

The Migration-Development Nexus: Sri Lanka Case Study

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ABSTRACT

This paper explores the relationship between migration and development in Sri Lanka, a country that has been the source of large numbers of migrants and the recipient of much development assistance. Commissioned as part of a wider study conducted by the Centre for Development Research, Denmark, this case study seeks to answer a set of specific questions about the nature and extent of links between development assistance and migration flows. The paper surveys the socio-economic context in which both migration and development have taken place in Sri Lanka, describing the causes, scale, and features of migration flows from Sri Lanka in recent decades. Two main streams of migration flows are identified: labour migration and political migration. The flows are distinguished by ethnic characteristics (the former is mostly Sinhalese and the latter pre-dominantly Tamil) and destination (the former to the Middle East and the latter to the West). Both flows have intensified during a time of protracted conflict and in the context of war-affected economic development since the early 1980s.

The importance of remittances from migrants to the Sri Lankan economy and the extent to which diaspora activities impact Sri Lanka are also discussed. Despite the lack of statistics, especially on informal remittances from the Tamil diaspora, it is suggested that the remittances have been and will continue to be a sizeable component of foreign exchange receipts in Sri Lanka. The paper concludes that the complex interactions between migration, development assistance, remittances, and conflict are important for the prospects for peace and reconstruction in Sri Lanka. The challenge in Sri Lanka will be to move from a vicious cycle of conflict, underdevelopment and migration to a more virtuous one. In this process, it is suggested that the diaspora will be a key player in the shift towards peace and remittances will be an integral part of reconstruction.

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INTRODUCTION

The development context

Sri Lanka is an island located off the southern tip of India with a population of around 20 million. Colonized in turn by the Portuguese, Dutch, and the British over the course of four centuries, the island was granted independence in 1948. Since then, Sri Lanka, formerly known as Ceylon, has emerged as a reasonably successful developing economy, achieving substantial gains in social and economic development. In recent years, however, the country has been more commonly associated with a protracted and violent armed conflict that left an estimated 70,000 people dead, compromised economic development, and produced large and sustained migrant flows.¹

Current average per capita income is around US\$850, placing Sri Lanka at the lower end of middle-income countries.² Adjusted for purchasing power parity (PPP), this is an income of US\$3,279 per person. While Sri Lanka ranks 100 out of 174 countries surveyed by the United Nations Development Programme (UNDP) in terms of income, its ranking in the broader Human Development Index (HDI) is 19 places higher at 81. Sri Lanka's current HDI value (0.735) is considerably higher than the average for developing countries (0.642) and for South Asia (0.560). This relatively high HDI reflects the country's success in education (adult literacy currently stands at 91.4%, some 20 percentage points higher than the developing world average); health (life expectancy at birth stands at 72 years, around 7 years higher than the developing world average); and income levels. Table 1 shows consistent improvement in HDI and, except for a relatively slow period between 1985-1990, GDP per capita growth of around 4 per cent per annum.

TABLE 1
TRENDS IN HUMAN DEVELOPMENT AND INCOME
(selected years)

	1975	1980	1985	1990	1995	1999
GDP per capita (1995 US\$)	382	452	536	590	700	802
HDI score	0.614	0.648	0.674	0.695	0.717	0.735

External finance

Much of Sri Lanka's success in welfare and GDP improvements has been financed by flows of overseas finance in the form of export earnings, private remittances from abroad, official development assistance (ODA), and foreign direct investment (FDI). Given the low rate of domestic saving and high govern-

ment expenditure (due, in part, to ballooning military spending), external sources of finance have played a critical part in the country's economic development.

Private capital flows, especially in the form of FDI, have increased substantially over the course of the 1990s (see Table 2). Net FDI flows have grown from 0.5 per cent of GDP in 1990 to 1.1 per cent in 1999. They remain low, however, even by developing country standards. Similarly, while debt levels and service ratios have fallen, Sri Lanka's external debt remains large in relative terms.

TABLE 2
KEY EXTERNAL INDICATORS, 1990 AND 1998

	Year	FDI, US\$ million	Official development assistance			External debt	
			Total US\$ million	\$ per capita	As % of GNP	Total US\$ million	As % of GNP
Sri Lanka	1990	43	780	43	9.3	5,863	70.0
	1998	193	490	26	3.2	8,526	54.9
Low-income countries	1998	-	-	7	1.3	-	42.5
Middle- income countries	1998	-	-	12	0.4	-	44.1

Source: World Bank, 2000.

While private financial inflows have increased recently, especially in the garment and light manufacturing sectors, they are still dwarfed by net ODA disbursements. While FDI has only recently topped 1 per cent of GDP, ODA has been ten times larger in peak years and has far exceeded the average for developing countries. With that said, as Table 2 shows, ODA flows have decreased significantly over the course of the last decade in absolute and relative terms. In 1999, the latest year for which statistics are available, net ODA disbursements fell further to US\$251 million or 1.6 per cent of GDP and just US\$13 per capita.

From 1995 to 1999, the ratio of loans to grants has been roughly 2:1. There was a similar ratio of 2:1 for multilateral and inter-governmental loans as compared to bilateral loans. During this period, 42 per cent of all grants came from governments and, of these, 93 per cent came from Japan (Kanes, 2001). Table 3 shows that Japan's average contribution to Sri Lanka from 1998-1999 was more than the combined disbursement of the two largest multilateral donors: the Asian Development Bank (ADB) and the World Bank/International Development Association (IDA). Sri Lanka has received less than 1 per cent of annual Danish bilateral ODA over the last two decades (OECD-DAC, 2002).

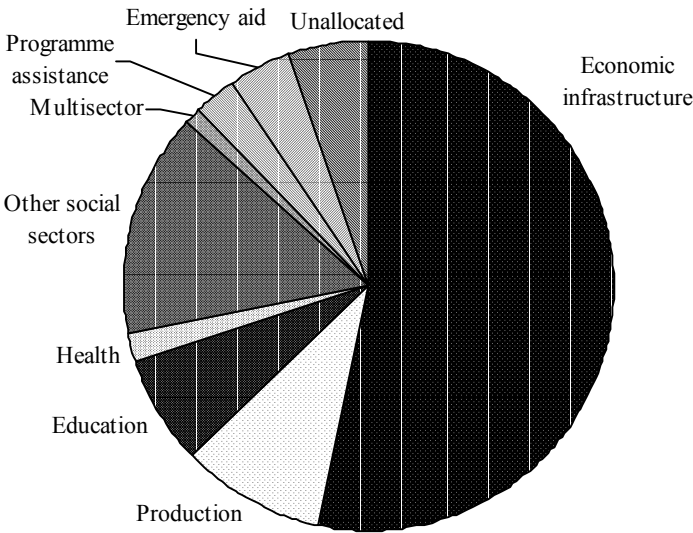
TABLE 3
TOP TEN DONORS OF NET ODA

Donor	US\$ millions
Japan	167
Asian Development Bank	94
World Bank/IDA	59
Germany	15
Norway	14
Sweden	14
United Kingdom	11
Netherlands	8
European Community	6
Australia	6

Source: World Bank and OECD data for 1998-1999.

Figure 1 shows that, in recent years, economic infrastructure and production has attracted well over half of all bilateral ODA, with health, education, and other social sectors together accounting for about a quarter. Specifically, the traditional focus of EU-Sri Lanka cooperation has been on rural development, especially irrigation and farming development.

FIGURE 1
BILATERAL ODA BY SECTOR



Two further issues have undermined the impact of ODA in Sri Lanka. First, while aid remains important (accounting for nearly 40% of government capital expenditure in 1999), it has been severely underutilized in recent years. In 2000, it was reported that utilization rates for Japanese assistance stood at 11 per cent and at 9 per cent for one World Bank-led package.

Secondly, it would seem that there is reluctance by international donors to pledge further ODA until there is a resolution of the conflict, and government management procedures are improved. This was most clearly demonstrated at the last meeting of the international aid group in Paris, now dubbed the Sri Lanka Development Forum, in December 2000. It has also been argued that discussions at this meeting indicated that Sri Lanka, with indicators resembling a middle-income country, is no longer high on ODA priorities.³

Humanitarian relief

One area of ODA to Sri Lanka that continues to be a priority for donors and agencies is humanitarian relief, in particular relief to the conflict zone in the north-east of the island. Here it is estimated that, due to war and displacement, absolute poverty levels may be more than 60 per cent, ten times higher than the national average.

The European Commission's Humanitarian Office (ECHO) has disbursed almost Euro 12.5 million to support humanitarian relief for victims of conflict in Sri Lanka since 1993. In each of the last few years, ECHO's major contribution has been Euro 700,000 allocated to the International Committee of the Red Cross (ICRC) to provide transport of humanitarian assistance by sea to the Jaffna peninsula. Other funds have been deployed to non-governmental (NGO) partners to rehabilitate water management systems and improve food security for internally displaced people (IDPs), implement malaria control measures, and aid the construction of shelters and sanitation facilities.

Other recent commitments include an ADB loan for US\$25 million agreed in late 2001 to provide housing and other basic services for those displaced by the conflict; improve health and education facilities; and re-establish agricultural and fishing activities as a means of livelihood for people currently dependent on welfare payments.

Other active agencies in the north-east are UNHCR (relief and rehabilitation, particularly targeted at IDPs, microprojects for returnees with an annual budget of around US\$6 million); UNDP (coordination of and capacity building for rehabilitation, resettlement, anti-poverty, and mine action programmes); UNICEF (health, education, nutrition, social rehabilitation, and mine awareness); and WFP and FAO (food security assistance). Some NGOs including OXFAM, MSF, FORUT, CARE, and Save the Children also have a presence.

BACKGROUND TO MIGRATION FLOWS

Two streams

Over the course of the last two decades, Sri Lanka has developed a reputation as a migrant-sending country. While figures and trends are discussed in the next section, it is worth noting here that the total net migration from Sri Lanka, estimated to be between 1.5-2 million over roughly 20 years, is not particularly large or intense by global standards. What is notable, however, is the scale of this migration relative to population size, its sustained nature, and the notoriety achieved by migration flows from Sri Lanka. An example of this notoriety was the requirement by the British Government, in the wake of the first waves of Tamil asylum seekers after 1983, for all Sri Lankan citizens to obtain visas before arrival in the UK, the first time citizens of any Commonwealth countries were required to do so (Steen, 1993).

The “Sri Lankan maid” and the “Sri Lankan refugee”, both relatively recent phenomena, are now renowned throughout many parts of the world and have contributed to Sri Lanka’s notoriety as a migrant-sending country. These two phenomena represent, but do not capture entirely, the two basic channels of migration flows from Sri Lanka: labour and political migration respectively.⁴

TABLE 4
BASIC CHARACTERISTICS OF RECENT
MIGRATION FLOWS FROM SRI LANKA

	Labour migration	Political migration
What?	Voluntary movements	Forced movements
Why?	Economic reasons	Conflict-driven
How long?	Temporary	Permanent (if allowed)
Who?	Single migrant	Household migration
Where?	Middle East	India and the West
Which group?	Sinhalese, Muslims	Tamils
How?	Formal channels	Informal channels

Depicted at their most simplified in Table 4, the two channels seem to be very distinct phenomena. Despite their differences, however, there are numerous common factors that have shaped both channels. The most important of these is the onset of armed conflict (civil war) between secessionist Tamil militants and government forces in 1983. Since then, except for brief respites, economic and human development in Sri Lanka has taken place under the backdrop of this conflict. The north-east of the island, traditionally home to the island’s Sri Lankan

Tamil population and the base of the largest Tamil militant group, the Liberation Tigers of Tamil Eelam (LTTE), has undergone widespread devastation. More generally, the conflict has had high direct and indirect costs island-wide in terms of lives, livelihoods, and slower economic growth. Not surprisingly, the largest increases in both migration flows have occurred since 1983. While the majority of political migrants have been Tamils directly affected by the conflict in the north-east, the conflict has also indirectly fuelled the increased flows of predominantly Sinhalese labour migration from the south-west.⁵

Pre-1983 migration

Migration, especially by Tamils, has a long history, and recent flows should be seen in the context of this history. The foundations of large-scale migration flows were laid well before the onset of armed conflict. Sri Lanka's educated and professional elite have had a long history of temporary emigration for education, usually to Britain, and employment all over the Commonwealth and more recently the West more widely. By the late 1970s, thousands of students were in higher education overseas, sponsored by a number of scholarship schemes or taking advantage of relatively lax study/work rules. Many of these students were young Tamil men who had sought opportunities abroad when the Sri Lankan state had started imposing quotas limiting Tamil admissions to local universities in the early 1970s. This group can be added to the classic "brain drain" migrants, professionals who sought employment in the West and in places as far afield as Nigeria and Papua New Guinea. An important subset of these migrants was made up of Tamils who felt discriminated against by the Sri Lankan state's employment and language policies. More generally, several years of failed socialist economic policies had also left unemployment hovering around 20 per cent and the economy in shambles by the late 1970s.

It was in this context, following the election of a more neo-liberal outward-looking government in 1977, that another set of foundations was laid. In this case, the massive development work undertaken in petroleum-producing countries of the Middle East had created a great demand for construction and other unskilled labour. The new government saw the potential for easing some of its employment and foreign exchange shortfalls, and began to promote labour migration. Regulations on travel and foreign exchange convertibility were relaxed to facilitate overseas work and remittances. Further, the devaluation of the rupee made foreign earnings more valuable relative to local earnings. These factors provided the initial impetus for the labour migration flows to the Middle East that are now so crucial to Sri Lanka's development.

Post-1983 political migration

The anti-Tamil pogrom of July 1983 had at least two impacts on migration from Sri Lanka. The events provided the stimulus for descent into war in the north-

east. While the intensity and extent of this conflict has varied since then, conventional military operations, widespread casualties, destruction, and displacement have characterized the post-1983 period. Coming after the riots of 1977 and 1981, the events of 1983 (which left up to 3,000 Tamils dead) seemed to confirm for many Tamils that their physical security was not guaranteed.

These two factors, one real and one perceived, had several implications. First, most Tamils already living overseas and reluctant to return had now more reason (and justification) for staying away permanently. Across Europe and North America, thousands of Tamil students and guest workers lodged asylum claims. Secondly, many professionals and middle-class Tamils with the skills and means to leave chose to leave Sri Lanka. Though some migrated to the West for employment and education, directly or via third countries, many in this group ended up claiming asylum. Thirdly, the events of 1983 mark the start of the widespread refugee flows from Sri Lanka to India and the rest of the world.

Thus, Tamil migration from Sri Lanka since 1983 has consisted of expatriates settling overseas permanently, skilled migrants, migrants arriving on family reunion programmes, and political refugees. We see here that the simplified characterization of Tamil political migration made earlier only describes one subset, primarily those who have left more recently and sought asylum on arrival in the West through informal routes. A more nuanced picture of Tamil migration, while acknowledging its overwhelmingly conflict-related nature, needs also to pay attention to the period of migration, destination choice, the basis of initial entry, and mode of flight. Of pertinence to the present study, many of these factors, in turn, depend on politico-economic factors.

The political economy of migration

The most obvious reasons for the rapid growth in labour migration – that paralleled the growth in political migration since 1983 – were the micro-economic benefits for workers and the macro-economic objectives of the state. Labour force growth rates in Sri Lanka have outstripped population growth rates in every decade since independence and, as the economy has struggled to create enough jobs for the new entrants, unemployment has remained high (Gunatilleke, 1995: 673). This has been the case despite large-scale out-migration.⁶ As a result, growth in real wages was marginal and uneven across sectors during the 1980s. For the unskilled worker, temporary migration to the Middle East could bring in earnings that were eight times greater than what could be expected at home – a significant contrast to the risk of unemployment at home (Farrag, 1997). Thus, the underdevelopment of Sri Lanka's domestic resource base created the conditions for large-scale labour migration.

This migration was also facilitated by government initiatives. In 1985, the Sri Lankan Bureau of Foreign Employment (SLBFE) was established to promote

the country's "main resource", namely "its highly industrial and literate people". Since then, the body has overseen a very large expansion in labour migration. In macro-economic terms, the outflow of labour eased unemployment problems, and the remittances from overseas workers contributed to the national income and eased foreign exchange needs at a time when military expenditures and government borrowing were increasing.

The economic conditions that promoted labour migration from the south-west were compounded in Tamil areas of the island. The north-east was relatively underdeveloped in terms of economic infrastructure, and youth unemployment rates were among the highest in the country in the early 1980s. Education levels, however, were higher than most parts of the country. This combination of factors contributed, in part, to growing discontent amongst young Tamils and provided a fertile recruitment ground for Tamil militant groups. Yet, importantly for the present study, as physical security came under threat, especially for young Tamil men, this relative underdevelopment also provided greater impetus for migration. Notably, the distinction between economic and political out-migration became blurred.

Another important politico-economic factor impacting migration trends is the socio-economic profile of potential migrants. Given the strength of family and clan ties in Sri Lanka, migration should be seen as a household process. Migration is less akin to a strategy for individual gain than it is to a rational investment strategy for socio-economic advancement of all concerned through the direct and indirect benefits of migration. This seems to be equally true of labour and political migration from Sri Lanka. As one analyst has argued, labour migration from Sri Lanka is neither "survival migration" (i.e., migration as a last resort) nor, as in some other countries, a continuation of mass rural to urban migration. The large majority of labour migrants come from households above the poverty line (Gunatilleke, 1995). Similarly, it has been pointed out that most Tamil migrants are from the economic middle class (Fuglerud, 1999: 141). This does not seem surprising given the need to mobilize initial resources to facilitate international migration, either through official labour agencies or through informal/illegal traffickers. It is also unsurprising given the prevalence of collective family finance systems and the history, especially among Tamil households, of pooling money and resources to support education/emigration, usually of young men.

MIGRATION PATTERNS AND TRENDS

Net and relative displacement

What is perhaps most notable about displacement within and from Sri Lanka is the proportion of the population affected. An older estimate of *net migration* from Sri Lanka's Registrar General places the figure at 900,000 for the years

1977-1993 (Gunatilleke, 1995: 670). More recent estimates of the stock of labour migrants range from 750,000 to 1.2 million workers (Scalabrini Migration Center, 2000) and the latest estimates of the stock of overseas Tamils is 800,000. Thus, somewhere between 1.5 million and 2 million people of Sri Lankan origin live overseas, either as temporary or permanent migrants. More than 700,000 IDPs can be added to this figure, most of whom are Tamil, in Sri Lanka. About half a million of these reside within the north-east, with just under a quarter of them in government-run “welfare centres” (UNHCR, 2000: 308). The other 300,000 live in other parts of the island, usually on the fringes of the north-east or in Colombo.

Two statistics stand out. First, for the last 15 years, Sri Lanka has had more than 5 per cent of its entire labour force based overseas at any one time. Secondly, 6.5 per cent of the population is displaced according to one estimate. This is not the highest rate in the world but certainly amongst the highest (COTA, 2000). Moreover, when we look at the impact of displacement on the Tamil community, the rates are even starker. It is likely that nearly one in every four Sri Lankan Tamils now lives outside Sri Lanka. When IDPs are included, it may be that one in every two Tamils has been displaced one way or another. The relative scale of labour and political migration, as we shall see, has important implications for peace and development in Sri Lanka.

Features of labour migration

There is a dearth of comprehensive statistics on the stocks and flows of labour migration. Given the largely official nature of the flows and credible survey data, however, it is possible to discern certain patterns. Table 5 highlights the absolute increases in annual departures between 1980 and 2000, and shows the predominance of domestic and unskilled workers amongst each cohort.

TABLE 5
LABOUR MIGRANTS DEPARTING SRI LANKA BY OCCUPATIONAL GROUP
(selected years)

Occupational group	1980	%	1992	%	1995	%	2000	%
High-level	2,517	6	1,245	1	887	<1	983	<1
Middle-level	4,116	10	6,225	5	7,070	4	10,203	6
Skilled	11,964	28	22,409	18	26,806	16	36,028	20
Unskilled	17,681	41	9,960	8	23,469	14	35,087	19
Housemaids	6,467*	15*	84,655	68	114,208	66	98,636	54
Total	42,745	100	124,494	100	172,467	100	181,370	100

Note: *No category seems to exist for housemaids in 1980; the figure listed is for other.

Several other observations can also be made about Sri Lankan labour migration: the growth in the numbers employed in domestic services has been accompanied by a feminization of the migrant workforce. By the late 1980s, it is estimated that two-thirds of all departures were female, the reverse of the early 1980s, when male skilled and construction labourers were in the majority; more than three-quarters of migrant workers reside in the Gulf region, with Saudi Arabia alone thought to be home to around 40 per cent; a 1993-1994 survey conducted by a migrant support group in Sri Lanka showed that the average age of migrants was 25-29 for males and 30-34 for females (Asian Migrant Center, 1998); even though many labour migrants engaged in unskilled or domestic labour, an estimated three-quarters had attended secondary school, while almost all of the remainder had completed primary education (Gunatilleke, 1991: 294); evidence suggests that Tamils do not participate in labour migration to the Middle East to the same degree as other ethnic groups (Gunatilleke, 1991: 292). Muslims are over-represented while Sinhalese proportions match the wider population; and the share of employment through agents licensed by the SLBFE stood at 76 per cent in 2000 (Central Bank of Sri Lanka, 2000).

Features of political migration

In June 2001, the UNHCR estimated the stock of internationally displaced Tamils to be 817,000, most of whom are/were refugees or asylum seekers. Canada topped the list, hosting an estimated 400,000 Tamils, followed by Europe, (200,000), India (67,000), the United States (40,000), Australia (30,000), and another 80,000 living in a dozen other countries (Ganguly, 2001). This total shows an increase on previous estimates that were around 500,000 (Fuglerud, 1999: 1).

Sri Lanka continues to produce relatively large numbers of asylum seekers, almost all of whom are Tamil. According to UNHCR, Sri Lanka ranked in the top ten of asylum seeker sending countries in 2000 (UNHCR, 2001a). Where decisions were made, nearly half of all applicants were permitted to remain under some form of protection. This represented some 8 per cent of the world total and indicates the small but sustained nature of political migrant flows from Sri Lanka over the last two decades. In 2000, some 17,700 Sri Lankan nationals applied for asylum in 60 countries, virtually the same number reported during 1999 (17,600). In the European Union (EU), the number of asylum applications by Sri Lankans increased from 10,710 in 1999 to 11,760 in 2000. This represented only around 3 per cent of all applications in the EU that year (UNHCR, 2001a).

Only 1 per cent of Sri Lankans applying for asylum in Europe in 2000 lodged their claims in Denmark (UNHCR, 2001b: 39). In total, between 1984 and 2000, 7,103 asylum seekers of Sri Lankan origin lodged applications in Denmark. Apart from 1986, when there were 2,752 applications, every other year during this period saw a steady flow of several hundred applications. Over the last decade (1991-2000), Sri Lankans accounted for some 2.6 per cent of the 78,159 asylum

applications lodged in Denmark (Steen, 1993; Danish Immigration Service, 2000; British Refugee Council, 1999). In 1997, there were an estimated 5,400 Sri Lankan nationals living in Denmark, and nearly 3,000 who had acquired Danish nationality (OECD, 1999).

Apart from anecdotal evidence of the complex and sophisticated ways in which Sri Lankan asylum seekers arrive at the destinations, there are a few observations to be made about this population. We do know that most political migrants are young males. For example, of the 60,000 Sri Lankan Tamils officially registered as living in Germany in 1997, two-thirds were male, and the overall population was relatively young (Baumann, 2001). The migration of spouses (usually brides) and family reunions are important for correcting this demographic imbalance. Indeed, many recent trends in Tamil political migration are centred around family networks. According to one analyst, the “most important explanation for the relative success of Tamils in securing emigration and protection as refugees in Western countries has been the previous existence of family members outside Sri Lanka” (Fuglerud, 1998: 7).

The permanence of the Tamil settlement seems inadequately researched. Much will presumably hinge on developments in Sri Lanka but there are signs that settlement is permanent. Repatriation is usually only an issue for rejected asylum seekers and, even here, there has been considerable controversy surrounding the return of Tamils to Sri Lanka (The Refugee Council, 2001).

REMITTANCES AND DIASPORA ACTIVITIES

Remittance levels

Private remittances have played an important role in the Sri Lankan economy over the last two decades. With the dramatic increase in migration from Sri Lanka, not only have remittance flows increased in absolute terms (as shown in Table 6), they have assumed even greater relative importance in terms of external finance. Topping the US\$1 billion mark in recent years, this injection is of paramount importance to an economy that has a total annual GDP of less than US\$20 billion.

In recent years, private remittances to Sri Lanka have:

- exceeded FDI inflows by 3 to 4 times (Gunatilleke, 1995: 672);
- exceeded net receipts of foreign assistance by two to three times;
- been worth around 15-20 per cent of all export earnings (one of the highest in the world), second only to the garment industry and ahead of tea, the island’s traditional export (Scalabrini Migration Center, 2000);
- been worth more than double the gross receipts from tourism, one of the country’s most important industries;

- been worth 1.5 times gross foreign loans and grants; and
- accounted for around 5 per cent of Gross National Product (GNP).

TABLE 6
TOTAL PRIVATE REMITTANCES
(selected years)

Year	1975	1980	1985	1990	1995	1999
US\$ million	9	152	292	401	790	1050

Source: IMF, various years.

There is, of course, every likelihood that official figures under-report the true magnitude of remittance flows. This is primarily due to the use of informal channels to transfer money (usually through intermediary financial operators in the informal foreign exchange market), but also because official records often fail to take into account remittances in kind and personal cash savings brought home by returning workers. That said, unrecorded remittances from Sri Lanka have been estimated to be relatively low – 13 per cent of the total according to one study – compared to up to 50 per cent in countries such as the Philippines (Puri and Ritzema, 1999). One survey indicates that some 90 per cent of labour migrants reported sending remittances on a regular basis, usually once a month, to families or guardians back home. Of this group, 84 per cent reported using formal remittance channels (mail transfers and bank drafts) to remit money (Gunatilleke, 1991: 319). Again, this has been largely due to government policy to provide incentives for formal transfers – including the liberalization of exchange control restrictions for Sri Lankan citizens living abroad and reduced tax on remittances.

It must be noted, however, that this estimate (i.e., 13%) is for the early 1980s when informal remittances from the Tamil diaspora would not have been nearly as large or sophisticated as they are now. In 1999 private remittances from the Middle East were estimated to have made up 62 per cent of total private remittances inflows to Sri Lanka (Munasinghe, 2001), having fallen from a peak of more than 85 per cent in the mid-1980s (Rodrigo and Jayatissa, 1989: 265). This fall is due to the diversification of labour migrant destinations in recent years but also due to increases in formal transfers by political migrants. Yet, the true impact of the Tamil diaspora's contribution to Sri Lanka's foreign exchange reserves is hard to estimate because it is widely understood that most money is remitted through informal channels. Again, this is usually done through informal direct transfer to households or guardians. Some reasons for this informalization of Tamil remittances include the lack of international banking facilities in the north-east, the lack of mobility of many IDPs (who would be the recipients), the better speed and efficiency of informal transfers, and, possibly, the smaller commissions charged in the informal sector.

There is also anecdotal evidence to suggest considerable financial capital circulation between Tamils in Sri Lanka and elsewhere. Due to widespread displacement and loss of livelihood, many households in the north-east only survive through remittance income. Similarly, it has been suggested that financial support for large outlays in the north-east, particularly for overseas education and payment of costs for further migrant flows, comes from the diaspora. Given that the cost of political migration can be in the range of US\$10-12,000 per person and that this is beyond the reach of most households in Sri Lanka, particularly among the displaced, it would seem that much of this is funded through overseas assistance and unofficial credit institutions (Fuglerud, 1999: 98). Further, there is evidence to suggest that migrants work extra hard in order to be able to send money home, bring people overseas, pay for familial obligations (e.g., dowry), or show immigration authorities that they have enough money to sponsor spouses and relatives. Anecdotal evidence from early Tamil refugees in Denmark during the late 1980s indicate that each refugee would remit around DKK 10,000 each year to families in Sri Lanka (Steen, 1993: 97).

Impact of remittances

If statistics on remittance levels are sparse, exact details of the impact of those remittances on domestic development are even sketchier and, in any case, following Taylor, may be impossible to discern exactly (Taylor, 1999). With that said, it is possible to discern that remittances are deployed in two main ways, roughly according to who is sending them.

First, migrant workers' remittances serve as consumption and capital injections into a regular economy. According to one study, on average each female migrant worker overseas supports five people at home. This study assumes that there are 500,000 female migrant workers overseas at any one time and concludes that around 2.5 million Sri Lankans, approximately 15 per cent of the total population, are in some way reliant on worker remittances (Migrant Forum in Asia, 1998). Of course, the flow-on effects of this financial injection will impact the wider economy. Importantly though, migrant workers – largely from low-income (but not very poor) Sinhalese families – send remittances to supplement household income and capital in a relatively stable economy. Thus, migrant workers tend to see their absence as an attempt to improve their family's socio-economic situation at home, through consumption spending, investment in human capital and, where possible, minor capital investments (Gunatilleke, 1991: 348). In this sense, the impact of remittances from migrant workers is likely to be much the same as those in other Asian migrant-sending communities.

Secondly, in contrast, the impact of remittances from the Tamil diaspora is likely to be different in nature. While it is evident that remittances have long been important to the community's prosperity (Fuglerud, 1999), the current impact of remittances can be assumed to be on a hitherto unseen scale. Today, the

destruction of much of the rural, industrial, and commercial infrastructure of the north-east by nearly 20 years of conflict has left few opportunities for income generation. As a result, many families in the north-east are left dependent on humanitarian assistance (provided by local and international NGOs, and through the state) or remittances from overseas. Given the relative scale of international displacement, we can assume that the latter source is more important and may well be the most important financial injection into the north-eastern economy.

Yet, despite the role remittances may play in promoting money circulation, the links between remittances and local development are more tenuous. The potential positive effects of migration that might be seen in a stable and well-functioning economy are typically productive investment, human development, reduced unemployment, and improving living standards. The achievement and security of many of these benefits, however, are undermined by conflict, displacement, and physical insecurity. Thus, for many in the north-east, especially the displaced, much of the money may be used to fund living costs (which, in areas bordering the conflict zone and in Colombo, can be exorbitant) and, where possible, to fund supplementary private education.

Therefore, in contrast to the positive linkages created by remittances from migrant workers, the north-east is caught in a more vicious cycle. Instead of strengthening the local economy (and thus mitigating migration push factors), remittances are likely to lead to capital accumulation elsewhere. For example, absentee landlords, traders, and producers of imported goods and services, while benefiting from the increased consumption funded by remittances, may all invest their capital in more stable areas elsewhere. Two further leakages, in the form of payments to migration “agents” to fund further emigration and complex multinational dowry transactions, may lead to capital flight or may mean that remittances are never actually spent locally. The ability of informal agents to transfer money into and out of the north-east with ease indicates that the flows of money are probably strong in both directions. Seen in this light, part of the “remittances” from the Tamil diaspora may be better described as transnational flows within households, with money and capital circulating between “home” and several sites within the diaspora. In contrast, remittances from migrant workers seem more uni-directional, arriving from overseas and then circulating within the local economy.

Tamil diaspora activities

The complexities of these transfers into and out of the north-east are also indicative of the close links between the diaspora and the home community. Despite widespread dispersal, family networks amongst the Tamil diaspora seem strong and this has facilitated the maintenance of reciprocal obligations, for example, between migrant and family in Sri Lanka. These close networks have not only ensured that remittances continue to flow but have also allowed migrants

to remain active in “local” community life. In this way, diaspora communities across several continents and the home community are linked together in one virtual community. Financial flows are just one of several important interactions.

Indeed, Tamil diaspora organizations have been actively engaged in shaping Tamil politics, and, generally, in legitimizing Tamil nationalism. As the conflict has drawn on, the diaspora has emerged as an important player in terms of ideology, finance, humanitarian assistance, and political lobbying. In recent years, the diaspora has come under close scrutiny in North America and Europe for its role in financing the LTTE. The diaspora is also often cast, especially by former Sri Lankan governments, as meddling and recalcitrant in its call for a separate Tamil state. On the other hand, it is worth noting that the few ethnographic studies that exist highlight the diversity in the level of engagement and support of militant secessionism by members of the Tamil diaspora (Fuglerud, 1999; Daniel, 1997).

PEACE, RECONSTRUCTION, AND DEVELOPMENT

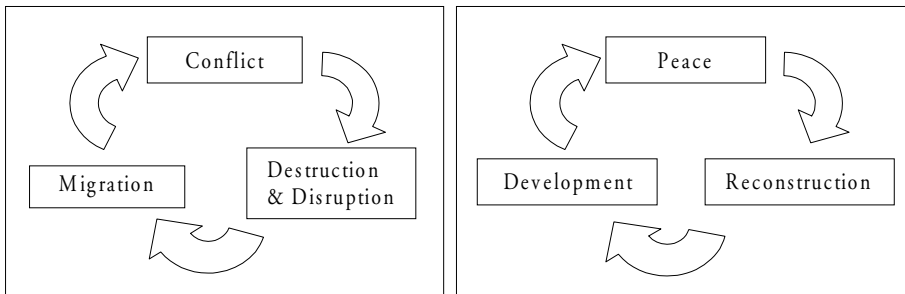
An examination of the links between migration and development in Sri Lanka cannot ignore the impact of the armed conflict on the north-east and on the island in general. Even conservative estimates show that the true costs of the conflict for the whole economy run into billions of US dollars and may be equivalent in value to the total combined value of two recent years’ worth of national GDP (Arunatilake, Jayasuriya, and Kelegama, 2001). This has meant that almost all economic development in Sri Lanka in recent years has taken place in sub-optimal conditions. Specifically, much of the ODA that has flowed into the country has been directed to stimulating the economy and strengthening markets, or rehabilitation and reconstruction.

In the north-east, the conflict has adversely impacted on development in the following ways:

- widespread destruction of infrastructure;
- low levels of investment (public and private) in war affected areas;
- collapse of agriculture (irrigation systems) and restrictions on fishing have limited economic opportunities (TamilNet, 2002);⁷
- restrictions on these activities have limited positive forward and backward linkages within the economy, and caused shortages of critical goods and inputs;
- critical markets for goods and services, including insurance and capital markets, have been absent or severely disrupted;
- depopulation of war-torn areas has de-stabilized markets, while overcrowding led to increased resource competition, especially between displaced and local residents (Shanmugaratnam, 2001);
- damage to ecosystems; and
- disruption of education.

These factors have, in turn, contributed to further economic insecurity that has, in the context of the apparent physical insecurity in the war zones, served as a push factor for migration. The lack of economic opportunity has also made recruitment into militant groups more attractive. To a lesser degree, this is also true for recruitment to the Sri Lankan armed forces, which is seen as a lucrative and secure source of employment for many rural poor youth from the south-west.⁸ In this context, it could be argued that Sri Lanka has become caught in a vicious cycle of conflict, destruction, disruption, and migration, depicted diagrammatically by the flows on the left of Figure 2.

FIGURE 2
VICIOUS AND VIRTUOUS CYCLES



The least clear of the relationships depicted in the vicious cycle is that between migration and conflict. Again, while it is difficult to make conclusive statements, we can see at least two ways in which migration may be fuelling conflict in Sri Lanka. First, as we have seen, mass migration from the north-east has depleted economic resources and disrupted the functioning society. With fewer opportunities for stable incomes and less incentive to invest productively, the economic breakdown in the north-east leaves many with one of two options: fight or flight. In either case there is little to lose. Secondly, it could be argued that contributions from migrants have fuelled the conflict. This would include direct contributions, such as financial support of militants by the Tamil diaspora and indirect contributions, such as the state recycling foreign exchange earnings from migrant worker remittances into military purchases. Moreover, it could be argued that all remittances allow for an amelioration of economic woes through the dampening of the costs of war at both macro and micro levels.

The challenge, it would seem, for Sri Lanka and the international community is to shift from the cycle on the left to the cycle on the right of Figure 2. The advent of peace will undoubtedly have numerous positive impacts on migration and development. Peace will presumably remove the *prima facie* reason for political migration and, indeed, remove the primary grounds upon which asylum could be sought. The “peace dividend” is likely to be very large in economic terms. In the north-east, stability will permit reconstruction and growth in investments in fixed

capital and productive enterprises. Much of this will undoubtedly be funded by the Tamil diaspora. Island-wide, peace should bring renewed confidence in the economy and attract higher FDI flows. It is also likely that stronger economic growth will reduce unemployment and raise real wage levels, thereby dampening the pressures and incentives for labour migration.

In short, in the same way that (under)development may have contributed to migration flows, renewed development will contribute to mitigating the factors causing migration. It would seem that the first step in this process, and the key to breaking the vicious cycle, is ending the armed conflict.

CONCLUSION

This brief survey of the relationship between migration and development in Sri Lanka has revealed that the links are manifold and important to understanding the dynamics of change and conflict in that country. It also points to the important ways in which the international community, both state and non-state actors, has affected and is affected by this relationship. The following points, though far from being conclusive, are worth bearing in mind.

The importance of migration, remittances, and diaspora to Sri Lanka

The scale of migration and remittances, though perhaps not large by absolute international standards, are very important in relative terms to Sri Lanka. The impact of migration on development has been substantial in terms of the usual macro-economic measures and in terms of the dependence of some households and regions on remittance income. The maintenance of intimate links between home and diaspora populations, particularly between the north-east and the Tamil diaspora, also have important implications. The transnational practices of the Sri Lankan diaspora are also not limited to the economic sphere. Most importantly, the Tamil diaspora has emerged as an important player in the resolution of the Sri Lankan conflict.

International aspects are likely to remain important

Labour migration seems unlikely to slow as long as demand continues and the relative financial gains remain high. As such, remittances from this source will continue to play an important part in household development and local economies in labour-sending regions. While political migration is likely to slow with the cessation of conflict, it is unlikely that any large-scale repatriation will take place, except possibly from India. The large Tamil communities in cities like Toronto and London are likely to remain important population centres of the transnational Tamil community, exerting considerable political and economic influence.

Development as a cause of migration

Development can be implicated as a cause in most migration flows from Sri Lanka. Certainly the lack of development and economic opportunities domestically has been a root cause of large-scale labour migration and contributed in part to political migration. Also, Sri Lanka's early success in literacy and education created a cohort of professional and middle class migrants who were able to take advantage of opportunities to leave. This "brain drain" can be clearly seen in the pre-1983 migration flows in Sri Lanka to the West, Middle East, and other developing countries. During the period of armed conflict, Sri Lanka has continued to grow but unemployment remains high, wages remain relatively low, many key markets are underdeveloped or disrupted, and economic growth has been sub-optimal. This slight imbalance between relatively high human development, and low and uneven economic development (partly due to the conflict) has created unmet expectations locally and contributed to both types of outflows.

Peace as a prerequisite for development

One of the most urgent policy imperatives in Sri Lanka is the need to end the armed conflict. For the devastated north-east, this is more than a humanitarian priority. Peace will be a prerequisite for the reconstruction of the war-affected parts of the island. In particular, the rebuilding of economic infrastructure in the north-east is a priority, especially to promote the return of internally displaced people. This return will increase domestic stability, and hopefully, free up aid and remittance funds for other longer-term purposes. Post-war reconstruction and development is also necessary to dampen the push factors of migration.

Development assistance will be needed

Sri Lanka's heavy reliance on overseas assistance in the form of ODA and private remittances has again emerged in part because of the conflict. Foreign investment levels have not met expectations and have been slow in comparison to emerging economies in a similar position to Sri Lanka. As a result, there is a short-term need for other flows to make up for the slow FDI growth and to fund economic development programmes. It is likely that ODA and remittances will continue to be important for some time, especially in the immediate post-war reconstruction period. These external injections are likely to be crucial in financing much-needed employment creation and training initiatives, especially for large numbers of military personnel on both sides who may be demobilized in this period. It remains to be seen how much of a "peace dividend" will be seen in ODA levels. On the one hand, if falling ODA levels in recent years are simply due to the frustration of donors with ongoing conflict, we can expect ODA to revive substantially. On the other hand, if indeed Sri Lanka is no longer an aid priority amongst donors, remittances and other private flows may be increasingly important in Sri Lanka's post-war development.

Diasporas need to play a part

As ODA levels have fallen and FDI have grown only slowly, the absolute and relative importance of private remittances has increased tremendously. There is little doubt that, in the coming years, much of Sri Lanka's development spending will continue to be financed directly or indirectly by these remittance flows. Thus, as successive Sri Lankan governments have recognized for more than a decade, the Sri Lankan diaspora, particularly in the Middle East, is an important contributor to economic prosperity in Sri Lanka. However, the role of the Tamil diaspora is less clear. Certainly, the monetary importance of remittance flows to the north-east cannot be underestimated. Yet, this has often been compromised by the belief that the diaspora's other activities have undermined peace in Sri Lanka. Moreover, there have been few incentives to promote or formalize these remittance flows by the Sri Lankan Government or other governments. This has meant that little is known about the exact size or nature of these flows and almost nothing has been done to promote Tamil remittances. On the contrary, in the context of recent international concern about private transnational financial flows generally and the activities of the LTTE and other Tamil groups more specifically, Tamil remittances seem to be distrusted and actively discouraged.

Presumably, if ODA levels continue to fall and remittances continue to grow, more will need to be done to coordinate flows. Here, donor governments and agencies need to work more closely with the Tamil diaspora to secure it as a strategic partner in the search for both peace and development in Sri Lanka. As prospects for peace look positive in Sri Lanka, there are already emerging signs of the potential for the diaspora to play an important role in development. For example, Tamil youth in France have recently established a small development fund to sponsor special evening classes for secondary school students in their home village (*Uthayan*, 2002). In a sense, this would be closing the circle of the underdevelopment-migration-development process.

NOTES

1. As this report was being prepared, there were positive signs emerging from Sri Lanka that the main protagonists in the conflict were willing to enter negotiations toward an interim political solution. While there is much hope that a lasting peace will be achieved, this paper assumes that many of issues and processes explored will remain valid for some time yet.
2. Unless otherwise stated, all data refer to 1999 and are taken from UNDP, *Human Development Report*, UNDP and Oxford University Press, New York, various years.
3. Sri Lanka's then Deputy Minister for Finance, GL Pieris, has pointed out that donors at the Paris meeting no longer regarded Sri Lanka as a poor country and therefore did not offer the same access to cheap concessional aid and other benefits offered to low-income countries.

4. It is worth noting that there have been several previous and other migratory flows that are not captured by this characterization. First, thousands of Tamils migrated to what was then Malaya around the turn of the last century, primarily to occupy clerical positions in the British administration of the territory. Secondly, there has been a constant flow of large numbers of Sri Lankans of mixed European descent and members of elite families to Western countries in the early years of independence, especially in the aftermath of the infamous 1956 *Sinhala Only* legislation. As a result, a sizeable non-Tamil Sri Lankan diaspora exists in the West. This diaspora, however, does not seem to be as large as the Tamil diaspora, especially in relative terms, and its interests in Sri Lankan affairs are less clear. Thirdly, as discussed later, internal displacement as a result of the armed conflict has been almost as important as international migration.
5. While there has been little research on the links between the conflict and *labour* migration, some of the island-wide economic consequences of the conflict that may have fuelled labour migration are explored in N. Arunatilake, S. Jayasuriya, and S. Kelegama, 2001.
6. In fact, the situation could be worse than official statistics portray because many female labour migrants are not counted as looking for employment (and as part of the labour force) before migration or after their return.
7. A recent ADB funded survey reported that “the ban on fishing and mined agricultural lands within security zones in the north-east Province have made it impossible for farmers and fishermen to pursue their occupations with a consequent deterioration in living conditions including vulnerability to hunger and disease”.
8. Indeed, salaries paid by the armed forces, which have rapidly expanded since 1983, are important sources of income, rivalling the overseas remittance income for some households in the south-west.

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MIGRATION ET DEVELOPPEMENT : LE CAS DE SRI LANKA

Cet article étudie les rapports existant entre les migrations et le développement à Sri Lanka, à la fois pays de provenance de très nombreux migrants et bénéficiaire d'une importante aide au développement. Commandée dans le cadre d'une recherche plus large dirigée par le Centre danois de recherche sur le développement, l'étude cas tente de répondre à un ensemble de questions spécifiques sur la nature et l'étendue des liens unissant l'aide au développement et les flux migratoires. Le contexte socioéconomique commun des migrations et du développement à Sri Lanka y est examiné, cependant que sont décrites, telles que valant depuis quelques décennies, les causes, l'ampleur et les caractéristiques de l'émigration srilankaise. Celle-ci est formée de deux grands courants, la migration de travail et la migration due à des motifs politiques, auxquels correspondent une distinction ethnique (le premier est surtout le fait des Cingalais, le second, des Tamouls) et des destinations différentes (les migrants du travail vont au Moyen-Orient, les autres, en Occident). Les deux courants ont gagné en intensité à mesure que la guerre à laquelle l'île est en proie depuis le début des années 80 se prolongeait, avec les conséquences qu'on sait sur le développement économique.

Y sont également examinés les effets des activités de la diaspora sur le pays et l'importance des envois d'argent des migrants pour l'économie srilankaise. Par delà l'insuffisance des données statistiques, notamment pour ce qui est des envois d'argent marginaux de la diaspora tamoule, l'auteur suggère que les envois d'argent continuent de représenter une fraction notable des rentrées de devises étrangères de Sri Lanka. Il conclut que les perspectives de paix et de reconstruction du pays dépendent pour beaucoup des interactions complexes entre les migrations, l'aide au développement, les envois d'argent et le conflit. Le défi, pour Sri Lanka, est de rompre le cercle vicieux des affrontements, du sous-développement et de l'émigration. Il est laissé entendre à ce propos que la diaspora tiendra un rôle de premier plan dans la pacification, tout comme les envois d'argent à l'égard de la reconstruction.

EL NEXO ENTRE MIGRACIÓN Y DESARROLLO:
ESTUDIO DEL CASO DE SRI LANKA

Este artículo explora las relaciones existentes entre migración y desarrollo en Sri Lanka, país del que han partido gran número de migrantes y que ha recibido importante asistencia al desarrollo. Encargado dentro de un estudio más amplio realizado por el Centro de Investigaciones sobre el Desarrollo, Dinamarca, con este estudio de caso se trata de hallar respuesta a una serie de cuestiones específicas relativas a la naturaleza y extensión de los vínculos existentes entre la asistencia para el desarrollo y los flujos migratorios. El artículo examina el

contexto socioeconómico de las migraciones y del desarrollo en Sri Lanka, describiendo las causas, escala y características de los flujos migratorios experimentados por Sri Lanka en los últimos decenios. Se identificaron dos corrientes migratorias principales: migración laboral y migración política. Los flujos se distinguen por las características étnicas (el primero corresponde sobre todo a los cingaleses y el segundo es predominantemente tamil) y por los destinos (los primeros al oriente medio y los segundos a occidente). Varios flujos se han ido intensificando a lo largo del persistente conflicto y en el contexto de un desarrollo afectado por la guerra desde los años ochenta.

También se estudia la importancia que tiene las remesas de fondos de los migrantes para la economía de Sri Lanka y la medida en la que las actividades de la diáspora influyen sobre el país. Pese a la falta de estadísticas, con respecto sobre todo a las remesas oficiosas de la diáspora tamil, se sugiere que las remesas han sido y siguen siendo un componente considerable de los ingresos de divisas en Sri Lanka. El artículo concluye que las complejas interacciones entre migración, asistencia al desarrollo, remesas y conflicto son importantes para las perspectivas de paz y reconstrucción en Sri Lanka. Ahora se le plantea al país el problema de cómo salir del círculo vicioso de conflicto, subdesarrollo y migración para entrar en un círculo más favorable. En este proceso se considera que la diáspora habrá de desempeñar una función fundamental en el acercamiento a la paz y que las remesas formarán parte integrante de la reconstrucción.