Omar de la
TORRE

Director General for Migrant Assistance
Office of the President for Mexicans Abroad
Government of Mexico

Julie
WEISE

Research Associate
Center for U.S.-Mexico Studies
The University of Texas at Dallas, USA

THE FINANCIAL CONTRIBUTION OF MEXICO'S DIASPORA AND RELEVANT GOVERNMENT POLICIES

The beaches of Mexico, the hotels of Cancun and the nightlife of Acapulco are known throughout the world, bringing crucial income to Mexico's economy. Indeed, in 2001 Mexico's economy received 8.4 billion dollars from tourism.

But last year, for the first time, the money Mexico received in remittances from its migrants abroad surpassed the figure for tourism. Mexicans abroad sent 8.9 billion dollars to their families in 2001 – and those are just the dollars we know about. In 2001, remittances were third only to direct foreign investment and petroleum on the list of Mexico's top sources of foreign revenue.

There is no way to overstate the importance that remittances play, and have played, in the economic life of Mexico. The National Population Council, CONAPO, estimates that one in every ten homes in Mexico relies on remittances as its main source of income. Hundreds of villages and even certain states rely on remittances as their economic lifeline. Furthermore, some researchers indicate that every "migra-dollar" that enters Mexico raises economic production in Mexico by three times the original amount, because these dollars are spent either on investment or on consumption, which in turn stimulates production.[1]

The Office of the President for Mexicans Abroad has taken the position that the defense of migrants' rights, as outlined in Juan Hernandez' presentation, takes place independent of the economic benefits that migrants bring Mexico. "That fight is ours", says the OPME, even if the flow of remittances is cut off tomorrow. In fact, the obligation to dignify Mexican migrants in the United States is conceived as interrelated with the remittances issue: if one treats migrants and their families as one unit, one cannot consider the well-being of the migrant without considering the economic welfare of his or her family in Mexico.

The Office of the President for Mexicans Abroad considers that remittances take three major forms: 1) so-called "family remittances" sent directly from one family member to another, 2) community-level remittances in which migrants from a particular town who have resettled together in the United States put together the funds for public works projects in their town of origin, and finally, 3) the office believes that investment and trade dollars from successful Mexicans abroad and Mexican-Americans should be considered within the remittances framework.

According to Mexican government studies, those who consider themselves settled in the United States tend to send 15 percent of their income back to Mexico. Those who consider themselves temporary migrants send between 40 and 60 percent of their income home.[2] These are people for whom remittances are the single greatest expense they have. Naturally, the second group tends to include mostly undocumented immigrants.

Yet, every time we think we have the dynamics of remittances figured out, we discover that we are wrong. For example, after September 11, which had such a strong impact on the service and tourism industries in the United States, and hence on Mexican immigrants, many predicted that remittance amounts would take a nosedive. Yet, the third quarter of 2001 brought more remittances to Mexico than the second quarter had. And, while remittances went down five percent from the third quarter of 2001 to the fourth, that fourth quarter of 2001 still saw 24 percent more remittances than the fourth quarter of 2000 had. The relationship between overall economic indicators and the amount of remittances sent to Mexico, then, remains unresolved.

So much, in fact, about the remittances issue remains unresolved, and in many ways has long been surrounded on all sides by negative discourses: Some in the United States have claimed that remittances "drain" the U.S. economy; in Mexico, some development experts have maintained that remittances just make Mexico more dependent on the United States, and lament that at least two thirds of remittances are spent on basic consumption like food and clothes, rather than productive investment.

More recently, however, researchers and policymakers on both sides of the border have started to realize the positive potential that migrants and their remittances represent to both economies. On the United States side, top economists right up to Alan Greenspan have pointed out that migrants have, overall, a very positive effect on the U.S. economy.[3] And on the Mexican side, government policymakers and academics have begun to point to the positive effects of remittances on local economies in Mexico, which include stimulating production, providing start-up capital to families with no access to credit, and building public-works projects in marginalized towns.

What is clear to everyone, however, is that remittances have the potential to do much more for the development of Mexico than they currently are. Today, I would like to discuss the steps Mexico is taking to maximize the potential of remittances.

Mexico has developed two key public policies that seek to ensure that the potential of remittances is maximized: 1) Lowering the cost of sending what we call "family remittances" back to Mexico, so that the maximum number of dollars actually reaches migrants' families. And, 2) Increasing the productivity of remittances, and in particular, the number of new jobs that remittances create.

First, there is the task of lowering the cost of sending remittances. When Vicente Fox took office a year and a half ago, if a Mexican in the United States sent 300 dollars home, he or she was charged 18 dollars for that transfer. Today, that cost is down by 20 percent, in large part because of Mexican government policies. In March of 2001, the OPME held a meeting with the major companies migrants use to send remittances to their families. The message at that meeting was that while the Mexican government would not take measures to legally regulate the cost of remittance-sending, it would make every attempt to encourage competition among the firms.

The OPME has worked with Mexico's Consumer Protection agency to post lists, updated each month, in Mexican consuls in the United States, which enumerate the costs and exchange rates of all available money transfer services. OPME believes that this effort at promoting competition, along with the personal outreach efforts the office has made to the money wiring firms, has helped to lower the costs of sending remittances, ensuring that each hard-earned dollar sent by a migrant translates into as many pesos as possible for his or her family.

The other effort OPME is undertaking is a push to encourage banks in the United States to allow undocumented immigrants to open bank accounts. When a person has a checking account, they can deposit money into that account, and anyone else with a copy of their bank card and personal identification number can withdraw that money anywhere in the world that is connected to the ATM networks. The cost of each 300-dollar transaction is usually three dollars or less. An increasing number of

Mexicans in the United States are using this method, particularly those whose families in Mexico have access to ATM machines in municipal centers or cities. We also know this is an excellent way for Mexicans in the United States to prove their credit-worthiness to U.S. financial institutions, thus opening a host of other financial options. So, the OPME has been meeting with banks and credit unions in the United States, pointing out to them that 8.9 billion dollars a year is no small change. So far, several major banks in the United States have given undocumented immigrants the possibility of opening certain types of savings and checking accounts, and have started advertising campaigns specifically aimed at Spanish-speaking customers – and, in many cases, their messages are tacitly aimed at the undocumented. And, on the Mexican end, a rural development bank is being established to serve rural communities, making financial transactions in these migrant-sending regions more accessible.

Most of us here at this conference probably feel that we have complete access to our money wherever we go – but I must stress that for Mexican immigrants in the United States, the physical money transfer process remains a truly complicated matter. To this day, a lot of money is sent to Mexico outside of official channels – through relatives and friends, and sometimes even by putting cash in the mail. I know of one community that has pooled together to hire its own messenger. He physically shuttles money from the United States to the town of El Trapiche in the state of Oaxaca on a monthly basis. Yes, in the technologically advanced 21st century, we have somehow managed to leave immigrants so far behind that this community felt it had to hire its own messenger while the rest of us just insert our ATM cards into a machine anywhere in the world to access our money.

These efforts at lowering remittance costs represent the Mexican government's major intervention into the 8.9 billion-dollar-a-year flow of "family remittances" from the United States to Mexico.

The second main policy focus of the Mexican government with regard to remittances is the effort to make sure remittances can become a part of the solution to the very poverty in Mexico that created labor emigration in the first place. There are three main areas in which the Mexican government works to achieve this goal: so-called 3-for-1 matching programs for emigrant-funded public works projects, structured programs to invest in productive projects, and donations collected for infrastructure improvements.

Mexico's flagship program for emigrant-funded public works projects is the 3-for-1 program. I wish the government could take credit for thinking up such an innovative program, but it cannot. The program took its lead directly from migrants themselves – and in order to explain how it began, I must take a brief detour into the sociology of U.S.-Mexico migration. While we have seen increasing migration from large cities over the past decade, the majority of migrants still hail from small villages, or *pueblos*. Logically, migrants go to places where they have family and friends, and once in the United States, they tend to re-establish social ties with people from their own community. Hence, we find that in Tacoma, Washington lives a significant portion of the population of Tzintzuntzan, Michoacán and that in Owensboro, Kentucky, people from the town of Comalapa, Chiapas work alongside one another in warehouses.

Beginning about a decade ago, Mexicans in the United States started forming hometown clubs, with names like "The Association of Citizens of Yatzachi El Bajo, Oaxaca" in Los Angeles, and the "Help, Respect and Friendship Club of Granjenal, San Luis Potosí" in Irving, Texas.

Long before there was an Office of the President for Mexicans Abroad – long before Mexico's leadership was comfortable associating itself with migrants, in fact – these hometown clubs began getting together to pool their money for development projects in Mexico. They built soccer fields and junior high schools in their hometowns. They put in new water pipes, built health clinics, and sponsored drainage systems.

Beginning somewhat in the previous administration, but increasing rapidly in this one, Mexico's government has played an active role in promoting the use of remittance dollars for community projects. State governments and now the federal governments have implemented three-for-one programs, in which the municipal, state and federal governments each provide one matching dollar for every dollar a hometown club invests in its village of origin. Together with the Secretary of Social Development, OPME has instituted a collaborative process in which the three levels of government work together with representatives from the hometown club to determine which projects would be of most benefit to the community. Since many of these decisions are taken at the state-level, the participation of CONOFAM, the network of state-level offices for attention to migrants, has been crucial in the implementation of these programs.

The next two policies of the Mexican government to encourage the productive use of remittances are both related to one overarching program: the program to target the 90 microregions where poverty and migration combine.

Mexico's social development strategy for the past 20 years has sought to focus on the country's poorest and most marginalized areas, and has not taken migration into account except as one of many factors determining these regions' well-being. OPME believes that focusing development efforts on poor communities that also have high migration levels can multiply the benefits of development, because it can give Mexico an opportunity to stop losing its most capable people to the United States. And so, OPME set out to compare Mexico's map of poverty with its map of migration.

The selection of the 90 microregions resulted from the careful comparison of two lists: the Development Secretariat's list of the poorest microregions, and lists compiled by the Census and the National Population Council (CONAPO) of areas with high indexes of out-migration.

There were many areas of high out-migration that did not also appear on the list of the poorest micoregions, and vice versa. That is because in some regions, social and cultural motivations – most notably, the fact that large numbers of relatives already live in the United States – are so strong that they continue to pull migrants to the USA despite a comparatively higher level of development in those regions. And in some desperately poor places, migration has not become a tradition and a solution. However, in 90 microregions, marginalization and migration are combined. On OPME's list are microregions in states like Guanajuato and Zacatecas, which have been sending migrants to the USA for nearly a century, as well as microregions in states like Puebla, where migration is about two decades old, and states like Veracruz, where migration is less than one decade old.

OPME also collaborated with CONOFAM, the state-level migrant assistance network, in the selection of these 90 microregions. CONOFAM officials, along with mayors and federal social development representatives helped determine the list of projects OPME will focus on completing in these microregions.

Among these are two types of projects: job-creating productive projects, and infrastructure projects. OPME is supporting residents of the microregions who want to invest remittance dollars in small businesses in their towns, hoping that more microregions to follow the example of

El Trapiche, a town in the largely indigenous state of Oaxaca. This is a town where fully 70 percent of the population lives in the United States – the town I mentioned earlier, that hired its own money messenger to physically bring remittances back from the United States. Our stereotypical image of a migrant-sending community like this is a community full of lonely women, children and senior citizens, unable to do anything except wait for their next money transfer to arrive. But in El Trapiche, the opposite is happening. Families who receive remittance dollars are investing those dollars in small business that dozens of families have founded together. They have built greenhouses and begun an exotic flower business. The town is full of women who are taking the capital available from their husbands' migrant labor and successfully investing it without leaving home.

OPME also seeks to provide an export market of Mexicans abroad and Mexican-Americans for the products manufactured in these small towns. Mexico Trade Centers located in five cities in the United States, promote export-quality products produced by small businesses in these microregions. MTC's focus is to target the Mexican and Hispanic market in the United States with the foods and products they are nostalgic for, thus encouraging yet another form of diasporic economic flow into the neediest regions Mexico.

The second type of investment OPME's program encourages is investment in social development and infrastructure in the 90 microregions. In most cases, these communities are so marginalized both physically and educationally that any improvement in Mexico's macroeconomy is unlikely to reach them – or, will reach them decades after it reaches the rest of the country. These places need roads to connect them to regional centers of economic and political power. They need junior high schools, high schools and technical training to enable their residents to find better-paying jobs. They need access to state and regional universities to train their leaders and capacitate them to work as partners with state and federal officials for the development of their own regions.

The funding of these projects is an integral part of OPME's long-term development strategy for Mexico, which seeks to begin a philanthropic tradition of "thinking Mexico" among Mexicans abroad and Mexican-Americans.

OPME is targeting the public, private and non-profit sectors as well as individuals to invest in the microregions. In the area of public support, encouraging investment in these microregions is included as one of the founding goals of the Partnership for Prosperity, in which Presidents Bush and Fox pledged to work together to increase development levels in Mexico, thereby contributing to the overall well-being of the hemisphere.

In the area of private and non-profit support, businesses and foundations in both Mexico and the United States have committed to investing in the microregions as well. Fundamex welcomes all contributions and investment from Mexicans and friends of Mexico. However, in this case the fundraising strategy itself is a key policy: OPME seeks to cultivate the involvement of Mexicans abroad and Mexican-Americans in the development of Mexico. The foundation receiving these funds is called Fundación Mexicanos en el Exterior (Fundamex) – the Foundation of Mexicans Abroad – because these are the people we want thinking about Mexico, giving to Mexico, investing in Mexico. These are the most logical bridge between Mexico and the United States.

The relationship between Mexico and Mexicans abroad that OPME hopes to create through this strategy is a relationship akin to that between the Jewish diaspora and the state of Israel. Of course there are countless historical differences between Jewish migration and Mexican migration, but it is that sense of tie to the homeland – the sense of transnational inclusion in the process of nation-building, both politically and economically – that OPME seeks to emulate. The Mexican-American who today donates $10,000 to repave a plaza has invested himself, both financially and personally, in the well-being of Mexico. He has strengthened his identification with Mexico. Ten months or ten years from now, he is much more likely to "Think Mexico" when his business looks to expand internationally, when he wants to purchase imported products, when he wants to donate more. He is more likely to bring his children to Mexico to visit, in turn instilling the same ethic in them. OPME envisions Fundamex on the scale of the major organizations that encourage diaspora Jews to invest in Israel, and envisions Mexicans abroad as partners in the development of Mexico to the same extent that diaspora Jews have played a role in the development of their "homeland" state.

To recap, the two major tasks of the Mexican government with regard to its diaspora's remittances are: 1) increasing the amount of remittances that actually arrive to migrants' family, and 2) seeking ways for these remittances to be put to more productive use. Three-for-one programs, small business development, and fundraising among wealthy

Mexican emigrants and Mexican-Americans are the three key ways OPME has sought to utilize the diasporic economic connection to increase levels of development in Mexico's poorest regions.

The remittances issue is a central aspect of the Mexican government's new philosophy of including Mexicans abroad and Mexican-Americans in the national agenda – and it exemplifies the change in consciousness Mexico hopes to effect, in which migrants are seen and treated not as the problem, but as the solution. An integral approach to the remittances issue must include both sending and receiving countries, with receiving countries seeing and speaking of remittances not as an "unfair drain" on their economies, but rather, as a productive investment in the future development of the sending country.

Again, OPME maintains that if Mexico could have its 23 million Mexicans abroad and Mexican-Americans back – if the country could put their vast talents to use and offer them the opportunities they deserve, it would gladly do without those 8.9 billion dollars a year in remittances. But in the meanwhile, one of OPME's major goals is ensuring that these remittance dollars are used to create opportunities so that future generations will not see migration as their only choice.

FOOTNOTES

[1] Jorge Durand, Emilio Parrado and Douglas Massey. "Migra-dollars and Development: A Reconsideration of the Mexican Case". *International Migration Review* 3:2, 423–444.

[2] "The Importance of the Ones that Left the Country and Their Re-encounter with Mexico." *El Mercado de Valores* July–August 2001.

[3] Alan Greenspan, "Technological Innovation and the Economy", remarks before the White House Conference on the New Economy, Washington, D.C., April 5, 2000; "The Revolution in Information Technology", remarks before the Boston College Conference on the New Economy, Boston, Massachusetts, March 6, 2000.