GLOBALIZATION AND MIGRATION:
THE IMPACT OF FAMILY REMITTANCES
IN LATIN AMERICA

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JULY 2001

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Introduction

One of the major changes in contemporary international affairs is the intensification of social relations in scope and intensity, or the development of what has commonly been termed as globalization. Most analyses have paid attention to its economic dynamic, and specifically to the role of finance and commerce in stretching ties. However, even in the economic context, globalization has been more than trade and finance. Migration, for example, represents a very important dimension of globalization, and family remittances specifically constitute a major factor in integrating societies into the global context, economically and socially. This article contributes to the analysis of the relationship between migration and globalization by understanding the dynamics of worker remittances to Latin America. It specifically shows the growing salience of remittances in countries’ national economies, and interaction of a number of actors participating in the remittance process. The article suggests that incorporating migrant labor dynamics as a category of economic integration will show distinct landscape of the economies of Latin America.

Trade and investment relations are thus only one side of a broader and increasing pattern of interconnectedness. In the developing world, migration has increased a country’s leverage with regards to globalization. For example, because of migration Central American and Caribbean economies have gradually transformed from agro-exporting economies to labor exporting nations. One important consequence of this pattern is that immigration and in particular, foreign born Latinos in the United States, have sought to establish ties with their Latin American countries of origin at various levels. Although in most cases institutional relationships have not developed between groups such as, for example, Latino foreign born organizations and Latin American sectors of civil society or the state, there is a growing interconnection influenced by the flow of family remittances to Latin America.

This article first addresses the relationship between globalization and migration. It argues that recent family remittances have become a key indicator of globalization in Central America and the Caribbean. Transnationalism has been enhanced both in terms of the increased connection among various actors internationally as well as in its impact in Latin American relations.
1. Globalization and Migration

Globalization is a process that affects the traditional territorial political space and its associated claim to sovereignty. It represents an increase and intensification of worldwide connectedness (and the consciousness of it) with some decline in the significance of territoriality and state structures. Anthony Giddens (1990, 64) defined globalization as “the intensification of worldwide social relations which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa.” In Giddens’ (1990, 159) view social practices fall under different dimensions of globalization, which he identified as the world capitalist economy, the world military order, the international division of labor, and the nation-state system. In this context, migration falls within the categories of nation-states, the world economy, and in the international division of labor.

Despite the fact that migration has been a key element influenced by globalization, it has seldom been addressed. “Discussions of globalization” notes Stalker (1999, 1), “rarely consider international migration at all, or if they do they deal with it as a residual category, an afterthought.” In fact, most analyses of the levels of economic integration pay attention to trade and investment, but neglect to consider labor in any form. Doing so has implications for economic policy-making and development because significant indicators are neglected or set aside.

A recent set of studies has, however, sought to include or recognize labor as a key factor in facilitating global economic integration. Stalker (1999), for example, distinguishes various dimensions in which labor is connected to the global economy, either as a factor excluded or included by capital expansion, trade intensification, or wage differentiation. Saskia Sassen (1996, 1999) offers an interpretation of globalization within the context of migration. She argues that a prevailing tension exists within the nation-state in a struggle to control borders, rights and cross-border flows.

Mittelman (2000, 4) analyzes labor within a framework he calls the “global division of labor and power.” He describes the current anatomy of the global political economy as composed by “a spatial reorganization of production among world regions, large-scale flows of migration among and within them, complex webs of networks that connect production processes and buyers and sellers, and the emergence of transnational cultural structures that mediate among
these processes.” As a response to this division of labor and power, migration emerges in developing countries with people seeking better opportunities in industrialized countries by joining labor intensive activities or low-skill service industries. Mittelman stresses “that heightened competition among and within regions, mediated by such micropatterns as ethnic and family networks, accelerates cross-flows of migrants” (2000, 65).

Prakash and Hart (2000) further maintain that in order to understand economic integration, labor needs to be incorporated as a key category of analysis. To Prakash and Hart an analysis of factors of production significantly contributes to understand the way a country’s economy is globalized. They argue that “if firms are coalitions of factors of production, integration should be observable at the factor level: at the level of land, labor, capital, entrepreneurship, and technology or intellectual property” (2000, 104). Looking at labor, Prakash and Hart maintain that although labor faces major restrictions on cross-border flow, its mobility “is a fact of life.” They have proposed three measures of integration of labor markets in the global economy. The first, is the proportion of foreigners in the domestic workforce. The second, is the ratio of the “domestic workforce in export-dependent industries and employed by domestic affiliates of foreign MNEs” (2000, 105). A third measure is remittances. Prakash and Hart argue that migration facilitates integration “through remittances that contribute to a home country’s GNP and provide it with valuable foreign exchange” (2000, 105). In this case, they propose using the remittances to gross domestic product (GDP) ratio as an indicator of integration.

When these arguments and indicators are included in the analysis of economic globalization a different pattern of economic development is observed. In some cases, the traditional indicators of trade and investment can be complemented with the scope and depth of international labor dynamics. Recent economic studies agree that the Western Hemisphere has gradually become more integrated through trade and investment. The experience of NAFTA, the experiments of Southern Cone countries with Mercosur, Central American countries’ efforts to revive a common market, as well as the call for a Latin American Free Trade Area, all illustrate this pattern of integration. As a consequence economic hemispheric interdependence has increased; intra-hemispheric trade, for instance, rose from 46.7% in 1990 to 58.3% in 1998 (IDB 1999). However, in Central America, trade and investment integration has been slow and
difficult. Globalization in Central America has been connected to broader dynamics. In fact, a look at the economies of Central America and the Caribbean shows changing patterns that suggest that there is an increasing shift in economic orientation from agricultural exports to labor exporting practices. Traditionally, agriculture has been considered a key strategy for economic growth. In most Central American and Caribbean countries agriculture has received special attention as a source of self-subsistence, foreign currency (through agricultural exports), and employment generation. However, for all these categories, economic indicators (see Tables 1a through 1c) show that agriculture economics have significantly declined. Meanwhile other factors have changed or become more influential. Such is the case with labor migration, which has increased significantly in the past twenty years and has been influential through worker remittances.

Table 1a. Labor force in agriculture (% of total)

<table>
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<td>25</td>
<td>15</td>
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Table 1b. Agriculture as percent of GDP

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<td>28%</td>
<td>28%</td>
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<td>Honduras</td>
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<td>17%</td>
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<td>23%</td>
<td>23%</td>
<td>25%</td>
<td>29%</td>
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<tr>
<td>Dominican Rep.</td>
<td>21%</td>
<td>19%</td>
<td>20%</td>
<td>18%</td>
</tr>
</tbody>
</table>


Table 1c. Agricultural Exports as Percent of Total Exports

<table>
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<td>31%</td>
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</tr>
<tr>
<td>Dominican Rep.</td>
<td>54%</td>
<td>61%</td>
<td>49%</td>
<td>10%</td>
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</table>

Neglecting to focus on labor dynamics as factors of economic integration can slow economic performance or distort measures of key economic indicators. It is thus important to look at the flow and impact of remittances to Central American and Caribbean countries to ascertain their new dynamics and impact.
2. Interdependence from Below: Family Remittances and Hometown Associations

The processes of migration that took place in the seventies and eighties as well as the continued flow of people from Latin America to the United States have extended the country-to-country relationships to diaspora-and-homeland linkages. These connections however, have been relatively minimal and are at an early stage of development. Foreign-born Latinos living in the U.S. have very little, if no, direct influence on United States policy to Latin America or to their ancestral lands, and on Latin American countries’ decisions (Orozco 1998). Moreover, most foreign-born Latino organizations work largely within the U.S. because Latinos have sought primarily to improve their social condition. This situation however does not mean that Latinos do not have vested interests in Latin America, but rather that overall they prioritize domestic linkages and practices (De la Garza, Pachon and Orozco 2000). But because of migration, political conditions, and technological progress, Latinos have found themselves incorporated as intermestic\(^1\) agents with various sorts of familiar, cultural, social, community, and, at times, political relationships. In some situations, like familial, cultural, and community connections, the bonds of integration are becoming stronger.

Family remittances are currently one of the most important forms of linkage among or between Latinos and Latin America. Family remittances have created an intermestic dynamic that affects sending and receiving countries, and has become a key factor of economic integration. The dynamics of remittances, however, go far beyond the measure of integration presented by Prakash and Hart. When Held and McGrew (1992, 262) speak of globalization, they do it reference to two interrelated dimensions: “scope (or ‘stretching’) and intensity (or ‘deepening’).” That is, the boundaries of localities are stretched and already existing global connections are deepened. Looking at the scope and depth of the dynamics of remittances offers an emerging pattern with significant implications. In terms of scope of remittances, one can see their connection to the range of players involved in the transmission process goes beyond sender-receiver relations. Some of these players are the market intermediaries, government, hometown associations and international groups interested in the flow of remittances. In terms of depth of these dynamics one can think of the level of involvement of these players in affecting the impact

\(^1\) Intermestic refers to actors or practices that are both domestic and international. According to Dominguez (1998) the term was first applied by Baylass Manning (1977).
of remittances in the receiving country which in turn has a multiplying effect on the economy and society.

A) Value and Dynamics of Family Remittances

Many Latin American countries find in family remittances an important source of national income. The immigration waves of Central Americans to the United States in the 1970s and 1980s, and continued migration to the U.S. since then, has led to remittances being a major source of newly acquired income for migrant-sending countries. Remittances began to increase in volume in the 1980s and now appear to be an increasingly steady flow. The flow going to Mexico and select Central American countries increased from nearly $1 billion dollars in 1980, to $3.7 billion in 1990, and to over $10 billion in 1999 (see figure 1 below).²

![Figure 1. Family remittances to Caribbean and Central American Countries](image)

This increase invites the attention of policy makers and a range of social actors eager to

²Remittances to Mexico rose from 800 million in 1980 to 2.4 billion in 1990 to 6 billion in 1999.
Improve opportunities and conditions in Latin America. Using the Prakash and Hart Remittances-GDP ratio also demonstrates how influential remittances are becoming in many a country’s economy. In some cases, like in Nicaragua, remittances represent one quarter of the national income. Even in economies like Mexico’s and Cuba’s, remittances are gaining relevance. [FIGURE 2 HERE] Figure 2. Remittances as Percentage of GDP

Remittances may be as important to national economies as exports, which traditionally have been the greatest contributor to the gross national product. Remittances to El Salvador have, on occasion, exceeded the total value of exports, and are over half the value of exports in the Dominican Republic and Nicaragua (Figure 3). El Salvador has also come to depend on remittance income and has made policies encouraging the continued flow of what is now more than $1 billion (Weiner 1996, 37-38, Central Bank of El Salvador). Even in stronger countries like Mexico, which has a strong export oriented market, remittances equal 10 percent of the total value of its exports and almost as much as the income from tourism (Ortiz 1994, Q-14), and about 80% of the value of foreign direct investment (La Jornada 2000). [FIGURE 3 HERE]
As mentioned above, the volume of remittances needs to be understood in terms of its players making that flow possible. Hometown associations, the market, and governments are key actors in the remittance phenomena. These are discussed in turn.

Figure 3. Remittances as Percent of Total Exports

B) Hometown Associations

Partly inspired by the dynamics of family remittances, community groups have been formed by immigrants with the purpose of maintaining relationships with the country or with local communities. These organizations are part of a growing trend in transnational social movements that have been influenced both by migration patterns as well as by globalization (Mahler 2000; Roberts, Frank and Lozano-Ascencio 1999).

In fact, one unexpected demonstration effect of the flows of family remittances is the formation of hometown associations. Remittances have improved conditions in the household in
the country of origin but also facilitated contacts with, and among, families living abroad. In turn, the connections established among remittance senders from similar places of origin lead to spontaneous but coordinated efforts to support not only relatives but their towns. In fact members of the same town or state in the migrant-sending country form these organizations to retain a sense of community as they adjust to the United States. The HTA is not new to Latinos and has a long and familiar history among U.S. immigrant groups. Typically, their first purpose is social: soccer clubs or community organizations that host dinners, dances, and other events where people can mingle. They are known to form around and to contribute to the local U.S. church and community. And they are known to be conduits for all types of social and economic links back to the hometown.

However, the 1990s has seen the institutionalization of transnational ties between the U.S. and migrant-sending countries: the HTA is also a subset of what some observers assert is a growing number of Transnational Migrant Organizations (TMO; Levitt 1997). The U.S. hometown association fulfills several functions, from social exchange, to political influence, to the pursuit of low-scale development goals in their home community. These groups are increasingly motivated to take advantage of the upsurge of family remittances and the need for economic aid in their homelands. One of the changes of the 1990s is the emergence of HTAs whose work consists of retaining cultural ties and improving their home country communities. Organizations made up of Salvadoreans, Guatemalans, Mexicans, Dominicans, and people from other countries like Colombia and Nicaragua, have increasingly been working towards a betterment of their towns or los pueblos.

The international activities of the hometown associations studied in a recent project carried out by the Tomas Rivera Policy Institute and the InterAmerican Dialogue exhibit at least four features (Orozco 2000a). First, their activities or orientation of work ranges from charitable aid to investment. Second, the structure of these organizations varies with more or less formal domestic structures and sporadic relationships with their hometown and governments abroad. Third, the organizations’ decisions about defining their agenda or activities depend on an array of factors, such as availability of resources, relationship with their hometown, preferences of their members, and organizational structure. Fourth, they have a small economic base like other Latino nonprofits.
In terms of the first feature, i.e., the remittance-like activities carried out by hometown associations, the table below displays the various kinds of activities performed by communities. From a balance of payments perspective, these activities are like remittances in that they are unrequited and unilateral private donations, albeit carried out on a community basis (with the exception of direct investments that typically involve a subset of individuals within the association). First, charitable work is a common including the donation of clothes, construction material for the town church, or small cash amounts to purchase goods for local religious festivities. A second type of activity is oriented towards improving the infrastructural conditions of the town. Here the associations raise money to pave streets, build parks, create sewage treatment plants, filter water, buy (or maintain) cemetery plots, or to build health care facilities. A third group of activities are oriented to ‘human development’ (Eekhoff 1997), that is the daily educational and health condition of the towns’ people. These activities include funds for scholarships, library books, health supplies and medicine, and sports utilities. A fourth type of activity involves capital investment for income generation projects managed by local community members and often supervised by immigrants.

Table 2. Range of Activities Performed by Migrants Communities for their Home Country

<table>
<thead>
<tr>
<th>Category</th>
<th>Kind of Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity</td>
<td>toys, clothes, church donations</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>parks, cemeteries, sports complexes, street construction, ambulances, fire trucks</td>
</tr>
<tr>
<td>Human Development</td>
<td>scholarships, sport utilities, libraries, health equipment</td>
</tr>
<tr>
<td>Investment</td>
<td>income generation programs for the community</td>
</tr>
<tr>
<td>Other</td>
<td>general fund-raising</td>
</tr>
</tbody>
</table>

A second feature of hometown associations is the structure of the organizations and the kinds of links they establish with their community of origin. Most associations lack strong organizational structures and few have an institutional counterpart in their home country. They have a small membership and their relationship with their hometown is often through the local priest or a notable person or group of persons. Two kinds of relationships are observed. The
first is hierarchical in which the hometown association communicates to its counterpart or contact the decisions and agenda for projects. The second type is one of joint cooperation. The local hometown counterpart, together with the association in the United States, helps define the agenda. Generally, the community associations meet occasionally and they do so to discuss their future agenda, fund-raising activities, or deal with extraordinary events, such as the organized support to victims from hurricane Mitch.

The third hometown association feature relates to these organizations’ decision-making processes. Decisions as to what work orientation the organization must take, or what kind of agenda must be established, depends primarily on the preferences of the members and the financial resources available to them. Most organizations begin their work with charitable donations. As they discover new issues to concentrate on or as they learn from other organization’s experiences, they may reorient their activities. But their involvement also depends on the time available for the members to invest on the activities. Most members volunteer their time after their regular work and family obligations. Another factor that influences their choice of endeavor is the hometown’s request for assistance. Although few associations have organizational counterparts in the home country, when they do, their contact person often transmits the community’s needs. The conditions of the town become an important determinant of the organization’s agenda. Thus, as one community leader expressed, “our focus of work will depend on the needs of the community, whether the town has easy access to main highways, or it’s an impoverished rural area” (Orozco 2000a).

A fourth feature of these organizations is their small economic resource base. Most hometown associations raise less than $10,000 on average each year. However, because the associations are voluntary and do not incur administrative costs, much of money they raise is sent to the towns in the form of cash or in kind. Although the annual amounts of money raised are not relatively high, they are no different from the average income size of those Hispanic organizations identified by Cortes (1999). But more importantly perhaps is the fact that their aggregate value is as significant as that of U.S. foreign aid (which in 1996 was 76 million). According to an ECLAC report in kind or cash donations from HTAs may amount to less than one percent of family remittances, which for the case of El Salvador equal to more than 15 million dollars. The ECLAC report stresses that “collective remittances (in kind donations
included) have a small participation in the global amount of remittances. Although estimates for Central America are unknown it is difficult assert that these flows are more than 1% the total value of remittances . . . This amount may seem insignificant, however it may increase in the future” (Torres 1998, 40-41).

These associations have already had an impact on social development in their home countries, and they may continue to operate and grow in the future. Therefore is important to study their emerging patterns as well as assist them in strengthening their institutional and operational bases.

3. Economic Interdependence: Market and Government Forces

Most studies of remittances focus on the recipients of remittances as the “principal actor.” However, new and previously little-known actors and activities have emerged with the surge in remittances, and have had direct or indirect developmental impacts. The marketplace for transferring remittances has grown apace with the increasing volume of remittances, attracting new companies and new services. Migrant-sending governments too, have been attracted to the increased volume of remittances generating innovative practices to leverage their use. These newer actors’ impact on the flow and behavior of remittances has been understudied, an oversight this paper addresses with a description of the new players and practices. Figure 4 portrays these actors, their roles, and their relationships. These actors have directly and indirectly influenced the patterns of remittances and their impact on development. Remitters send money to their families for personal purposes and they allocate money for other economic purposes. Recipients become agents of development when their money creates new markets, or improves the welfare of the household through education and health care. Financial services companies have a profit motive, but they are increasingly involved at some level in economic development in their customers’ communities.

A) The Financial Services Marketplace for Remittances

Remittances are sent in various ways, through banks, money transmitter companies (such as courier agencies like Western Union), postal services, or hand delivered by the actual sender or by a third party (encomendero, or viajero) different from couriers or post offices. In Latin America, the use of these instruments varies depending on different factors such as the existence
of a modern banking and financial infrastructure, efficient delivery systems, and the educational and income status of the recipient and sender. [FIGURE 4 HERE]

Figure 4. Remittances Sent by Individual or Hometown Associations

During the 1990s these institutions have expanded to service the increased volume of remittances. The non-bank financial institution (NBFI) sector, in particular, has grown. An NBFI institution is authorized to engage in banking activities not involving the receipt of money on current account subject to withdrawal by checks. These institutions manage the majority of remittances. Coopers and Lybrand (1997) found that the international component of the U.S. money transmission sector grew an astounding 20 percent annually from 1991 through 1996. International money orders, the next most frequent means of transferring remittances, grew at about 7 percent annually. Today, at least 90 percent of all remittances are transferred electronically or via money orders.

Remittances are a source of large profit for small and large businesses. They profit from the transaction fee charged to the customer, temporarily investing the funds prior to transferring them, from additional miscellaneous services like offering door to door services, and in some cases from artificially established exchange rates. Western Union and MoneyGram dominate the market in the U.S. with 97 percent of money transmissions in 1996. In Mexico alone Western Union may hold at least 18% of the remittances market and over 30% in the Dominican Republic.
and Nicaragua (Orozco 2000b). MoneyGram which competes against Western Union engaged in an aggressive marketing strategy and, as a result, the company extended its international reach to 22 percent of the international remittances market in 1996. Moreover in 1995, 44 percent of money transactions provided by MoneyGram took place from the U.S. to Mexico (Cooper and Lybrand 1997). In El Salvador, Western Union carries out a minimum of 70,000 transactions a month worth an average of $300. In the Dominican Republic the minimum is 120,000 transactions, thus likely controlling at least 30% of the flow of remittances. These companies charge significantly high fees, ranging from 8 to 14% of the value one remits.

Although they move less volume, smaller players have about one-fifth of the storefront outlets one typically sees in U.S. cities and play a niche role focusing on immigrants in particular. An emerging group seeking a share of the remittance’s market are commercial banks of the sender’s home country, the U.S. Post Office and credit unions which established a remittance network. Commercial banks have seen the profit potential in remittances, and represent an almost natural place for the flow of money from one country to the other. In El Salvador case, for example, banks like Bancomercio are operating in various parts of the U.S. (Houston, Washington, DC, Virginia, Los Angeles) and charge competitive fees for the transaction: they charge less than $10 for almost any amount to be sent, yet they don’t have the same outreach capacity of business like Western Union.

In 1997 the U.S. post office created a delivery system and offers a lower rate than Western Union or MoneyGram. The International Remittance Network (IRnet) is also an innovative alternative to other courier agencies and banks. The IRnet is a credit union to credit union service. The fee charged is one of the lowest in the market. IRNet charges a flat $6.50 per transaction (Romney 1999). (WCCU 1999).

Of some $11 billion U.S. dollars transferred nationally and internationally in 1996, the money transmission sector had an estimated $1.2 billion in revenues. The average amount of money transferred from the U.S. to foreign countries is $320 with fees ranging from 6 to 15 percent. Table 3 shows some of the most recognized businesses delivering money in four Latin American countries. As the table indicates, some firms serve all of the countries included here and others serve only the countries in which they were established.
Table 3. The market: couriers, banks and credit unions

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<th>Nicaragua</th>
<th>Guatemala</th>
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All aspects of this marketplace shows substantial growth: the volume of remittances carried, the number of carriers, the diversity of services they provide, and the entry of non-traditional players such as the foreign banks, U.S Postal Service or credit unions. A recently resolved law suit against the major players in this sector highlights that the high profitability of this sector has not been without its excesses. However, the resolution of the suit indicates that the market is readily amenable to regulation and precedence has been set that will encourage these companies to support their customers’ communities. The number of players in the market, and the various niches that they serve, suggests that competition will increasingly lower the costs of transferring remittances from the United States to Mexico and Central America.

B) Evolving Practices to Capture and Leverage Remittances

For the past 20 years various means of accessing and leveraging remittances have evolved worldwide, but particularly in Asia where there are substantial circular movements of labor migrants to neighboring countries and to the Middle East. In the Western hemisphere, Mexico has been a leader in developing practices to exploit the increasing flow of remittances, as might be expected from the nation with the largest flow of emigrants and remittances.

Some of the earliest approaches attempt to capture remittances at the point of transference. Governments may levy strict import duties, affecting money carried in country
primarily. In the 1970s and 1980s, Asian countries experimented with mandating that a share of labor earnings abroad be deposited into a national fund. In the United States, migrants have just gotten the chance to voluntarily earmark their remittances toward development funds. Financial instruments are another alternative to capitalize on the flow. Asian governments took the lead in creating instruments to attract migrant investment in foreign currency accounts and bonds. With a larger market in mind, Mexican banks in recent years have created the remittance-based bond.

Mexico has taken the lead during the 1990s in reaching out to its emigrants in the United States, helping to form “hometown associations” (HTAs), and encouraging the membership to remit and invest in their communities of origin. The HTAs have served as platforms for matching fund schemes that pool remittance monies with government funds and expertise, and occasionally with private-sector contributions, for locally focused economic development projects. More recently, state governments are experimenting with offering the HTAs investment opportunities in job creating projects, typically low-entry cost assembly plants. A final approach to leveraging remittances is to influence individual migrants to spend their earnings in ways that benefit the migrant-sending economy. Such programs are oriented toward stimulating migrants abroad to spend remittances on job creating investments, or to counsel or train return migrants in ways that increase their contributions to their country of origin. Thus far, these approaches pioneered in Asia have few equivalents in Mexico or Central America. The table below summarizes these practices. The remaining of this section discusses some of these strategies.

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Capturing a Share of the Flow of Remittances

Government Regulations on Remittance Income.

None of the countries in Latin America have specific regulations that control the flow of remittances. In post-war Guatemala and El Salvador, the Central Banks maintain a position of no restrictions or control, letting the remittance market regulate itself. This position is consistent with the governments’ policy of enforcing privatization and liberalization of their economies. Both Central Banks closely follow the flow of remittances and measure it by monitoring the reports of banks and foreign currency exchange houses. Their methods are estimated to have a margin of error between 5 and 10 percent. In addition to monitoring unilateral transfers and counting them as family remittances, customs offices have regulations about emigrants bringing goods into the country (often remittances in kind). Both El Salvador and Guatemala have regulations that are liberal on import duties: Salvadorans are allowed to bring up to $1,500 worth of merchandise, and Guatemalans are permitted to bring $2,000 without duty into the country.

Government Capture of Remittance Shares.

A few countries have attempted to require that a certain percent of the earnings of their workers who go abroad be deposited into a national fund. However, there exists little support for that venue. Former Guatemalan Ambassador, William Stixrud had suggested that emigrants put up the equivalent of 10 percent of the value of their remittances for private investment (Velásquez 1999). The ambassador argued for the implementation of such a fund with the assistance of emigrants, the government, and international development organizations. For example, for the construction of a hydroelectric plant with a cost of one million dollars, the emigrant community could fund-raise twenty percent of the costs and international development organizations, like the Inter-American Development Bank, would put up the rest.

Financial Instruments to Attract Remittances

All of the approaches that are discussed above focus on capturing a share of remittances and directing them to some sort of development project or investment scheme. However,
attracting remittance monies from low-return transactions or informal transfers into the formal banking sector, while not directly investing in development, may create more value.

Government and Private-Sector Remittance Bonds.

Mexican banks several years ago began offering remittances bonds backed by money sent from migrant laborers in the United States (Druckerman 1998). Basically, banks that receive large amounts of wire transfers from workers and companies abroad issue the bonds. The remittance monies may also be part of banks’ check cashing or money order business. The money is deposited in an offshore account prior to converting the remittance monies into local currency and paying the recipients. It has been estimated that the annual flow of remittances is such that over the last five years it has been 10 times as great as the amount of annual bond payments. In El Salvador, Banco Cuscatlan SA is reported to handle at least one-third of $1.2 billion in remittances and, in 1998, offered $50 million in remittances bonds.

Migrant-Sending Government Outreach to Migrants

Assisting in the development of formal migrant associations and encouraging their membership to remit and invest in their home countries can stimulate remittances. The Mexican government has had a formal outreach effort since 1990. Established during the government of Salinas de Gortari, these efforts have continued under the Zedillo administration. The federal programs include the Paisano program and the Program for Mexican Communities Living Abroad (PCMLA). The former attempts to improve the treatment that returning migrants receive at the hands of Mexican officials by reducing corruption and abuse. The latter provides a wide range of services to Mexicans residing in the United States including health, education, legal, and social services. It also helps channel remittances toward local development projects.

The PCMLA program operates through the network of 42 consulates and 23 institutes or Mexican cultural centers in the United States (Gonzalez y Schumacher 1998). It cooperates with Mexican clubs and hometown community organizations to deliver its services and to encourage them to raise funds on behalf of their hometown. Consuls have helped arrange meetings between community leaders and visiting governmental representatives from Mexico. Moreover, many
state and local officials from emigrant-sending cities and states meet with and provide services to emigrant groups.

With the new Mexican government of President Fox, a new office was created to more actively interact with Mexicans and attract their resources for investment and profits in Mexico. By late 1998 there were more than four hundred clubs operating throughout the United States, although most are located in Los Angeles and Dallas (this number excludes groups created independently of the PCMLA program). The growth of these clubs has not been even, depending on the availability of a cohesive population of immigrants from the same Mexican sending areas, and on the level of activism of its leaders. For example, Zacatecan or Guanajuato clubs have demonstrated more organizational capacity than other groups. In some cases, a group is concentrated in one area whereas other groups are spread out throughout the country. For example, there are 112 Zacatecan clubs, 71 of which are in Los Angeles and 20 in Chicago. On the other hand, Guanajuato clubs are more dispersed. Out of 40 Guanajuato clubs 11 are in Chicago, 7 are in Dallas, 4 are in Los Angeles, 4 are in San Jose, 3 are in Oxnard, and the remaining 15 are in nine different consular areas. These clubs have also increased in number in the past five years signifying a growing trend. The clubs in Chicago illustrate this case.

[FIGURE 5 HERE]
Although the Mexican experience has proven so far to be the most successful and organized among Latino organizations, Salvadoran, Dominican and Guatemalan groups are being encouraged to form organizations too. In the Salvadoran case, the embassy has learned from the Mexican experience, mainly working to maintain friendly relations, as well as conducting outreach efforts with Salvadoran communities. The Community Affairs Counselor for the Salvadoran Embassy reports positive remarks from most Salvadoran groups. In the Guatemalan case, although its expatriates seem little aware of the importance of their remittances, the embassy has initiated steps to reach out to Guatemalan communities in various parts of the U.S. and considering investment strategies (Stixrud 1999).

**Migrant-Sending Government and U.S. Community Joint Ventures**

Governments recognize that they can attract emigrants’ monies if they offer incentives. One approach is to match remittances with government funding, increasing the pool of money available for various projects, and motivating hometown associations to leverage their donations. Another approach is to over actively solicit and encourage investment by emigrants in their hometowns, essentially diverting remittances to serve the purpose of aiding hometown development.

**Hometown-Community Matching Funds.**

The Mexican state of Zacatecas has one of the oldest matching fund programs and has been followed by the state governments of Jalisco and Oaxaca. Government teams up with hometown associations and other actors to spur economic development. While the formation of Zacatecan clubs in southern California began in 1976, by 1992 an umbrella federation of clubs was formed, at which point the state government began a formal tripartite financing project (Marquez 1998). For every dollar donated by the emigrants, the federal government and the state government each contributed an additional dollar. The projects have prioritized development that benefits the entire community such as providing potable water, building schools and recreational facilities, paving streets, and building churches, plazas, and parks. The
program has changed in recent years to a four in one program where the municipal government contributes too. In the future, the state hopes build microenterprises and other economically productive projects.

In Jalisco an economic development fund was launched in 1998 to attract hometown associations. The HTAs donations, remittance-like unilateral transfers, are matched by the government on various development projects including factories and infrastructure projects. But the hometown associations are not the only players, financial services firm such as Raza Express contributes 0.75 cents to the fund for each $300 sent to Mexico through their company. The company contributed over $50,000 to the fund and the government of Jalisco has put in $500,000 creating some 15,000 jobs. This strategy combines government funds and Mexican emigrants moneys for their hometown development, with other actors participating in the remittances market, in a hybrid form of investment and community support representing actors pursuing both similar and different agendas.

Hometown-Community Investment Plans.

The state of Guanajuato works with Casas de Guanajuato associations, created in part through outreach efforts, to manage and finance small garment factories in their hometowns. The state has set up an office of the Comunidades Guanajuatenses en El Extranjero with a full time liaison to more than 30 Casas de Guanajuato associations throughout the United States (Zamora 1999).

Under the “My Community” program the investment is professionally managed. An outside consultant is asked to put together a business plan that the office presents to each U.S. hometown association. A minimum of $60,000 is required from the community, or typically a few individual members (Ferriss and Moreno 1998). Further, the state puts up 3 to 4 months of wages during the start up period and makes low-cost loans available. There are various incentives that attract U.S. immigrants to participate in these programs. State support is clearly one incentive and the business plan presented by the consulting team makes it look profitable. What is more, the investment is in the investors’ hometown and they may even give preferred hiring to family members. Emigrants working in these projects believe that “by providing jobs for those with fewer skills, fewer people will be forced to emigrate to the United States in search
of work” (Ferriss and Moreno 1998, 1). Thus far, six garment factories (structured as maquiladoras) have been started with about a year track record and three more are in the start up phase. There are plans to have up to 60 maquiladoras up and running in the next several years.

**Conclusion**

One conventional assumption about international interaction and integration has been that its significance is related to state-to-state linkages, particularly over trade, investment or security. However, the processes of international migration and the globalization of economies have expanded integration among lesser known actors, such as migrants and their families. More importantly, transnational ties are producing a complex web of interrelations that influenced state behavior and policy-making.

The links established through remittances suggest radical changes are remaking the look of countries economies. The Salvadoran decision, for example, to have the dollar as its legal tender was closely related to the high reliance of foreign exchange coming from remittances (Inforpress 2000). The multiplying effects of remittances are thus far beyond the support of the household, but can alleviate an ailing economy, as in the case of Nicaragua, in which 25% of its income depends on remittances. In fact, remittances are rescuing this country’s economy during a time of decline in agricultural exports, the major sector of foreign trade. The linkages are also having an impact in terms of the receipts gained from tourism as tourism creates new outlets when nationals returning to their home country as visitors. Nicaragua again provides an example of this trend. It is a country with a relatively undeveloped tourist industry yet it has received substantial income from tourism, predominantly from Nicaraguans living abroad and visiting as tourists. Figure 6 shows this trend in which traditional exports continue to fluctuate and have not regained strength significantly, and foreign aid continues also to fluctuate depending on international donors’ behavior. The illustration of Nicaragua is especially relevant as this country struggles to survive on traditional exports and foreign aid but has neglected to understand the labor dynamics that emerged from the migration trends of the eighties when thousands of Nicaraguans fled the country, escaping the war and crisis.

A key question to ask is whether remittances are likely to decline or continue their upward trend? It is possible that their flow may continue in a steady stream because family
linkages have been built and a network of social capital has been established, facilitating and further motivating the migration process. However, other variables may be more helpful in explaining whether remittances will change or not in the future. The flow of remittances may depend on the behavior and interaction among key factors such as the socio-economic condition of the senders, the political and economic conditions in the home country, the level of market competition, as well as a continued flow of migrants, and a steady sending population.

Figure 6. Nicaragua: Remittances, Exports, Tourism and Foreign Aid
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