

# **SEEKING THE VIRTUOUS CIRCLE: MIGRATION AND DEVELOPMENT IN THE BALKANS**

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## **Executive summary**

Reliable data on migration has been largely missing in Southeastern Europe. Each country in the region has developed its own system of measuring population movements, which often makes it difficult to aggregate data across countries or make valid comparisons. This report aims to fill the void. It is the first UNDP cross-regional attempt at summarizing data from individual countries to capture current migration trends.

The main finding of this report is that people in Southeastern Europe don't move as much as is presumed – or feared – in the West. Just 3 per cent of Romanians, 4 per cent of Bulgarians, and only 2 per cent of Macedonians would settle permanently abroad. The large majority of people in these countries would not even travel at all, let alone for work, if given the opportunity. The survey shows that 88 per cent of Romanians have never travelled to a neighbouring country. Fifty-eight per cent have not made it as far as Bucharest, the national capital, and 41 per cent, most of whom are peasants, have not travelled to the capital of their county. Eighty-four per cent of Bulgarians have never been to a distant foreign country and 78 per cent have not travelled to a neighbouring country. Even if Schengen visas are lifted for the Western Balkan countries, as they have been for Romania and Bulgaria, the large majority of the population would not even travel, not to speak of settling abroad.

The report finds that there are positive economic effects of migration, both for the sending and receiving countries. A recent study finds that migration to the West of 1 per cent of the population from the new member states would increase aggregate GDP in the sending and receiving countries by 0.2 to 0.3 per cent respectively. Evidence from Albania, Romania and Bulgaria shows that the money which migrants send home prevents a large number of people from falling below the poverty threshold, contributes modestly to local development as well as boosts consumption spending, which contributes to the high rates of growth in these three countries.

## **From forced to voluntary migration**

After the Berlin Wall fell in 1989, many observers expected a wave of mass migration from the East to the West. The per capita GDP of the new member states was just 49 per cent of incomes in the EU-15, and in the Balkans was less than a quarter.<sup>2</sup> However, the expectations turned out to be overblown. Cumulative net emigration since 1989 from the eight new member

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1 This report is authored by Alina Mungiu-Pippidi, UNDP consultant for Early Warning Systems and post conflict environments. The comparative regional survey quoted here, as well as the work of the team, was funded by UNDP RBEC. Contributions were received from individual country teams producing UNDP Early Warning Reports in Macedonia, Romania and Kosovo. Survey data from EWR Albania 2004 was also used. The views and recommendations expressed in this article are those of the author and do not necessarily represent those of the United Nations or UNDP.

2 Figures are PPP (parity purchase power). Eurostat data, 2003.

states and the two accession candidates (Bulgaria and Romania) to the EU is estimated at only 1.1 million people, just 1 per cent of their population.<sup>3</sup>

The EU visa regime for Central and Southeastern Europe varies: The European Union lifted the Schengen visa regime for Bulgaria and Romania in 2000 and 2001 respectively, thus removing a main barrier to travel in Europe. Croatia has enjoyed bilateral agreements with various European countries, which allow its citizens considerable freedom of travel. The other Western Balkans countries, as well as Turkey, are separated from Europe, both old and new (since EU candidates are compelled to introduce visas for their neighbours), by the means of Schengen visas and increasingly tighter border controls.

The 1990s were a period of political upheaval, particularly in Southeastern Europe during and after the collapse of communism and the dismantling of the former Yugoslavia. Since 1989, between 10 and 15 per cent of the population of the Balkan countries was displaced in one way or another. About 15 per cent of Albanians allegedly live abroad; the figure might be double for Bosnia, although this battered country has also seen important numbers return. The massive population movement which resulted was only the last of a long series in Balkan history. The Ottoman Empire practiced frequently the displacement of entire populations on political or economical grounds, and the current demography of the Balkans still bears the traces of this policy. In more recent times as well, millions of people were forced to become refugees in other countries or internally displaced persons (IDPs). Others deserted voluntarily the chaotic societies which resulted from civil wars and contested secessions. Some emigrated or applied for political asylum in Western countries.

Migrants from the Eastern Balkans were initially considered 'refugees', which entailed a greater degree of rights, but were later downgraded to 'economic migrants' once the region stabilized in the late 1990s. As the pressure grew to curtail immigration, Western European governments tightened entry requirements. As a result, more people tried to enter illegally, either travelling on their own initiative or with the help of smugglers.

Many refugees returned voluntarily with the help of the UN's refugee agency, UNHCR, and the International Organization for Migration (IOM). In Bosnia, the number of returning IDPs and refugees reached 1 million in July 2004 out of 2.2 million displaced by the war (see Table 1). But the picture is not all bright. For example, according to 2005 UNHCR data, Serbia and Montenegro, primarily through Kosovo, remains the second largest source of asylum seekers in the European Union after the Russian Federation.

**Table 1. The legacy of the 1990s. Displaced persons in the first quarter of 2005**

Bosnia and Herzegovina	Numbers	Serbia and Montenegro	Numbers
IDPs	309 200	IDPs	248200
Refugees outside country	100 000	Croatia refugees	180100
Croatia refugees in country	19200	BiH refugees	95300
Returned IDPs in country	17900	Local residents at risk	85000
Serbia and Montenegro refugees in country	3000	Germany returnees	3000
Various countries returnees in country	1560	Switzerland returnees	900
Serbia and Montenegro returnees in country	880	FYR Macedonia refugees	800
Serbia and Montenegro asylum seekers in country	400	FYR Macedonia asylum seekers	400

Source: UNHCR 2005

Besides the voluntary resettling of refugees – following bilateral agreements – some unsuccessful asylum seekers have started to be repatriated to their original countries. The movement of people is largely responsible for the yearly variation in population growth. With the exception of Albania, the rest of the region has negative natural growth rates. (see Table 2).

<sup>3</sup> OECD (2003): Trends in International Migration, Paris: OECD.

**Table 2. Evolution of population growth in the Balkans**

Country	Population (million) Year	Population growth (annual %)				
		1999	2000	2001	2002	2003
Albania	3.1	-0.03	0.4	0.59	0.59	0.59
Bosnia and Herzegovina	3.9	feb.83	feb.65	ian.99	ian.34	0.68
Bulgaria	8	3873060	3977000	4057056	4111688	4139835
Croatia	4.4		-3.81		0	0.1
Macedonia, FYR	2.1	0.45	0.45	0.44	0.15	0.54
Romania	22	-0.2	-0.07	-1.4	-1.5	-0.27
Serbia and Montenegro	8.4					
Kosovo	1.9	0.11	0.04	0.13	-23.39	-0.69

Source: World Bank

### About this report

The present report is the first UNDP cross-regional attempt at summarizing data from individual countries to capture current migration trends. It draws mostly on data collected by UNDP-supported teams in Macedonia, Kosovo and Romania in 2005, and on a regional EU Fifth Framework Programme Survey 'Integrating the Balkans in the European Union (IBEU) in Bulgaria, Macedonia, Serbia and Montenegro' by BBSS Gallup International in 2003 and in Romania by the Centre for Regional Studies (CURS).<sup>4</sup> It also draws on secondary analysis using data from organizations such as the International Organization of Migration (IOM), the Council of Europe, as well as from country research teams.

Reliable hard comparative data on migration is lacking. Each country has developed a system of migration measurement based on its own particular requirements, which makes it difficult to aggregate data across Europe or make valid cross-country comparisons. Information based on public opinion surveys is also scarce: Eurobarometers miss Western Balkan countries, focusing on accession countries only. The surveys presented in this report try to fill this void.

### How many migrants?

The UN Population Division defines a migrant as someone outside his or her country of birth or citizenship for 12 months or more. At present, some 175 million people, or roughly 3 per cent of the world's population, are migrants who have lived outside their countries of birth or citizenship for a year or more. This number roughly doubled between 1975 and 2000.<sup>5</sup> These

<sup>4</sup> This survey was designed by Alina Mungiu-Pippidi for the IBEU Fifth Framework EU Research Project 'Functional Borders and Sustainable Security: Integrating the Balkans in the European Union' IBEU. Athens: ELIAMEP.

<sup>5</sup> See Salt, John 2003. Current Trends in International Migration in Europe. Strasbourg: Council of Europe. CMDG 2003 (39).

migrants include refugees and asylum seekers, foreign students and other long-term visitors, unauthorized foreigners, and naturalized foreign-born citizens of the European Union. The evidence from Germany, which has been a preferred destination for migrants, should alleviate fears of invasion, however (see Table 3). Poland and Romania are key source countries, but migrants from all accession countries (Central Europe and Eastern Balkans together) make up less than 10 per cent of the total number of migrants to the EU. Surveys in new member countries have always shown that only a tiny minority is interested in leaving permanently, though more would seek short-term work in the EU.

Table 3: Citizens of selected accession countries in Germany 2002 and 2003

Country of origin	2002	2003
Bulgaria	42.420	44.300
Poland	317.603	326.882
Romania	88.679	89.104
Slovakia	18.327	19.567
Slovenia	20.550	21.795
Sum CEEC	614.344	629.100
Sum 15 EU countries	1.859.811	1.847.777
Sum of all nationalities	7.335.593	9.578.288
Share of CEEC of foreign population %	8,4	8,4

Source: German Federal Office for Migration and Refugee, data of the Central Registry of Alien

The UNDP survey in South-Eastern Europe shows some variety in migration intentions across countries (see Table 4). The share of Romanians and Bulgarians, who enjoy freedom of travel (although not freedom of labour), and whose countries signed EU accession treaties in April 2005, and who plan to seek work in Western countries, are just 12 and 7 per cent respectively. The figure for those who would settle permanently abroad is far smaller, just 3 per cent in Romania and roughly 4 per cent in Bulgaria. Only a third of respondents possess the needed social and hard capital to move abroad. By contrast, inhabitants of Kosovo and Macedonia are more prone to leaving their homes: 30 per cent of Kosovars and 19 per cent of Macedonians would move in search of economic opportunity. But since the population of the Former Yugoslavia Republic of Macedonia is some 2.2 million and Kosovo is 1.9 million, even these percentages would produce a relatively small number of additional migrants.

The gap between aims and means persists when respondents are asked if they have any experience as a migrant. Cross-tabulations of the data show that of all respondents who would consider emigrating, only half have had some experience abroad. Many of those considering leaving to find better jobs have some relatives already abroad, leading us to the first important conclusion: a good predictor of the intention to leave is the existence of a family member or a friend abroad, simply because a would-be migrant could rely on him or her for temporary shelter and help finding a job. Regression models from the Romanian sample with various controls (such as economic and employment status) confirm this hypothesis. Germany is a leading destination for would-be migrants in the Western Balkans. Besides Germany, Southeast Europeans prefer neighbouring EU countries, such as Italy and Greece. Bulgarians also prefer the United States, and Romanians Ireland, due to its high demand for labour.

**Table 4. Migration intentions and experience**

Survey item	Kosovo	Romania	Macedonia	Bulgaria
Intention to leave temporarily ["Do you plan to leave country temporarily to seek work abroad?"]	30	12	11	7
Intention to leave permanently				

[Do you plan to emigrate and to live there?]	Na	3	2	4
Personal migration experience [“Have you worked abroad in the last 10 years?”]	Na	6	9	na
Family migration experience/ past [“Has any member of your household worked abroad for a while?”]	Na	14	17	na
Family migration experience/ present [“Is anybody from your household currently working abroad?”]	27	10	10	na
Favoured countries of destination	Germany, Swiss, USA	Italy, Spain, Ireland	Greece, Germany	Greece, Germany, USA

Source: UNDP Early Warning Survey Kosovo 2004 by Riinvest, Macedonia 2005 by BSS Gallup. Public Opinion Barometer Romania Survey by Gallup International May 2005; Bulgarian International Organization of Migration IOM Survey 2003.<sup>6</sup>

Migrating to foreign countries is not part of most people’s way of life. Humans tend to remain in their home environments, which they know and master best. Under normal circumstances, only small numbers of people travel to foreign countries seeking a new home. This is particularly true in rural societies. Our survey shows that 88 per cent of Romanians have never travelled to a neighbouring country, and 92 per cent have never been to another foreign country. Fifty-eight per cent have not made it as far as Bucharest, the national capital, and 41 per cent, the majority of which are mostly peasants, have not travelled to the capital of their county. Bulgarians are only slightly better travelled than Romanians, with 78 per cent who have not travelled to a neighbouring country, and 84 per cent who have never been to a non-neighbouring foreign country. However, 88 per cent have managed to see Sofia, the capital. In smaller Macedonia and Kosovo, which were part of a multinational federation, only 6 per cent of Serbs have not been in a neighbouring country, compared with 41 per cent of Macedonians and 71 per cent of Montenegrins. Beyond the immediate borders, however, the liberal travel policy of Communist Yugoslavia did not generate significant differences from the Eastern Balkans: 81 per cent of Serbia’s inhabitants have never been to a non-neighbouring country, compared with 63 per cent of Macedonians and 94 per cent of Montenegrins (see Table 5).

**Table 5. Travel patterns in SEE**

% of population that has never travelled to...	Regional capital	Country capital	Neighbour country	Other foreign country
Romania	41	58	88	92
Bulgaria	12	18	78	84
Serbia	12	22.	6	81
Montenegro	4	8	71	94
Macedonia	7	36	41	63

Source: IBEU survey 2003

<sup>6</sup> Bulgarian data comes from Rossitza Guentcheva, Petya Kabakchieva, Plamen Kolarski (2003). Bulgaria. The social impact of seasonal migration. Sofia: International Organization for Migration Bulgaria.

Moreover, as some have argued, economic migrants are increasingly likely to commute rather than settle permanently.<sup>7</sup> The term 'migration' has become increasingly inadequate to describe many of the migrant workers in the EU, although it is difficult to pin down precisely how many people commute. Romanian and Bulgarian short-term labour migrants are limited by the three-month terms of their Schengen visas, after which they may not return to the EU for the next three months, unless they have a work permit in the respective EU country. Those migrants with some form of permit tend to return for at least three months and spend most of their earnings in their home country. They also tend to pass their temporary job, for instance, in construction, to a relative who then takes the position for the next three months. Albanians show greater propensity to settle more and pay social security in their host country, but they also seem to commute considerably and spend most of their money at home.<sup>8</sup> Countries like Italy, which record stays longer than eight days and thus create a legal niche for short-term work, provide useful statistics illuminating this phenomenon. Longer-term visitors come mostly to work, or to join a family in order to find a job.

**Table 6. The motives behind long-term sojourns in Italy, by nationality**

Motivations as stated in <b>permesso di soggiorno 2002</b>	Albanians	Romanians
Work	53.8%	58.3%
Family reasons	38.8%	31.4%
Study	4.1%	1%
Religious reasons	0.1%	0.9%
Other reasons	3.3%	8.4%

Source: Immigrazione. Dossier Statistico 2003. XIII Rapporto sull'immigrazione - Caritas/Migrantes.

The survey data points to two conclusions. First, in the case of the former Yugoslavia, the tide has turned (see Table 1). During and immediately following the war many Yugoslav citizens left the country. But now some of these people are now returning. Second, the data show that the potential number of migrants from Southeastern Europe is relatively small, seeing how small the population is. Those who can find a job and shelter are more likely to move, but they are relatively few. Romanians are most likely to migrate, but they already have the freedom to do so.

Can we estimate the number of temporary migrants from the Western Balkans who would travel to the EU if they were free to do so? If the Schengen visas were lifted for Macedonia, 88,000 might consider temporary work abroad (11 per cent of 800,000, representing the work-age population). If we take into consideration people's connections abroad and starting capital, the figure drops to less than 44,000. For Kosovo, which has 1 million inhabitants, only 30 per cent of the working-age population would consider migrating, which is a small figure compared with the migration potential of countries like Poland or Romania. Thirty per cent of the Kosovar labour

7 see Florentina Constantin (2004). Migrating or Commuting? The Case of Romanian Workers in Italy: Niches for Labour Commuting to the EU. Budapest, OSI: EUMAP also Sebastian Lazaroiu, The circulatory migration of the Romanian work force. Consequences on European integration, Bucharest, 2002. Available in Romanian at: <http://www.osf.ro/ro/initiative.pdf>.

8 See Antigone Lyberaki & Thanos Maroukis (2004). Albanian Immigrants in Athens: Some recent findings. Hellenic Foundation for European & Foreign Policy. WP 5 WORKING PAPER No.5.2/2004  
Functional Borders and Sustainable Security: Integrating the Balkans in the European Union  
IBEU Fifth Framework EU Research Project.

force is insignificant for Europe, but the remittances they could send home would provide a significant boost for Kosovo's economy.

Migration theory divides the causes for migration into pull factors (conditions in destination countries) and push factors (conditions in migrants' home countries). Among the pull factors, demography weighs heavily. The European Union is not just wealthy and enjoys the best social protection systems in the world, but it is ageing and has considerable demand for low-skilled or unskilled labour, partly legal and partly illegal. Given these opportunities, networks of family and friends will emerge to facilitate the flow of labour from home to destination country.

On the push side, some factors are political, others economic. Civil war or danger of civil war, as well as continuous struggles for control over the state among fractious ethnic groups are one of the main causes of migration, as are fears on the part of the weaker group, often justified, that it will be the target of retaliatory and discriminative policies. There is always some movement of the poor towards rich countries, but the massive population movements often signify the tacit desertion of what people perceive as hopeless societies and the inability of their governments to address problems. It is a vicious cycle: failed states create hopeless societies, which tolerate state failure in their turn. This is not the case in Southeast Europe. Economic growth in the Eastern Balkans, Albania and Serbia are currently high, and foreign direct investment is slowly catching up with the levels in Central Europe.

The trend is positive, but the region is still far from catching up to Central Europe. Except for Croatia, Southeast Europeans earn less than half of what Central Europeans do. Not only depressed Macedonia and Albania have low per capita GDP, but also Romania and Bulgaria, whose macroeconomic situation is on the whole good. Overall, except for Albania, real incomes have not yet matched those of 1989, when the transition started, in any of these countries. By comparison, Central Europe was originally richer and has well surpassed 1989 income levels. Unemployment has reached peaks in Macedonia and Kosovo, and lows in Romania (which, having the largest number of peasants, has extensive hidden unemployment). Overall, young people (under 35 years of age) have considerable difficulties finding their first job.

**Table 7. Economic performance in SEE countries**

	GDP per head (US\$) 2003	Real GDP (1989=100)	2004 GDP growth (% estimate)	Unemployment %	Average monthly gross wage (US\$) 2003
Albania	1,980	125.7	6.8	15	150
Bosnia and Herzegovina	1,690	67.5	5	16	330
Croatia	6,500	90.6	3.7	14	842
FYR Macedonia	2,300	81.6	1.0	32	213
Serbia and Montenegro	2,450	52	6.0	14	213
UN Administered Kosovo			5.0 (source EWS 9)	50	182 (source Ministry of trade and Industry)
Romania	2,550	92.6	7	6	202

Bulgaria	2,560	87	5	14.3	167
Central Europe average	6,710	122.9	2.6	-	-

Source: Kekic 2004<sup>9</sup> International Labour Organization.

Regression analysis of our survey data shows that an unemployed person is more likely (though not much more likely) to seek to emigrate than an employed person. The difference is small because often officially unemployed people have undeclared income that they earn in the informal sector. More than a third of workers acknowledge in our survey that they work without a contract (see table 8).

**Table 8. Worked without contract in the past ten years**

Country	Worked without contract	Still working with no contract
Romania	23	34
Bulgaria	27	25
Serbia	31	38
Montenegro	16	26
Macedonia	18	37

Source: IBEU survey 2003

The same regression analysis shows that people who are more likely to emigrate are males between 18 and 45, residing equally in rural and urban areas. More educated people are not more likely to emigrate as we would expect given the brain drain theory: graduates of high schools and vocational schools are in fact more likely to seek work abroad than are university graduates, because their relative gain is higher, and so is the demand for the low skilled jobs that they do. In Romania, contractors estimate that more construction workers work abroad than within the country. According to their estimates, in 2002 alone over 300,000 construction workers laboured abroad as opposed to approximately 270,000 in the country. Romanian construction workers who work legally in EU countries can earn 1,500-2,000 euros per month, while those who work illegally make about 1,000 euros. By comparison, in the domestic construction market workers earn less than 200 euros per month<sup>10</sup>.

Minorities, particularly the Roma, are also likely to migrate. Evidence is scarce from surveys, due to Roma's tendency not to identify themselves as Roma. The West European media, especially in countries like Austria and Italy, report frequently on East European 'Gypsy' beggars. There is, however insufficient evidence, that this group – which is often the target of discrimination – is most likely to emigrate. Other minorities are certainly more likely to leave, for instance Hungarians in Romania, Turks in Bulgaria and Albanians in Macedonia, according to regression analysis of our UNDP surveys. To sum up, individuals are more likely to consider temporary or permanent migration if they are underemployed, are males of an active age and belong to a minority group.

### Who benefits?

How does migration affect the origin and destination countries? On the one hand, both the theoretical labour economics literature and the available empirical evidence clearly point to

9 Kekic, L. (2004) Foreign Direct Investment in the Balkans: recent trends and prospects. Economist Intelligence Unit. December 2004.

10 Constantin, D.L. and all. (2004). The migration phenomenon from the perspective of Romania's accession to the European Union Bucharest: European Institute of Romania. 5/2004.

the many positive benefits immigration has for the host economy, even though the magnitude of the gain depends on the type of immigrant labour, as well as the specific features of the host economy. On the other hand, the problem with migration is that, although it raises aggregate incomes, it does tend to reduce, other things being equal, the wages of some of the receiving country's workers. One can take for granted that migration raises the incomes of the migrants — otherwise they would not choose to migrate. Migration also raises the return to capital, hence profits, in the receiving country. But the increase in the receiving country's labour pool might reduce the wages of incumbent workers in certain industries. But the net result is an increase in the receiving country's aggregate income and an expansion in its tax base. From this overall gain, governments could compensate the domestic labourers who see their incomes fall and still leave everybody better off.<sup>11</sup>

Harvard's Dani Rodrik, in addition to many other economists, has argued that even a modest freeing up of labour would create gains for the world economy greater than those of liberalizing trade. Moving 100 million migrants from poor to rich countries, other things being equal, would raise global GDP by 8 per cent.<sup>12</sup> In a recent study by the Institute for the Study of Labour (IZA) in Bonn, the authors conclude that under realistic assumptions about the convergence of GDP and wage levels, migration to the West of 1 per cent of the population in the new member states would increase the aggregate GDP in the sending and receiving countries by 0.2 to 0.3 per cent respectively.<sup>13</sup> In other words, both sides win.

People have different views on the effects of emigration for sending countries. Critics argue that the brain drain and slower labour growth could hurt the origin countries' economies. If migrants pay tax, they do so in the country where they work, not in the sending country. But none of these arguments holds in Southeastern Europe. Most migrants don't have jobs in their home countries and thus don't make any contribution to GDP, or just a small one. Second, as we have shown before, in the Balkans educated people do not emigrate in significantly greater numbers than do other people. The bulk of temporary migrants are low-skilled workers, and the jobs they take in destination countries might otherwise not be filled by local workers.

Local economies, therefore, cannot lose from migration. But do they win? To answer this question, we must first understand what awaits migrants in the European Union. Generally, migrants from Southeastern Europe, both long-term and temporary workers, are able to find work. This is not surprising, because they leave with some job prospects or they are networked to people who can help them get a job. But the work they find is seldom quality work. Migrants from Southeastern Europe work more on a day-to-day basis, engaging in the jobs Westerners do not do. Women work as housewives, men work in construction or drive taxis. After the Poles, migrants from Southeastern Europe have come to do most of the agriculture seasonal work in countries like Spain or Germany. A study of Albanian migrants in Greece found that 96 per cent of Albanian men had jobs; women also displayed a considerably higher employment participation rate compared with Greek women (65 per cent versus 40 per cent, respectively). While 88 per cent of men paid social security contributions on a regular basis, the respective percentage of women was found to be much lower (22 per cent), especially due to their employment in traditionally informal jobs, such as house cleaning. The main occupations for men are wage employment in construction (41 per cent), in manufacturing and tertiary sectors (31 per cent) and a surprisingly high percentage of self-employment (business ownership) that usually falls outside the reach of immigrants (25 per cent)<sup>14</sup>. Almost without exception, they send money

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11 Migration and development. May 6th 2004 From Economist.com.

12 Rodrik, D. (2002), "Final Remarks", in: Faini, R., J. DeMelo, K.F. Zimmermann (eds.),

Migration. The Controversies and the Evidence, Cambridge: Cambridge University Press, pp. 314-317.

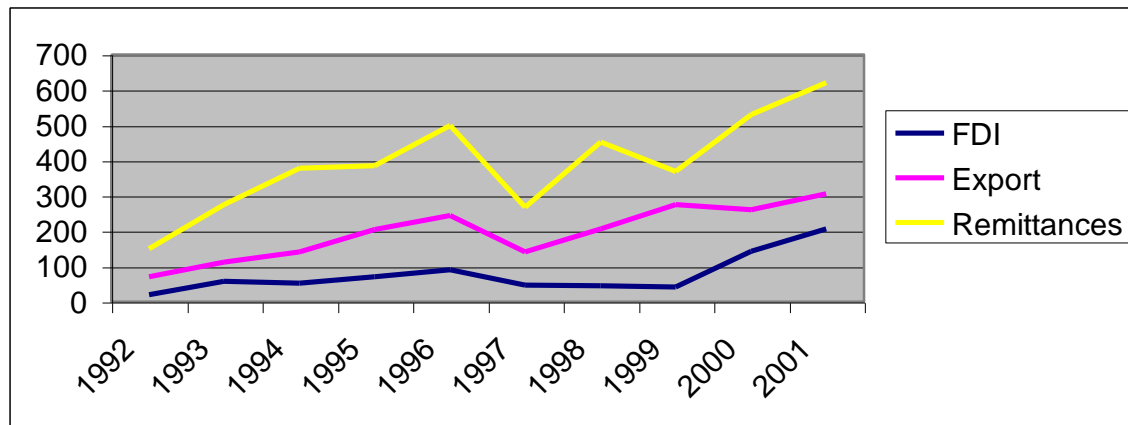
13 Boeri, Tito and Herbert Brücker (2005). Migration, Co-ordination Failures and EU Enlargement Discussion Paper No. 1600. Bonn: Institute for the Study of Labor. May 2005.

14 Lyberaki, A. & Thanos Maroukis (2003). Albanian Immigrants in Athens: Some recent findings Athens: Hellenic Foundation for European & Foreign Policy. WP 5.2, Unpublished paper.

home or save money to spend later in their home countries. Most of this spending (about 60 per cent) goes to help impoverished families back home survive. But some is used for home improvements (40 per cent), including improvement of sewage and energy systems.

The value of remittances is considerable for home economies. In 2003, for instance, remittances ranged from 700 million euros in Albania and Croatia, respectively to 1.5 billion euros in Bulgaria and 2 billion euros in Romania. In some years, remittances exceeded the level of direct foreign investment. In Albania nearly half of the population benefits, although unequally, as it is traditional to support people outside the nuclear family. (Albanian UNDP Early Warning Report Survey, 2004). In Romania and Bulgaria, only migrants' close family members receive remittances (about 10 per cent of the population). For at least half of families receiving remittances, this aid is important for survival. In only about 10 per cent of cases, however, is this aid higher than 1,000 euros per month, according to our data. The average, if we divide the remittances by the total population, is less than 100 euros per head. In Macedonia about a tenth of the population receives money from abroad, in Kosovo about 15 per cent, according to our survey.

**Figure 1. Dynamics of remittances, exports and FDI 1992–2001 in Albania**



Source: Bank of Albania, Annual Report 2003<sup>15</sup>

The case of Albania is illustrative (see Figure 1). In Albania, remittances are the main source of foreign currency income. Between 1991 – 2002, they amounted to 10 to 22 per cent of GDP.<sup>16</sup> They surpass direct foreign investment and foreign aid. Apparently they surpass export

15 Bank of Albania, 2003, quoted in the UNDP sponsored report by Gedeshi, Ilir, Hekuran Mara and Xhilda Preni (2003) 'The encouragement of social-economic development in relation to the growth of the role of the remittances' Tirana: Centre for Economic and Social Studies (CESS).

16 idem note 16.

revenues as well, and have helped to counterbalance the growing trade balance deficit.<sup>17</sup> Remittances are the key to poverty alleviation in Albania, turning poor households into relatively prosperous ones.<sup>18</sup> In rural areas, remittances are the second largest component of income, lifting families above the poverty line<sup>19</sup>.

Critics stress that most remittance income is usually spent on consumption. However, increased consumption is critical to poverty reduction for households living close to the poverty line. Evidence from Albania, Romania and Bulgaria shows that remittances prevent a large number of people from falling below the poverty threshold, contribute modestly to local development (through household improvements) and boost consumption spending, which contributes to the high rates of growth in these three countries.<sup>20</sup> Remittances cannot by themselves, however, replace other development strategies and especially the optimal combination of FDI, trade liberalization, aid, return migration and improved governance.

Migrants from Southeastern Europe do return to invest, although they do not have much for this purpose. The evidence from our Romanian study shows that businesspeople are more likely to have worked abroad than people in other professions. They save money while abroad and bring it home to invest in their home countries. Qualitative research in Romania and Albania has shown that a small part of remittances is used for investment in the small and medium enterprise sector. In other words, remittances are crucial for growth and poverty reduction, but they cannot by themselves contribute to development of infrastructure that regional economies need badly. Those have to come through assistance or foreign direct investment.

### **Migration: A virtuous circle?**

After the fall of the Berlin Wall in 1989, emigration barriers in the East have been replaced by immigration barriers in the West. Free labour mobility from the new member states has been postponed for up to seven years, and new member states must tighten external borders as mandated by the Schengen Agreement (1985). The obligation to implement the new policy was partly transferred from European border guards to domestic border guards. To travel, an individual has to present proof of accommodation, medical insurance, return tickets and quite a considerable sum of money per diem. Drivers need also to present the car's special 'green card' insurance.

Can Europe trust national border authorities to screen potential migrants? The data from Romania and Bulgaria – where Schengen visa requirements for short stays (under three months) were lifted soon after the start of accession negotiations – show that the system works, and that it has improved over time. 16 per cent of Romanians were denied exit in 2003, of which two-thirds for failing to present the per diem money (in cash). In the first semester of 2005 this figure has grown to 468,905 individuals. This means the proportion of people denied exit has increased considerably as border guards come to grips with the EU requirements. About 10,000 individuals were repatriated from the Schengen space in the same interval, 0.4 per cent of those who exited the country. Pure illegal behaviour (such as using false passports) was under 0.1 per cent. Romanian authorities took steps against the individuals repatriated by Schengen countries (such as drawing up of criminal files) and confiscated their passports for periods varying between six

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17 See Germenji, E and all (2000). Estimating Remittance Functions for Rural-Based Albanian Emigrants. Tiranë : Centre for Economic and Social Studies (CESS).

18 De Soto, H and all. (2002) Poverty in Albania. A Qualitative Assessment, The World Bank Washington D.C.  
19 idem note 14.

20 See World Bank (2003): 'Workers' Remittances', Ch. 7 in Global Development Finance, World Bank, also Gammeltoft, P. (2002): 'Remittances and other financial flows to developing countries', *International Migration*, 40/5; World Bank (ibid); anonymous (2002): Policy Paper for the Greek EU Presidency: Western Balkans, an agenda for stability, development and integration, Athens: December 2002, mimeo; King, R, N. Mai and M. Dalipaj, Exploding the Migration Myths: Analysis and Recommendation for the European Union, the UK and Albania, Sussex Center for Migration Research, University of Sussex, 2003.

months and five years. However, their numbers do not exceed 0.3 per cent of the number of those who went out of the country.<sup>21</sup> IOM reports that in 2001, when visa restrictions for short-term travel by Bulgarians in the Schengen zone were lifted, the number of border crossings exceeded those in 2000 by only 9 per cent. Data from the national censuses conducted in 1992 and 2001 show that between these two censuses approximately 196,000 people emigrated from Bulgaria, while the number of persons who have returned or settled in Bulgaria was of 19,000.

In 2002, 300 individuals tried to illegally cross the Romanian border; in 2003 the number fell to 28. Illegal crossings of Bulgarian citizens totalled 560 in 2002, down from 2,785 in 2000. Thus lifting visa restrictions for short-term entry in the Schengen space resulted in a considerable decrease in the number of border regime violations by Romanians and Bulgarians.

These figures show that, with European assistance, border guards in Western Balkan countries can be trained to apply the Schengen requirements. Of course there will also be some corrupt crossings, but experience from the Eastern Balkans shows that illegal behaviour actually drops massively once visas are given up. And the number of potential migrants from, say, Serbia, Macedonia and Bosnia is close to that of Bulgaria, no more. Despite this, the Stability Pact focuses so far almost exclusively on border controls, dealing with the Balkans as transit countries for trafficking and smuggling of migrants into the EU, even though most reports show a sharp decline in illegal border crossings. The rigid border controls imposed by the EU in fact tend to accentuate and encourage permanent migration to the detriment of seasonal migration, which is more beneficial for both sides.

Why don't European governments liberalize the visa regime vis-à-vis the Western Balkans, which could help these small economies more than aid flows? Rather than taking this step, EU governments have installed 'transitional arrangements' with newcomers, which only diminish the economic potential of freedom of labour, and which carry substantial economic costs.<sup>22</sup> Paradoxically, labour demand is growing in Europe. Even with slow economic growth, most European countries find themselves short of skilled and unskilled workers who are prepared to do jobs that national workers shun. Birth rates are also falling in most countries of the EU-15.

As the EU expands eastward, it needs to open itself to migrant labour, just as it did for Italy, Portugal, and Spain in the 1950s and 1960s.<sup>23</sup> Southeastern Europe, which has already received the EU's promise of integration, is the place to start. The Schengen visa regime must stop impeding regional economic development. Our data shows that the European Union would do well to replicate its successful policies towards the Eastern Balkans in the Western Balkans, thus building the foundation for real poverty reduction in the region. This is even more necessary seeing the setbacks that the European Constitution suffered in 2005. Despite the goodwill of the European Commission there is a real risk that the accession perspectives for Western Balkans have become even more distant, and so the development gap between these countries and Eastern Balkans grows further. Allowing short term migrants and seasonal workers becomes *the* main facilitating instrument that the EU can offer in this interval of uncertainty to prompt development, not stagnation of the Western Balkans.

## Recommendations

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21 Figures provided by IOM Bulgaria (Guentcheva, R., P. Kabakchieva and P. Kolarski. Bulgaria The social impact of seasonal migration Sofia: International Organization of Migration, September 2003) and Romanian European Institute (see note 7).

22 Boeri, Tito and Herbert Brücker. Migration, Co-ordination Failures and EU Enlargement Discussion Paper No. 1600. Bonn: Institute for the Study of Labor. May 2005

23 Stalker, P. 'Migration Trends and Migration Policy in Europe; in International Migration London: Blackwell 40: 5, 2/2002

At the EU-Western Balkans Summit in Thessaloniki in June 2003 the European perspective of the Western Balkans was reinforced. The future integration into European structures and ultimate membership into the Union was declared a high priority for the EU. 'The Balkans will be an integral part of a unified Europe' the summit statement read<sup>24</sup>. The EU also committed itself to a more liberal visa regime for the Western Balkan countries at the Thessaloniki summit in 2003. There was no substantial follow up to this promise, although negotiations were initiated on visa facilitation with Russia, Ukraine and China, which do not have similar EU perspectives<sup>25</sup>. Western Balkan countries citizens, despite their countries having signed SAP treaties with EU as a preliminary accession step are still treated as any third-country nationals, who need a Schengen visa or a residence permit in a EU country to travel in the European Union. The possibility of a special travel authorisation, which would enable third-country nationals to stay up to six months per year in the territory of the Member States on condition that the stay in one Member State does not exceed three months, enabled by the Commission's proposal (COM(2001) 388 final) was applied to Eastern Balkans only<sup>26</sup>. However, the December 2005 European Council summit acknowledged the progress of applicant countries of the region, from Croatia to Macedonia. Both the instruments and the explicit goal to open Europe more to these countries exist. The debate on visa facilitation is a diversion from the true goals with the potential to change the region. Any form of visa will only support corruption and discrimination, without solving the core of the issue. We therefore recommend:

#### **To the Balkan Stability Pact:**

As the Pact hands increasingly its tasks to regionally owned agencies or to countries, this one issue that still concerns the region as a whole remains unsolved. The pact should advocate at the level of European Commission and the EU member states for the liberalization of the Schengen visa regime for Western Balkan countries. Only when this is accomplished one can truly acknowledge that the objectives for which the pact was created were finally reached.

#### **To the European Commission:**

1. Design road maps with each and every country so to set clear targets for border capacity improvement and to provide a clear timeframe for the end of the visa regime and the passage to a regime similar to Romania and Bulgaria.
2. Step up the assistance to increase border capacity on the model of Romania and Bulgaria so that the screening of EU entrants is entrusted to Western Balkan countries, not Schengen border guards. Encourage and assist governments to adopt and popularize legislation that allows such screening, so that a legal basis is created and citizens are informed of requirements needed to travel to the Schengen space.
2. Open negotiations already on this issue in 2007. The discussion should concern Albania, Bosnia-Herzegovina, Macedonia and Serbia-Montenegro, with the understanding that each country will be treated according to its merits. A country should be recommended for a lift of Schengen visas once it meets the criteria set in the roadmap, which should not be more restrictive than those met by Bulgaria and Romania when this policy was applied to them.

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24 <http://www.eu2003.gr/en/articles/2003/6/20/3121/>

25 International Crisis Group Report, November 2005, EU Visas and the Western Balkans, <http://www.crisisgroup.org/home/index.cfm?l=1&id=3809&m=1>

26 <http://europa.eu.int/eur-lex/pri/en/oj/dat/2001/ce270/ce27020010925en02440250.pdf>

**To EU Member States:**

Begin negotiations with Albania, Bosnia-Herzegovina, Macedonia and Serbia-Montenegro on a the basis of the Commission's recommendation.

**To the Governments of Albania, Bosnia-Herzegovina, Macedonia, Serbia-Montenegro:**

Adopt and implement legislation following the path set by Bulgaria in 2001 and Romania in 2002 to obtain the lift of Schengen visas, including readmission agreements with individual EU member states taking responsibility for all third-country nationals who arrive in the EU from their territory. Ask for the assistance of these two neighboring countries to design and implement realistic and effective road maps with the goal of preventing cross-border crime, money laundering and traffic, while allowing freedom of travel of law abiding citizens who satisfy the requirements agreed with the European Union states.