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## Do remittances respond to revolutions? The Evidence from Tunisia

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### ABSTRACT

Remittances are an important financial flow to developing countries. The objective of this paper is to empirically investigate the reaction of Tunisian migrants through their remittances to Arab Spring in Tunisia. From monthly data acquired using times-series techniques for remittances from January 2000 to December 2016, we find reasonably strong evidence that remittances associated with Arab Spring increased. Remittances can play a positive role in absorbing economic shocks resulting from political revolution in home countries. These governments could benefit from migrants to boost their countries' development.

### 1. Introduction

The Arab Spring has been the most destabilizing event in the Middle East and North Africa (MENA) area in recent years. In the 1980s and 1990s there was a global wave of democratization with the exception of Arab countries. The dictatorial exception of the Arab world ended with the Arab Spring. Here Tunisia occupied a particular role due on one hand to the status of pioneer and on the other hand to the democratic victory, following street protests and the overthrow of the existing regime. The Arab Spring was also known as the Jasmine Revolution. From 2007, social uprisings against the Ben Ali dictatorship intensified and culminated in the Arab Spring. Faced with socio-economic problems and the massive mobilization of youth, President Ben Ali gave way to democratization through an election and therefore the adoption of a new constitution. Ennahda Islamists won the first Arab post-spring elections in October 2011 with a massive participation (90% of registered voters) (Amrani, 2016). The new assembly elected Ben Ali's opponent, Moncef Marzouki, to head of state. Ennahda's "number 2", Hamadi Jebali, became the head of a joint government with the conservatives.

The migratory phenomenon raises a passionate debate within the political classes as well as in the scientific community, both in host countries and home countries. This is probably due to the fact that it affects both human, economic, social and financial aspects (Makhoulouf, 2013). The contribution of immigrant populations to the economies of host countries has created considerable debate, public and political, in the countries concerned. Many studies have already focused on the determinants of remittances and their impact on the economy of the countries of origin (Duval and Wolff, 2016; Aydas et al., 2005). This study focuses on the determinants of remittances and seeks to prove that shocks in the country of origin (social, environmental, political, etc.) induce a significant reaction from migrants, either resulting in increased (Savage and Harvey, 2007) or decreased remittances (Amuedo-Dorantes et al., 2007). More precisely this article contributes to existing literature by examining the link between political situations in the country of origin and remittances.

This paper studies the effects of the Arab Spring in December 2011 on remittances to Tunisia. We find reasonably strong evidence that an increase in remittances is associated with Arab Spring, one of the rare revolutions of an independent country for more than fifty years. Tunisia is the only country in which the government has been deposed and replaced by a constitutional democracy (Allal,

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2016). What is the real motive behind the remittances from migrants to relatives left behind in the home country? Is it a strong desire to invest in their home country or a democratic spirit generated by the Arab Spring? The context of instability generated by the Arab Spring could just as easily dissuade Tunisian emigrants from such an approach, as is often the case in natural disasters, when the context undermines confidence in the proper functioning of institutions. This empirical study shows that Tunisian migration has responded positively, through remittances, to the political and social changes linked to the Arab Spring.

In this study, we begin with a review of literature analysing and summarizing the connection between remittances and political situation of home countries. Then, the second section reviews the political and economic development of Tunisia in particular and its current situation of migration and remittances. Finally, the findings of this empirical study are examined and justified.

## 2. Related Literature

The main objective of this section is to show the links between remittances and the political situation in the country of origin. Our study focuses on the determinants of remittances: what are the main factors which induce a migrant to send money back to the home country?

Research on determinants of remittances began in 1985 with the pioneering work of Lucas and Stark (1985). Remittances are motivated by self-interest, altruism and family agreements (Singh et al., 2011). The existing literature shows that the determinants of remittances are related and macroeconomic in nature (Mouhoud et al., 2008). Microeconomic determinants are essentially based on characteristics related to the immigrants themselves and their families (age, gender, occupation, level of education, income, etc.) (see for example Melkonyan and Grigorian, 2012 or Rapoport and Docquier, 2006). The migrant's income, which depends on the level of activity of the host country, is one of the most significant determinants of remittances: you have to earn money to send money. The migrant situation in the host country (legal or illegal status) also influences the system and amount of remittances (Amuedo-Dorantes and Pozo, 2012).

The macroeconomic determinants are related to the economic characteristics of the host country and country of origin (level of growth across GDP, exchange rate between currencies, political risk, inflation, number of migrants, interest rate, etc.) (Akkoyunlu and Siliverstovs, 2013; Chami et al., 2003; MC Nabb, 1999). The number of migrants in the host country is one of the most important macroeconomic determinants of remittances (Ratha and Shaw 2007; Singh et al., 2011). Hoddinott (1994) points out that there is a difference between the decision to send money and the amount of money sent. The factors that determine the migrant's decision to send remittances are microeconomic (migrant-related), their amount can be influenced by macroeconomic variables (the exchange rate, inflation, etc.).

The influence of internal factors in the country of origin on migrant remittances deserves detailed considerations. Some studies show that remittances are stable or counter-cyclical when a shock (Political, economic, environmental, etc.) occurs in the country of origin (Bettin et al., 2014; Couharde et al., 2011; Mitrut and Wolff, 2014; Mohapatra et al., 2009; World Bank, 2012, 2016b). For example, remittances increased in Sri Lanka after the tsunami (Savage and Harvey, 2007), and in Nepal after the earthquake of 2015 (World Bank, 2016a). However, remittances may also decline if the home-country's infrastructure is affected by this shock (Amuedo-Dorantes et al., 2007; World Bank, 2016b).

The number of migrants and remittances vary according to the quality of the institutions (political instability, democracy, etc.). This study focuses on the influence of the political situation (Arab Spring) in the home country on remittances. Economic studies have different emphasis on the role of political determinants in the amount of remittances. Firstly, there is a positive relationship between remittances and the quality of institutions in the country of origin (Abbas et al., 2017; Ajide and Raheem, 2016; Arestoff et al., 2012; Lartey and Mengova, 2016; IMF, 2005; Moussir and Tabit, 2016; O'mahony, 2013; Rahman and Abdul Wadud, 2014; Singh, 2012). Institutional stability is seen as reflecting a healthier economic environment, leading migrants to have more confidence in the allocation of their remittances. Focusing on the immigrant population in South Africa, Arestoff and al. observe that "forced migrants, that is, those who have left their country in conditions of violence and conflict, have a lower propensity to transfer" (Arestoff et al., 2012, p.22). This result confirms the study carried out on the 2003 crisis in Darfur (Young, 2006). The low remittances of migrants can be explained by the fragility of infrastructures (difficulty locating a displaced family, disrupted means of communication, lack of secure transfers).

Conversely, other studies have shown that remittances increase if the political context of a country deteriorates: remittances have continued to increase during the years of political instability (Bettin et al., 2009 for Australia, Ghobril, 2012 for Lebanon from 2006 to 2008 or Guetat and Sridi, 2014 for MENA countries). Faced with these political crises in their country of origin, immigrants adopt altruistic behaviour, financially supporting their families facing a period of instability. Similarly, Mughal and Anwar (2015) have shown that flows of remittances from Pakistani migrants have amplified in response to an increase in terrorist activities in Pakistan.

Sometimes, the political context of the country of origin seems to have no impact on the volume of remittances, as Gupta (2005) demonstrated in India.

The contrasting effects of the impact of the political situation of the country of origin on the transfer of remittances have been established. The political, economic and emigration situation in Tunisia must now be reviewed.

## 3. Political situation, migration and remittances in Tunisia

Emigration of Tunisians increased after Tunisian independence in 1956, thanks to a favourable economic situation of the European countries during the "glorious Thirties". The 1960's and 1970's saw many Tunisians arriving in Europe, France in particular, with a substantial need of manpower. In 1970, nearly 350.000 Tunisians were living outside their country of origin (World

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