

Economic Impact of the Filipino Diaspora

Last year, the country received 18.76 billion dollars worth of remittances from our OFWs. This year, the Central Bank of the Philippines forecast a total of 20.21 billion dollars of remittances to flow into the country. Next to Mexico and India, we are now the third largest remittance-receiving-country in the world. Also, did you know that these remittances form 13.5% of our total Gross Domestic Product (GDP) and half of our national budget?

Our OFW remittances are higher than all the combined revenues from the garments and mining industry, computer hardware production, and exported products. There is nothing like this in all the world. The Philippines now has the largest remittances in proportion to domestic economy. Yet given the immensely large amount of remittances, we wonder about its actual benefits to the national economy.

First, we often hear that remittances raise the power to purchase consumer goods, resulting in a multiplier effect that can uplift the economic condition of the country. However, this has yet to be proven and is disputed by various studies, including studies from government agencies. Moreover, the supposed multiplier effect does not trickle down at all to the poor. Our poverty level remained at 30% last year; now, it has worsened to 35%. OFW remittances do not have much impact as far as alleviating poverty is concerned.

Second, it is said that the remittances increase the dollar reserves of the country. They say that this is really the positive side of the OFW phenomenon. In other words, this is the bright star. If not for this, the Philippine economy would have crashed a long time ago. While the currencies of the other nations are in disarray, the peso continues to be stable because of the remittances. This protected us from the recent financial crisis that hit the various regions of the world.

But did you know that 30% of our national budget goes to paying the amortization of our foreign debts? And that it is the OFW remittances that cover the principal and interests of these debts? “*The only country in the world to do so,*” said the United Nations Conference on Trade and Development (UNCTAD). Isn’t it paradoxical that the remittances that our OFWs earn from foreigners are in turn used to pay our foreign creditors?

Third, it is said that some of our OFWs are able to save and start business enterprises. However, the kinds of investments available for small businesses are limited and largely comprise pedicabs, tricycles, food trays and franchising. The Department of Trade and Industry noticed this alarming lack of entrepreneurial activity and flat rate of investments. The immense capital that flows into the country does not at all go to businesses that actually promote production.

So, the pressing question is: How can we *maximize* the 20 billion- dollar remittances such that it will help grow our local economy?

This editorial was translated by Rei Lemuel Crizaldo from the original article entitled “Saan Napunta ang OFW Remittances” written by Atty. Ome Candazo. Ome is ISACC’s Fellow on Media and Politics.