Transnational Engagement, Remittances and their Relationship to Development in Latin America and the Caribbean

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EXECUTIVE SUMMARY

This report researches transnational ties between migrants and their home country. The study presents the results of a new study on the patterns of migrants' transnational activities. Surveys were conducted among Latin American and Caribbean immigrants from 14 countries living in the United States and also of remittance-recipient families in eight countries in Latin America and the Caribbean. We analyze transnationalism through the scope of the "5Ts" – family remittance transfers, tourism, transportation, telecommunication, and nostalgic trade – and argue that they are important transnational activities that promote economic development in the age of globalization.

US migrants: evolution of transnational activities and the remittance phenomenon

Remittances from US Latino immigrants, as well as their transnational activities, are evolving and directly impacting development. Despite distinct differences between some immigrant groups, the lesser transnational engagement of Cubans say, one commonality is that all immigrant groups engage in the 5Ts and these transactions have substantial, development-related effects. For example, most Latino immigrants purchase goods from home, primarily rum, cigars, tamales, bread, tea, and cheese amounting to as much as 10 percent of El Salvador's exports. Seen in perspective, these transnational activities demonstrate the same commitment shown to remitting. Latino immigrants, 25 percent of whom live in poverty, remit on average US$2,500 annually or 15 percent of their income

In 2004 the volume of southward-bound remittances hit an unprecedented US$45 billion. But less well appreciated is the changing nature of the remittance flow. Not only is the volume of remittances greater than foreign investment or official development assistance to the region, it is flowing to more recipient nations, increasing in intensity, demonstrating a remarkable counter-cyclical power relative to economic recessions, and growing rapidly beyond the expectations of many observers. The parallel growth of immigrant hometown associations (HTAs) in the United States certainly explains part of these evolutionary trends. Perhaps only 5 percent of "remittance" flows originate from HTAs, but the increasing number of HTAs surely signals a new stage in the organizational capacity of US immigrants and, by that metric, another new form of transnational linkage.

Latin American recipients: 5T activities and similarities across nations

Mostly overlooked in transnational studies are the individual family members who remain in the migrants' home country. Typically, it is the migrant who is viewed as the driver behind the transnationalization process. Yet, remittance recipients also play an important role in the forging of transnational networks through varying degrees of decision-making authority over how, when, and why remittances are transferred and spent.

Three important findings about remittance recipients include (1) there are mostly similarities among Latin American and Caribbean remittance recipients; they receive money from immediate relatives, primary recipients do so within the past three years, they use the money for basic needs, and the recipient is predominantly a woman; (2) the majority of recipients have a savings account and to a lesser extent a checking account. People from Colombia and

Guyana distinguish themselves in that more than one-third also have debit cards; and (3) their level of contact is predominantly by phone and sending home country goods to migrants abroad.

Intraregional patterns: parallels with and differences from US networks

Regional labor markets tie migrants between countries within Latin America and the Caribbean. The migrants who transit these intraregional circuits typically move from less well off to better off nations where they often lack legal status and work in short-term, poorly paid, and dangerous jobs. As a consequence, they earn less than immigrants who go to more developed economies such as the United States. Three pairs of nations are studied: (1) Nicaraguan migration to Costa Rica, a prototypical movement for higher income with a long history boosted by natural and political disasters; (2) Haitian migration to the bordering Dominican Republic, also with a long history of migration; and (3) our study of the movement of Paraguayans to Argentina, which addresses a particularly understudied process.

These intraregional studies suggest that there are some fundamental similarities in US/Latin American patterns, as well as basic differences. The average amount remitted intraregionally is, expectedly, much less than that sent by US migrants south, but the share of the migrants' income is about the same. And while the monies are sent to immediate family members, parents seem more favored in intraregional transactions, while the expenditure of remittances appears even more oriented toward covering basic needs. Yet, transnational activities, particularly trips home and phone calls are, if anything, more frequent than the case for US migrant activity. For the most part, the nature of these flows is significantly more informal compared with the US marketplace with a corresponding need for policy interventions in the remittance market to optimize the benefits of the flow.

Measuring transnationalism: strength of engagement and multiple regression

This chapter extends our knowledge about the extent of transnational linkages and their ramifications for financial behaviors. First, we analyze the extent to which individuals from different nations engage in varied transnational activities relating to family contact, financial activities and activities like buying home country goods or belonging to a HTA. Across all nations half of the sampled individuals report at least one form of engagement, with about one-third reporting extensive and multiple activities. The 5Ts fairly describe frequent and consequential transactions.

Second, multiple regression analyses reveal important "micro" correlates of financial behaviors. *Among senders*, the results are in line with other surveys of remitters, e.g., somewhat recently arrived, with less well-educated males remitting the greatest amount. Interestingly, the act of calling home is a significant correlate of remitting. The finding that US banking appears to be associated with increased remittances suggests that there does not need to be a conflict between investment in financial health in the United States and the support of family abroad. *Among receivers*, there are some parallels with senders. The amount of remittances received initially increases with the age of the receiver, only then to decrease at older ages. Of great potential interest is that recipients with formal banking ties are more likely to receive greater dollar amounts, perhaps because of greater safety and lower costs of transaction. Turning to the recipient's likelihood of running a business or paying off a loan, these productive financial behaviors are more likely to occur when the recipients get money from their migrant family members abroad. The strong nature of these relationships provides support for the idea that targeted investment boosts productive activities.

Thirdly, the report explores the macro-determinants of remittance flows for Mexico, Colombia, the Dominican Republic, El Salvador, Guatemala, and Jamaica from January 1999 to January 2004. The findings show that, whereas earnings are a major predictor of individual remittances, at the aggregate level total per capita earnings are not. Curiously, US Latino unemployment rates are positively associated with remittances, but this is consistent with the expectation that remittances run counter-cyclically. Further, the regression results indicate that the current price index (CPI) is statistically significant and has the largest impact on remittances. This result indicates that immigrants mostly respond to economic conditions that directly affect price changes in every day activities.

Policy opportunities in the context of transnational communities

In this report we have identified a fluid presence of a transnational community operating in the Western Hemisphere. The implications for businesses and the policy environment are important. Nine policy mechanisms are discussed:

- *Cost reduction*. Although they are declining, fees and commissions for sending money are still expensive, a concern to development agencies, immigrants, and other interested parties.
- *Enabling policy and regulatory environments*. Expanding sending methods, increasing competition, and educating customers about charges all help reduce costs associated with money transfers.
- *Banking the unbanked*. The unbanked not only face higher costs and other difficulties on a daily basis, they also lack the ability to establish credit records and obtain other benefits from financial institutions.
- *Investment and micro-enterprise incentives*. Studies have shown that, on average, between 5 percent and 10 percent of remittances are saved or invested. Some people are in a position to use their money for an enterprising activity.
- *Tourism*. Currently, a significant percentage of immigrants visit their home country as tourists, yet there is no tourist policy aimed at members of the diaspora.
- *Reaching out to the diaspora*. An outreach policy to the community residing abroad is key to any migrant-sending country's economic strategy. Currently no such policy is in place in most countries.
- *Nostalgic trade*. Significant demand exists for so-called nostalgic goods, and many of the small businesses created by migrants rely on the importation of such goods.
- *Hometown associations as agents of development*. The philanthropic activities of HTAs have proven development potential.
- *Remittances and new technologies*. A key partnership opportunity among development players and the private sector lies in tying technology to remittance transfers, including through micro-finance institutions.

Introduction

Globalization draws upon a worldwide canvas with an extensive selection of characteristics and dynamics. The universal phenomenon of people moving across borders contributes to the growing complexity of the globalized world. Transnational social networks that span world regions, which are driven in large part by family ties, are connecting an expanding marketplace for goods and services. Although they are a small part of the global population, migrants connect concentrated source and destination populations that magnify transnational exchange. Most importantly, in recent years it has become clear that migrants' transnational networks play a fundamental role in both social and economic aspects of globalization.

Transnational networks are developing new behaviors and have distinct impacts of interest to policymakers. As people who move across borders seek to meet their obligations, various levels of economic interconnectedness emerge. These connections include immigrant-based donations, small and large investments, trade, tourism, and unilateral transfers of monies. The proliferation of the size and intensity of these networks prompts many questions. Are the transnational networks that evolve from migration contributing to the integration of countries into the global economy? What are the social, institutional, and financial mechanisms that go hand-in-hand with "networks?" How and in what ways does the transnational movement of people mold the contours of development? What role is played by the money that is remitted home, as well as the other exchanges that emerge from transnational networks?

Today attention is being given to the movement of people, their transnational linkages, and the resulting economic effects generated by migrant diasporas on their home country (household and business sectors). Classical development economics has long considered foreign savings as key to increasing a country's capital-output ratio singling out four factors: foreign direct investment, official development assistance, foreign trade, and the transfer of technology. In addition, we recognize the effect of "unrequited" family remittances on the household economy as well as the nation. One reason for today's perspective is the growing volume of remittances and their evident multiplier effects on the economy. At the same time, renewed attention to the phenomenon has revealed multiple linkages that engender development and multiple avenues for intervention. Importantly, such attention is gradually translating into development strategies, such as offering financial services to individuals in transnational households. Migrants' transnational ties and the resulting impact on development are more complex than has been recognized.

This report researches transnational ties between migrants and their home country. The study presents the results of a new study on the patterns of migrants' transnational linkages and financial flows within the Americas. It examines a sample of migrants in the United States and the nature of their ties and remittances to their home country. It also examines an independent sample of remittance-receiving households abroad and the nature of their transnational linkages.

We analyze transnationalism through the scope of the 5 "Ts" – family remittance **t**ransfers, **t**ourism, **t**ransportation, **t**elecommunication, and nostalgic **t**rade – and argue that they pose important policy and research questions about the relationship between transnationalism and development in the age of globalization. However, other areas of transnational relations remain under explored; this study addresses these issues and provides a more accurate conceptualization and empirical analysis of transnational communities and families, as well as their relationship to development. Central to this project is the examination of processes and relationships that connect the transnational family to economic settings within the context of development.

This report's analysis is based on research on household-to-household transnational linkages, their macro-economic dimensions, and the impacts on development. Surveys were conducted among Latin American and Caribbean immigrants from 14 countries living in the United States and also to remittance-recipient families in eight countries in Latin America and the Caribbean. The surveys included questions about the dynamics of remittance transfers, the extent of transnational links via the 5Ts, the level of financial and economic relationships, and demographic characteristics. Four questions are raised: What are the traits and obligations of a typical binational or transnational family and community? What is the magnitude of the economic connection that exists among families and communities? How are these flows linked to the global economy? And finally, do these dynamics exhibit development-oriented traits?

This report has five chapters that undertake an empirical examination of the experience of different actors and undertakes varied methods of analysis. The first two chapters address the transnational engagement along the dimensions of the 5Ts. Chapter 1 looks at the process from the vantage of migrants in the United States; it primarily examines the survey data of migrants in terms of the quantity and quality of their transnational activities. It then examines data on their collective of hometown association (HTA) activities. Chapter 2 looks at the process from the vantage of surveys of households who receive money from migrants abroad, exploring their parallel transnational and financial activities. Chapter 3 takes a different look at the issue by exploring intraregional linkages, which is to say the activities that occur between pairs of Central and South American countries. The fourth and final analytic chapter explores the degree or level of engagement in the 5Ts, as well as testing the relative impact of multiple factors on remitting behavior. The fifth and concluding chapter discusses policy implications.

Of the many findings in this report, the following broad observations can be traced throughout. First, the density of migration relationships extends beyond remittance transfers to a variety of transnational linkages. Indeed, the 5Ts broadly are among the most significant of the transnational relationships. Second, these relationships are truly transnational, remittance senders and recipients are mutually engaged along both international and regional contexts. Third, the interplay between remittances and finance is strong and has significant implications on development in so far as there is savings mobilization and financial intermediary efforts.

1. Migrants' Transnational Engagement

Within the framework of globalization, new transnational networks have emerged from the consolidation of migration ties. Migration networks, based on household-to-household relationships, are now contributing significantly to the integration of countries into the global economy. Expressions of that integration include immigrant-based donations, small and large investments, trade, tourism, and unilateral transfers of worker remittances. This chapter addresses those concepts and their relationship to development.

In addition to the sending of remittances, the mobilization of migrant (and their relatives') savings and investments at home (through acquisition of land, property, or small businesses) are spurring economic growth in areas – especially rural areas – traditionally neglected by the private and public sectors. Communication among and between households has generated dramatic revenue flows to businesses in the United States and Latin America, as seen, for example, in the increasing demand for telephone services.

In practical terms, a typical immigrant's economic link with the home country extends to at least four practices that involve spending or investment: family remittance transfers, demand for services (such as telecommunications, consumer goods, or travel), capital investment, and charitable donations to philanthropic organizations raising funds for the home country's community. These transnational migration patterns are referred to as the "5 Ts" – money transfers, tourism, transportation, telecommunications, and nostalgic trade.[1] Together the 5Ts pose important policy questions about the relationship between transnationalism and development.[2] Those relationships are becoming increasingly relevant for people and development.

[1] Nostalgic trade is the import and export of goods by and for diaspora with their countries of origin such as traditional spices, handicrafts, and clothing.

[2] Development economics has long considered foreign savings key to increasing a country's capital-output ratio. Within that context, four factors have been considered: foreign direct investment, official development assistance, foreign trade, and the transfer of technology. Remittances are also foreign savings of significant magnitude.

Attention to the positive effects of family remittances on household and national economies is slowly translating into development strategies, such as offering financial services to individuals in transnational households. However, other areas of transnational relationships remain under explored. This section describes and analyzes the various forms of transnational relations among families and communities in the form of the 5Ts.

A) TRANSNATIONAL COMMUNITIES LINKING HOMES AND COUNTRIES

The number of the world's transnational families – defined as groups that maintain relationships and connections with home and host societies – is growing with continued international migration.[3] These dynamics of migrant cross-border engagements encompass a range of activities including, but not limited to, remittance sending, social networks, economic relationships, cultural practices, and political participation. In turn, the origin and the depth of the transnational ties that migrants maintain with both the sending and receiving communities can determine the creation and success of social groups like HTAs (Andrade-Eckhoff and Silva-Avalos, 2003).

These transnational family relationships have an economic aspect that goes beyond the scope of remittances. The analysis that follows is based on five surveys conducted among remittance senders from 14 different countries of origin in New York; Los Angeles; Chicago; Washington, DC; and Miami. This analysis focuses on assessing the extent of transnational ties using the 5Ts as units of analysis (see survey methodology at the end of chapter).

Gauging the extent of transnational ties depends on the type of transnational engagement. For example, Levitt (2004) cites Portes (1999: 1) who argues that possibly only 10 percent or less of US migrants participate in regular transnational economic and political activities. As the study results in this section show, immigrants are more connected than previously understood.

[3] There are a range of definitions of transnationalism, for example, "groupings of migrants who participate on a routine basis in a field of relationships, practices and norms that include both places of origin and destination" (Lozano 1999). The trend of ties is spreading everywhere north-south, as well as south-south with significant regional migration patterns.

The analysis of the 5Ts shows that 60 percent of immigrants send remittances on a regular basis, that is, 12 times a year; one-third travel once a year; 65 percent call home weekly; and 73 percent buy home-country goods. Thus, the results highlight the policy relevance of contemporary relations between migrants and their home country as a manifestation of transnationalism.

Transnationalism is relevant with respect to the interplay between micro-economic as well as macro-economic relationships. Mittelman (2000) explains that the current anatomy of the global political economy is a spatial reorganization of production among continents of the world regions, large-scale flows of migration among and within them, complex networks that connect production processes and buyers and sellers, and the emergence of transnational cultural structures that mediate among these processes. He goes on to stress that increased competition among and within continents, mediated by such micro-patterns as ethnic and family networks, accelerates the cross-flow of migrants. In turn, this cross-flow of migration produces economic effects in the labor-exporting country.

As this analysis will show, Central America's economic interdependence operates in part as a function of migrants who reside abroad and serve as the primary source of tourism for countries such as Honduras, Nicaragua, and El Salvador. Immigrants generate much of the demand for air travel to the region, and their telephone calls to relatives account for the majority of US-Central American telecommunications. In addition, they transfer at least US$5 billion annually in remittances. There is also trade, or nostalgic commerce, which will grow in importance with liberalization of trade with the United States. These 5Ts become key determinants of transnational engagement.

B) TRANSPORTATION

One key source of communication among immigrants and their families is the use of air transportation. Relatives in Latin America visit family members in the United States, or immigrants travel home to visit their relatives. The end result is a significant amount of air travel among family members.

From New York's John F. Kennedy International airport alone, annual flights to Santo Domingo carry nearly 140,000 people. Another 95,000 migrants travel from Miami annually. The majority of these travelers are Dominican tourists and business people engaged in the Dominican Republic. The situation is similar in El Salvador. Grupo Taca, an airline carrier that serves Central America, flies 21 times a day from the United States to El Salvador (Orozco, 2002b). At least 70 percent of its customers are Central Americans. Air travel to Central America has increased significantly – the demand for flights has spread throughout the United States. Several US-based airlines, including American Airlines, Continental, Delta, and United have established daily operations in Central America.

Thirty percent of remittance-sending immigrants indicate that they travel to their home country at least once a year. Immigrant groups vary with regard to travel, with Ecuadorians, Dominicans, and Guyanese traveling more often than other immigrants (table 1.1). Ecuadorians are among the most frequent travelers to their country, with 12 percent traveling twice a year and almost 40 percent once a year. More than one in ten Dominicans travels three times a year, two in ten travels twice, and one in three travels once a year.

Table 1.1: Frequency of Immigrant Travel to Home Country, *percent*

Country of origin	Three or more times a year	Twice a year	Once a year	Once every two years	Once every three years	Travel little	Never traveled
Ecuador	0	12.2	39.2	35.1	4.1	9.5	0
Dominican Republic	11.6	24.5	33.3	10.9	3.4	16.3	0
Guyana	5.8	12.1	26.7	18.4	10.7	26.2	0
Jamaica	4.5	24	40	14	1.5	8	8
El Salvador	1.5	5.6	20.4	5.6	8.7	23.5	34.7
Mexico	2.5	5.0	20.1	4.6	6.3	14.6	46.9
Colombia	2.0	7.0	13.0	6.0	0	15.0	57.0
Nicaragua	2.0	6.0	11.3	13.3	3.3	12.7	51.3
Cuba	0	2.3	10.9	4.0	1.7	13.1	68.0
Honduras	0	5.5	6.8	12.3	2.7	12.3	60.3
Guatemala	0.9	3.7	4.6	3.7	0.9	15.6	70.6
Total	3.0	8.2	19.1	10.1	5.0	17.0	37.7

Source: Data from Manuel Orozco's 2003–2004 survey of immigrants in New York; Los Angeles; Washington, DC; Chicago; and Miami; administered by Emmanuel Silvestre and Associates. Survey methodology at end of the report.

The immigrants who have not traveled back to their country tend to have lived in the United States for only a short time. More than 60 percent of those living in the United States less than six years have not traveled back to their home country (table 1.2). This finding is consistent with other research showing that recent immigrants tend to send less money home due to lower incomes and the obligations of settling into a new country.

Table 1.2: Frequency of Travel to Home Country and Years Living in the United States *percent*

Frequency	Less than 6 years	7 to 12 years	More than 12 years
Three or more times a year	1.6	2.2	7.7
Twice a year	5.2	8.6	15.0
Once a year	11.9	24.8	25.3
Once every two years	5.6	16.4	9.5
Once every three years	2.4	6.8	8.1
Travel little	11.7	19.8	23.8
Never traveled	61.6	21.2	10.6
Average for all immigrants	46.6	34.5	18.9

Source: Same as Table 1.1 - Partial results reported in Orozco 2004a.

C) TOURISM

Economic connectivity between migrants and their native country has become a regular practice. Tourism in El Salvador and the Dominican Republic is heavily weighted toward nationals living abroad. In the Dominican Republic, for example, more than 500,000 tourists visiting the country are Dominicans living abroad, predominantly in the United States (table 1.3). Most stay 15 days or more and spend around US$65 a day. In the Salvadoran case, more than 40 percent of arrivals in El Salvador are Salvadorans. This community has produced a demand for new goods and services that local and international tourism companies are seeking to supply by offering tour packages, trips, and real estate in coastal regions. A similar pattern is observed in Nicaragua and Honduras. Even the Jamaican economy, which relies heavily on international tourism, reflects a demand for tourist services from Jamaicans living abroad. Although official figures say that 6 percent of Jamaican tourism is from the diaspora (table 1.3), government officials stress that the figure is low because Jamaicans do not report in the immigration forms as Jamaican citizens but as foreign nationals, thus skewing the statistics.

Table 1.3 Tourism in the Dominican Republic, Jamaica, and Mexico; and National Origin of Tourists

Country	Nationals	Percentage	Year
Dominican Republic	523,588	15	2003
Jamaica	57,428	6	2004
Mexico	2,203,100	22	1997

Source: Banco Central, Republica Dominicana, http://www.bancentral.gov.do/; Bank of Jamaica, Statistical Digest, October 2004; Banco de Mexico, www.mexico-travel.com.
Note: Jamaican government officials stress that the percentage reported is at least half of the actual trend: Jamaicans living overseas do not fill out the forms as nonresident Jamaicans, so statistical records underestimate their actual volume

Visiting the home country entails more than staying with relatives. Immigrants who return home to visit are also tourists who spend considerable amounts on entertainment with their families. The visits take place on various occasions, from Christmas and New Years, to Easter and other religious holidays. Other immigrants go on special trips to their hometowns for weddings, birthdays, deaths, or other emergencies.

Immigrants typically spend at least US$1,000 per stay. Ecuadorians again are the most notable group, in that they not only travel more often, but also spend the most. Other Latinos tend to spend similar amounts, around US$1,000 to US$2,000 (table 1.4).

Table 1.4 How Much is Spent per trip? *percent*

Country	Less than US$1,000 per stay	Less than US$2,000 per stay	More than US$2,000 per stay
Colombia	82.9	17.1	0.0
Cuba	50.0	26.9	23.1
Ecuador	9.6	39.7	50.7
El Salvador	43.6	48.2	8.2
Guatemala	51.6	35.5	12.9
Guyana	45.8	41.1	13.1
Honduras	56.7	33.3	10.0
Jamaica	37.0	37.0	26.0
Mexico	33.9	38.4	27.7
Nicaragua	72.7	21.2	4.5
Dominican Republic	35.8	50.7	13.4
Average	43.9	38.9	17.0

Source: Same as Table 1.1.

Guyana offers an interesting example of the extent of economic contacts. Forty percent of Guyanese who send remittances visit the home country at least once a year (see table 1.1). This number represents a potentially lucrative and relatively untapped market. Guyanese immigrants visiting their home country spend on average US$1,000 a stay. This adds up to at least US$25 million left in the country. Thus, these contributions to the economy may be almost as important as remittances, which are estimated at more than US$100 million (Orozco, 2004a).

D) TELECOMMUNICATIONS

Telecommunications connect migrants living abroad with their home countries. The volume of calls to Central America and the Caribbean increased as connectivity improved, opening opportunities for business expansion and investment in cellular telephony, the Internet, and cable transmission. Companies such as AT&T, Bell South, and Motorola have set up economic infrastructure to facilitate communication between the members of the diaspora and their homelands, benefiting local enterprises.

Home-to-home phone calls may be responsible for most of the revenue generated in international long-distance telecommunications. Central Americans living in the United States maintain significant contact with their home countries – and telephone calls are a major form of transnational family contact. More than 60 percent of Central Americans call at least once a week and spend at least 30 minutes a week on the phone with relatives abroad, totaling 120 minutes a month (tables 1.5 and 1.6).

Immigrant contacts account for a substantial share of telephone companies' revenues on service between the United States and Latin America. Half of the call minutes from the United States to Central America and the Dominican Republic, for example, are household-to-household (table 1.7).

Table 1.5: Frequency of International Long-Distance Telephone Calls made to Home-Country Relatives, *percent*

	Two or more times a week	Once a week	Once every two weeks	Once a month	Seldom call
Colombia	39.0	38.0	16.0	6.0	1.0
Cuba	11.9	35.7	32.1	16.7	3.6
Ecuador	55.0	43.0	2.0	0	0
El Salvador	23.8	34.3	27.6	11.4	2.9
Guatemala	21.1	34.9	26.6	12.8	4.6
Guyana	16.6	25.3	30.4	20.7	6.9
Honduras	23.0	33.8	25.7	10.8	6.8
Jamaica	32.2	41.2	15.6	4.0	5.5
Mexico	28.3	44.4	14.3	9.0	3.9
Nicaragua	29.1	40.5	20.3	8.1	2.0
Dominican Republic	60.7	16.7	11.3	8.0	3.3
Total	29.1	34.7	21.3	11.2	3.7

Source: Same as Table 1.1.

Table 1.6: Average Duration of International Long-Distance Telephone Calls Made to Home-Country Relatives, *percent*

	Less than 5 minutes	6 to 10 minutes	11 to 20 minutes	20 to 30 minutes	More than 30 minutes
Colombia	2.0	10.0	15.0	32.0	40.0
Cuba	4.6	21.1	39.4	21.1	9.7
Ecuador	0.0	4.0	45.0	37.0	13.0
El Salvador	0.5	4.3	11.4	22.4	59.0
Guatemala	0.0	1.8	9.2	18.3	64.2
Guyana	3.4	15.3	39.0	22.0	7.6
Honduras	4.0	14.7	20.0	25.3	29.3
Jamaica	4.0	20.7	26.8	26.3	17.2
Mexico	2.5	3.2	7.8	29.4	55.7
Nicaragua	0.7	9.3	24.7	36.0	26.0
Dominican Republic	0.7	6.7	13.3	35.3	44.0
Average	2.0	8.9	22.0	27.3	35.7

Source: Same as Table 1.1.

Table 1.7: Phone Calls between the United States and Selected Central American Countries

Country	Total minutes (2002)	US revenue (US$)	Payment to country (US$)	Household-to-household Minutes (2003)
El Salvador	659,528,740	185,825,580	68,190,716	492,510,153
Guatemala	909,056,312	300,132,848	77,585,373	305,441,973
Honduras	338,475,478	108,026,709	77,177,514	169,417,799
Dominican Republic	1,005,737,128	149,761,218	41,348,782	660,806,085

Source: Same as Table 1.1 and United States Census Bureau. 2000; 2001, 2002 International Telecommunications Data, Federal Communications Commission, December 2001, and January 2003. Note: Computation based on an average of four calls a month at 5, 8, 15, 25, and 30 minutes per call. Formula was sum of phone calls = annual minutes × percent calling × immigrant percent remitting (from 2000 U.S. census).

E) TRADE

Another important feature of contemporary migration is consumption of home-country goods. Migrants have become a new market for exports from their home country. Ethnic imports to the United States – called nostalgic trade and including items such as beer, rum, cheese, and other foodstuffs – are gaining attention among producers in Central America and the Caribbean.

Purchasing nostalgic goods is a way of maintaining cultural traditions from the home country while generating revenue for the home country. In the comparative survey carried out by the author, Latinos were asked whether they buy products from home. The majority answered positively. Only Cubans offered a low response rate, due to the fact that they travel less and have much less contact with Cuban institutions. The US embargo on Cuba hampers the acquisition of home-country goods. However, more than 70 percent of other Latinos reported that they bought goods from their country of origin (table 1.8).

When asked what products they bought, most immigrants pointed to six core products: rum, cigars, tamales, bread, tea, and cheese, although Guyanese immigrants, for example, identified more than 20 different items imported from Guyana to meet household needs (table 1.9).

Table 1.8: Do You Buy Home-Country Products? *percent*

Country	Yes	No
Colombia	81.0	19.0
Cuba	28.6	71.4
Ecuador	95.0	5.0
El Salvador	55.7	44.3
Guatemala	50.5	49.5
Guyana	82.2	15.7
Honduras	74.3	25.7
Jamaica	64.0	36.0
Mexico	76.2	23.8
Nicaragua	83.3	16.7
Dominican Republic	65.3	34.7
Average	68.4	31.3

Source: Same as Table 1.1.

Table 1.9: Top Six Home-Country Products Purchased by Emigrants, *percent*

Country	Rum	Cigars	Tamales	Bread	Tea	Cheese
Colombia	9.0	13.0	35.0	26.0	24.0	34.0
Cuba	16.0	13.7	3.4	11.4	4.6	7.4
Ecuador	3.0	n.a	3.0	81.0	6.0	26.0
El Salvador	6.2	6.2	22.4	38.6	10.0	34.8
Guatemala	6.4	7.3	23.9	24.8	13.8	29.4
Guyana	41.5	21.2	n.a	n.a	n.a	n.a
Honduras	21.3	21.3	38.7	30.7	17.3	48.0
Jamaica	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mexico	10.6	9.9	37.9	41.1	13.8	48.2
Nicaragua	12.7	7.3	28.0	28.7	14.0	60.7
Dominican Republic	36.0	4.7	2.7	14.7	3.3	32.0
Average	17.5	10.7	18.8	27.7	9.6	30.8

Source: Same as Table 1.1.

The magnitude of these dynamics has macro-economic effects. According to the Ministry of Economy of El Salvador (Batres-Marquez, Jensen, and Brester, 2001) and CEPAL (2003), these products are estimated to represent at least 10 percent of total exports from El Salvador to the United States, or US$450 million. Salvadoran foods such as tortilla flour, red beans, loroco, semita, cheese, and horchata are important exports (Batres-Marquez, Jensen, and Brester, 2001). The Batres-Marquez study and other experiences encouraged the government to seek to bring these items into the trading agenda during negotiations on the proposed Central American Free Trade Agreement (CAFTA). In fact, El Salvador was the only government with an agenda explicitly including its ethnic market. For example, exports to the United States of El Salvadoran beer ballooned from US$1 million to US$3.5 million between 1999 and October 2001 (United States Trade Representative, 2002). Many home-country producers have established businesses in the United States to cater to the migrant community.

Guyanese-Americans have a demand for goods such as rum, fish, and tea – and profits from such products represent an important share of total exports. Imports of spices, for example, which more than 60 percent of immigrants reported buying from Guyana, have grown substantially in the past five years, from less than US$1,000 to US$35,000 (Orozco, 2004a).

Healthy demand for nostalgic goods has induced migrants to invest in home-country manufactures of foodstuffs such as cheese, fruits, and vegetables. Migrants residing in the United States have set up businesses back in their home countries to establish stores of various kinds. An example is Roos Foods, Inc., a food manufacturer that produces and sells processed milk products in Central America and to Central Americans and Mexicans living in the United States. Roos operates in the United States but with franchises in Nicaragua and El Salvador. This trend of migrant investment in home countries is likely to continue.

F) TRANSFER OF REMITTANCES AND HOMETOWN ASSOCIATION DONATIONS

Remittances also constitute an important source of economic activity. Latin ethnic stores still account for as much as 60 percent of the money transfer business to Latin America, but competition has become significant. The money transferred, which as of 2004 was US$45 billion to Latin America, has multiplier effects, generating profits and wealth often in excess of other sources of foreign exchange. And perhaps as noteworthy as the volume has been its spread to more recipient nations, increased intensity, continuity in the face of economic downturns, and the rapidity of the growth.

According to a survey carried out by the Inter-American Development Bank, 60 percent of immigrants send remittances every month and 70 percent at least eight times a year (MIF-IADB, 2004). Immigrants sending remittances are the key players in transnationalism. With incomes below US averages – US$21,000 a year on average, with 25 percent living below the

US poverty level (table 1.10) – they send at least US$2,500 annually as part of their commitment to relatives. Although figures vary from country to country and from year to year, the overall trend is that they remit at least US$200 a month, or 15 percent of their income (table 1.11). Their low income relates to their low educational attainment and the types of jobs they hold. According to the US Census Bureau (2000), 62 percent of Central American and Mexicans do not have a high school diploma, and only 5 percent have a bachelor's degree or higher.

Table 1.10: Household Income by Race *percent; US$*

Group	**Household income**		
	Less than $20,000	**$20,001 to $35,000**	**More than $35,000**
Hispanic/Latino	31	25	44
Non-Hispanic White	21	18	60

Source: U.S. Census Bureau 2000. http://www.census.gov/population/socdemo/hispanic/ppl-171/tab12-1.xls

Table 1.11: Average Monthly Amount Remitted by Latin Americans in the United States *US$*

Country	**2002**	**2003**	**2004**
Argentina	198	226	212
Bolivia	276	244	235
Brazil	376	300	541
Chile	303	288	279
Colombia	256	267	220
Costa Rica	350	348	301
Dominican Republic	199	186	176
Ecuador	295	303	293
El Salvador	287	394	339
Guatemala	269	271	363
Haiti	162	161	179
Guyana	–	–	123
Honduras	257	246	225
Jamaica	263	262	209
Mexico	378	369	351
Nicaragua	146	149	133
Panama	222	208	196
Paraguay	304	281	263
Peru	191	173	169
Uruguay	–	203	198
Venezuela, R. B. de	228	161	138

Source: National Money Transmitters Association, 2004
Note: –= Not available.

As a result of family remittances, a growing financial stream flows from low-income individuals to Latin America. This flow is spreading dramatically in both size and scope. Countries in Latin America and the Caribbean receive nearly one-third of global remittances, the highest share of all world regions. Remittances are more than foreign investment and seven times greater than total official development assistance to the region (tables 1.12 and 1.13).

Table 1.12 Remittances, Investment, and Foreign Aid in Latin America, 1996 and 2003 ***US$ thousands***

	1996			2003		
	Remittances	**FDI**	**ODA**	**Remittances**	**FDI**	**ODA**
Mexico	4,224	9,186	287	13,266	10,783	103
Central America	1,819	1,102	1,827	6,451	2,012	1,732
Caribbean	2,359	733	744	5,902	2,086	522
South America	1,716	9,266	809	12,167	21,903	3,136
Total	10,118	20,287	3,667	37,786	36,784	5,494

Source: Remittances, Central Bank of each country; Foreign investment and aid, World Bank, World Development Indicators, 1996, 2003.
Note: FDI = Foreign direct investment. ODA = Official development assistance. ODA here excludes loans from the World Bank or IMF.

Table 1.13 Foreign-Born Latinos in the United States and Remittances to Latin America (2000)

Region	**Population in United States**	**Percent of Latino immigrants**	**Remittances (millions of US dollars)**	**Percent**
Mexico	9,177,487	57	10,502	33
Caribbean	2,953,066	18	5,749	18
Central America	2,026,150	13	5,555	17
South America	1,930,271	12	10,202	32
Latin America	16,086,974	100	32,000	100

Source: U.S. Bureau of the Census; IDB estimates.

Although important for Latin America as a whole, remittances are most significant for the small and poor countries of Central America and the Caribbean. Some of the major changes in remittance flows involve the range and number of countries sending and receiving remittances, the intensity of flows, and scope of economic links between the home and host countries.

A greater number of countries are receiving money from their migrant diasporas. The magnitude of these changes is observed in the increased flow into South America. For example, in 2002 Mexico accounted for one-third of all remittances to the region, down from 50 percent just four years before. The significance of these flows is also reflected in the increasing volumes relative to the immigrant population from each country and region. Many traditional recipient countries are seeing substantial increases in overall amounts. It seems clear that remittances are becoming part of a broader process of economic interchange.

Argentina, Colombia, and República Bolivariana de Venezuela all have registered increased inflows of remittances. Economic and political crises in these countries have prompted their nationals to migrate in search of stability and a better quality of life. The case of Colombia is illustrative of a growing trend in which the flow of remittances has surpassed all major sources of export revenue, including oil. Remittances to Colombia grew from US$0.5 billion in 1995 to more than US$3 billion in 2004. Similarly, thousands of Venezuelans have migrated in the past five years, since 2000. The economic crisis in Argentina spurred a massive emigration to Europe (Spain and Italy) and the United States, dramatically increasing remittance flows. Although the Central Bank of Argentina has not been able to quantify the magnitude of the flows with any precision, at least US$200 million is entering the country from the United States. One money transfer company alone probably remits about US$130 million from the United States to Argentina.

Remittance flows are also growing in intensity – in Guatemala and Peru as elsewhere. Guatemala experienced a major increase – from US$600 million in 2001 to US$2.1 billion in 2003. In Peru, remittance flows increased from US$700 million to US$1.1 billion in that same period. Improved statistical tracking accounts for a large part of this growth, but the increase is also reflected in the fierce competition for new customers and niches in the money-transfer business.

Furthermore, the flow of remittances continues to grow significantly despite economic and political difficulties in the host countries. A continued "jobless" recession in the United States has neither reduced northward migration nor the remarkable growth of remittances to the main recipient countries. Indeed, remittance flows have not followed cyclical economic dynamics in either the sending or receiving economies.

In a series of projections done for the Pew Hispanic Center, Lowell stressed that because transfer costs will continue to decline in an increasingly competitive market, it is likely that per capita remittances will continue to grow. Both of his medium and high projections assume that the market will "shake out" in the next five years, after which the level of per capita remittances reached will remain fixed into the future. The author concluded that a most preferred projection is one that will show an annual increase in remittances of more than 8 percent (Lowell, 2002). The Lowell projections were looking at transfers to Mexico and Central America, but if the emerging flow of emigrants from South America and the increases reported in some countries are added to the equation, the growth potential for the hemisphere will be greater than what Lowell predicted. In fact, his projections made in 2002 already under-predicted the recent remarkable growth in remittances.

Money transfers, telecommunications, tourism, trade, and transportation – all five sectors have experienced new business opportunities and opportunities for trade and investment due to migration.

Collective Organization: Migrant Hometown Associations

The trend of remittances and other relationships is also accompanied by various forms of collective organization that translate into the formation of hometown associations, or HTAs. HTAs, organizations of immigrants that raise funds for the betterment of their places of origin, are growing in importance in Latin America and the Caribbean due to the sheer size of the support to their communities (Orozco, 2004b). They illustrate an example of the relationship between transnationalism and development. This relationship is complex, reflecting a combination of initiatives and motivations: cultural, economic, political, and social.

One key aspect of these organizations is their ability to promote equity, an important component of the development philosophy. These migrant associations seek to promote small social changes with a concern for the community, particularly toward vulnerable sectors, such as children and the elderly. Thus, although primarily philanthropic in nature, HTA work sometimes overlaps with economic development activities, and in this way represents an important link between countries of origin and emigrants. It addresses the need for economic aid in migrants' home countries, strengthens cultural ties, and improves the quality of life for home communities.

In the United States, there are thousands of Latin American and Caribbean HTAs. According to the Mexican consulates, there are more than 700 registered Mexican clubs (although government officials in Mexico and Latino community leaders estimate a much higher and increasing number). Figure 15.2 shows the increase in Mexican HTAs based in Chicago alone since 1994.

However, HTAs are not just a Mexican phenomenon. Most Latin American immigrants are organized into HTAs with the purpose of helping their communities. Salvadoran HTAs, for example, have grown in numbers since the 1990s. In Washington, DC, Salvadorans from eastern El Salvador are organized in more than 20 groups to raise money for assistance in areas like San Miguel province. For example, the Comunidad Unida de Chinameca, created in 1991, is a typical Salvadoran HTA. It began its activities in the city of Chinameca by constructing the school's water tower and 12 restrooms. From there it went on to construct a laundry facility and recreational park for the town; and painted and built a roof for the local church. The Comunidad raises some US$30,000 annually, mostly through fundraising events. After the 2001 earthquake in El Salvador, the Comunidad received donations of construction material from the French Embassy to build a wall for the Red Cross, and the town participated by donating labor (Orozco, 2004c).

Guyanese HTAs focus on projects similar to those in Central America and Mexico. These associations are based in Canada and the United States, New York in particular, and have long-standing organizational bases. Guyana Watch, founded in 1992 and based in Queens, New York, conducts an annual medical outreach clinic in Guyana, where a group of 20 to 25 doctors and nurses travel to three different cities in Guyana (Essequibo, Demerara, and Berbice) and work at a clinic for one day, attending to between 2,500 and 3,000 people (Orozco, 2004a).

Whereas remittances are received by at least one-quarter of the households in a Mexican hometown, HTAs can become important to improving the quality of life of all households. They can facilitate projects that would otherwise be impossible for the receiving communities to implement. The contributions are even more striking when compared to the municipal public works budgets. In towns with fewer than 3,000 people, HTA donations are equal to more than 50 percent of the municipal public works budget. For localities with populations less than 1,000, the HTA donations can amount to up to seven times the public works budget (see table 1.14). Thus, HTAs accomplish projects that would otherwise be impossible for these communities to implement.

Table 1.14 Mexico: Budget Allocation, HTA Donations, and Population

Population range	Average HTA donation (US$)	Average ratio of HTA donation to public works budget	Average population of community
Under 999	8,648	7.1	407
1,000 to 2,999	11,999	0.5	1,686
3,000 to 4,999	8,397	0.1	4,014
5,000 to 9,999	9,602	0.1	7,328
10,000 to 14,999	11,072	0.0	12,405
Over 15,000	14,589	0.0	57,248
Total Average	9,864	3.5	5,283

Source: Orozco 2003d.

Although HTA impact is significant when it happens, it is interesting to note that unlike the other components of the 5Ts, the number of people that are members of these kinds of associations (5% or total remitters) is relatively small compared to the total immigrant population (table 1.15).

Summary

Remittances from US Latino immigrants, as well as their transnational activities are evolving and directly impact development. Despite distinct differences between some immigrant groups, the lesser transnational engagement of Cubans say, one commonality is that all immigrant groups engage in the 5Ts and these transactions have substantial, development-related effects. While most migrants travel rarely or not at all back home, more than one fifth return at least once a year and most return travel takes place after having spent 6 years or more in the United States. This generates a substantial number of travelers in the home countries and these migrants spend $1000 on average each trip. Phone calls home-to-home are even more frequent, totaling over 120 minutes on average each month in weekly phone calls, and generating the simple majority of all transnational phone calls to Latin America. The majority of most Latino immigrants purchase goods from home, primarily rum, cigars, tamales, bread, tea, and cheese amounting to, for example, as much as 10 percent of El Salvador's exports. Seen in perspective, these activities demonstrate the same commitment shown in their remitting—Latino immigrants, 25 percent of whom live in poverty, remit on average US$2,500 annually or about 15 percent of their income

Table 1.15: Remittance Senders Who Belong to an HTA

Country of origin	**Remitters who belong to an HTA (percent)**
Colombia	5.6
Ecuador	10.0
El Salvador	1.5
Guatemala	2.8
Guyana	26.3
Honduras	6.7
Jamaica	15.5
Mexico	2.1
Nicaragua	4.0
Dominican Republic	3.3
Bolivia	1.4
Mean	5.5

Same as Table 1.1.

These transnational activities take place against the more popularly known growing volume, US$45 billion last year, of southward-bound remittance dollars. But less well appreciated is the changing nature of the remittance flow and, at least in part, the social matrix from which the flow originates. Not only is the volume of remittances greater than foreign investment or official development assistance to the region, it is flowing to more recipient nations, increasing in intensity, demonstrating a remarkable counter-cyclical power relative to economic recessions, and growing rapidly beyond the expectations of many observers. The parallel growth of immigrant hometown associations in the United States certainly explains part of these evolutionary trends. Perhaps only 5 percent of "remittance" flows originate from HTAs, but the increasing number of HTAs surely signals a new stage in the organizational capacity of US immigrants and, by that metric, a new form of transnational linkage. The HTAs also highlight Latino immigrants' commitment to remitting and the diversification of today's remittance flows that accompanies its growing volume. And more so than household remittances, research on HTA remittances appears to unambiguously find significantly and favorable developmental impacts.

2. Family (Recipient) Transnational Engagement

Important and mostly overlooked parties in transnational networks, connected through the household-to-household relationship, are the individuals who remain in the migrants' home country. Typically, it is the migrant who is viewed as the driver behind the transnationalization process, as he or she is the family member who departs the home-country household, and subsequently maintains the relationship to his or her family in the home country through the act of sending them money. As the following chapter illustrates, remittance recipients also play an important role in the forging of transnational networks, through varying degrees of decision-making authority over how, when, and why remittances are transferred, spent, and so on. As this paper discusses, recipients also maintain – and influence – the transnational connection to family members abroad through communication, the sending of goods, and overseas visits.

This chapter highlights some basic characteristics and behaviors among remittance recipient households, while the next chapter deepens the analysis by focusing on the correlation between these factors.

A) RELATIONSHIP BETWEEN REMITTER AND RECIPIENT

Across the region, remittances are received from relatives and, to a lesser extent, friends. Most often, children, siblings, spouses, and parents are the senders (table 2.1). Overall, 22.3 percent of respondents report receiving remittances from their children. This percentage is higher in Ecuador, Cuba, and El Salvador. Sibling-to-sibling transfers are also significant at 21.9 percent. This practice is slightly more prevalent in the Dominican Republic, El Salvador, and Ecuador at 26.2 percent, 25 percent, and 22.8 percent respectively. Married couples often depend on one member of the pair to travel abroad to support the family unit. Slightly more than 20 percent of remittance recipients depend on their spouse to send money. This practice is higher in Guatemala, El Salvador, and Guyana at 28.2 percent, 23 percent, and 22.5 percent respectively. Parents supporting children left behind is also a common practice with approximately 16 percent of receivers reporting that their parents transfer money to them. This practice is more prevalent in Nicaragua and Guyana, where 21.7 and 21 percent of remittances are from parents. Other family members such as aunts, uncles, and cousins send 14 percent of the remittances to the region while grandparents and friends account for approximately 6 percent.

Table 2.1 – Who among your relatives send remittances to you? *percent*

	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.	Total
Spouse	28	23	18	19	20	18	23	15	20
Parent	12	15	22	10	16	16	21	12	16
Children	22	23	21	24	27	34	14	20	22
Siblings	20	25	21	26	20	23	19	23	22
Grandparents				2		1	1		1
Others	15	13	14	14	11	7	19	16	14
Friends	2	2	4	5	7	2	4	14	5

Source: Data from Manuel Orozco's 2003–2004 survey of remittance recipients in El Salvador, Guatemala, Nicaragua, Colombia, Ecuador, Cuba, the Dominican Republic and Guyana. Survey administered by Borge y Asociados (El Salvador, Guatemala, Nicaragua), Invamer, S.A. (Colombia), PulsoEcuador (Ecuador), Katryn Hansing (Cuba), Protectora Holdings (Dominican Republic) and Laparkan ltd. (Guyana). Survey methodology at end of the report.

While age does not appear to be a driving factor (there is no significant variation in age distributions among recipients in the countries surveyed), there are differences by gender that are, perhaps not surprisingly, the reverse that of the sending population (table 2.2). On average, three-quarters of remittance recipients in Latin America are women. Guatemala registers the highest percentage of female recipients, with just more than 80 percent. Cuba and Columbia register the lowest percentage of female recipients (each is 68%), but women still represent the majority of recipients.

Table 2.2 – Recipient gender, *percent*

Sex	Guat	El. Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.	Total
Male	20	28	28	27	32	27	29	32	28
Female	80	72	72	73	68	74	71	68	72

Source: Same as Table 2.1

Remittance-receiving households in Latin America are mostly composed of four members or less, with the tendency being toward three or four members as opposed to two or less (table 2.3). In Guatemala, El Salvador, Nicaragua, and the Dominican Republic, roughly one-third of receiving household have five to six members, compared with Cuba where less than 7 percent of the receiving households have more than four members. Guatemalan and Nicaraguan recipient households appear to be the largest, with approximately 20 percent comprised of at least seven members. Just over 2 percent of Nicaraguan and 3 percent of Guatemalan recipient households consist of more than 12 family members.

Table 2.3 – How many individuals live in your household? *percent*

Individuals	Guatemala	El Salvador	Nicaragua	Dominican Republic	Cuba	Total
Up to 3	29	32	27	37	71	35
4 to 6	54	59	52	50	29	50
Over six	19	11	21	15	0	15

Source: Same as Table 2.1

In all of the countries studied, the greatest number of recipients received remittances between one and three years (table 2.4). The number of people receiving remittances for more than four years is significantly lower and continues to drop with only 9.5 percent of respondents reporting receiving between seven and nine years, 6 percent between ten and 12 years, and 3.8 percent over four years. Different factors contribute to only a relatively small percentage reporting receiving remittances for a period beyond six years. Over time, migrants become more inwardly focused, spending more time, energy, and resources on their lives in their host countries. Furthermore, migrant families may reunite, either in the source country or the host country, thereby eliminating the need to transfer remittances.

Table 2.4 – How long have you been receiving remittances? *percent*

Years	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.	Total
< 1 year	18	14	17	18	10	13	12	19	15
1–3 years	38	59	38	36	39	46	37	46	42
4–6 years	13	14	20	18	23	27	20	25	20
7–9 years	9	6	10	8	15	8	16	4	9
Over 9 years	20	7	16	20	13	6	15	6	13

Source: Same as Table 2.1

B) REMITTANCE USES

By and large, remittances are used to cover the basic necessities of family life in the home country. Across the region, more than 80 percent of remittance recipients reported using money sent from abroad to cover these basic costs (table 2.5). In Guatemala, El Salvador, Nicaragua, Cuba, and Guyana, an even higher percentage relied upon remittances for household necessities. The percentage was ten to 15 percent lower in the Dominican Republic, Ecuador, and Colombia. A small percentage used some portion of remittances to pay debt, establish an emergency fund, and for pleasure spending. El Salvador, Guatemala, Ecuador, and the Dominican Republic had a higher tendency to use remittance money to help defray the costs of emergencies. In Colombia and Ecuador between 9 and 10 percent of remittance receivers reported using the money so their family could enjoy life's "good things."

Table 2.5 – What is the main reason remittances are sent to you? *percent*

Reason	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.	Total
To help with the basic needs of the family	93	85	83	72	94	67	91	72	82

Source: Same as Table 2.1

Expenditure priorities might largely be dictated by the recipient's income. Close to half of Latin American remittance recipients, on average, earn less than US$150 per month. However, there is significant variation between the countries. Ninety-five percent of Cuban recipients earn less than US$150, followed by 59 percent of Guyanese and 58 percent of Nicaraguan recipients. On the other hand, close to half of Guatemalan and one-third of Colombian recipients report monthly incomes of more than US$300.

More than 80 percent of the remittance receivers in Latin America and the Caribbean use the money they receive from abroad to purchase food (table 2.6). In Cuba and El Salvador, more than 90 percent of receivers purchase food with funds remitted from abroad. Medicine and clothing purchases are also popular choices – almost 50 percent of receivers use some portion of the funds for these purposes. In Nicaragua, 83.3 percent of receivers depend on remittances for medicinal purchases. While this is a strong indication that remittances predominantly go to help cover basic household costs, receivers use money sent from abroad to improve their houses, pay for education, establish savings and, to a lesser extent, for business, home, and auto loans. Almost 50 percent of Guyanese recipients put some portion of their remittances funds aside for savings. Twenty-two percent of El Salvadorans and 20 percent of Ecuadorians also allotted some of their remittances to savings.

Table 2.6 – How are the remittances used or spent? *percent*

Use	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.	Total
Food	85	92	90	75	97	68	82	70	82
Clothing	55	53	59	26	51	36	54	52	48
Education	52	48	51	29	3	45	23	52	38
Housing	34	34	40	22	79	15	24	38	36
Business	4	9	11	7	1	7	18	7	8
Savings	16	22	7	16	9	20	48	13	19
Medicine	33	42	83	53	31				48
Auto Loan		8	17			2			9
Basic Services	51	8		10					23
Mortgage		13							13
Church		4							4
Loan	6	8		16		17	34		16

Note: multiple choice questions.
Source: Same as Table 2.1

When recipients were asked about the economic activities they maintain in their country, the majority report having a bank account (table 2.7). Notably, in nearly all countries profiled, more than three-fourths of recipients allocate a portion of their earnings to savings, with the exception of Guatemala and El Salvador where over half of the recipients profiled have savings account, and Nicaragua where slightly under one-third have a savings account. Roughly one-third of recipients in Nicaragua and Ecuador, and one-fifth of recipients in the Dominican Republic and Cuba, maintain a small family or commercial business.

When asked about providing assistance to overseas family members in maintaining economic obligations, the majority of remittance recipients answer that they do not provide any assistance (table 2.8). However, almost half of Colombian (49%) and Nicaraguan (44%) recipients do provide some type of assistance to overseas relatives in maintaining economic activities, compared with just 7 percent of Cuban and fewer than 20 percent of Guyanese recipients.

Table 2.7 – What types of economic activities do you maintain in the country? *percent*

Activity	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.
None	44	2	26	51	72	31	26	26
Savings account at a bank	63	54	30	84	81	77	83	86
Property loan	4	15	10	13		9	10	10
Small family or commercial business	5	11	27	21	19	30	12	15
Business loan	1	1	11	3		2	4	5
Student loan			6			2	3	7
Life or health insurance	2	9	12	16		3	2	
Small investment with family loans	1	1	3	2	5	4	2	

Source: Same as Table 2.1

Table 2.8 – In addition to remittances, does your family abroad help with other economic obligations? *percent*

	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.	Total
Yes	21	23	44	17	7	27	19	49	28
No	79	77	56	83	93	73	81	51	72

Source: Same as Table 2.1

On average, most Latin American recipients (65%) do not have a bank account other than a saving account (table 2.9). However, more than half of Salvadoran recipients and more than three-quarters of Guyanese recipients report having some type of bank account other than a savings account, compared with very few Nicaraguan (10%), Cuban (7%) and zero Colombian recipients.

Table 2.9 – Do you have a bank account in your country? *percent*

	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.	Tot.
Yes	24	56	10	19	7	20	79	0	35
No	76	44	90	81	93	80	21	100	65

Source: Same as Table 2.1

On average, roughly 30 percent of Latin American remittance recipients possess either a credit or debit card, or both (table 2.10). The majority of those possessing one or both types of cards are debit card holders, with the exception of Dominicans and Nicaraguans who are more than twice as likely to have a credit rather than a debit card. Among all the countries profiled, Guyanese and Colombian recipients are the most likely to have some type of card, but the majority (94% and 71% of all card holders respectively) own just a debit card, as opposed to having a credit card, or having both types of cards.

Table 2.10 – Do you have a credit and/or debit card? *percent*

	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.	Total
Neither	86	77	83	68	93	77	61	51	71
Both	1	2	3	8	0	4	2	9	4
Credit	3	11	11	17	0	5	1	5	6
Debit	10	11	3	8	7	14	37	35	19

Source: Same as Table 2.1

C) TRAVEL

The majority of remittance receivers in the countries studied never left their country (table 2.11). The percentage of remittance receivers who have never traveled is just below 80 percent regionally. In El Salvador, Ecuador, Guyana, and Colombia between 80 and 85 percent of remittance receivers never traveled. If remittance receivers travel abroad, they do so rather infrequently. Fifteen percent stated they travel once a year or very little. Only 4.7 percent travel abroad more than once a year.

Table 2.11 – How often do you travel abroad? *percent*

Frequency	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.	Total
3 or more times a year	2	1	3	4	0	1	1	1	2
2 times a year	3	2	7	4	0	2	1	2	3
Once a year	5	9	7	13	3	8	3	6	6
Once every two years	1	1	1	2	1	2	1	3	2
Once every three years	3	2	1	2	0	2	1	2	2
Very little	8	3	8	4	22	4	9	5	8
Never	78	83	73	71	74	82	84	82	78

Source: Same as Table 2.1

Although the majority of remittance receivers have never traveled abroad, those that do tend to stay between three weeks and two months at their destinations (table 2.12). This trend is an indication that remittance receivers travel abroad predominantly to visit family.

Table 2.12 – How long do you stay? *percent*

Time	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Col.	Total
Less than a week	1	1	1	3	0	2	0	1
Less than 3 weeks	1	8	7	10	1	5	2	5
Less than 2 months	7	4	9	9	16	7	7	8
More than 2 months	7	6	9	6	8	3	4	6
Never traveled	85	83	73	72	74	83	87	80

Source: Same as Table 2.1

The majority of recipients who do travel abroad typically spend roughly US$1000 or less per stay (table 2.13). The exception however, are Guatemalan recipients, nearly two-thirds of whom spend US$3000 or more per stay, compared with less than one-quarter spending US$1000 or less. It is interesting to note, however, Guatemalan recipients are among the least likely to travel abroad. Only Cuban recipients appear to be less likely to make an overseas trip than Guatemalan recipients. Cubans, on the other hand, are more likely to spend less, with 50 percent of recipients who have traveled overseas reportedly spending US$1000 or less.

Table 2.13 – How much do you spend on each stay abroad? *percent*

Amount	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Total
US$1000 or less	3	12	14	16	3	11	11
Less than US$2000	2	4	6	3	2	3	3
More than US$3000	8	2	2	4	2	0	3
Never traveled	87	83	78	78	93	86	83

Source: Same as Table 2.1

While the majority of recipients profiled have not visited a family member abroad, a telling percentage send goods made in the home country to their relative. On average, half of Latin American recipients send (or take) goods made in their home country to overseas relatives (table 2.14). Guyanese recipients are the most likely (64%) to send (or take) a home country product to a relative overseas, possibly reflecting less availability of Guyanese goods in the global marketplace compared with other Latin American countries. Guatemalan and Colombian recipients are the least likely (32% and 38% respectively) to send (or take) home country goods to overseas relatives. Home country goods are typically beverages and foodstuffs, including coffee, alcohol, bread, cheese and spices, but also include non-edible items such as cigarettes and souvenirs.

Table 2.14 – Do you send home-country products to your family abroad? percent

	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.
Yes	32	42	41	50	57	55	64	38
No	68	58	59	50	43	45	36	63

Source: Same as Table 2.1

c) COMMUNICATION

The majority of recipients (on average 92%) communicate with their overseas family members at least once a month (table 2.15). Dominican recipients communicate the most frequently, with more than half reportedly speaking with an overseas family member at least two or more times a week. Next are Colombian recipients, 45 percent of which speak with an overseas family member at least two or more times per week. More than half of all Guatemalan, Salvadoran, Nicaraguan, Ecuadorian, and Guyanese recipients speak with an overseas family member at least once a week. Cubans, however, communicate less frequently with 88 percent reportedly having contact with overseas relatives twice per month or less.

When recipients and their relatives speak with each other by telephone, call times vary depending on the country in question (table 2.16). Very few Guatemalans and no Cubans, compared with nearly 20 percent of Nicaraguans, will speak for less than five minutes on the phone with overseas family members. Guatemalans are inclined to speak for longer periods of time, with almost half reporting phone call durations of more than a half an hour. More than 60 percent of Cuban recipients, meanwhile, limit their phone calls to between 11 and 20 minutes. While three-quarters of all Salvadoran, Dominican, and Ecuadorian recipients speak to overseas relatives by phone for more than ten minutes at a time, their phone call durations are more evenly disbursed among the recipient population.

Table 2.15 – How often do you speak with your family abroad?

Frequency	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.	Guy.	Col.
Two or more times per week	25	25	28	54	1	14	28	45
Once a week	28	43	36	29	11	37	27	28
Once every two weeks	19	15	16	6	39	27	16	11
Once a month	17	15	17	6	29	18	15	12
Rarely	10	3	3	6	20	5	14	4

Source: Same as Table 2.1

Table 2.16 – Approximately how long is each call?

	Guat.	El Sal.	Nic.	Dom. Rep.	Cuba	Ecua.
Less than 5 min.	1	7	18	8	0	6
6-10 min.	3	20	29	19	19	17
11-20 min.	25	31	13	22	61	30
20-30 min.	24	25	17	18	19	28
More than 30 min.	47	19	24	32	1	20

Source: Same as Table 2.1

Summary

Three important findings about remittance recipients include: (1) there are mostly similarities among Latin American and Caribbean remittance recipients; they receive money from immediate relatives, for the past three years, use the money for basic needs, and the recipient is predominantly a woman; (2) the majority of recipients have a savings account and to a lesser extent a checking account. People from Colombia and Guyana distinguish themselves in that more than one-third have debit cards, too; and (3) their level of contact is predominantly by phone and sending home country goods to migrants abroad. Relatives from the Dominican Republic appear to be more connected with their families particularly through regular phone calls to the country. This last aspect coincided also with the extent of phone calls made by senders.

3. Intra-regional Remittance Flows

Although international migration predominantly involves people moving from developing countries to more industrial economies (IOM, 2005), intra-regional migration also develops in many areas of the world. These varying patterns occur because migration is first and foremost a function of local regional economic demands and supply of foreign labor, as well as of additional factors such as political instability and short-term crises.

In Latin America and the Caribbean, for example, there are different regional labor markets. The United States is the primary market and it is estimated that 80 percent of remittances to Latin America come from this country (IADB, 2004). Other markets, although smaller in volume, reflect a pattern of regional economic integration. Intraregional flows of remittances represent approximately 10 percent of total flows. For example, there are at least three foreign labor markets in the Caribbean: Haitian workers in the Dominican Republic, Dominican workers in Puerto Rico, and English Caribbean workers from Guyana and Jamaica, among others, in Trinidad and Tobago. In Central America, there are two foreign labor markets: Guatemalans to Mexico, and Nicaraguans and Colombians in Costa Rica. In South America there are several markets: Colombian workers in Venezuela and Ecuador, Paraguayans and Bolivians in Argentina, Paraguayans, Peruvians, and other South Americans in Brazil, and Peruvians in Chile.

These migrant groups share characteristics with those workers moving outside regional markets. Some differences lie in the size of amounts sent, and in some cases, the seasonal cross-border flow. Immigrants in these countries, as well as in wealthier countries, often lack legal status and consequently accept short-term, poorly paid, and dangerous jobs. However, in contrast to larger and more diverse economies, the three middle-income countries presented below, Costa Rica, Dominican Republic, and Argentina, are more fragile and prone to greater cyclical shifts, and have less diversified sources of wealth. Migrants at the bottom of the national income scale in these three countries earn far less on average than their compatriots at the bottom of the economic scale in the developed countries. Still, migrants' remittances are significant, in terms of both absolute income flows and the support they afford to vulnerable populations

A) NICARAGUANS IN COSTA RICA

Nicaragua is historically a poorer country than Costa Rica. By early 2000, Costa Rica's economy of 2.5 million people was eight times greater than that of Nicaragua, with 5 million people. The strength of the Costa Rican economy and its demand for foreign labor in the agriculture and service sectors, as well as the prevailing economic and political instability in Nicaragua, has led to a significant inflow of migrants. Four distinct Nicaraguan crises catalyzed this movement: the 1972 Nicaraguan earthquake, the 1978 civil war to overthrow the Somoza dictatorship, the 1980s period of the Sandinista Revolution and more recently, the effect of post-war reconstruction, globalization, and Nicaraguans' greater demands for employment.

According to the Costa Rican census office, there were some 236,000 Nicaraguans in the country by 2000, however, many experts agree that the number is far higher and today approaches 400,000 (Morales, 2002). Nicaraguans in Costa Rica are concentrated in the capital, San Jose, with significant numbers residing in a large neighborhood south of the city, La Carpio. Other Nicaraguans work in the northern Costa Rican province of Guanacaste as agricultural laborers. The volume of remittances they send may amount to US$200 million.

Nicaraguan immigrants in Costa Rica send money on a regular basis. According to a survey conducted by the author, on average they send US$70 a month, an amount that represents 20 percent of their monthly income (table 3.1).

Approximately 47 percent of Nicaraguan remittance senders who live and work in Costa Rica send money to their parents (table 3.2). Spouses and children are the respective second and third largest groups of recipients in Nicaragua.

Table 3.1: Distribution of amount sent per remittance

Amount	Percent
US$1 - 50	30.4
US$51 - 100	44.9
US$101 - 150	11.6
More than US$150	9.7
Not Answered	3.4
Total	100

Source: Data from Manuel Orozco's 2003–2004 survey of Nicaraguans in Costa Rica. Survey administered by Borge y Asociados in San Jose, Costa Rica. See survey methodology at end of the report.

Table 3.2: Who is the principal recipient of your remittances?

Recipient	Percent
Parent	47.3
Spouse	21.7
Sibling	17.9
Other Family Members	5.3
Child	4.3
Not Answered	2.4
Grandparents	0.5
Friends	0.5
Total	100

Source: Same as Table 3.1

At 95 percent, the vast majority of Nicaraguan remittance senders reported that the recipients used the funds to cover basic living expenses. Typically, this income goes toward providing food and clothing for those dependant on the sender: 57 percent indicated that money is spent on food, while 28 percent said that they use the money to buy clothing. Another characteristic of this group is that 48 percent of senders have been providing income for dependants in Nicaragua between 1 and 3 years (table 3.3).

Table 3.3: How long have you been sending remittances?

Time	Percent
Between 1 and 3 years	48.3
Between 4 and 6 years	23.7
Between 7 and 9 years	10.1
Between 10 and 12 years	5.3
Less than a year	4.3
More than 15 years	2.9
Not Answered	2.9
Between 13 and 15 years	2.4
Total	100.0

Source: Same as Table 3.1

The remittance marketplace is relatively underdeveloped. There is a large informal market for sending remittances with travelers, small entrepreneurs, and collective transport businesses moving from Costa Rica to Nicaragua. The cost of sending remittances from San Jose using licensed businesses like Western Union or local Costa Rican banks averages around 10 percent of the amount sent (Orozco, 2003e).

Like Haitians in the Dominican Republic, Nicaraguans living and working in Costa Rica maintain ties with their home country through visits and telephone calls. Approximately two-thirds of Nicaraguans living in Costa Rica return home at least once a year and 20 percent travel two times or more (table 3.4). The length of stay varies, with 17 percent staying less than a week, 56 percent staying between two and three weeks, 6.3 percent staying between three weeks and two months, and 4.3 percent staying more than two months.

Table 3.4: How often do you travel to your country?

Frequency	Percent
3 or more times per year	9.2
Twice a year	10.6
Once a year	44.4
Once every two years	9.7
Once every three years	2.9
Very infrequently	8.2
Never Traveled Home	14.5
Not Answered	0.5
Total	100.0

Source: Same as Table 3.1

When they return home, Nicaraguans spend above and beyond for gifts to the family and friends. Most spend less than US$1000 per trip (table 3.5).

Most Nicaraguans in Costa Rica call home either once a week or once every two weeks (table 3.6). More than 90 percent of the phone calls last less than 20 minutes; 44 percent callers reported that their conversations lasted between six and ten minutes.

Table 3.5: How much do you spend during each stay in Nicaragua? (Not including gifts for family and friends)

Time spent	Percent
US$ 1,000 or less	77.8
Never Traveled	14.5
Not Answered	4.3
Less than US$ 2,000	2.9
More than US$ 3,000	0.5
Total	100.0

Source: Same as Table 3.1

Table 3.6: How often do you call your family or friends in Nicaragua?

Frequency	Percent
Once every two weeks	29.5
Once a week	27.1
Very infrequently	16.4
Once a month	15.0
Two of more times per week	5.8
Do not call	3.4
Not answered	2.9
Total	100.0

Source: Same as Table 3.1

As the relevance of the Costa Rica-Nicaragua corridor grows among businesses and immigrants, innovative strategies are being promoted. One promising development entails the increased use of credit unions in providing remittances through the Nicaraguan credit union system, particularly in rural areas. Another innovative initiative has come from Banco Uno, a regional bank that offers remittances to Nicaraguans for free in exchange for opening bank accounts and using debit cards for the transfer. This effort addresses in part the fact that the majority of Nicaraguan senders, 76 percent, do not own bank accounts. Remittances have also created a debate among anti-immigration groups in Costa Rica, which are arguing for a tax on remittances. This proposal is unlikely to move forward, but advocates are increasingly concerned about the need to implement more sound binational strategies on remittances and migration that do not harm immigrants.

B) HAITIANS IN THE DOMINICAN REPUBLIC

Similar to the case of Nicaraguans in Costa Rica, Haitians have a long history of migrating to the Dominican Republic. This cross-border flow has increased considerably during the past 20 years due to the economic and political crisis affecting Haiti. An estimated 600,000 Haitians live in the Dominican Republic. They live mainly in the border areas between the two countries and in Santo Domingo, working predominantly in the service industry and in the informal economy. Migration to the Dominican Republic has created a cohort of Haitian immigrants with a demand for services, including the sending of remittances and other goods, as well as the provision of other related services (Sillie, 2003). Haitians have also created small businesses operating in the Dominican Republic, which provide services to businesses in Haiti.

Remittances from the Dominican Republic are transferred predominantly through informal mechanisms via individual entrepreneurs who operate on the border between the two countries. These entrepreneurs are also financial intermediaries who lend money to Haitians in both countries and provide other commercial services. The underdeveloped nature of this market is significantly costly, as it provides little value added to the currency transferred.

According to a survey conducted by the author of sending remittances from the Dominican Republic to Haiti, 56 percent of Haitian remittance senders in the Dominican Republic indicated that they use family or friends rather than money transfer companies to deliver the money to their destination in Haiti (table 3.7). Like Nicaraguans in Costa Rica, only a very small percent have bank accounts (13%). Among those with bank accounts, 24 percent have a savings account.

The volume of the remittance flow is near US$100 million. The mean quantity Haitians send is about US$96, while the median is US$67, similar to Nicaraguans. The bulk of remittances, nearly three-quarters of all remittances sent, are less than US$100 (table 3.8).

Table 3.7: What company do you use to send remittances?

Means of transfer	Percent
Friends or Family	55.6
Caribe Express	16.4
Vimenca Western Union	10
Caribe Tours	8
Remesas Dominicana	2.8
La Nacional	2.8
Unitransfer	1.6
Cam	1.2
Quisqueya	0.8
Galmeni	0.4
Abreu Y Collado	0.4
Total	100

Source: Data from Manuel Orozco's 2003–2004 survey of Haitians in the Dominican Republic Survey administered by Emmanuel Silvestre and Associates, Santo Domingo, Republica Dominicana.

Table 3.8: Distribution of amount sent per remittance

Amount	Percent
US$1-50	34.4
US$51-100	38.8
US$101-150	10.4
More than US$150	16.4
Total	100.0

Source: Same as Table 3.7

Moreover, like Nicaraguans in Costa Rica, Haitians predominantly send money to their parents in Haiti (52%, see table 3.9). A significant number, 20 percent, also send to their spouses.

Table 3.9: Who is the principal recipient of your remittances?

Recipient	Percent
Mother/Father	52.4
Spouse	20.4
Sibling	16.8
Child	5.2
Other Family Members	2.8
Grandparents	2.4
Total	100.0

Source: Same as Table 3.7

The ratio of male to female senders is three to one. Slightly more than half of all Haitian senders are less than age 30. Remittances are sent primarily to Port-au-Prince, followed by Cape Haitien (table 3.10).

Table 3.10: What is the city of destination for your remittances?

City	Frequency	Percent
Puerto Principe	101	40.4
Cape Haitian	64	25.6
Gonaives	23	9.2
Jacmel	16	6.4
Saint Marc	14	5.6
Hinche	14	5.6
Artibonite	8	3.2
Les Cayes	7	2.8
Jérémie	3	1.2
Total	250	100

Source: Same as Table 3.7

Virtually all of the surveyed Haitian senders indicated that providing for the basic needs of family was the primary reason they chose to send remittances. The funds are allocated for food by 98 percent of recipients and clothing for 70 percent of recipients. Similar to Nicaraguans in Costa Rica, Haitian migrants in the Dominican Republic have most commonly been sending remittances between one and three years (table 3.11).

Table 3.11: How long have you been sending remittances?

Time	Percent
Less than a year	9.6
Between 1 and 3 years	38.4
Between 4 and 6 years	24.8
Between 7 and 9 years	10.4
Between 10 and 12 years	3.6
Between 13 and 15 years	4.4
More than 15 years	6.8
Not Answered	2.0
Total	100.0

Source: Same as Table 3.7

Apart from sending remittances, Haitians in the Dominican Republic maintain ties with their home country through visits and telephone calls. More than 55 percent of Haitians living in the Dominican Republic visit their country of origin at least twice a year (table 3.12). Another 20 percent visit once a year, bringing the percentage of Haitians in the Dominican Republic traveling home on at least a yearly basis to 76 percent. The length of stay varies, with 27 percent staying less than a week, 36 percent staying between two and three weeks, 15 percent staying between three weeks and two months, and 10 percent staying more than two months.

Table 3.12: How often do you travel to your country?

Times traveled	Percent
3 or more times per year	26
Twice a year	30
Once a year	20.4
Once every two years	5.2
Once every three years	2.4
Very infrequently	12.4
Never traveled	3.6
Total	100.0

Source: Same as Table 3.7

While on travel in their country of origin, Haitians spend a significant amount of money above and beyond gifts to the family and friends (table 3.13). While approximately 20 percent reported spending less than US$1000, 41 percent spend between US$1000 and US$2000 per stay.

Table 3.13: How much do you spend during each stay in Haiti? (not including gifts for family and friends)

Amount	Percent
US$ 1,000 or less	19.6
Less than US$ 2,000	41.2
More than US$ 3,000	5.6
Never Traveled	3.6
Not Answered	30
Total	100.0

Source: Same as Table 3.7

Approximately 26 percent of the Haitians surveyed call Haiti two or more times per week (table 3.14). Another 27 percent calls home once a week. Haitians call home using different types of phone services. More than 90 percent of the phone calls last less than 20 minutes. Telephone booths and cellular phones are the most often used method for calling.

Table 3.14: How often do you call your family/friends in Haiti?

Frequency	Percent
Two of more times per week	25.6
Once a week	27.2
Once every two weeks	12
Once a month	7.2
Very infrequently	13.2
Not answered	14.8
Total	100.0

Source: Same as Table 3.7

The presence of Haitians in the Dominican Republic is a historically contentious issue for Dominicans. The racial tension between the countries, a shared early political history, early Haitian occupation of the Dominican Republic, and the large flow of immigrants escaping poverty, political turmoil, and natural disaster, have created a difficult relationship.

Some policy initiatives have included the creation of export processing plants in the border between both countries; however, little has transpired. As instability continues in Haiti, remittances from the Dominican Republic are of key importance in cushioning a stagnant economy and a relatively failed state.

c) Paraguayans in Argentina

A significant number of Paraguayans have immigrated to Argentina and they make up another intraregional flow in the Americas. There have been few studies oriented to the heavy exchange of laborers and remittances between the two countries. A study conducted by the Paraguayan micro-finance institution, El Comercio, showed that 20 percent of its clients receive remittances. According to El Comercio, which operates in Paraguay as an agent for Western Union, Paraguayan immigrants are typically women from poor, rural areas of Paraguay who do domestic work in the informal sector.[4] Most often, remittances are sent on a monthly basis to siblings who are then responsible for administrating the money to cover the needs of all the beneficiaries.[5]

Remittance recipients using El Comercio predominantly receive money from Argentina. While Argentina has been a historically important destination for Paraguayan emigrants in search of better economic and professional opportunities, the process has intensified recently. Seventy-seven percent of the people surveyed have received remittances for the past three years.

Similar to the intraregional remittance flows in the other two discussed previously, Paraguayans in Argentina most often utilize informal mechanisms to send a portion of their income home to family. Only 8.5 percent of recipients reported that they obtained remittances from Argentina through formal channels. Within Paraguay, recipients seldom use savings accounts, debit accounts, and credit cards.[6]

The results from these intraregional patterns suggest that remittance sending operates along similar trends to those in international flows. The key difference is in the amount sent, which is a function of the earnings made in the host country. These findings also offer a preliminary outlook of the possible trends and practices occurring among immigrants in regional economic centers, such as Costa Rica, the Dominican Republic, and Paraguay.

[4] Study carried out by El Comercio
[5] El Comercio WU Encuesta
[6] El Comercio WU Encuesta

Summary

Regional labor markets tie migrants between countries within Latin America and the Caribbean. The migrants who transit these intraregional circuits typically move from less well off to better off nations where they often lack legal status and work in short-term, poorly paid, and dangerous jobs Still, the three middle-income countries discussed in this report – Costa Rica, Dominican Republic, and Argentina – are fragile and prone to cyclical shifts. And the migrants, in consequence, earn less than immigrants who go to more developed economies such as the United States.

Nicaraguan migration to Costa Rica is a prototypical movement for higher income with a long history boosted by natural and political disasters. Most Nicaraguans send money on a regular basis averaging US$70 a month or 20 percent of their monthly income. They travel often as well, two-thirds returning to visit once a year or more. There is a large informal market for sending remittances even while the cost of sending through licensed businesses averages around 10 percent of the amount sent, which is relatively low. The low use of banks is consistent with this aversion to the formal sector. Haitians also have a long history of migration to the bordering Dominican Republic, again bolstered by economic and political crises. Nearly US$100 million is remitted with the average sent being US$96. Mobility is high, with about three-quarters of Haitians traveling home on at least a yearly basis. The majority of Haitians remit through family or friends and, like Nicaraguans in Costa Rica, only a very small percent has bank accounts. Again, the underdeveloped nature of the formal remittance market means that remittances provide little value added to monies directly sent to help with basic expenses. The final pair of nations addresses the understudied movement of Paraguayans to Argentina. Again, less than one-tenth of recipients reported that they obtained remittances through formal channels and, in parallel, within Paraguay there is little connection to formal sector banking services.

What these intraregional studies suggest is that there are some fundamental similarities with US/Latin American patterns, as well as basic differences. The average amount remitted is, expectedly, much less than that sent by US migrants south, but the share of the migrants' income is about the same. And while the monies are sent to immediate family members, parents seem more favored in these intraregional transactions, while the expenditure of remittances appears even more oriented toward covering basic needs. Yet, transnational activities, particularly trips home and phone calls are, if anything, more frequent than the case for US migrant activity with their homes. For the most part, the nature of these flows is significantly more informal compared with the US marketplace with a corresponding need for policy interventions in the remittance market to optimize the benefits of the flow.

4. Analyzing Trends and Factors of Transnationalism and Remittances

As the previous chapters have shown, there exists an important relationship between transnational migrants and their families. Here we analyze the extent to which the 5Ts represent the key levels of engagement, as well as the factors associated to remitting and to saving and investing. Because remittances are foreign savings, their association to finance is an important one in so far as it has an impact in development by virtue of finance wealth reproduction. Finally, we analyze the extent to which macro-economic indicators determine remitting behavior. The micro-dynamics analyzed so far respond to economic behavior in the transnationalized economies and thus offer clues for economic policies in the recipient country.

A) Transnational Engagement in Perspective

Economic development is a complex process that involves integrating a range of actors and institutions to implement sound long-term strategies. The process may involve integrating new players and accommodating changing realities. The complex nature of development and the ability to adapt policies to variations over time, and to focus on country-specific realities, are critical issues in the field of social change and within the context of globalization.

This complex reality takes on critical importance in Latin America and the Caribbean, where the shifting dynamic of transnational migration affects the economies of this region. Migration in Latin America to the United States, Canada, Europe, Japan, and other areas of the world is largely a consequence of the failures of development but also of the impact of globalization (Orozco, 2002). Prevailing inequalities – a pervasive historical reality – has provoked large emigrant populations. However, the economic activities that immigrants engage in with their home countries re-position their roles in concrete ways, while simultaneously helping their home country economies stay afloat.

What is the extent of engagement between immigrants and their home country as described in the first section?[7] A preliminary approach to answer such a question consists of measuring the level of transnational engagement among migrants. Thus far, we have examined engagement as the share of actors involved in various activities that represent regular contact with the home country. The percentage considered here is considered for ten dichotomous variables, that is, whether the person participates in the activity or not. Table 4.1 below lists the variables used as proxies for transnational engagement.

Table 4.1: Immigrant remitters who . . .

1. Travel at least once a year
2. Spend more than one thousand dollars per stay
3. Call at least once a week
4. Buys home country goods
5. Helps family meet other financial needs
6. Helps family pay for mortgage loans
7. Has a mortgage loan in home country
8. Has a bank account in home country
9. Has a small family business in home country
10. Belongs to a hometown association

Table 4.2 shows the engagement immigrants have with their home country on issues relating to family contact, financial activities, and other relationships such as buying home country goods or belonging to a HTA. As the table shows, at least one-third of immigrants participate in five kinds of activities, namely, sending more than US$300 (31%), visiting their home country (32%), calling home (61%), buying home country goods (73%), and having a savings account (27%). Moreover, 60 percent of those visiting their country spent over US$1,000 during their stay. It is important to note that the percent of people who participate in HTAs is among the smallest of all the activities.

[7] It is important to keep in mind that this report has focused predominantly on the extent of transnational ties between senders and recipients; it did not analyze those immigrants who do not send remittances and yet do maintain other kinds of contacts. This group includes many community leaders and members of HTAs who, in lieu of sending money to their families, seek to help their hometowns and raise funds for that effort.

Table 4.2: Immigrant engagement with home country, *percent of all remittance senders*

Country	Travels once a year	Spends over $1000	Calls once a week	Sends over $300	Buys HCG	Has savings account	Has mortg. loan	Owns a small bus.	Helps family mort.	Belongs to HTA
Colombia	34	61	80	27	88	39	12	5	21	6
Cuba	13	50	48	15	29	2	2	2	1	
Ecuador	51	90	98	33	95	55	14	1	24	10
El Salvador	24	61	41	32	66	16	13	3	13	2
Guatemala	9	48	56	43	50	19	4	2	1	3
Guyana	45	54	42	33	84	48	18	8	21	29
Honduras	12	43	57	8	74	16	12	4	8	7
Mexico	23	70	66	46	86	21	3	2	5	2
Nicaragua	19	26	70	13	83	5	6	3	7	4
Dom. Rep.	69	64	77	17	65	29	6	3	13	3
Bolivia	13	91	33	21	70	10	36	4	31	1
Jamaica	69	58	75	42	64	58	15	2	16	16
LAC	32	60	*61*	*31*	*73*	*27*	10	3	12	6

Source: Same as Table 1.1

These results are indexed below by creating four categories of engagement, namely, no engagement, minimum, significant, and highly engaged. Minimum engagement is defined as representing those who maintain up to three kinds of activities. Significantly engaged are those who maintain four to six activities, and highly engaged applies to those involved in seven to ten of the activities identified. The results appear in Table 4.3. On the aggregate, half of Latin American remittance senders appear to be engaged with their country. The rest are involved minimally or significantly. The relevance of these results is twofold, first, that generally people are connected in more than one kind of relationship with the home country (50%). Second, the five most important levels of engagement are the five Ts of transnationalism. Third, the level of engagement varies across immigrants. Dominicans and Jamaicans are more actively engaged with their hometowns than other groups.

These results give more realism to transnational relations and highlight the importance of addressing policy opportunities. Moreover, these transnational ties make it more imperative to establish a dialogue among migrants, governments, the private sector, civil society, and the international community. Just as the economic contributions of migrants to their home countries are significant, their participation in the policy debate should make them development stakeholders with voice and authority.

Table 4.3: Level of engagement with home country, *percent*

Country of origin	No engagement	Basic or minimum engagement	Significantly engaged	Highly engaged
Dom. Rep.	11	42	45	2
Jamaica	17	33	41	10
Ecuador	28	8	58	6
Guyana	33	28	31	8
Colombia	50	19	24	6
Total	51	25	21	3
Nicaragua	57	35	7	
El Salvador	59	27	13	1
Mexico	62	18	18	1
Honduras	64	23	13	
Cuba	71	28	1	
Guatemala	72	18	9	
Bolivia	84	10	3	3

Source: Same as Table 1.1

B) MICRO-DETERMINANTS OF REMITTANCE SENDERS IN THE UNITED STATES

Although transnational engagement reflects a density of relations, remittance transfers continue to be the key link between migrants and their families. Understanding the micro-determinants of remittance sending and the relationship to the 5Ts can shed light on policy opportunities in the development context.

Each of the various mechanisms associated with remitting can be shown to bolster or reduce remittances. But which of the various factors discussed thus far play the most substantial role in the flow of dollars from the United States to Latin America and the Caribbean? A regression analysis of this sample of senders in the United States permits an assessment of which of multiple factors plays a part in remitting behavior. Of course, the nature of the sample must be kept in mind. It includes a random-type sample of individuals who are known to remit and who remit through formal channels. The sample does not include individuals who remit through informal channels, but then random samples suggests that perhaps these are no more than about one-fifth of today's remitting population.

Correlates of Total Amount Remitted

Table 4.4 shows a regression analysis of the total amount of dollars that individuals report remitting in the past year. It is calculated by multiplying through the average amount remitted at any one time and the total number of times individuals report sending money in the past year. The natural log of that yearly amount is the dependent variable which permits the independent variables to be interpreted in percentage terms. The regression itself is reasonably robust, explaining nearly one-quarter of the variance in the amount remitted. The regression examines the demographic characteristics of the senders in the sample, as well as who they remit to, their banking behavior, and their actions on the "Ts" of development. Earnings are omitted because too few individuals responded to this question. The sender's age and education proxies for income to some extent, albeit imperfectly. Differences between senders by national origins, relative to Mexico, are controlled for as well.

The association between remitting and the demographic characteristics of senders are pretty much those that have been found with other samples. Females remit about 9 percent less than males. The yearly amount of monies remitted increases about 5 percent for each year of age which makes sense as earnings increase with age. However, much older people remit a little less each year. This is similar to the earnings curve, middle-age individuals earn more than younger people, but as individuals near retirement age they begin to earn less. Also, the longer an individual has lived in the United States, a marker of integration, the less they remit. But the longer a person has been remitting the more money they remit. So each year the typical migrant lives in the United States reduces the amount sent by about 2 percent, but each year the typical person has been remitting increases the amount remitted by about 8 percent.

Like aging, however, at some point individual remitting tapers off after many years of remitting. These are not really conflicting findings. The over-riding tendency, supported by many other analyses, is for integration to reduce remitting. Yet, for those committed to remitting the amount remitted increases with successive years, up to a point, mirroring in a way the relationship between aging and remitting.

Table 4.4: Factors Associated with Yearly Dollars Remitted:
Percent Increase in the Natural Log of Amount Remitted

	B	Std. Error	
Age	0.045	0.012	***
Age squared	-0.001	0.000	***
Female	-0.085	0.040	**
Education, years	-0.010	0.008	
Time in USA, years	-0.019	0.007	**
Remit sent, number of years	0.081	0.016	***
Remit sent, years squared	-0.003	0.001	***
Number of persons in household	-0.022	0.012	**
Spouse	0.439	0.072	***
Child	0.276	0.073	***
Parent	0.178	0.060	**
Sibling	0.001	0.070	
Has a bank account	0.087	0.043	**
Has a savings account	0.237	0.048	***
Trips to home country, yearly	-0.037	0.032	
Purchased goods from home country	-0.043	0.044	
Telephone calls to home country, yearly	0.004	0.001	***
Guatemala	-0.232	0.097	**
El Salvador	-0.441	0.063	***
Honduras	-0.603	0.112	***
Nicaragua	-0.587	0.086	***
Colombia	-0.505	0.077	***
Ecuador	-0.286	0.116	**
Bolivia	-0.216	0.112	**
Guyana	-0.571	0.089	***
Dom Rep	-0.571	0.088	***
Cuba	-0.998	0.087	***
Jamaica	0.196	0.087	*
(Constant)	6.837	0.235	***
Model F		21.50	***
N		1934	

Note: Mexico is omitted country.
*** $p < 0.001$, ** $p < 0.05$, * $p < 0.10$

Who a person remits to is, perhaps, the most important factor behind the amount of monies remitted. The immediate family is known to be the major recipient of remittances. In fact, if money is being sent to a spouse the average amount remitted is 44 percent greater than the amount sent to other persons. And in many cases the spouse will also have children in the home. Nevertheless, if money is being sent to the remitter's children, who likely are living with family members other than the spouse, the amount remitted increases 28 percent.

Remitting to parents increases the amount 18 percent, but this appears to be at the extremes of remitting. There is no increase in the amount of money that siblings receive ("others" is the omitted category). In other words, the more immediate the family connection, the greater the amount remitted. This makes sense in that individual, often male, remitters need only meet their own living costs in the United States and their remittances are maximized to support immediate family. Note in this regard that increasing numbers of persons in the remitter's household reduces the amount remitted. These co-householders may be immediate or extended family members who share the burden of support of parents or others.

As far as the other "T"'s are concerned, the regression tests for the role of travel/tourism abroad, buying goods from home, and talking on the phone. The only significant variable is use of the telephone to talk to persons in the home country. Given the way this variable is measured, the implication is that every ten phone calls increase the amount of remittances by about 4 percent. So individuals who call home frequently appear to express their commitment to family members in several ways. Other markers of transnationalism, travel abroad say, have no significant effect in this regression.

There are two measures of banking relationship. Having a bank account increases the amount remitted by about 9 percent. Since only about 48 percent of the sample in the regression has a bank account, this says something about individual connections to the formal financial sector and the capacity to remit. Individuals who report having a savings account remit nearly one-quarter more dollars which also suggests that financial capacity increases remitting. Further, these markers of integration into the US financial market, which can be presumed to be correlated with the improved financial health of the migrants and their US communities, are not in conflict with remitting.

Finally, the control variables for the remitter's nation of origin indicate that, net of the factors above, practically all individuals remit less than migrants from Mexico (the omitted national origin). The difference can appear to be rather substantial, but then recall that these are amounts that are after controlling for compositional differences in the demographic, banking, etc., characteristics of individuals. They also reflect other unknown variables associated with each national origin. So it is not necessarily the case, for example, that Mexicans earn more (a variable not controlled for) than other national origins, but rather the well-known high circularity of Mexican migrants may reinforce their commitment to remitting.

Overall, these results are fairly well in line with the findings of other surveys of remitters and that improves confidence in the sample and the findings of this report. At the same time, this survey introduces new variables that have not been analyzed elsewhere. On the one hand, the finding that spouses and children receive more than others should not be surprising. On the other hand, these results indicate that transnationalism, as captured by the simple act of telephone calls home, can be a significant correlate of remitting behavior. And encouragingly, the fact that US banking behavior appears to be associated with increased remittances suggests that there does not need to be a conflict between investment in financial health in the United States and the support of family abroad.

Correlates of Sending Monies for Business and Loans

Table 4.5 shows the factors associated with monies sent that are earmarked for a small business or to pay a loan in the home country. These results are from a logistic regression where the dependent variable captures whether or not additional money was sent for the purpose of a business or loan. The correlates of sending money are measured in terms of "log odds," or the likelihood that a given variable increases or decreases the probability of money being sent for a given reason.

The model results show that the most important factor in sending money to pay off loans is whether or not the sender has a savings account in the home country. This result may reflect the fact that savings abroad are part of a small investment venture migrants keep in the home country; if the senders have a savings account in the home country they are 3.3 times as likely as senders without savings accounts to send money to support a business abroad.

Otherwise, monies sent to help pay off a loan abroad are affected somewhat similarly to general remittances. Education is associated with a decrease in the likelihood that a US migrant will choose to pay off loans abroad. And there is a reduction of 7 percent for each year that a migrant has been in the U.S. in the likelihood of sending moneys to pay off loans. But this is countered by the finding that each year of remitting is associated with a 20 percent increase in the likelihood that money will be sent to help pay off a loan. Yet, at some point increasing years of remitting is associated with a decreasing likelihood that monies will be sent to pay off loans. Also like the general results for the amount of remittances sent, senders giving to a spouse are 2.4 times more likely than those not sending to a spouse to give money to pay off loans. Finally, having a bank and a savings account substantially increases the likelihood that a sender will give moneys to help pay off a loan abroad.

Table 4.5: Factors Associated with Money Sent for Business or Loans:
Log Odds of Sending Money (Unknown Amount)

	Business	Loans
Age	0.98 *	1.00
Female	1.11	1.32 *
Education, years	0.95 *	0.95 *
Time in USA, years	1.00	0.93 **
Remit sent, number of years	1.02	1.20 **
Remit sent, years squared	1.00	0.99 *
Number of persons in household	1.02	1.00
Spouse	1.06	2.44 ***
Child	0.58 *	1.51
Parent	1.30	1.06
Sibling	1.18	0.94
Has a bank account	1.26	2.07 ***
Has a savings account	3.26 ***	3.41 ***
Trips to home country, yearly	1.06	0.97
Purchased goods from home country	1.05	1.35 *
Telephone calls to home country, yearly	1.00	1.00
Guatemala	0.91	0.17 *
El Salvador	1.58 *	3.10 ***
Honduras	0.82	2.15 *
Nicaragua	0.54	2.00 *
Colombia	1.01	2.60 **
Ecuador	0.50	2.21 *
Bolivia	2.99 **	6.72 ***
Guyana	1.67 *	4.31 ***
Dom Rep	0.67	2.45 **
Cuba	0.62	0.90 ***
Jamaica	1.47	2.88 **
Constant	0.16 ***	0.02 ***
Model Chi-square	132.96 ***	297.50 ***
N	1999	1936

Note: Mexico is omitted country.
*** $p < 0.001$, ** $p < 0.05$, * $p < 0.10$

Like the analysis of the amount of remittances sent, these results suggest that US migrants with formal financial commitments are, in turn, more likely to send money. In these two outcomes, the moneys are targeted for what can only be considered investment purposes in the home country, e.g., running a business or paying off loans. Once again, this suggests that financial diversification is associated with perceived interests to, and knowledge of, making productive monetary contributions abroad.

C) MICRO-DETERMINANTS OF REMITTANCE RECIPIENTS

We now turn to the mirror image of the analysis of the sample of senders in the United States: individuals receiving monies in Central America. What are the characteristics of those receiving monies that are associated with increases in the amount received and in the receipt of targeted money? Once again, the sample is based on random interviews of individuals at formal money-transfer agencies and cannot generalize to those who receive their money through informal channels.

Correlates of the Amount of Money Received

The characteristics of persons receiving money in some ways are similar to those who send monies from the United States. Table 4.6 shows the regression results for the total amount of money received in the last year. The major difference between the factors analyzed for receivers and those for senders is the inclusion of income for the receivers, but the lack of variables on the family relationship of the receiver to the sender.

The amount of remittances received increases with the age of receivers; each year of the receiver's age is associated with about a 4 percent increase in the amount of remittances received. In parallel fashion, the number of years that monies have been received increases the yearly amount, by about 10 percent, albeit there are decreasing returns as the number of years grows.

The amount of money received decreases with the recipients education, each year of education reduces the amount received by about 3 percent. This is like the findings for the senders and, once again, reinforces the more general observation that well-educated persons are least likely to be involved in the remittance phenomenon. Interestingly, and net of education which is highly correlated with income, there is no significant relationship between the recipient's income and the amount of remittances received.

Table 4.6. Factors Associated with Yearly Dollars Received:
Percent Increase in the Natural Log of Amount Received

	B	Std. Error	
Age	0.036	0.011	**
Age squared	-0.0005	0.000	***
Female	0.056	0.067	
Education, years	-0.032	0.013	**
Remit receipt, number of years	0.099	0.024	***
Remit recepit, years squared	-0.005	0.002	**
Income $300 or more dollars, monthly	0.043	0.086	
Income $150-300 dollars, monthly	0.044	0.072	
Recepient has a banking acount	0.265	0.087	**
Recipient has a savings account	0.116	0.071	*
Trips to USA, yearly	0.105	0.055	**
Sends or takes goods to USA	-0.056	0.060	
Telephone calls USA, yearly	0.009	0.001	***
Guatemala	-0.248	0.149	*
El Salvador	0.333	0.115	**
Nicaragua	0.018	0.122	
Colombia	0.083	0.148	
Ecuador	0.147	0.110	
Domincan Republic	-0.661	0.119	***
Cuba	-0.276	0.160	*
(Constant)	6.383	0.305	***
Model F		15.350	***
N		1277	

Note: Guyana is omitted country.
*** $p < 0.001$, ** $p < 0.05$, * $p < 0.10$

The transnational "T"'s are correlated with the amount of remittances received. Trips to the United States by the recipient increase the amount of remittances received, despite the fact that it certainly costs substantial monies to make the trip. Curiously, telephone calls are again an important marker of transnational ties that are associated with increased remittances, each phone call increases the amount received by about 1 percent.

Finally, whether or not a recipient has a banking or savings account is correlated with the amount of remittances. Recipients with a banking account receive 27 percent more than recipients without banking accounts. Those with a savings account receive about 11 percent more than those without a banking account. These findings also suggest that, while individuals with formal financial relationships are in the minority, they are, nevertheless, apparently better at managing all aspects of their financial holdings.

Correlates of Receiving Monies for Business and Loans

Table 4.7 explores the characteristics of migrants and targeted monetary transactions on the likelihood that receivers run a business, pay off a loan, or hold a savings account. For business activity, for each year of age a recipient's likelihood of running a business is about 1.2 times greater. There is a trivial reduction, in this sample, in the likelihood of running a business at older ages. Female recipients are substantially less likely than males, 39 percent, to run a business. Moreover, the number of years that remittances have been received increase by 1.1 times each year the likelihood that the recipient runs a business. Perhaps not surprisingly, recipients who run a business are significantly more likely to have a higher income. This finding may suggest that as recipients improve their social condition by purchasing better goods, over time they are able to increase their disposable income and allocate portions for an investment. For example, individuals with US$320 in monthly earnings are more likely to run a business than individuals who earn less. The relevance of this finding is also highlighted by the result that having a bank account increases by 1.3 times the likelihood of running a business.

Individuals who take or send nostalgic goods to the United States are 1.8 times more likely to run a business as those who do not. This finding may offer clues about the issue that it is international commodity transactions that are an important business operation to recipients.

Most critically, the greatest likelihood of running a business occurs when a recipient reports that the senders' money has been targeted for expenditure for business purposes. Recipients who report getting money targeted toward business are seven times more likely to be running a business than those who do not report such targeted monies.

Table 4.7: Factors Associated with Money Received for Business, Loans, or Savings: Log Odds of Receiving Money (Unknown Amount)

	Business		Loans	
Age	1.167	***	1.114	**
Age squared	0.998	**	0.999	**
Female	0.614	**	0.691	*
Education, years	0.936	*	1.047	
Remit receipt, number of years	1.132	*	0.825	**
Remit recepit, years squared	0.993		1.011	*
Income $300 or more dollars, monthly	3.207	***	1.336	
Income $150-300 dollars, monthly	2.245	***	1.177	
Recepient has a banking acount	1.331	*	1.401	
Recipient has a savings account	1.101		1.166	
Trips to USA, yearly	1.148		1.370	**
Sends or takes goods to USA	1.790	**	0.944	
Telephone calls USA, yearly	1.000		0.998	
Money sent for business / loan / savings	6.979	***	10.702	***
Guatemala	0.416		0.134	**
El Salvador	1.028		0.936	**
Nicaragua	6.138	***	1.356	
Domincan Republic	1.420		0.607	
Cuba	1.451	**	0.000	
Ecuador	3.440	***	0.541	*
Colombia	1.800		0.626	
Constant	0.001	***	0.009	***
Model Chi-Square	223.862	***	205.138	***
N	1229		1237	

Note: Guyana is omitted country.
*** $p < 0.001$, ** $p < 0.05$, * $p < 0.10$

The business story is mostly repeated among recipients who report paying off a loan. Age and female status have much the same relationship. However, there is a reduction in the likelihood of paying off a loan of 17 percent for each successive year that remittances have been received. It is possible that such transactions may relate to the initial costs of a family member moving to the United States who incurs loans that are most likely to be paid off in the early years of the out migration. Over time, families pay off those loans and the monies sent from the United States can begin to be spent in other ways. Critically, recipients are 11 times more likely to be paying off a loan when they receive monies targeted for that purpose.

These results most clearly indicate that monies received for specific purposes have a substantial impact on the likelihood that that purpose will be carried out by the recipient. In this analysis, running a business and paying off loans are productive enterprises with strong pro-development impacts. And the "remittance" transaction process strongly impacts these outcomes.

D) MACRO-ECONOMIC DETERMINANTS OF REMITTANCE TRANSFERS

Do the micro-patterns analyzed in the first section and here above have a direct effect on the home country's economic growth? Can the movement of people become an indicator of economic development? The flow of remittances suggests positive answers.

Taking one region as an example, countries in Central America and the Caribbean have sought to integrate themselves into the world economy through four dynamics: nontraditional exports, the maquiladora phenomenon,[8] immigration, and tourism. As it has diversified in these four areas, Central America has ceased to be an exclusively agro-exporting region or a so-called after-dinner economy – that is, an exporter of coffee, sugar, and rum. Rodas-Martini (2000: 17) stresses this point in the relation between integration into the global economy and integration with the north. This is reflected in terms of "the commercial flows (manufactures, agricultural products, and tourism) and the flow of factors of production (illegal migration and foreign investment)."

From a more critical perspective, Robinson (2001: 529) argues that global changes in the form of flexible capital accumulation and the global division of labor have "resulted in an increased heterogeneity of labor markets in each location." In more specific terms, Robinson argues that one form of transnational accumulation is observed based on the entrance of new activities mixed with the model of global accumulation. For Robinson, the transnational model in Central America is observed through "production of export-processing factories (of clothes in particular), transnational services (especially tourism), export of non-traditional agricultural products, and remittances sent by Central Americans working in the United

[8] Establishing offshore plants (e.g. in Mexico) that carry out part or all phases of an industrial process for the parent company (e.g. located in the united States). This phenomenon often reduces the costs of production – costs of labor, energy, water, and raw materials.

States" (p. 539). In fact, in most countries of the region, almost half of GDP depends on these four factors, which have had a multiplying effect on other areas (see table 4.8).

Table 4.8 Central America in the Global Economy, 2003, *US$ millions*

	Guatemala	El Salvador	Honduras	Nicaragua	Costa Rica	Dominican Republic
(a) Remittances	2,147	2,122	867	700	321	2,325
(b) Merchandise exports (not including maquiladora)	1,448	171	377	122	4,636	428
(c) International tourism	646	514	341	155	1,424	3,595
(d) Maquiladora	223	1,873	655	433	1,465	4,399
(e) Non-traditional exports	965	1,092	300	50	-	612
(f) Official development assistance	247	192	389	833	28	69
(g) GDP current	24,730	14,879	6,978	4,083	17,427	16,541
(a + c + d + f) / g	17%	39%	37%	53%	19%	67%

Source: Inter-American Development Bank, country profiles; for data on official development assistance, World Bank, World Development Indicators 2003; CEPAL 2003.
a. Maquiladora numbers refer to 2000. b. Data for 2001.

Within the context of migration, however, little is known about whether there exist macro-economic determinants on remittance transfers. Numerous studies have examined the individual determinants of the decision to remit (de la Garza and Lowell, 2002; Marcelli and Lowell, 2005; Lowell and Orozco, 2004). But rather few have examined the macro-level variables associated with the flow of remittances. Some analysts suggest that foreign exchange and interest rates affect remittance flows (El-Sakka, 1999) based on the assumption that the cost of sending monies affects aggregate remittance decisions. Overall, however, there are very few studies analyzing these relationships at the aggregate level (Rappoport and Docquier, 2004). One way to explore the various hypotheses is by using macro-economic data that tests certain variables such as unemployment, inflation, foreign exchange, and interest rates.

Inflation is an indicator that would test local conditions in the home country and its predictor would be positive, that is, as prices increase, remittance flows move upward. Unemployment in the host country would have a negative value. As unemployment in the migrant receiving areas increases, the condition or capacity to remit decreases as it becomes harder for an immigrant to send money. El-Sakka (1999) has also explored the role of foreign exchange and interest rates. He tested whether remittances increase when a country's interest rate changes and also when the foreign exchange rate differential between black and official markets increase.

This analysis looks at these issues using data from January 1999 to January 2004 to analyze the possible patterns between remittance transfers and a few economic factors that are thought to affect remittance. Data gathered consists of figures for:

Table 4.9: Data Sources on macro-economic indicators

Variable	Source
Monthly unemployment in the U.S. among	US Labor Dept. (all Latino immigrants)
Per capita total earnings (sum of all weekly earnings over total population)	US Current Population Survey (by nation of birth)
Monthly remittance transfers	Central Banks
Consumer price index	IMF statistics
Foreign exchange	IMF statistics
Interest lending rate	IMF statistics

The data analysis looks at Mexico, Colombia, Dominican Republic, El Salvador, Guatemala, and Jamaica. All of these nations have been affected by the 2001 recession and drop in tourism after the terrorist actions of 9/11 that hit the United States. Mexico has been impacted by unfavorable changes in US demand for imports. The Dominican Republic entered a severe economic recession connected to the decline in tourist revenue since 2001 and a banking crisis that bankrupted four institutions and affected foreign exchange, savings, and access to capital. Moreover, Latinos have been severely affected by the economic recession that started in 2001 which increased their unemployment rates and decreased their earnings (Kockar, 2005). The juncture of the crisis serves as a test to explore whether variations in exchange rate, inflation, or interest rates may affect the decision to send remittances.

The analysis employs a multiple regression of pooled cross-sectional and time-series data for six nations for which data is readily available. While results for individual nations are not examined, the pooled regression generates more robust results based on the increased observations of the pooled data. The main equation is presented as follows:

$$R_{it} = WgPrCap_{it} + HspUn_{it} + CPI_{it} + FX_{it} + IR_{it}$$

Where the subscripts refer to i = nation and t = month, and where:

R_{it} = Remittance transfers to each nation
$WgPrCap_{it}$ = Sum of weekly wages per capita, US immigrants
$HspUn_{it}$ = Unemployment in the U.S., all Latino immigrants
CPI_{it} = Consumer price index in receiving nation
FX_{it} = Foreign exchange (nominal) in receiving nation
IR_{it} = Interest lending rate in receiving nation

The monthly data are collected from the official sources mentioned above. Further, note that the data for per capita wages and unemployment are for immigrants in the United States. The unemployment rates vary only across time, while the per capita earnings vary across time and are specific to each nation's expatriate population in the United States.

Table 4.10 shows the results of the pooled analysis.[9] Both the dependent and independent variables are the natural log of the variable specified which permits the results to be easily interpreted. The findings in this model show that economic conditions in the United States play either less of a role and/or differently than might be anticipated. Whereas earnings are a major predictor of the volume sent by individual remitters, at the aggregate level total per capita earnings are not significant here.[10] Further, Latino unemployment rates are positively associated with remittances. While this may seem non-intuitive at first, it is also consistent with the findings elsewhere that remittances demonstrate a counter-cyclical pattern (Ratha, 2005). In other words, to the degree that the recession impacted these nations in parallel

[9] These parameters are generated by a one-way (within) fixed estimation which is more efficient than a random effects model (the Hausman test rejects the hypothesis of no difference between the fixed and random effects models).
[10] We would not rule out the possibility that a better measure of earnings might result in a different outcome.

fashion to the United States, remitters react to counter the loss in income in the receiving countries.

In fact, the regression results show that the current price index (CPI) is statistically significant and has the largest impact on remittances. This result indicates that immigrants mostly respond to economic conditions that directly affect daily activities, such as price changes in every day activities. This result is consistent with the evidence that the majority of remittances transferred go to cover basic household needs. A 1 percent increase in the CPI is associated with a threefold increase in remittance volume. At first blush this seems highly unlikely; yet, CPIs have been at historic lows in these countries while measured remittances have been growing at an historic, even nonlinear clip.

Table 4.10: Macodeterminants of Remittance Volumes for Mexico and Central American Nations, Log-Log and One-Way Fixed Effects for Various Months 1999 to 2004

Variables	B	Std. Error	
Constant	-10.697	1.493	***
Earnings per capita	0.227	0.222	
Unemployment	0.622	0.182	***
CPI	3.182	0.406	***
Interest rates (RX)	-0.698	0.238	**
Lending	-0.233	0.082	**

* Mexico, Colombia, Dominican Republic, El Salvador, Guatemala, Jamaica
Statistical notes:
(1) N=359
(2) Model F(5,348) = 99.6
(3) Hausman chi2(5) = 1596.0*** (H0: fixed and random same)
(4) *** p<0.001, ** p<0.01, * p<0.1

At the same time, in addition to inflation, interest rates also are relevant to remittance flows. This may be consistent with the fact that remittance sender and recipient households save or invest a portion of their money for some economic activity in the home country, for which they demonstrate an interest in lending rates. Persons remitting for the purpose of, say paying off loans in the receiving country, may be averse to sending money for those purposes when lending rates increase. Indeed, an increase in the interest costs of lending lowers remittances. In a like fashion, unfavorable exchange rates also deter remittances.

Remittances to the nations examined here are mostly affected by fluctuations that directly affect a household, such as price variations.

Summary

This chapter considers several methods of extending our knowledge about the extent of transnational linkages and, importantly, their ramifications for remitting and other financial behaviors. First, we analyze the extent to which individuals from different nations engage in varied transnational activities relating to family contact, financial activities, and activities like buying home country goods or belonging to a HTA. Across all nations half of the sampled individuals report some form of engagement. But a solid core of immigrants participate in five transnational activities: 31 percent remit more than US$300, 32 percent visit their home country with some frequency, fully 61 percent call home regularly, 73 percent purchase home country goods, but just 27 percent have a savings account. The 5Ts fairly describe frequent and consequential transactions.

Second, a multiple regression analysis of the sampled individuals reveals important "micro" correlates of financial behaviors. Among senders, the results are in line with other surveys of remitters, e.g, somewhat recently arrived, less well educated males remit the greatest amount. New variables analyzed here, not surprisingly, find that spouses and children receive more than others. More importantly, the transnational act of phoning home can be a significant correlate of remitting. And the finding that US banking appears to be associated with increased remittances suggests that there need not be a conflict between investment in financial health in the United States and the support of family abroad. An analysis of sending money to support a business or pay off loans abroad suggests that US migrants with formal financial commitments are more likely to send money. This suggests that financial diversification is associated with perceived interests to, and knowledge of, making productive monetary contributions abroad.

Among receivers of remittances there are some parallels with senders that indicate continuity in transnational behaviors. The amount of remittances received initially increases with the age of the receiver, only then to decrease at older ages. Of great potential interest here is the finding that recipients with formal banking ties are more likely to receive a greater dollar amount of remittances, perhaps because of greater safety and lower costs of transaction. And once again, telephone contact with the migrant abroad is a significant activity in promoting remittance transactions. Turning to the recipient's likelihood of running a business or paying off a loan, these productive financial behaviors are more likely to occur when the recipients get money from their migrant family members abroad who send monies for these specific reasons. There may be some issues of causality in this simple analysis, but the strong nature of these relationships provide welcome support for the idea that targeted investment boosts productive activities in the home country.

Thirdly, this part of the report also explores the macro-determinants of remittance flows from a small set of countries: Mexico, Colombia, Dominican Republic, El Salvador, Guatemala, and Jamaica. Monthly data are analyzed from January 1999 to January 2004. The findings in this model show that, whereas earnings are a major predictor of the volume sent by individual remitters, at the aggregate level total per capita earnings are not statistically significant. Curiously, US Latino unemployment rates are positively associated with remittances which is consistent with the findings elsewhere that remittances demonstrate a counter-cyclical pattern. Further, the regression results indicate that the CPI is statistically significant and has the largest impact on remittances. This result indicates that immigrants mostly respond to economic conditions that directly affect daily activities, such as price changes in every day activities.

5. Policy Opportunities in a Context of Transnational Communities

In this report we have identified a fluid presence of a transnational community operating in the Western Hemisphere, particularly between the United States and Latin America and the Caribbean along varying economic practices, and in intraregional contexts. This study not only offers an important contribution to the academic effort to articulate the dynamics of transnationalism, but it also represents a major comparative analysis based on empirical data collected through surveys, interviews, and primary economic sources. The findings of this study help better piece together the puzzle of transnationalism among immigrants and their families.

First, there is a strong relationship between migrants and their families through communication, transportation, trade, and remittances. This relationship is sustained by family ties over time and size. Moreover, the linkages are also prevalent in some aspects relating to finances: a non-negligible percent of immigrants keep a financial relationship in their home country. Second, the extent of these relationships is more pronounced among some groups than others. In particular, Caribbean people, Dominicans, Jamaicans, and Guyanese are more transnationally integrated than any other of the 12 groups studied here, with the exception perhaps of Ecuadorians. Third, transnationalism is not unidirectional, but is reflected among remittance recipients. Remittances are the foremost important link but so is telecommunication and trade. Although people do not travel as much to visit their families, they do stay in touch and send them goods. Fourth, these dynamics are not simply north-south, but also operate in relationship to regional economics and a marketplace for foreign labor. Thus, we find that intraregional migrant relationships also are substantive. Fifth, we learned that the 5Ts are among the most significant levels of interaction among transnational families. This interaction is also analyzed in relationship to the factors of remitting, saving and investment, and find a relationship with finance: remittances do influence savings, and savings influence investment among remittance senders and recipients. Moreover, the macro-economic impact of remittances is non- negligible, remittances respond to critical indicators such as consumer prices.

Thus, these trends and patterns among transnational families are significant. The implications for businesses and the policy environment are also important. Nine policy options are summarized below that relate to reducing transactions costs, leveraging the capital potential of remittances through banking and financing, promoting tourism and nostalgic trade, and establishing a state policy that recognizes the country's diaspora.

Cost reduction. Remittances are an important source of income in Latin America, representing between 3 percent and 15 percent of national incomes. Fees and commissions for sending money although in the decline are still expensive, a concern to development agencies, immigrants, and other interested parties. Technology already exists through which money transfers can (and do) cost next to nothing for savvy senders and recipients – but how can these advantages be extended to immigrants and their relatives? Possible options to reduce costs include the formation of strategic alliances between money transfer companies and banks and between banks in Latin America and in North America (for example, using debit card technologies that rely on automated teller machines); the use of software platforms designed for money transfers; and transfers from credit union to credit union.

Enabling policy and regulatory environments. Expanding sending methods, increasing competition, and educating customers about charges all help reduce costs associated with money transfers. In Latin America, money transfers need to be facilitated. A comprehensive effort to support senders and recipients should foster an environment in which remittances are less costly and can also have developmental leverage. This includes detecting unfair business practices.

Banking the unbanked. Only 60 percent of Latin American immigrants in the United States use, or consider themselves to have meaningful access to, bank accounts. Moreover, in Mexico and Central America, fewer than 20 percent of people have access to a bank account. The effects of being unbanked are significant. The unbanked not only face higher costs and other difficulties on a daily basis, they also lack the ability to establish credit records and obtain other benefits from financial institutions. Helping senders and recipients participate in the banking industry would help ensure lower transfer fees. Governments and private institutions already engaged in that effort could devise a strategy linking remittance transfers with banking options as a way to attract migrants into the financial system.

The impact of these efforts is significant and proven. Transforming remittance clients into bank clients produces benefits to the individual and the local communities. Two recent reports analyzing the intersection between remittances, finance, and development using three basic indicators, namely: remittance market service coverage by financial institutions, the provision of competitively low cost remittance transfers by these institutions, and the offer of financial services to remittance recipients, found positive results (Orozco and Fedewa, 2005; Orozco and Hamilton, 2005).

Most institutions offer a competitive transfer cost when compared nationally with other providers. Moreover, the transformation of remittance recipients into account holders shows positive signs: in less than three years of efforts, about one-fifth of recipients have also become bank clients (see Table 5.1).

Table 5.1: Transfer volume, number of account holder and branches by institution

	Transfer cost (company / market average)	Volume of transfers per month	Number of remittance recipients that are clients	Total number of clients	Number of branches
FEDECACES	3.9% / 4.2%	17,500	4,375	90,000	26
Banco Salvadoreño (BSal)	3.9% / 4.2%	58,000	17,000	n/a	110
Salcaja	6.1% / 5.8%	1000	7,650	15,000	3
El Comercio	9.8% / 8.7%	200	1,330	7,000	11
Banco Industrial (BI)	6.5% / 5.8%	200,000	150,000	500,000	Over 250
Banco Solidario (BSol)	0% /	12,000	4,000	91,600	32
BANSEFI	5.4% / 5.4%	25,000	2,500	500,000	550
Wells Fargo	5.4 % / 5.4%	70,000	250,000	Over 1 million	Over 3000

Source: Orozco, Manuel, and Rachel Fedewa Leveraging Efforts on Remittances and Financial Intermediation, report commissioned by the IADB, Washington, DC 2005.

Investment and micro-enterprise incentives. Studies have shown that, on average, between 5 percent and 10 percent of remittances are saved or invested. Some people are in a position to use their money for an enterprising activity. Both private sector and development players can insert themselves as credit partners for these potential investors. The effect is the provision of remittance-backed credit in local communities that lack active credit markets and production networks. Tying remittances to micro-lending has great potential to enhance local markets.

Tourism. Currently, a significant percentage of immigrants visit their home country as tourists, yet there is no tourist policy aimed at members of the diaspora. That void reflects government neglect and a lost opportunity. Governments and the private sector can participate in joint ventures to offer their migrants tour packages to discover and rediscover their home countries. They can also work out investment alliances with migrants interested in partnering to establish joint ventures relating to tourism.

Reaching out to the diaspora. An outreach policy to the community residing abroad is key to any migrant-sending country's economic strategy. Currently no such policy is in place in most countries, and governments could gain significantly from such an approach. The only significant experience is Mexico. El Salvador, Guatemala and Dominican Republic have also increased efforts to work in this field.

Nostalgic trade. Significant demand exists for so-called nostalgic goods, and many of the small businesses created by migrants rely on the importation of such goods. Governments, development agencies, and the private sector, particularly artisans' businesses, find a natural opportunity to enhance their productive and marketing skills by locating their products with small ethnic businesses in North America, where strong demand exists.

Hometown associations as agents of development. The philanthropic activities of HTAs have proven development potential. Some of the infrastructural and economic development work performed by these associations provides momentum for development agents to partner in local development. Governments in Central America and the Caribbean could work with international organizations and HTAs to design income-generation schemes for their local communities.

Remittances and new technologies. A key partnership opportunity among development players and the private sector lies in tying technology to remittance transfers, including through micro-finance institutions. One emerging technology, Wi-Fi (wireless fidelity), allows rural residents to place telephone calls through low-cost wireless Internet telephony, using low-cost computer servers and terminals. Wi-Fi–enabled computers send and receive data securely, reliably, and quickly, through radio technology – indoors and out, anywhere within the range of a base station. A Wi-Fi network can be used to connect computers to each other, to the Internet, and to wired networks. The technology has strong potential to be used by micro-finance institutions to manage money transfers. Linking Wi-Fi technology to remittances and micro-finance institutions offers an advantage to local businesses and, more important, opens financial windows for new markets. Remittance-receiving households have a demand for savings and credit, and internationally connected micro-finance institutions could provide the necessary service to that sector.

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About the Survey

Surveys were conducted of remittance senders from 12 countries in Latin America living in New York; Los Angeles; Miami; Washington, DC; and Chicago. These individuals were approached at remittance outlet stores, where a person typically sends their remittance. A total of 2,800 men and women remittance senders were interviewed. The procedure was random and the survey was administered during a period of five weeks during the months of May, July, and August 2003, and February to April 2004. Participation was voluntary.

Surveys were also conducted in eight Latin American and Caribbean countries including 250 remittance recipients in each country (except in Cuba where only 100 were interviewed). The surveys were conducted by market research teams in the respective countries who participated actively in setting the samples and coordinating with remittance transfer companies. The demographic distribution was chosen using statistical data from money transfer businesses that provided company information about main locales where people send or receive remittances. This methodology has proven more effective than other random surveys because it captures only the remittance sender groups. In that sense, one obtains a better universe under analysis.

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