This week I shall consider the impacts of the global financial and economic crisis on remittance flows to Guyana and the wider Caricom region. Official reports of international financial institutions (IFIs) indicate that the greatest financial impacts on the region, apart from the collapse of the CL Financial and Stanford groups in Trinidad and Tobago and Antigua and Barbuda, have been felt in the reversals of remittance flows. This has been particularly striking for Haiti, Jamaica, and Guyana, which receive the largest inflows, based on official statistics.

**Transparency, full disclosure**
In the interest of transparency and full disclosure, I wish to state up front that I have very little confidence in regional statistics on remittance flows or the explanations offered to account for these. I do, however, readily acknowledge that the circumstantial evidence substantiates the view that these flows are large, not only in their absolute size but as proportions of their respective country’s GDP or other similar economic magnitudes.

Thus official data for Jamaica reveal that remittance flows prior to the global crisis peaked at about US$2 billion and averaged about 16 per cent of that country’s GDP for the five years leading up to the start of the global crisis (2003-2007). This figure almost equalled Jamaica’s export of goods during the same period (98 per cent) and was over 240 per cent of foreign direct investment (FDI) flows into Jamaica. This was the largest size of remittance inflows to any Caricom member state.
Similar data for Guyana show that remittance flows peaked at about US$325 million in 2008 and had averaged just over 23 per cent of its GDP for the five years leading up to the start of the global crisis (2003-2007), compared to Jamaica’s 16 per cent. This figure is about 30 per cent of Guyana’s exports of goods and was more than 275 per cent of its FDI during that period.

As I pointed out in an earlier column, these official data do not capture informal transfers, such as friends or relatives bringing cash and not directly passing this through the banks or money transfer agencies, nor does it cover transactions in kind.
 **Statistical absurdity**
While these omissions would suggest that the official data are systematically understated, my main concern is not with the underestimation, but with the attribution of the official transfers mainly to the hard-working Guyanese diaspora living in Canada, the USA, Britain, and other parts of the Caribbean. This attribution is clearly seen in the claim that with loss of jobs and weakened employment prospects in these countries as a result of the global crisis, remittance flows will stall. Indeed, official remittance flows to Guyana declined by 9 per cent during 2009. But the question to be asked is: do remittance flows to Guyana mainly reflect income and employment prospects in the countries the diaspora live in, as suggested?

Consider the fact that the value of official remittance flows to Guyana averaged US$70 million for the years 2000-1 and that by 2003-4 these had more than doubled, to reach US$147 million! This occurred despite the setbacks of 9/11 and its aftermath. What income and employment trends in the countries the diaspora live in could generate such disproportionate responses? The situation becomes more absurd when it is recognised that these data indicate that between 2004 and 2008, remittance flows to Guyana grew in excess of 50 per cent per annum, as reported in the most recent IMF Country Report for Guyana!

To my mind, this exceptional growth suggests that the sector with the most exceptional growth performance in Guyana (and I might add Jamaica as well), is largely responsible for these financial flows. That sector is the irregular economy or “phantom economy” as I have termed it, in Guyana. Only the proceeds of crime can explain such phenomenal growth in remittance flows, certainly not simply prosperity levels in other countries.

Of course official IFI sources would not want to entertain such an exploration even though the craziness in the data they report begs for a better explanation than simply the one which suggests remittance flows to countries like Guyana and Jamaica reflect principally the proceeds of hard-working Guyanese and Jamaicans in the diaspora.

**Jamaica’s former trade minister**
I was fortunate to discover through internet searches after I had composed this column that a former trade minister in Jamaica (and a businessman in his own right) Mr Claude Clarke had arrived at a similar conclusion for Jamaica in a Jamaica Gleaner column for Sunday, November 30, 2008.
Writing on ‘Jamaica and the Global Financial Crisis’ he stated:

“I am not convinced, as most of us appear       to be, that this ‘blessing’ of remittances is all-representative of the generosity of hard-working Jamaican emigrants.”
He finds its dramatic growth from US$160 million in 1992 to nearly US$2 billion in 2007 inexplicable, as this was six times greater than the growth rate of the US economy. He argues that this is clearly a development that is not reflective of, or dependent on, the economic fortunes or health of the United States economy. The behaviour of Jamaican remittances has been too inelastic over time, as economists would put it. He goes on to be blunt and states that “the demand for drugs is by its nature also highly inelastic.” Along with this comes a similar inelasticity in the demand for trafficking and money-laundering services.

From this perspective and mine, remittance transfers with criminal intent in order to make illegal payments have become totally indistinguishable from legitimate transfers. No one, neither the money transfer services, nor the banks, nor indeed unwitting friends/family or other persons who facilitate these transactions, would ever know the true purpose and design behind them.

As a practical matter, the Guyana remittance statistics cover four categories of payments, namely, workers’ remittances, (sent presumably out of their earnings/savings); payments to compensate persons whom emigrants employ back in Guyana; what are termed as ‘migrant transfers,’ (presumably funds sent by temporary migrant workers); and a residual category termed: ‘other unrequited’ transfers. Workers’ remittances have historically accounted for most of these transfers, in some years reaching above 90 per cent of the total! This category has, as would be expected, accounted for most of the growth in remittance flows to Guyana.

Next week I shall continue this discussion and seek to link it to the impact of the global financial crisis on the irregular (phantom) economy of Guyana.