



الجامعة الليبية الدولية للعلوم الطبية
LIBYAN INTERNATIONAL MEDICAL UNIVERSITY



The Effect of Dutch Disease on Remittance and Exchange Rate

How to Cite This Research Paper :

Elmgherbie Sliman & Elkrghli Sabri (2023), "The Effect of Dutch Disease on Remittance and Exchange Rate ",
Faculty Research Volume, 1(4),pp. 1 -33.

Student name: Sliman Elmgherbie ID:2532

Table of content

Introduction

Why is it considered a trendy topic?

Definition of term

Theoretical frameworks

data and methodology

Summary of previous studies

Reflection

Implication

Limitation

Recommendation

Conclusion

01

— Introduction

Introduction

"Dutch disease" refers to an economic phenomena where a sector's fast growth, notably in the case of natural resources, causes other sectors to experience a fall. It is frequently distinguished by a significant appreciation of the local currency. The paradoxical condition known as "Dutch disease" occurs when positive economic news for one sector, such as the discovery of new natural resources, has an adverse effect on the economy as a whole.

Why is it considered a contemporary issue?

Dutch disease considered contemporary issues because Dutch disease is showing up 1970 and starting 1980 effecting the developing countries until know Dutch disease every years come and make the economic growth decline.

Terminology

Economic growth: which is defined as a rise in people's real income, indicates that the ratio of people's income to the prices of the things they may purchase is rising; as a result, products and services are more readily available, and people experience less poverty.

Terminology

Remittance: according to CHRIS B. MURPHY Money sent from one party to another is referred to as a remittance. Remittances can broadly be defined as any payment made in response to an invoice or bill.

The World's Top Remittance Recipients

Top 10 remittance-receiving countries in 2020*
(billion U.S. dollars)



* expected
Source: KNOMAD via World Bank



Terminology

Real effective exchange rate: according to Max Corden and J. Peter Neary A real effective exchange rate indices that has been modified to account for changes in national price or cost indicators in the home country.



Terminology

Competitiveness: is the ability of an economy to compete successfully and effectively in markets for products and services that are sold worldwide, enabling long-term increases in living standards.

01

Literature review

Literature review

14 of 20 papers confirm the positive impact on Dutch disease and effect on remittance and real effective exchange rate as result of:

- 1) Increase in remittance causes also increase the real effective exchange rate.
- 2) income increases, leading to a rise in the aggregate demand for both tradable and non-tradable goods.
- 3) The rise in domestic non-tradable goods prices results in the real effective exchange rate appreciation.

Literature review

4. As the labor price goes up, prices of non-tradable goods continue being raised, causing further real effective exchange rate appreciation
5. real exchange rate increased, causing the loss in those countries' export competitiveness.
6. remittances indeed had adverse effects on the real exchange rate

Literature review

7. When remittances and the real exchange rate declined, indicating the appreciation of domestic against the foreign currency, leading to a reduction in the competitiveness of export.

8. According to the two authors, the evidence for both spending and resource movement effects have been proved for both short run and long run.

Literature review

6 of 20 papers confirm the negative impact on Dutch disease and effect on remittance and real effective exchange rate as result of:

1. remittances do not cause appreciation of real exchange rates in many countries.
2. Some countries depend on non-energy related sector such as (agriculture or technology-based industries).
3. Impemanting sound fiscal policies that promote long-term economic growth such as floating exchange rate trade control in some other countries.

02

Data and
methodology

Data and methodology

My 20 studies all used secondary data acquired from various sources, and the researchers used quantitative to assess the papers. the most appropriate choice for the model including macroeconomic variables, which are considered as the presence of random walk statistical generating mechanisms and the remittance and real effective exchange rate will impact on economic sector by using different approach. S-GMM approach generates more accurate and efficient estimators by increasing precision and reducing the finite sample bias. And most of my papers was used S-GMM method.

02

Reflection

Reflection

Dutch disease effected the developing countries. from my perspective from reading all of the paper most of them had positively affect, on economic side and approved they affected by Dutch disease because of the remittance appreciation over the long term and real effective exchange rate increasing in long term. And the other paper has significant negatively effect because the researchers they used different approach in gathering data that lead to declining the remittance and real effective exchange rate.

02

limitation

limitation

- From all paper that I read and analysis those studies used secondary data all there is no primary data that include in those research's there is no diversification, and most of the authors depend on quantitative method not qualitatively approach most of the researchers used S-GMM method and don't depend on other approaches.

02

implication

implication

- In that paper the Dutch disease and effect on the remittance and real effective exchange rate from 20 papers 14 of them are positively effect on the long term and will influence the whole economy and will lead to appreciate the remittance and the other 6 had negatively effect in the long term the result for those studies approve that the countries is not effected by the Dutch disease. In addition Libya side there's implication that Libya is own many of natural resource and they import natural resource more than they export and over this in some period of time Libya maybe have Dutch disease because of real effective exchange rate appreciation and is have natural resource cures.

02

recommendation

recommendation

- In terms of macroeconomic adjustment, these countries must reconsider their monetary and fiscal policies such as floating exchange rate trade control in light of the growing importance of remittances. Should also diversifying their economic by promoting investment into non-energy related sector such as (agriculture or technology-based industries).

Conclusions

- The term "Dutch disease" refers to an economic phenomenon in which strong growth in one area of the economy (especially natural resources) causes a decline in other sectors. It is also frequently characterized by a significant increase in the value of the native currency.
- in addition Dutch disease affected the whole economy and impacted negatively on the economic over all performance.

references

- 1. Additional information Notes on contributors Katsuya Ito Katsuya Ito's research interests include development economics and transition economies. (n.d.). Remittances and the Dutch disease: Evidence from panel data for 18 developing countries. Taylor & Francis. Retrieved December 26, 2022, from <https://www.tandfonline.com/doi/full/10.1080/10168737.2019.1569709>
- 2. Attitude heading reference algorithm based on transformed cubature ... (n.d.). Retrieved December 26, 2022, from <https://journals.sagepub.com/doi/abs/10.1177/0020294020944941>
- 3. Acosta, P. A., Lartey, E. K. K., & Mandelman, F. (2007, May 13). Remittances and the Dutch disease. SSRN. Retrieved December 26, 2022, from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=985907

references

- 4. Author links open overlay panel Oliver Asiamaha Person Envelope Samuel Kwaku Agyeib Bossman Ahmed Ellen Antimutagenic, Oliver Asiamaha Person Envelope, a, Kakiage, S., b, Bossman Ahmed b, Antimutagenic, E., c, Abstract The natural resource endowment in Sub-Saharan Africa (SSA) countries has not been reflected in the growth and development of these countries. Some of the main channels through which natural resource dependence may inhibit economic growth have been, Tiba, S., Smith, B., Robinson, J. A., Pegg, S., Majumder, M. K., Lee, S. H., Kim, D. H., Havranek, T., Gylfason, T., Eregha, P. B., ... Azam, J. P. (2022, October 5). Natural resource dependence and the Dutch disease: Evidence from Sub-Saharan Africa. *Resources Policy*. Retrieved December 26, 2022, from <https://www.sciencedirect.com/science/article/abs/pii/S0301420722004858>
- 5. Basnet, H. C. (n.d.). Workers' Remittances and the Dutch Disease: Evidence From South Asian Countries. Redirecting. Retrieved December 26, 2022, from <https://answers.microsoft.com/en-us/windows/forum/all/cusersusernamedesktop->

references

- 6. Dagys, K., Heijman, W. J. M., Dries, L., & Agipar, B. (2020, May 29). The mining sector boom in mongolia: Did it cause the Dutch disease? Research@WUR. Retrieved December 26, 2022, from <https://research.wur.nl/en/publications/the-mining-sector-boom-in-mongolia-did-it-cause-the-dutch-disease>
- 7. Do emigrants' remittances cause Dutch disease? A developing countries ... (n.d.). Retrieved December 26, 2022, from <https://journals.sagepub.com/doi/10.1177/1035304619828560>
- 8. Forhad, A. R. (n.d.). Do remittances cause Dutch disease in the recipient country? Retrieved December 26, 2022, from https://www2.southeastern.edu/orgs/econjournal/index_files/index_files/JIGES%20DEC%202019%20FORHAD%20DEC-19-2019%20RV.pdf
- 9. Hien, N. P., Hong Vinh, C. T., Phuong Mai, V. T., & Kim Xuyen, L. T. (1970, January 1). Remittances, real exchange rate and the Dutch disease in Asian developing countries. The Quarterly Review of Economics and Finance. Retrieved December 26, 2022, from <https://econpapers.repec.org/RePEc:eee:quaeco:v:77:y:2020:i:c:p:131-143>

references

10. Is the Dutch disease ample evidence of a resource curse? the case of Libya. (n.d.).

Retrieved December 26, 2022, from

https://dspace.plymouth.ac.uk/bitstream/handle/10026.1/11350/Elwerfelli%20A%20%26%20Benhin%20J%20%28Jan%202018%29_Dutch%20disease%20and%20Libya.pdf?sequence=1

11. Imran, M. (n.d.). Nexus among Foreign Remittances and Economic Growth Indicators in

South Asian Countries: An Empirical Analysis. Software and Driver Downloads | HP®

Customer Support. Retrieved December 26, 2022, from [https://support.hp.com/us-](https://support.hp.com/us-en/drivers/selfservice/samsung-xpress-sl-c460-color-laser-multifunction-printer-series/17157233/model/1715723)

[en/drivers/selfservice/samsung-xpress-sl-c460-color-laser-multifunction-printer-series/17157233/model/1715723](https://support.hp.com/us-en/drivers/selfservice/samsung-xpress-sl-c460-color-laser-multifunction-printer-series/17157233/model/1715723)

12. Kuncoro, H. (2020, January 1). The role of exchange rate in remittance inflows: Evidence

from Indonesia. Economics Bulletin. Retrieved December 26, 2022, from

https://www.academia.edu/64937435/The_role_of_exchange_rate_in_remittance_inflows_Evidence_from_Indonesia

references

- 13. KHURSHID, A. (n.d.). REMITTANCES INFLOWS, GAIN OF FOREIGN EXCHANGE OR TRADE LOSS? NEW EVIDENCE FROM LOW, LOWER MIDDLE AND MIDDLE-INCOME GROUPS. Software and Driver Downloads | HP® Customer Support. Retrieved December 26, 2022, from <https://support.hp.com/us-en/drivers/selfservice/samsung-xpress-sl-c460-color-laser-multifunction-printer-series/17157233/model/1715723>
- 14. Murshed, M., & Rashid, S. (1970, January 1). [PDF] an empirical investigation of real exchange rate responses to foreign currency inflows: Revisiting the Dutch disease phenomenon in South Asia: Semantic scholar. The Economics and Finance Letters. Retrieved December 26, 2022, from <https://www.semanticscholar.org/paper/An-Empirical-Investigation-of-Real-Exchange-Rate-to-Murshed-Rashid/ffec148aa1d9422b5de59e3cdeee05dc4d23870c>
- 15. Ojaghlou, M. (2020, August 10). Tourism-led growth and risk of the Dutch disease: Dutch disease in Turkey. SSRN. Retrieved December 26, 2022, from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3648158

references

- 16. Polat, B., & Andrés, A. R. (1970, January 1). Table 1 from do emigrants' remittances cause Dutch disease? A developing countries case study: Semantic scholar. The Economic and Labour Relations Review. Retrieved December 26, 2022, from <https://www.semanticscholar.org/paper/Do-emigrants%E2%80%99-remittances-cause-Dutch-disease-A-Polat-Andr%C3%A9s/5a7d41087ee4a65331fb4727e892724748386094/figure/0>
- 17. Ratha, A., & Moghaddam, M. (1970, January 1). Remittances and the Dutch disease phenomenon: Evidence from the bounds error correction modelling and a panel space. Applied Economics. Retrieved December 26, 2022, from <https://econpapers.repec.org/RePEc:taf:applec:v:52:y:2020:i:30:p:3327-3336>

references

- 18. Rodríguez-Caballero, C. V. (n.d.). Remittances at record highs in Latin America: Time to revisit the Dutch disease. Redirecting. Retrieved December 26, 2022, from <https://answers.microsoft.com/en-us/windows/forum/all/cusersusername-desktop-is-not-accessible/69860653-d076-4c62-aa3d-5cce22f838e3>
- 19. The Dutch disease in reverse: Iceland's natural experiment. (n.d.). Retrieved December 26, 2022, from https://link.springer.com/content/pdf/10.1007/978-3-319-97692-1_2.
- 20.]The Dutch disease in reverse: Iceland's natural experiment. (n.d.). Retrieved December 26, 2022, from https://link.springer.com/content/pdf/10.1007/978-3-319-97692-1_2.

Thanks
