inclined to help a relative with money if they need surgery instead of something unnecessary such as vacation

money. So the remittance sending process is permeable to many influencing factors, but as theorized by Goldin and many others, it is considered a reliable source of income even in times of turmoil.

The next point that Bimal makes is the risk that remittances could also postpone essential economic reforms. What happens is that government don't want to be unpopular with their people so they opt to use remittances to get out of needed, though maybe harsh policy, which is not good in the long run. This increases the vulnerability of the home country's economy as well as distorts its economic priorities. The income from remittances in this case, runs the risk of promoting the implementation of inefficient public policies that can have harmful effects in the long run. However, the topic of remittances has been studied extensively and many countries worldwide participate in the remittance receiving process. This has led to many different solutions of how to properly manage remittances. However, considering the risks, Bimal still maintains an optimistic stance on remittances stating that with the right policy, these risks can be alleviated.

Remittances Represent the Market Power of the Locals

Another important reason as to why remittances are too valuable to be ignored by the Albanian government is because they represent the market voice of the locals and encourage them to embody leading roles in their own country's development and economic growth process. Remittances have the potential of playing a very important role as a mediator between the local Albanians and the other sources of income such as FDI and tourism. It can provide a way for locals to grasp more benefits so that the benefits of these other resources could actually outweigh

the costs and not let them leak through into the hands of others. As I have mentioned above, remittances in Albania have allowed locals to start businesses such as restaurants, hotels, and other forms of entertainment. This is of great importance because it means that when tourism pours in, locals already have an initial investment that could in turn internalize the business and generate income. Remittances can, in this case, be seen as the local's market power among many other players. Is it realistic to expect that all tourism needs could be met by locals? No. As already established, tourism often requires luxurious standards and it is the diverse economies of the developed nations that set the standard and the developing countries who are the standard takers. Thus remittances cannot channel all benefits of tourism to the locals but they do increase the amount of benefits that locals would receive. The reality of local business owner in the absence of remittances would be some version of a minimum wage paid waiter. This is not to say that all foreign companies pay minimum wage or that they do not provide benefits such as health care, or pension plans. or to assume that all remittance-receiving households can open a business; I am just emphasizing that this is a possibility and that remittances do hold the potential to channel more benefits towards locals.

In some cases, remittances may even balance the investors and their FDI by providing locals with the initial income to break free from the poverty trap and take advantage of their own opportunities. Let's further expand this idea with a real life example. An Albanian family of six (a father, a mother and four sons) has been the owner of an antique house for generations. But years have passed by with no restoration due to unemployment and poverty, and so the house is in poor condition and does not have the room for their family to grow. However, the house is in a great location and rich in culture. A few families, who were better off economically near by, have even been able to turn their houses into a bed and breakfast hence starting a family

business. But the family of six is not that fortunate because it is lacking the initial investment fee to transform the opportunity they are literally sitting on into a business of their own. An Italian investor sees the possibility and offers the family to buy their house and in exchange, he would provide them with two small apartments. The family agrees because the apartments are new and their older son will be married soon and will need a place of his own. Yet the two apartments are not near the price of their original house (after a bit of restoration). In the short run, the family may view it as a win, but in a little while, they will be looking for employment at the hotel the Italian investor has transformed their house into. However, let's assume that the sons immigrated and in a couple of years made enough money to overcome the barriers of the first initial investment; the family would be able to reap the benefits of its own property.

In the Philippines, a woman was able to use the remittances she was receiving from her husband to invest in the fishery business and generate a self-sustaining income. Later on, her business expanded and the woman was able to hire people and create jobs (8). Remittances allow locals to be a part of their own economic growth and development. They allow them to seize the opportunities of their own country before others jump in and barriers to entry are established. Remittances are the "local's funding" and it provides them with a small chance of benefiting from globalization and not be exploited by it.

Chapter 3

The Untapped Potential of Remittances

The remittances immigrants send home don't only deserve attention for what they are currently doing, but also for the potential they have imbedded in them for promoting economic growth and development. This is where we must take into consideration the third level of the impact of remittances; the national level impact that was discussed by Ghosh. In his article, Ghosh stated that on the macro-level (national level), remittances have the potential to encourage development by increasing a country's GDP. They are often able to balance a country's payment accounts as well as the fact that their presence has the potential to assist a country with vital imports it may need (Ghosh 2006, 54). These are all benefits a country can experience if it is able to tap into the full potential of remittances. Even on the macro scale remittances have the potential to act as income that fills the existing gap between what countries can actually afford and what they need to afford. The macro level in many ways mirrors the micro level in that an immigrant sends remittances back home in order to fill the economic gap his/her family is experiencing and a country's pool of remittances increases the GDP and can fill the financial gap that country is experiencing.

In the article, "Exceptional People: How Migration Shaped Our World and Will Define Our Future", Ian Goldin (2011) describes the macro level impact of remittances a bit differently than Ghosh. He writes that remittances have the capability to "build up the human capital base of a country in the long run" (Goldin 2011, 192). This stems from the fact that remittance money makes it possible for many children to go to school, both because their families no longer need

their children to work and help out and also because they have more money to spend on books, and tutoring. Goldin also discusses the theory of “brain gain” and how the possibility of migrating increases human capital in the country of origin. He writes “it is the knowledge of the opportunity to migrate to developed economies where wages are higher for skilled labor that leads people to pursue a more advanced education” (Goldin 2011, 181-182). Even though some of those educated individuals leave the country of origin and therefore creating “brain drain” (the theory that a country loses human capital due to migration), many actually stay, and he argues that the potential of migration makes more human capital than it takes away because it gives people an incentive to continue with their education. Without the possibility of migration, Goldin says that there would be less human capital for the country of origin. So the building of human capital for the country of origin is a real possibility that remittances as well as migration present to the country of origin.

Goldin further emphasizes the potential of remittances by introducing the also “multiplier effect” (Goldin 2011, 192). He describes how household level spending transforms into economic boost for both local and national level economies. The remittance money that is often used for construction projects such as rebuilding a house, money spent on wedding ceremonies, and funerals, does not just provide the service or good to the locals and disappear; the benefits are much more than that. Contrary to the Prime Minister of Albania’s description of Albania’s construction boom as ‘jobless growth,’ Goldin claims that remittance money supports local jobs while at the same time, actually increases the demand for products and therefore bringing income to households that do not have migrants (Goldin 2011). Goldin states that, “Every dollar in remittance spending creates two or three dollars of income in the source country, depending on whether remittances are spent on buying imported or locally produced good” (Goldin 2011, 192).

But regardless if the good is imported or not, there is still great benefits to be gained. Goldin continues to state that for many countries in Central America, remittances have had an impressive multiplier effect; an increase in their “average per capita income . . . by around 7 to 14 percent” (Goldin 2011, 192). This is no surprise when considering that the building of just one house alone provides job opportunities for an architect, engineers, construction workers, electricians, and plumbers and it demands a whole array of products from light bulbs, to windows. Other authors, such as Bichaka Fayissa and Christian Nsiah (2010) have concluded that remittances can have a positive effect on the economy at large.

However, it is also worth mentioning that both Ghosh and Goldin have their doubts about remittance’s impact on the national level. Even though they describe the possible positive impact, it is stated that in reality there is little real world proof of the existence of national level impact. But the key word here and to this argument is ‘potential.’ As long as the potential exists, there is a chance that countries could make it a reality. It means that whatever remittance benefits they have tapped into, there is still room to grow because remittances themselves could be much more than that.

In the case of Albanian remittances, potential also lies in the unique characteristics of Albanian migrants. In his article, “Competing for Remittances,” De Zwager emphasizes that a large portion of the Albanian migrant population has a high rate of savings and that 56% of the immigrants say that they wish to return to their country of origin someday (De Zwager et. al. 2005, 10). This is important because it illustrates that, although the flow of remittances might be lower now in comparison to years before the financial crisis, many immigrants have stated their desire to return to Albania. With return migrants comes their life savings, a source of future wealth that holds great potential for the Albanian economy. According to IOM’s calculations (De

Zwager et. al. 2005), a large remittance pool is expected to be accumulated through the savings of retiring immigrants. The amount is estimated to be between “4.75 - 5.38 Billion euros ...and when applying an average multiplier of 1.8, these retained savings represented a great potential and additionally, remittance generated GDP is between Euro 8.55 Billion to Euro 9.68 Billion” (De Zwager et. al. 2005, 10). This is another reason for the government of Albania to prioritize remittances and foster the relationship of the country of origin with the Diaspora because the Diaspora and its savings represent great future potential. The situation Albania is in mirrors the instance of when for example, a university becomes aware that one of their donors will leave a great amount of money to them once they pass away. The donor, in this case, holds great potential and so there is reason to court the donor and foster a relationship with them so as to secure the donation. Even though the donor may not be giving much right now, the capacity for future donation is great and therefore deserves attention. The same goes for the Albanian Diaspora. Although they may not be sending high levels of remittances right now, the relationship between the Diaspora and the country of origin still needs to be fostered because the Diaspora represents great future potential.

Of course, these estimations do not take into consideration the recent crisis that has hit Greece and Italy, the two countries that contain almost 85% of the Albanian immigrant population. It is only expected that these estimations have been affected to some extent (King 2003). According to Prime Minister Edi Rama, while many immigrants have lost their jobs and therefore the levels of their savings have decreased, the number of emigrants returning to Albania has risen. Further research on the potential of returning immigrants must be done in order to bring to light the actual impact it can have in Albania. From personal experience, I have noticed that many immigrant families living in Greece, including some of my own, have returned

to Albania after the crisis. The lack of job opportunities caused them to invest their savings in small businesses, such as small shops, grocery stores, restaurants, and pizzerias. A specific example can be seen through the experience of my cousin, whose the mother remains in Greece because she still holds a job, while the rest of the family moved back to Albania and opened a small business that produces dairy products for restaurants and hotels. It is a family-run business that currently employs 11 family members and other employees.

Impacting the Volume and the Use of Remittances.

Remittances are a valuable form of income for a country, specifically because there is a factor of control embedded in it. National governments, as well as NGOs and the financial sector, have the ability to increase the flow of remittances that enter the country of origin by diversifying the destination countries, encouraging the use of formal channels, legalizing the illegal immigrants abroad. They can also tap the potential of remittances more effectively by educating the diaspora as well as the Albanian local on how and where to invest their remittances.

One of the ways in which the government of Albania can promote a better use of remittances is by forming policies that encourage the diaspora to use formal channels through which to transfer remittances, such as banks and other formal channels. Albanian remittances often travel through informal channels; immigrants often carry their money with them when they travel to Albania, or they send it home with a friend or acquaintance. This behavior is not unique to the Albanian cases. However, Hossein Jalilian (2012) emphasizes that the use of formal channels brings forth more savings and investment. Jalilian goes on to state, “Unlike informal

remittances that are transacted on a cash-to-cash basis (or in kind) and, therefore, most likely to be consumed, formal remittances can end up as deposits and therefore lend themselves for more profitable investment elsewhere” (Jalilian 2012, 378-379). If family members were to receive their remittances through formal channels such as banks, Western Union or post offices instead of receiving money informally, they would be more likely to leave it in the bank rather than to spend it quickly. Money would accumulate over time and would therefore create a pool of money that could fund more investment opportunities

How can the Albanian government promote the use of formal channels? The book *Competing for Remittances* suggests that the undocumented status of many Albanians living in Greece and Italy is part of the problem. De Zwager argues that the government should take more steps towards the “regularization and legalization of Albanian emigrants, with a particular focus on Greece and Italy” (De Zwager et. al. 2005, 69). As was already stated, after the collapse of the communist regime and the financial challenges that followed, many Albanians migrated to the neighboring countries of Greece and Italy; some through legal channels while many others through illegal ones. Due to this, the Albanian Diaspora consists of a high percentage of undocumented immigrants. According to Greek government data, in 1993 alone, over 220,665 Albanians were captured and deported home because of their lack of documentation (De Zwager et. al. 2005, 14). However, by collaborating with neighboring countries in the promotion of legal rights for the undocumented Albanian immigrant population living and working abroad, the Albanian government would, in turn, support the promotion of remittances in two ways. First, when illegal immigrants receive working papers, they are able to gain access to financial tools such as bank accounts. Through these formal channels for money transfer, 1) Albanian immigrants would likely send more of their remittances through banking services. This means

that local Albanians will receive remittances as deposits in their accounts and as Jalilian pointed out, they will be more likely to save them and invest in the future. 2) By legalizing the status of Albanian migrants living outside of their homeland, these immigrants can move from jobs that pay “under the table” at a lower rate and are often abusive, to a jobs that offer a higher income. Immigrants are then able to send more money back home which leads to an increase remittance flow. Of course the process of legalization is no easy task. It requires the collaboration of destination countries as well as extensive negotiations and compromises that may impose a high cost on the country of origin.

Another strategy the government could pursue to strengthen the impact of remittances is to equip its own diaspora with training and tools to allow them to make better use of their remittances. Nicolaas De Zwager suggests that the Albanian government should provide “emigrants with pre- departure and return training - including savings/business/ investment counseling and training” (De Zwager et. al. 2005, 69). In this strategy the government would be investing in it’s own future by building better financial acumen among its diaspora. The immigrants benefit because they are putting their money to better use. The household receiving remittances benefits because they are using remittance to create economic sustainability for their family. The community benefits because immigrants may invest in the local business community and infrastructure development. Finally, the country as a whole benefits as the country begins to develop a more robust and stable economy.

The financial and banking sectors are also influential in increasing the flow of remittances as well as increasing the use of formal channels (De Zwager et. al. 2005). According to De Zwage, banks can better promote the transfer of remittances through the proper channels by broadening their services into the rural areas. For example, if an immigrant is from a small rural

area where there are no banks or ATMs nearby, that individual often has no other choice but to send his family money through informal channels. When banks broaden their services to reach the rural areas, they are, in turn, making it easier for immigrants to use their services when sending remittances. The banks have an incentive because money is flowing through them, and the immigrants as well as their families have an easy way to transfer and receive money. Another strategy that promotes the use of the formal channels is when agencies such as MoneyGram and Western Union lower fees charged when transferring money. If immigrants were to lose less money through the sending process, they might be more willing to send it through the formal channels. For example, if an immigrant wants to send a \$1000 through companies such as MoneyGram or Western Union, they will be charged a certain percentage depending on certain factors such as where the money is going, how fast one wants the money to arrive. So for example, if these companies charge 6% of the amount of money transferred it costs the migrant \$60 for the transfer—a steep fee for someone earning low wages. But if that percentage were to drop to 3%, a \$30 fee might be more manageable for the immigrant and might incentivize them to send money through those companies.

Promoting Albanian culture and traditions can also have influence over the flow of remittances. When Albania's government, financial sector, NGOs and other Associations organize or support cultural events in destination nations, they are facilitating the maintenance of their national identity and facilitating future exchanges. This might occur through Albanian language classes, or Albanian music or dance brought to new generations born in destination countries. Through these activities, they are nourishing the bond between the country of origin and the diaspora. An example of this type of nonprofit does currently exist in the Boston called Maasbesa (The Massachusetts Albanian American Society "BESA"). Its activities include

providing Albanian folk dance classes, organizing events within the Albania community, and the display of Albanian movies as well as Albanian art. This organization is connecting the current reality of Albania with the Diaspora so that they will not seem foreign to one another. The stronger the connection, the more persistent the remittance flow will be through the generations to come.

Equally important is the NGO or Homeland Association's potential to cultivate remittances so there is a pool of money to invest back home. The function of these homeland associations is to provide immigrants a proper channel to sponsor change in their home communities (Castles 2008). Homeland associations pool remittances and invest in big projects at home, such as opening a hospital, repairing roads, or opening schools. This process amplifies the benefits of remittances through infrastructure development rather than being used on luxury goods or other personal spending (Castles 2008).

Another strategy for dealing with remittances is to look at other countries' approaches and implement the things that can work well with Albania's dynamic. The Philippines have a unique model for dealing with and promoting labor migration and the remittances they send back home. Aspects of this model can be applicable in the Albanian case. The way their strategy functions is that, private and government agencies recruit and ship workers to countries where there is a demand for a specific kind of labor. An example of this is the U.S. demand for nurses, which was fulfilled by Philippine workers (O'Neil 2004). The government has played a significant role in encouraging and guiding this phenomenon by seeking out opportunities from other countries as well as make agreements with the goal of widening its market for its labor export system (O'Neil 2004). One example of this is when the Philippine government had the opportunity of exporting temporary workers in the Middle East, oil prices increased and the contract sector boomed

(O'Neil 2004).

The way the Philippine government encourages migration and the remittances that come afterwards is by offering the immigrants “a number of subsidized benefits: pre-migration training on social and work conditions abroad, life insurance and pension plans, medical insurance and tuition assistance for the migrant and his or her family, and eligibility for pre-departure and emergency loans” (O'Neil 2004). By sending men and women abroad as temporary workers, the Philippine government not only collects the remittances these individuals send back home, which according to the World Bank Database make up around 10% of the GDP for the past four years, it also relieves the pressure of a high unemployment rate (World Bank Database).

The Philippine government also takes measures to ensure that temporary workers do not outstay their visas and that remittances are transferred through formal channels. The government promotes the return of temporary workers by granting returning immigrants privileges such as “tax-free shopping for one year, loans for business capital at preferential rates, and eligibility for subsidized scholarships”(O'Neil 2004). This way people do not permanently settle in the countries of destination and they maintain their ties with the people back home. This ensures that there will be remittances flowing in. At the same time it is also promoting a good name for the country's labors and increasing it's market. Other countries know that Filipino workers respect the contract and do not change their status to permanent residency. In the past, Albania has tried to make arrangements with other countries to gain access in their labor market. However, these arrangements have not always worked out for Albania. In 1991, a labor agreement was struck between Germany and Albania. This agreement allowed 500 Albanian workers to migrate to Germany annually for a period of three years (De Zwager et. al. 2005, 13). But this experiment soon ran into problems because the Albanian immigrants overstayed their work permits and

Germany was not interested in renewing the bilateral agreement because it was receiving permanent illegal migration instead of what it asked for, legal temporary workers. Gaining a reputable name abroad could prove to be quite beneficial because countries would be more willing to provide labor opportunities especially since Albania is no longer in the post-communism depression. The Albanian government can provide incentives for people to respect their allowed stay by providing tax breaks, free shopping, loans, scholarships such as the Philippine government does with its own immigrants (O'Neil 2004). For the encouragement of the use of formal channels, the government constantly tries to make the process of transferring remittances as easy and as cheap as possible through banks as well as “offer tax-free investment programs aimed at overseas workers” (O'Neil 2004). In addition, if an immigrant breaks his or her visa, the Philippine government will no longer provide future visas to that individual (O'Neil 2004). Of course that is not to say that the Philippines have a perfect system where an illegal change in status never occurs. But it does happen less frequently and they have earned the reputation for sticking with negotiations (O'Neil 2004).

Aspects of The Philippines model for promoting and managing immigrant workers and their remittances can fit quite well and be applicable in the Albanian case due to certain existing conditions. The first of these conditions is the fact that, as is mentioned by the Albania's Progress Report of 2014, the country is still struggling with a high unemployment rate. According to *Trading Economics* statistics, which receives its data from Bank of Albania, the unemployment rate is around 12.91% of the population (9). But keeping in mind that institutions do not always have the capacity to account for the whole scope of data as Albania 2013 Progress Report mentions, one can assume that the actual number may even be higher. Also as I have already mentioned, the website invest-in-Albania.org (promoting investment in Albania)

describes Albania's workforce as "young and well educated" (Invest in Albania 2014). When considering the high unemployment rate coupled with a generally young population, the Filipino model of temporary labor abroad could be a solution.

Recently the unemployment rate has become even more concerning as many Albanian immigrants are returning from Greece and Italy because they have lost their jobs abroad due to the crisis (Rama 2014). This puts even more pressure on the country and naturally increases the push factors for migration. Since Albania doesn't have proper institutions for work abroad through formal channels, individuals will be tempted to use informal, illegal channels. But by adopting the Philippine model for managing labor migration and setting up institutions and agreements with countries to obtain access to foreign labor markets, there is much to gain. Albania will be able to increase the level of remittances received, decrease the high unemployment pressure, as well as manage illegal migration.

The Philippines is one of the few remittance-receiving countries where the level of remittances continued to grow even through the global financial crisis (World Bank Database). According to *The Economist*, the reason why the Philippines have not experienced a decline in remittances is because the immigrant population is spread out in many countries. Unlike the Albanian case where most of the Diaspora was focused in Greece and Italy where the crisis hit hard, Filipino workers were located in different countries and so experienced the crisis moderately in comparison (Banyan 2010). This is another lesson to learn from the Philippine case. If Albania were to adopt this system, not only would it be providing individuals with work opportunities, but relocating parts of its diaspora that suffered the most from the crises to areas in the world that are currently demanding labor. This way, unemployment decreases, remittances increase, and their flow is not as vulnerable to future crises. There are a lot of push factors for

migration in Albania and if there is a system set in place where this immigration flow (labor migration) could be directed towards countries that have a demand for labor, the Albania government in a sense would be matching up the supply with the demand.

Of course there are setbacks to the Philippine model such as the theory of Brain Drain. In his article *International Flows of Humanity*, Bhagwati describes this phenomenon as the experience of an underdeveloped country losing the highly skilled and educated part of its population to the developed countries which cause the country of origin (in the case the underdeveloped country that is supplying the immigrants) to lose competitiveness, functions, and at times the ability to grow and develop (Bhagwati 2004). However Bhagwati also mentions that brain drain is almost like an unstoppable force and forcing professionals to stay in the underdeveloped countries is not a solution because they would not have the resources, the infrastructure or employment opportunities, to be productive there. However, the Philippine model promotes the migration of temporary workers so that in fact it is a “brain circulation” because the immigrants do return (at least the majority of them) and may contribute the new skills and the knowledge they have accumulated abroad in their country of origin as well. So in fact, through the temporary foreign labor programs it provides, the Filipino government is ensuring that ties between immigrants and the people left behind remain strong, which in turn ensures high levels of remittances. At the same time it replenishes the flows of migrants so that this arrangement of exporting workers in return for remittance becomes sustainable.

Through effective strategy and the policy implementation of the Philippine government and activities of the private companies, remittances have become a viable source of income that has brought an economic boost to the nation’s economy. The Economist states, “Remittances are the force behind powerful consumption growth of more than 5%, easily outstripping the

country's annual economic growth of less than 2%" (Banyan 2010). It is clear to see that remittances have played a major role in the success of the Philippines economy. Another article states that the Philippine economy has "been one of the strongest growing economies in Asia and of course that has helped create a lot of job opportunities at home" (Loh 2014). This is a very important turning point because, with the creation of opportunities back home, less people need to migrate abroad and the system itself ultimately transitions into one where the country has a good enough economy to be able to support its own citizens. The large flow of migration that partly made this happen can decrease. It has, therefore, served its purpose of being the much needed economy boost.

Albania is also in much need of an economy boost. As mentioned before, as of now, the deficit has surpassed the set levels and public debt is increasing. If it were to adopt certain aspects of the Philippine model for managing immigration and remittances, there is the potential that it could experience high economic growth as well, which is critical in the years to come as it tries to become a part of the EU. The Philippine government and the private sector have taken it upon themselves, to ensure the flow of remittances, the forms of monetary transfer, as well as influence their use. The degree of control that remittances offer is being well allocated in this case. There is room for Albania to do more when it comes to remittances. This is why this source of income is so deserving of attention. It is controllable to some extent and it is in the hands of the Albanian government, the private sector, NGOs, the immigrants and their families and all other parties involved to make the best of the situation.

Conclusion

Just as one cares for and nourishes a garden with water, fertilizer, and a lot of hard work in order to reap the rewards of their labor, remittances too, need to be cultivated and properly managed so that countries can reap their full potential. In Albania's case, remittances have served as an important source of income for Albanians since the 1990s, and should be cultivated and nurtured by the Albanian government. Not only have remittances supported many Albanian families with everyday necessities and the continuance of cultural rituals, they have also impacted the community on many levels. Remittances have certain characteristics unmatched by other sources, such as the ability to: 1) penetrate within the lower classes of society without any sort of hierarchy; 2) empower locals to have a voice through their market purchasing power so that they can play a role in economic growth and development; 3) be a nonvolatile source of income so that they endure through crises and allow the economy to bounce back, and; 4) remittances allow the government and private parties a degree of control over the amount that comes in a country as well as the efficiency with which it is used. With all the accumulated knowledge and case studies addressing remittances worldwide, remittances could be managed more efficiently by governments so they can increase their potential impact.

Hearing the Prime Minister of Albania declare that remittances were a "dried up resource" comes as a surprise. Certainly, the government of Albania's attempt to diversify the economy by expanding on other resources is a good strategy, but by turning its back on this powerful source of cash inflow that amounted to over \$1,093,922,787 in 2013—shortly after the financial crisis—is taking remittances for granted (World Bank Database). Of course, Prime Minister NAME's

disinterest in remittances may have a broader purpose. One of Albania's primary goals is to gain EU membership and to facilitate the process as soon as possible. However the recently integrated countries have brought up some negative feelings about migration. Euroskeptics, specifically the United Kingdom under Prime Minister David Cameron, vows to veto Albania's acceptance as a EU Member State unless more conditions are added to their accession criteria, including limitations placed on Albanian immigrant workers in EU nations. This negative stance toward Albania may be taken because of the growing concern about the large "influx of people from countries like Poland, and more recently Bulgaria and Romania, when they joined the EU" (Chorley, 2014). Britain is not alone in stating this concern. In fact countries such as Holland, Germany, France, the Czech Republic and Spain are all taking a hard stance against immigrant workers, as well. This public disapproval about immigration in general and its seeming disinterest about the role remittances play in developing nations could serve to legitimize EU members' claims that Albania should not be accepted as a member state.

The hypothesis that the Albanian government is trying to facilitate its EU membership by downplaying the importance of immigration and remittances could explain why there are two conflicting agendas on the table. On one side, we have Prime Minister NAME stating that Albania is going to pursue other options because remittances are no longer a viable source of international flows of money. On the other hand, we have Harvard University in collaboration with Albanian NGOs, devising a plan to put Albanian diaspora in dialog with the Albanian Government in order to form a Ministry of Diaspora (a branch of the government that would deal specifically with immigrants, remittances, and impact). These plans to pursue and enhance the benefits of remittances are in direct contradiction with the way in which Prime Minister NAME depicted remittances in his speech at Harvard. However, if Albanian out-migration and

remittances do present a roadblock to their gaining of EU membership, there is no reason to discard the topic all together. Albania's immigration can be controlled to meet EU criteria and to enhance the goal of EU accession. The Albanian immigration strategy could be modified so that it expands and diversifies the list of destination countries so the Albanian labor force can be channeled to where jobs are available outside of the EU and where workers are needed. The Philippine case study provides a good example for Albania. Not only are the Philippines diversifying the destination countries where its labor force is sent, but this diversification also stabilizes the stream of remittances, making this income source less volatile during crises.

It is also important to remember that the word "remittances" is an umbrella term embodying an array of benefits. Remittances in the form of physical capital is just one example of this phenomenon; social remittances are of great importance as well. Although I did not discuss social remittances in this paper, it is important to note that the interactions between the Albanian diaspora and the country of origin bring forth more benefits than just a physical income. They increase opportunities and the cultivation of new ideas. Such is the case with Indian diaspora in Silicone Valley, where jobs and ideas are channeled back to the country of origin (Kapur 2010). This is another reason why remittances are so important and worthy of attention. Through the nurturing of this bond between the country of origin and its diaspora, a channel is created where income, good, services, and ideas flow and the possibilities are endless.

Although the recent levels of Albania's remittances were negatively impacted by the economic crisis of 2007-9, the funds that enter the country provides resiliency to those who remain home and offer new opportunities to make the best of a difficult economic situation. As an underdeveloped nation, Albania is not in a position to ignore this vital source of income. While the government looks to other resources to help boost Albania's economy, remittances

have a long and important history in the development of the Albanian economy. By using resources, such as remittances, that are plentiful and readily available, Albania can more securely move forward knowing that it is taking advantage of one of its strongest assets to improve Albania's competitiveness in the world.

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