Migration, the diaspora and development: The case of Mexico

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**Mexico as a developing country**

The notion of development and the status of a given country as a country undergoing development have undergone a remarkable transformation in the past 20 years. Before 1980, most poor non-socialist countries were said to be developing and, despite visible setbacks, their long-term prospects were indeed assessed, by specialists and the general public alike, as progress towards development. Today, there is widespread skepticism about the prospects of most poor countries. Income gaps between rich and poor have widened, poverty has increased, and although some poor and medium-income countries are growing, their future is seen as depending on a number of complex and difficult public policy decisions and, even more importantly, on the trends underlying globalization. Latin America has been particularly punished by the exhaustion of previous import-substitution policies, financial crises and institutional reforms. Only Chile seems to have passed to a stage of stable and growing incomes, financial stability and efficient and diversified markets, both internally and for its exports.

And yet we view Mexico as a developing country. Mexico opened its markets suddenly in 1986 (with GATT) and more gradually in 1994 (with NAFTA); its exports have trebled during the past 10 years\(^2\), and for eight years it has been financially stable, with international reserves reaching record levels (over 50 billion dollars) and the highest positive FDI flows in Latin America. After several shocks and crises, its GDP per capita is above its 1980 levels in dollar terms, although growth has slowed since 2001. Numerous economic problems remain. In the 1990s, inefficient, often corrupt privatizations led to stratospheric bail-outs, particularly of the banking and toll road systems. Government financial obligations have mounted as a result, leaving very little room for maneuver and limiting the development of key initiatives. Poverty remains high, and higher than in many other countries with similar income levels.

However, we also view Mexico as developing because there has been a gradual rise in plurality, institutionalization and citizenship. In 2000, most voters felt that changing the ruling party would create a new political system. This was a mistake, and today there is a major political deadlock. This deadlock will not be resolved unless one party controls both the executive and the legislative branches, or a mechanism is developed for political consensus. In spite of this, Mexico has gained in transparency, access and regulation. This in itself is a significant component of development.

Mexico’s political disarray is certainly blocking further progress. More significantly for this paper, however, it seemed from 1996 to 2000 that Mexico had found a viable way forward as a provider of goods and services based on low-cost labor for North America. Not only did in-bond export employment grow by over 9% per year (and output by close to 13%) but manufacturing employment in non-in-bond industries also expanded and advances were made towards the integration of production within Mexico and Mexican exports within North America. However, other countries, notably China, rapidly took Mexico’s place in this niche. Today, Mexico needs to redefine its role in the North American economy, and this is visibly not happening. In this context, emigration has expanded, presenting Mexico with both problems and opportunities. In sum, there are two major questions that Mexico needs to address in the relatively short term. One is the way in which political consensus and action are to be generated. The other is to redefine the country’s role in the world and in the North American economy, in which migration is playing an increasing role.

\(^2\) From 47 to 150 billion US dollars.
A country of emigration

Today, Germany is a country of immigration. It has received substantial numbers of immigrants: 7.3 million by 2000 (WMR 2003) and a high share of them have settled in the country. However, Germany has been slow in offering citizenship to the children of immigrants. Hundreds of thousands of German-born persons of Turkish descent are still not German citizens and complain that they have unequal access to the benefits of German society. Thus in Germany there is still a significant contradiction between the fact of immigration and state provisions to incorporate immigrants. A “country of immigration” is not truly so until it puts in place the laws and institutions that allow immigrants to play a significant positive role in its economy and society.

We will argue here that Mexico suffers from a similar kind of contradiction, albeit one that is the obverse of that observed in Germany. In absolute terms, Mexico today is the largest country of emigration. According to the best estimates, 10 to 11 million Mexico-born Mexicans live abroad (overwhelmingly in the US). The Mexican government’s rhetoric concerning these emigrants has increased in intensity in recent years. Mexico’s President Vicente Fox has called them “heroes”. At the start of his presidency, bilateral migration negotiations with the US were apparently the most important item on his agenda. A number of initiatives favoring migrants in various ways have been discussed and, in some cases, approved. And yet the legal and administrative provisions are extremely limited. A bill approving the vote of Mexicans abroad was finally passed by the Mexican Congress in June 2005, but it was blocked a number of times before it was approved. We see two major avenues for government intervention regarding emigration. One is to implement the local, regional and national development and growth programs that would gradually reduce emigration. The other is to incorporate migration into a development policy that would seek to maximize remittances and the developmental impact of those remittances and of skills acquired abroad and to foster returns and investment. However, no political consensus has yet been reached on what to do about emigration. In spite of the recent development and growth of migration-specific programs, the policies that could strengthen the migration-development nexus are small in number and scale and have not had a significant economic impact.

This is due in part to the fact that Mexico has viewed the fate of migrants as depending largely on their documented or undocumented status in the US, over which the Mexican government has no control. However, this emphasis on US responsibility (which is undeniably real) and on progress in potential bilateral agreements (which could also improve the lot of migrants) has drawn attention away from actions that could harness the productive impact of emigration and, especially, of return migration. In spite of this significant shortcoming, however, evidence in this paper from Mexico-US migration does suggest that, in several instances, it is closely and positively related to development. The evidence is incomplete, but some significant lessons can be drawn from it.

Migration and development: specific issues

Most authors consider that the migration-development nexus is neither necessary nor direct, or that there is an “uncertain connection” between the two and growing awareness, firstly, of the social, political, economic and environmental conditions that favor emigration and, secondly, of the developmental potential of some kinds of emigration (Van Hear and Nyberg-Sorensen 2003). Migration can, and does, occur at different stages of development and for different reasons and, once it is under way, it can interact in different ways with other endogenous processes.
In this paper, we focus on three specific issues. The first is the interaction of population dynamics and job creation with emigration over a short time period (1996-2002). The second is the size, distribution and role of remittances. The third and final one is Mexican policies towards the Mexican diaspora in the United States.

Although the discourse emphasizing the developmental role of remittances has been in vogue in Mexico since the late 1990s, Mexican government attempts either to increase the developmental potential of migration or else to discourage migration to safeguard the supply of labor to Mexican industry have a long history. The Fondo de Ahorro Campesino (Peasants’ Savings Fund) is an example of the first kind. This fund was in operation from 1942 to 1946 as part of the Bracero Program (Vélez Storey 2003). It was proposed by Mexican negotiators in 1942; 10% of the braceros’ wages were paid into it and its declared purpose was to ensure they would have some money to invest in their land once they returned home. From what little research has been done on the Fund, it is apparent that a significant portion (18%) of it was not paid out to returning braceros in a timely fashion - or ever - and that it produced more chagrin than investment. Braceros complained they had to spend days or weeks at the central offices of the two banks in Mexico City in charge of this operation (often hundreds of miles away from their homes) and that, even then, it was sometimes impossible to retrieve their savings. Public disapproval of the handling of the Fund led to its cancellation in the Bracero negotiations of 1946.

The Bracero program provides another illustration of the Mexican government’s attitude towards migration. On at least two occasions during the Bracero program, Mexico tried to stop emigration but was unable to do so, partly because US agricultural employers pressured for more Mexican labor and the US Border Patrol deliberately left the most frequent border crossing points unattended. However, by the early 1960s, the Mexican political establishment was seriously divided on the merits of the program and this was partly responsible for its cancellation (although the actual cancellation was decided by the US government). It must be remembered that, at the time, Mexico’s economy was undergoing sustained growth averaging 6% annually and that labor absorption levels were such that both agriculture and informal employment were falling rapidly in relative terms.

Thus initial policy attempts either to restrict emigration or to strengthen the impact on economic development and workers’ well-being of wages earned abroad seem to have failed. However, Mexico has a long history of policy successes in many areas and these initial experiences should not be interpreted as a structural inability to address social and economic issues.

Population dynamics, migration and development

In 1997, the First Binational Study of Mexico-US Migration stated that emigration pressure in Mexico could drop over the coming 15 years (1996-2010) due to the combined effects of two phenomena: the continuing fall in fertility rates, the effects of which were beginning to be felt in

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3 Some analysts view this developmental impact as extremely limited (Arroyo 2004).
4 Braceros were migrant farm laborers from Mexico who entered the US under a special program to work in the agricultural industry.
5 This figure is based on Vélez Storey (2003:31). Some funds could have been paid out to braceros after the tables were initially published, at the end of 1946. However, it might also be suspected that some funds reportedly paid to braceros were not in fact paid to them at all.
6 The amount of unpaid funds in the Peasants’ Savings Fund is hotly contested today. Some political leaders have multiplied the total number of bracero contracts issued during the entire life span of the program (three and a half million over 22 years) by an estimated average total wage and arrived at estimates of billions of dollars (at 2003 value). Detailed studies such as Vélez Storey’s show this is a huge mistake. The fund operated for only 5 years and most savings seemed to have been paid to their owners.
the growth of the working-age population and the stabilization of the growth of formal job creation, itself a function of domestic economic policies and, to some extent, NAFTA. Together, these two phenomena would gradually close the gap between job demand and supply, which in turn would help reduce the pressure to emigrate. In other words, two aspects of development (control of population growth and job creation) would work together to reduce emigration. Naturally, however, one additional element here is the level of informal employment in Mexico, which has hovered at roughly half of all urban employment since it mushroomed between 1982 and 1987 but does not seem to retain workers in Mexico.

This view was underpinned by the following calculations. Official projections of the growth of the 16-44 cohort foresaw a significant decline in the growth (but not an absolute stabilization) of the labor force by 2010, with a fall from 1,250,000 persons/year in 1996 to 630,000 in 2010 (Gómez de León and Tuirán 1996). At the same time, a hypothetical growth rate of 4% for the formal labor force (which was then 13 million) would lead to formal job growth increasing from 540,000 in 1996 to 899,000 by 2010. The two numbers were set to cross by 2004-2006, which were felt to be significant dates.

Projecting growth in job demand on the basis of social growth provided an even more optimistic appraisal, since in this latter case a projected fixed annual loss of 230,000 persons in this cohort to US emigration would, it was calculated, help to reduce total job demand and perhaps lead to a restructuring of the Mexican labor force in favor of more formal employment. (In 1996, 49% of the urban labor force and over 90% of the rural labor force were working in the informal sector.)

It is instructive to analyze the outcomes of these projections with the benefit of hindsight. The demographic projections were correct, but later estimates by CONAPO (2000) established that total job demand was higher and would decline more slowly, for several reasons. Firstly, many individuals over 16 years of age entered the labor force every year, an increase that was not offset by those leaving the labor force before age 44. Secondly, the retirement age was rising which, it could be argued, was due precisely to the markedly informal composition of the labor force, which meant most workers did not have access to pension and retirement plans. Thirdly, CONAPO also projected increasing participation rates. This last aspect of the projections has not been borne out by subsequent trends. Participation rates have stabilized in general and fallen among the young. Overall, however, CONAPO foresaw a smaller decline in job demand, to 900,000 by 2010.

Job growth forecasts were mistaken. First, formal job growth in the period 1996-2000 was much higher than expected. Second, the total number of formal jobs has stagnated since 2001, with minor fluctuations.

The Binational Study was careful to state that employment growth could not be forecast. Rather, it relied heavily on economic performance, itself highly variable. It was also careful not to equate a falling labor absorption gap with a reduction in emigration in the short term. Other factors (identified as demand, supply and networks) might also influence developments, it was suggested. It was, nevertheless, reasonable to expect that a period of high job creation and slower growth in job demand would coincide with a reduction in emigration. This was not in fact the case.

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7 In this analysis, formal jobs are defined as jobs registered at the IMSS, the Mexican Social Security Institute. Registration with this institute happens in established firms and brings with it significant healthcare benefits and affiliation to pension plans.

8 There are good reasons, however, to say the formal-informal distinction is quite insufficient in this regard. It is reasonably clear that formal jobs retain workers. But in the informal sector, being self-employed, and especially being an own-account worker with economic assets (a vehicle, a shop, machinery, etc.) also seems to lower the propensity to emigrate (Meza 2005).
From 1995 to 2000, on the basis of the 1990, 1995 and 2000 Mexican population counts and censuses, the net annual population loss to the US was 440,000 (Rodríguez 2002), an increase from the Binational Study's estimate of 290,000-310,000 for 1990-1995. Estimates for the period since 2000 suggest emigration has not fallen, not even during 2002, after further strengthening of the border and weakness in the overall job recovery in the US (Lowell 2003).

If it is assumed that job growth should result in lower emigration over the fairly short term, there are several possible reasons why this did not happen between 1995 and 2000 (or in 2002). Firstly, job demand in the US was extremely strong during the late 1990s. Secondly, job flexibilization in the US resulted in more demand for “flexible” labor, the epitome of which is undocumented foreigners. This part of the explanation might also continue to apply after 2000, when Mexican emigration seems to have continued unabated. Thirdly and finally, during the years immediately following the Mexican crisis of 1982, the creation of social networks for migration was such that it facilitated further emigration through the provision of much better job market information for the US and dollar resources for potential migrants, who were faced with the rapidly increasing costs of undocumented migration.

However, other factors specific to Mexico itself also played a part. The first is rural reform, which began to be implemented in 1990-92 and proceeded apace during the entire decade, with substantial reductions in subsidies and in guaranteed prices for crops. Many observers and analysts have pointed to the deterioration of production - and incomes - among the intermediate and lower strata of the Mexican peasantry. Secondly, there has been a regional redistribution of job creation. It appears that during the late 1990s job creation was concentrated largely in Mexico’s largest urban centers, the North and a few growth enclaves. As a result, many rural and urban workers were forced to choose between internal and international migration, as opposed to a choice between migrating and not migrating. Many opted for the higher risks and much higher returns of international migration. Finally, although formal job creation was substantial, from 1996 to 2000 real wages stagnated, leaving them at levels that did not allow for asset development. Individuals and households who either had debts or wanted to accumulate resources and acquire significant assets migrated to the US (as explained in The New Economics of Labor Migration).

Trends observed between 1996 and 2002 reinforce some of the views already put forward in the literature, while they also suggest others worth exploring. First, the stricter enforcement of US border controls did not succeed in lowering undocumented immigration from Mexico. Second, job creation in the origin country seems to play a smaller role, at least in the short term, than demand in the destination country. This may not be a general truth, but in the case of two neighboring, otherwise highly integrated and unequal economies, it may outweigh all other factors and policies. Third, the replacement of general subsidies and fixed prices in agriculture with a free market approach partially offset by targeted programs (Crédito a la Palabra, PROCAMPO, PROGRESA) either does not favor population immobility or else may induce a significant crisis among poorer producers, which in turn encourages emigration, either directly (those affected migrate) or indirectly (through the deterioration of local markets). If this were the case, a more definitive outcome of these reforms, involving a reorganization of Mexican agriculture, could reverse this trend, but not in the short term. This is consistent with various approaches to migration, including those that assert that development causes instability but later

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9 This number is itself not certain, in spite of the fact that it is derived from census data. Total population loss during the 1990-2000 period could be higher than the stated annual figure, because of adjustment of the 1995 total population on the basis of the population count of that year.

10 Since 2000, a major effort has been made to improve the PROCAMPO payroll, in order to eliminate persons who were not producers or who had registered a number of productive plots under their names, when those plots were actually worked by other persons. Access to the program and timely payment of subsidies have also improved considerably. PROGRESA, on the other hand, became OPORTUNIDADES, a program with significantly enlarged and improved coverage. These two changes seem to have produced a rapid increase in official transfer income for households in Mexico’s lowest income quintile. The impact of these changes on migration is still unknown.
retains population, as did the US Ascensio Commission of 1988-90\textsuperscript{11}, and those that suggest that the development of capitalism in countries such as Mexico is likely to disrupt other forms of economic organization and cause substantial population movements (Portes and Bach 1985). It is significant that rural-urban migration is still the dominant form of migration for many Mexicans interviewed in Mexican cities today, in spite of the fact that Mexico’s population was 76% urban in 2000. Agricultural areas are still rapidly losing population, and approximately half of the Mexico-US flow originates in rural areas.

In June 2005, the government published its analysis of the evolution of poverty in Mexico during the first four years of its mandate (SEDESO\textsuperscript{L} 2003, Comité Técnico para la Medición de la Pobreza en México 2005). This analysis shows a sizable drop in extreme (or food) poverty of approximately 26% nationally. Improvements are concentrated in rural areas, where the fall in extreme poverty is 34% and 29% in moderate (capability) poverty. There has been very little change in urban areas. This development is positive, considering that poverty is both more extensive and more extreme in rural areas and that emigration rates in these areas are more than three times those in urban areas. Nevertheless, there need to be more significant improvements in rural labor markets (or in rural incomes) before the rural population of Mexico can be said to be less prone to migrate.

Finally, even migration surveys such as EMIF (\textit{Encuesta Migratoria de la Frontera Norte}), which focus on “low-end” migrants (low-skill, arriving by land at the border)\textsuperscript{12} and involve interviewing mostly undocumented migrants at several Mexican border cities, find that most Mexicans intending to cross into the US are employed at the time they decide to migrate. The labor absorption gap may not be the single most important factor affecting migration, at least not in microeconomic terms. Demand, structural employment change in the US and Mexico and the ability of Mexican institutions to provide for the overall needs of Mexican families given the opportunities that exist in the US will remain major forces in the near future: the complementarities of the labor markets, together with their social integration, supported and promoted by both employers and workers, will prevail.

The foreseeable context of Mexico-US migration is, therefore, one that will favor the persistence of this large flow, even if there are some positive developments in Mexico in terms of demographics, economics and poverty reduction. This being so, government policy should be directed towards maximizing the developmental potential of emigration.

\section*{Remittances}

In the literature, remittances are given far greater prominence than many other possible links between migration and development. Remittances are a fast growing element of the international economy: by 2003, they had overtaken official aid flows and were second only to FDI (Ratha 2004). This subject is fast becoming an entire field of specialization for economists and migration analysts and is one that requires specific government attention and policies aimed at maximizing the impact of remittances on the population’s welfare and overall development.

Four aspects of remittances will be discussed here: the level, distribution and uses of remittances, together with existing government policies promoting their developmental impact.

\textsuperscript{11} The official name was: Commission for the Study of International Migration and Cooperative Economic Development (Díaz-Briquets and Weintraub (eds.) (1991).

\textsuperscript{12} We call it “low-end” because the socioeconomic profile of the population interviewed for this survey is lower than that of the Mexico-born population of the US.
Levels and trends

According to official Mexican Central Bank sources, remittances from the US to Mexico have grown faster than the Mexican population of the US, with a particular surge in the three years to 2004. From between 2.5 and 3.9 billion dollars in 1995, with a most likely estimate of 3.7 billion (and an estimated population of 6.8 million Mexican-born persons in the US), they rose, according to official sources, to 9.8 billion by 2002, (population: 9.7 million), to 13.4 billion by 2003 (population: 10.15 million) and to 16.6 billion by 2004 (population: 10.55 million)\textsuperscript{13}. The means of transfer have also varied substantially:

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<td>39.7</td>
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<td>35.6</td>
<td>34.8</td>
<td>24.9</td>
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<tr>
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<td>67.1</td>
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<td>87.5</td>
<td>89.64</td>
<td>85.8</td>
<td>87.3</td>
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<tr>
<td>Pocket</td>
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<td>1.6</td>
<td>1.1</td>
<td>0.9</td>
<td>0.2</td>
<td>0.11</td>
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Table 1: Remittances and means of transfer, 1994-2004, Percentages and total (in billions of dollars)

In other words, there was growth of 164% from 2000 to 2004 and of 35.1% between 2002 and 2003, far above the estimated average population growth of 4.5% per annum. By 2003, remittances exceeded total FDI inflows by 21% (and Mexico is the largest receiver of FDI in Latin America), were 42% greater than total income from tourism and were equivalent to 79% of oil exports. Overall, they equated to 2.2% of GDP. In 2004, they grew by a further 24%, when they were almost equal to total FDI and equivalent to 78% of oil exports and to 2.5% of GDP (Banco de México 2004, 2005)\textsuperscript{14}.

There is disagreement regarding levels and trends. Lozano, an experienced researcher on the issue (1993, 2003), believes a methodological change introduced by the Bank of Mexico in 1996 has led to an overestimation of remittances. The changes introduced at that time were intended to reflect more accurately electronic transfers, which were rapidly growing as a percentage of the total, as well as “pocket transfers” of cash and goods. Special sections to this effect were added to the “tourist survey”, data for which are gathered particularly at the northern border (Lozano 2003). He has been joined in this debate by Corona (2004) and by Tuirán, Santibáñez and Corona (2005a and b). In these two most recent papers on the subject, the authors contrast the trends observed by the Bank of Mexico with data from the following sources: \textit{a) best estimates of the growth of the migrant stock, b) Mexican censuses and surveys reporting remittances, c) the US Bureau of Economic Analysis’s own estimates of remittances, which yield an annual growth rate of approximately 8% for the past decade and d) known emigration rates in various Mexican states, which show that some states with very low emigration rates receive disproportionately large shares of the total, according to the Bank of Mexico. According to all sources other than the Bank of Mexico, the growth in remittances has

\textsuperscript{13} The remittance figures for 1995 are taken from The First Binational Study of Mexico - US Migration; later remittance figures are published by the Bank of Mexico. Population figures for 1995 are estimated from the First Binational Study (7.1 million in 1996 minus the estimated net annual flow); for 2000 they are based on official Mexican estimates (CONAPO 2002), and for 2002 and 2003 they are based on the 2000 estimate plus the average annual net loss in 1995 - 2000, according to the Mexican Population Census of 2000. The net flow estimate for 2000 - 2003 in this paper coincides with Passel’s immigration estimate for 2000 - 2002 (440,000 - 450,000).

\textsuperscript{14} FDI and oil exports also grew rapidly in 2004.
been modest; the Bank of Mexico, on the other hand, estimates growth to be between 3 and 5 times greater than these sources. These authors show that there is no independent evidence to support the Bank’s estimates. Individual migrants did not double their ability or willingness to remit money home in just three years. The authors could have further bolstered their argument with US evidence from surveys of earning trends among the various national and racial groups in the US. These sources do not show the occupational or income changes that could support the notion that Hispanic or Mexico-born households in the US doubled their transfers to Mexico over such a short period.

However, other analyses (Lowell 2002, Tuirán 2002, Pew Hispanic Center 2002, Orozco 2004, Banco de México 2005) conclude that falling transaction costs, increasing numbers of points of transfer, formalization of the remittance market and better accounting mean that today’s registers are much accurate. The Bank of Mexico points out that improving coverage produces high recorded rates of growth, but it also notes that population growth in the US has been quite high. However, it does not explain what share of growth is explained by the 4-5% population growth rate when compared to its 30% estimated growth rate in remittances\textsuperscript{15}. The Bank of Mexico also argues that the BEA’s estimates are net, i.e. that remittances sent from Mexico to the United States, taxes and other payments have all been deducted from the gross figures\textsuperscript{16}. Finally, it shows that small sample sizes in many Mexican states could produce inaccurate estimates in the surveys used by Tuirán et al. Evidence in favor of this view could be strengthened by important policy measures taken in the recent past, such as the Mexico-US Border Partnership Agreement of March 2002, which increased mutual reporting of financial transactions (item 17\textsuperscript{17}: Waller-Meyers 2003) and was implemented by the Bank of Mexico in October that same year, or the inclusion of Mexico in the Automated Clearing House (ACH) at the Federal Reserve Bank, which centralizes, expedites and lowers transaction costs for transfers. Both measures have undoubtedly improved coverage of remittance and other flows. Both groups agree that annual growth rates of 30% are improbable. The first group, however, believes the reported total is real but includes a number of other transactions, while the second states current estimates are much closer to total flows but may still underestimate them.

According to Table 1, electronic transfers have in fact increased considerably, displacing all other means of transfer except during 2003, when money orders recovered. Pocket transfers, on the contrary, have fallen. Thus if an estimation overstates growth, it must refer to electronic transfers. However, this is the kind of transfer that is least subject to error, since the Mexican banking system, and all agencies affiliated to it (a large majority of currency exchange companies depend on banks for the actual international transfer), report all transactions to the central bank, which later samples them for its final estimate.

Transactions classified as remittances by the Bank of Mexico record a Hispanic name as the source person and another Hispanic name as the destination person. That is to say, they exclude firm-to-firm transactions, firm-to-person transactions (wages, salaries, purchases, interest payments, pensions\textsuperscript{18}), person-to-firm transactions\textsuperscript{19} and non-Hispanic transfers. The

\textsuperscript{15} The Bank of Mexico quotes immigration estimates from the Center for Immigration Studies, which consistently lobbies for anti-immigration reforms in the US and has tended to produce higher immigration estimates than most other sources.

\textsuperscript{16} The question of “reverse remittances” should receive much more attention. The number of Mexican students in the United States is large and it seems that only approximately 30% receive official scholarships from the Mexican government. The rest are supported by their families, whether in the US or Mexico.

\textsuperscript{17} Following these agreements, the Bank of Mexico (2005) made it mandatory for all money transfer companies to register all their transactions starting in October 2002.

\textsuperscript{18} The methodology implicitly excludes government to person transfers. The growth in the Mexican population and in US expatriates receiving pensions and IRA transfers from the United States is therefore excluded.

\textsuperscript{19} Corona, Santibáñez and Tuirán (2005b), in their reply to the Bank of Mexico’s comments on their first position paper, strongly suggest that up to 90% of the large flow of funds from the US to Chiapas could consist of payments to migrant smugglers (smugglers of Central American migrants have significant bases in Chiapas), donations and transfers to NGOs operating in Chiapas (received by persons on behalf of those NGOs) and other legal and illegal
methodology employed until 1994 also excluded checks in excess of 2,500 dollars. This is not the case any more.

In other words, the most significant area explaining overestimation (or confusion of family remittances with other financial flows) lies in Hispanic person-to-person electronic transfers that correspond in reality to small business transactions and financing. Several observers have noted that a disproportionate share of remittances goes to the Federal District, which possesses a dynamic small-business sector. However, this has been the case since the early 1990s, and is therefore not responsible for the rapid growth rate in overall remittances. Although Corona et al. (2005b) make a good point when they show the inconsistencies in the Bank of Mexico’s estimates at a state level, and suggest that the only possible explanation is that non-migrant transactions have been confused with family remittances, they do not explain why these commercial flows would account for a growing share of the Bank of Mexico’s estimates. There is as yet no indication that these other (non-migrant worker)20 actors have changed their strategies or that this change has distorted estimates over the past 4 years. In conclusion, remittances have grown rapidly, although the Bank of Mexico overestimates growth because of changes in regulations and coverage. In our opinion, the rate is lower than that reported by the Bank of Mexico, but it seems to be higher than the rate of population growth in the US. We believe the figure for actual growth in remittances is at least 9% per annum (as derived from a combination of censuses and sociodemographic surveys) and no more than 12%, based on migration rates and on small, gradual changes in migrant behavior. Furthermore, the level of remittances calls for appropriate remittance policies. So far, remittance policies have reduced transfer costs and made the system more efficient. In addition, there are two initiatives channeling a small fraction of remittances to home town improvements and micro-business development, as will be explored in section 3. However, Mexico lacks a policy to attract remittances systematically and to transform them into a tool for development.

Distribution of remittances: poverty and development

The two main concerns in any consideration of the distribution of remittances in Mexico are its geographic and social aspects. It seems logical to assume that the greatest impact in terms of local and regional development would occur if they flowed to the poorest individuals, households and regions. Political actors on both sides of the US-Mexico border have traditionally observed that the bulk of migration consists of poor individuals and that most remittances arrive at poor Mexican households21. In Mexico, therefore, it has been regarded as essential to protect migrants and household income in order to maintain the spontaneous social safety net created by the migrants, one that provides income opportunities for the poor and consequently protects Mexican society from much worse poverty and outbreaks of social violence. Our analysis shows that this view is seriously inaccurate and that the main economic impact of remittances is felt in households that are not poor.

This may also provide an answer to the technical remittance debate described in the previous section. The reason why SEDESOL (the ministry responsible for social policy in Mexico) tends to think remittance flows are smaller than expected has partly to do with the effective refinement and improvement of a number of social programs over the past four years, together with increased direct social expenditure. On the basis of national surveys, they estimate that the incomes of poor households have increased more as a result of social policy programs than through remittances. Our analysis shows that, although remittances are increasing, the

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20 The suspicion here is that the drug trade may be using the same channels as the migrants.

21 Although some analysts, such as Bustamante, have insisted that the poor have much less opportunity to migrate than others.
distribution does not clearly favor poorer households. In other words, it is perfectly possible for the volume of remittances to be increasing rapidly while any simultaneous poverty reduction is being achieved largely through other means.

We analyze the relationship between remittances, on the one hand, and poverty and development, on the other, from two perspectives: geographic and socio-economic. First, emigration itself needs to be analyzed in terms of the poverty levels of Mexican regions. In an analysis carried out as part of the Poverty and International Migration project directed by Escobar Latapí, Zenteno (2004) finds that the geographic distribution of emigration flows does not follow poverty levels. Some poor municipios (roughly equivalent to US counties) have rates of emigration that are rising faster than the mean, but not sufficiently so to conclude that this is the new dominant dynamic of Mexican emigration. Emigration rates in poor municipios are still lower than the mean.

Tuirán (2002) has analyzed the geographical distribution of remittances for 2000. On a remittance-per-capita basis, the municipios receiving the largest amounts are in fact mostly rural and marginal (Ibid: 83). Twenty-nine percent of the remittance flows go to 492 municipios with high and very high emigration levels, which have only 8.5 million inhabitants (roughly 8.6% of the Mexican population). On an absolute remittances basis, however, the position changes: the 100 municipios with highest total remittances are very different from each other: they range from Acapulco, Guadalajara, Aguascalientes, León, all fairly prosperous cities of over 500,000 inhabitants, to small sub-regional centers (Jojutla, Calvillo, Ameca). These 100 municipalities have a total population of more than 36 million (ibid. 84).

The first analysis suggests a significant share of the total flows are indeed a response to the poverty, marginality and lack of development of certain regions, although the individuals and households involved are not necessarily the poorest. The second suggests that more dynamic cities and economies attract another significant share. It would seem that, from the point of view of the territorial distribution of remittances by marginality levels, the distribution could be U-shaped.

Are these flows associated with visible improvements in the receiving municipalities? According to Tuirán (ibid. 86), from 1990 to 2000 three out of every four municipalities with high levels of emigration reduced their marginality levels significantly, compared with two out of every three municipalities with lower levels of emigration. The difference is not large, but it is evidence of a positive impact. Marginality indexes mainly measure lack of access to services, illiteracy, percentage speaking non-Spanish native languages and housing deficiencies. They do not measure investment and consumption, but are related to them.

Secondly, the distribution of remittances can be analyzed according to the Mexican distribution of total individual or household earnings:

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22 Financed by the Willian and Flora Hewlett Foundation.
23 However, since remittances can be a major factor in reducing poverty levels, it would be necessary to show that poverty rates in municipalities with high emigration and lower-than-average poverty rates did not fall as a result of emigration.
24 If the distribution pattern at municipality level had remained constant, the populations of these municipalities would have received, in 2003, approximately USD 6,030 per capita annually just from remittances.
25 All three sub-regional centers provide services to non-poor agricultural hinterlands.
26 It would be helpful to control for initial marginality levels in analyzing these improvements, since, as stated in the previous paragraph, municipalities with high levels of emigration are mostly rural and they were the object of special policies aimed at the reduction of marginality during the 1990s.
Table 2: Total\textsuperscript{27} and remittance\textsuperscript{28} income for individuals by income quintiles

<table>
<thead>
<tr>
<th>Individual income quintiles</th>
<th>Indexes</th>
<th>Mean total personal income</th>
<th>Mean remittance income</th>
<th>Remittance income as % of quintile income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mean</td>
<td>194.92</td>
<td>7.37</td>
<td>3.78</td>
</tr>
<tr>
<td>Standard deviation</td>
<td></td>
<td>120.71</td>
<td>45.46</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Mean</td>
<td>874.43</td>
<td>37.54</td>
<td>4.29</td>
</tr>
<tr>
<td>Standard deviation</td>
<td></td>
<td>206.99</td>
<td>174.6</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Mean</td>
<td>1531.07</td>
<td>27.08</td>
<td>1.77</td>
</tr>
<tr>
<td>Standard deviation</td>
<td></td>
<td>217.61</td>
<td>198.75</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Mean</td>
<td>2470.42</td>
<td>54.49</td>
<td>2.21</td>
</tr>
<tr>
<td>Standard deviation</td>
<td></td>
<td>358.57</td>
<td>337.59</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Mean</td>
<td>8815.04</td>
<td>201.81</td>
<td>2.29</td>
</tr>
<tr>
<td>Standard deviation</td>
<td></td>
<td>25547.22</td>
<td>4917.05</td>
<td></td>
</tr>
</tbody>
</table>

Calculated on the basis of the 10% sample of the 2000 Mexican Population census.

The above table comprises only individuals who received a monetary income. Income is expressed in current monthly pesos for the year 2000. Since it is based on the Mexican census, which provides few sources of income, it underestimates remittances by a larger amount than either the Bank of Mexico or the National Household Income and Expenditure Survey (ENIGH)\textsuperscript{29}. However, since it does not adjust for underreporting of business income, it better approximates personal income\textsuperscript{30}. The table shows that absolute remittance income rises with total income, somewhat unevenly, from a low at the poorest quintile, to a plateau in the middle quintiles and to a much higher level at the highest. Individuals earning higher incomes tend to receive higher remittances, although remittances account for a smaller share of high quintile incomes. Second, standard deviation levels also rise with income. This means some individuals in the highest quintile may in fact depend largely on remittances, but most do not. Lastly, the two lowest quintiles depend most on remittances, judged on the basis of their share in total income.

The following table approaches the same question from the point of view of the household, which is viewed as key factor in determining the initial decision to migrate and the subsequent benefits. It must be noted that in this case we have ranked households in quintiles on the basis of their non-remittance income: remittances therefore should be added to total quintile income. The total income of the lowest quintile with remittances, for example, is 119% of total Mexican monetary income.

\textsuperscript{27} Total income in Tables 2, 3 and 4 is defined as the sum of \textit{monetary} incomes as calculated by the 2000 Household and Population Census, which classified them into 7 categories:
- professional, wage and salary earnings.
- pension and retirement payments.
- remittances from family members within Mexico.
- international remittances.
- transfers from social programs (Procampo, Progresa etc).
- income derived from banking interest, rents and other capital sources (including scholarships).
- other sources not previously accounted for.

It excludes non-monetary incomes: imputed housing rent, payment in kind and self-provisioning.

\textsuperscript{28} Unless otherwise stated, remittance income refers to international remittances only, while national remittances are classified as part of Mexican monetary income.

\textsuperscript{29} This household survey typically interviews households several times and accounts for income and expenditure in detail.

\textsuperscript{30} ENIGH data are usually adjusted to match national accounts.
Table 3: Total and remittance household income per income quintile
(all households)

<table>
<thead>
<tr>
<th>Household income quintiles</th>
<th>Indexes</th>
<th>Total HH income without remittances</th>
<th>Mean remittance amount&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Total HH income with remittances</th>
<th>Remittances increase quintile income by (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mean</td>
<td>449.96</td>
<td>106.29</td>
<td>556.25</td>
<td>19.11</td>
</tr>
<tr>
<td></td>
<td>S. D.</td>
<td>306.60</td>
<td>2988.93</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Mean</td>
<td>1468.28</td>
<td>65.55</td>
<td>1533.83</td>
<td>4.27</td>
</tr>
<tr>
<td></td>
<td>S. D.</td>
<td>266.25</td>
<td>1258.34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Mean</td>
<td>2554.79</td>
<td>65.28</td>
<td>2620.07</td>
<td>2.49</td>
</tr>
<tr>
<td></td>
<td>S. D.</td>
<td>377.25</td>
<td>2212.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Mean</td>
<td>4382.95</td>
<td>68.78</td>
<td>4451.73</td>
<td>1.55</td>
</tr>
<tr>
<td></td>
<td>S. D.</td>
<td>723.21</td>
<td>1234.97</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Mean</td>
<td>15083.59</td>
<td>117.14</td>
<td>15200.73</td>
<td>0.77</td>
</tr>
<tr>
<td></td>
<td>S. D.</td>
<td>38782.71</td>
<td>5190.98</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Calculated on the basis of the 10% sample of the 2000 Mexican Population census.

<sup>a</sup> Mean remittance is calculated by dividing total remittances among all households in quintile, whether they receive remittances or not.

In this case, the impact is clearly greatest at the lowest quintile. Only 6% of the poorest households receive remittances, but those remittances add more than 19% to quintile income. These households clearly belong in higher quintiles because of their remittance levels. Comparing the position of these households with and without remittances shows that the overwhelming majority move from the first to the second and third quintiles when remittances are added to the rest of their income. This is because the average share of total income contributed by remittances in these households is 81%. When households are ranked on the basis of other income<sup>31</sup>, mean remittance income is clearly u-shaped, with a slightly higher mean in the top quintile. Comparing Tables 2 and 3 shows that, when households or individuals are ranked on the basis of total income (including remittances), the latter play a very large role in household ranking because, in the low quintiles in particular, they tend to account for more than half of total income. This is why, as shown in Table 2, remittance income rises with quintile means and varies much less in the third. This should caution us against inferring propensity to migrate or receive remittances on the basis of total household income if it includes remittances. The only inferences possible are related to observed characteristics after the impact of remittances.

In accordance with that U-shape, the top quintile receives the largest share of remittances, equivalent to 27.7% of the total flow. This utterly contradicts the folk belief relating remittances to poverty. The three middle quintiles show the lowest shares, and the poorest quintile is second to the top in terms of absolute remittances, with 25.1% of the total flow.

One possible inference has to do with dependence and vulnerability<sup>32</sup>. Households ranked in the lowest quintile on the basis of non-remittance income are clearly “saved” from extreme poverty by these remittances<sup>31</sup>. This is a fact we often encounter in fieldwork: the lifeline uniting a worker abroad and his/her family in a poor village in Mexico is often desperately maintained by the dependent household. Households receiving both social policy transfers and remittances, which often make them formally non-poor, argue that remittances are insecure and they would face extreme hardship if they stopped for any reason, which in their opinion entitles them to

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<sup>31</sup> And thus freed from the co-linearity produced by classing them by their total monetary income with remittances.

<sup>32</sup> CONAPO (1999) first used the term “vulnerability” to refer to a given household’s dependence on remittances, on the assumption (and common finding) that remittances are an insecure income for the household.

<sup>33</sup> Please note that, according to the information in the following section, this does not mean they are better-off as a result of migration: migrants from the poorest households tend to remit less frequently, and to remit smaller amounts, than other migrants.
access to the safety net provided by social programs. And they are often proved right: if a migrant worker falls ill, becomes unemployed or simply loses contact with his/her family, this can have a dramatic effect on the household. It also a difficult issue for cash transfer programs, since they do not generally subsidize short-term variations in household income.34

Table 4 focuses on households receiving remittances, but it again ranks them on the basis of non-remittance income. It clearly shows that dependence falls as Mexican income rises, with remittance levels lagging when contrasted with Mexican incomes. On the other hand, mean remittance amounts per receiving household are almost flat from quintiles 1 through 4, and they leap in quintile 5. Falling dependence is explained by almost flat remittance volumes with high inequality in other components of income. While flat remittance levels in the first four quintiles can easily be explained by the dominance of unskilled occupations among Mexicans in the United States, the high levels of the top quintile are not clearly explained by a single factor. These households have high Mexican incomes, suggesting that they either have a large number of earners to the Mexican labor market or that they possess high human capital or business income. High remittance amounts would then be explained by similar factors: high human capital among the migrant family members (possibly transnational professional or managerial households), a high number of migrants or possession of business income in the US.

<table>
<thead>
<tr>
<th>Household income quintiles</th>
<th>Indexes</th>
<th>Households receiving remittances (%)</th>
<th>Total HH income without remittances35</th>
<th>Mean remittance amounta</th>
<th>Total HH income with remittances</th>
<th>Remittances as % of HH income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Mean</td>
<td>6.44</td>
<td>387.19</td>
<td>1651.28</td>
<td>2038.47</td>
<td>81.01</td>
<td></td>
</tr>
<tr>
<td>S. D.</td>
<td></td>
<td>285.06</td>
<td>11672.45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Mean</td>
<td>3.76</td>
<td>1462.46</td>
<td>1745.43</td>
<td>3207.89</td>
<td>54.41</td>
<td></td>
</tr>
<tr>
<td>S. D.</td>
<td></td>
<td>266.81</td>
<td>6263.87</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Mean</td>
<td>3.27</td>
<td>2556.26</td>
<td>1997.53</td>
<td>4553.79</td>
<td>43.37</td>
<td></td>
</tr>
<tr>
<td>S. D.</td>
<td></td>
<td>377.01</td>
<td>12082.10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Mean</td>
<td>3.31</td>
<td>4391.51</td>
<td>2074.79</td>
<td>6466.30</td>
<td>32.09</td>
<td></td>
</tr>
<tr>
<td>S. D.</td>
<td></td>
<td>733.69</td>
<td>6469.26</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Mean</td>
<td>2.67</td>
<td>15103.24</td>
<td>4464.86</td>
<td>19568.10</td>
<td>22.82</td>
<td></td>
</tr>
<tr>
<td>S. D.</td>
<td></td>
<td>39223.23</td>
<td>31744.92</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

35 In households receiving remittances only.

Three conclusions seem relevant from the point of view of migration and development. First, on the whole, remittances have a small impact on inequality at this aggregate level. Second, three quarters of all remittances are received by households that have a better chance of investing them. Third, in spite of the fact that they do not lessen inequality, poor households are more reliant on them for their subsistence than better-off households.

Although Mexico has not committed itself to the large-scale implementation of policies aimed at maximizing the development potential of remittances, the combined evidence from remittance trends and remittance distributions suggests that the country could in fact receive substantial support for some of its poor rural regions and households from remittances36, while at

34 The main cash transfer program, Progresa-Oportunidades, normally assesses household welfare on the basis of its assets, occupations, dependence ratios and overcrowding, in order to avoid giving undue weight to short-term income variations. Remittances count against a household’s eligibility because these households tend to accumulate far more assets than non-remittance households. This includes much better housing, which also counts against them.

35 At the same time, however, about 70% of its most marginal municipalities are not among the top remittance reception areas.
the same time channeling most remittances to regions and households that have a fair chance of investing them. Because remittances are received by only a small percentage of households, even in the lowest quintile, they would have to be radically redistributed among recipient households if they were to have a significant impact on poverty levels. Existing evidence does not show this to be the case. Social policy and the recent changes it has gone through, together with other changes in Mexican incomes, may actually explain changes in poverty levels to a far greater extent than remittances. This being so, two questions need to be answered. Firstly, what is the opportunity cost of migration for poor regions and households? And secondly, do better-off migrants in fact invest remittances? These are the issues to be explored in the final section of this paper.

Remittances and development: the poor vs. the non-poor

This final section draws on partial (not nationally representative) evidence from two research projects. One, directed by Escobar Latapí, looked at the migration processes of Mexico’s poorest communities. The other consisted of two surveys, one of returned migrants in Jalisco and the other of returned migrants in middle-sized cities in Western Mexico (EREM) (Arroyo and Berumen 2002, Arroyo and Papail [forthcoming]).

The evidence from the Poverty and International Migration project is based on four household case studies from each of seven highly marginal, rural and poor communities scattered across Mexico and characterized by recent migration and from one non-poor community with a longstanding migration history used as a control. As part of the same project, an analysis was commissioned of ENCEL, a survey of the economic performance of poor households carried out in order to evaluate the PROGRESA program. The case study evidence from Poverty and International Migration project points strongly to the following conclusions. Firstly, Mexico’s poorest migrants start migrating with very little support from migration networks, whether these networks exist in their communities or not. Secondly, their networks provide less information and worse employment opportunities than the networks of the non-poor. Thirdly, they tend to start migrating with less planning, more urgency (for survival purposes) and less appraisal and choice of opportunity than non-poor migrants. Fourthly, in consequence, the chances that they will be able to provide a stable flow of remittances greater than opportunity income are low, at least in the beginning. Finally, there are three typical outcomes. Some poor individuals find stable jobs in the US and start their settlement process. Others stop migrating, because the experience was mostly negative. A third group continue to migrate on a temporary basis, sometimes with returns higher than opportunity and sometimes with returns that barely reach the level of opportunity income. When migration from these poor communities “normalizes” - that is, when networks become stronger and provide better access to border crossing and jobs - the communities prosper quickly. However, this is not a general outcome. Migration can increase in spite of bad networks. According to ENCEL (the survey of poor households for PROGRESA), remittances, when they arrive, amount to only 63% of the typical income of a day laborer in these poor communities and this does not include the cost of

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37 Three of these households were recognized by local inhabitants as among the poorest in the communities, and one “control” case study was intentionally carried out among a non-poor household in the same community.
38 PROGRESA is a targeted cash-and-benefits transfer program aimed at Mexico’s poorest households. Any payments are conditional on the fulfillment of certain conditions, in particular children’s attendance at school and compliance with a long-term health program including attendance at local health clinics and health talks. In the case of malnourished children and pregnant and breast-feeding mothers, the program also provides nutritional supplements.
39 By “opportunity income” we mean the sum of the cost of migration, running into the thousands of dollars because of the cost of illegal border crossings and extremely high interest rates of 10% per month typically paid by most of the poor migrants we interviewed plus the average day laborer income in their communities. It is true, however, that later, non-pioneer migrants face lower costs because of greater knowledge and resources provided by immediate family members (not networks in general) who have already migrated.
migration or interest on that cost. Moreover, remittances often take months to start arriving.

Our only caveat about this pessimistic finding is that day laborers in Mexico’s poorest communities cannot find work every day: they are far less than full-time workers. A further factor that somewhat qualifies the finding is that non-pioneer migrants do not bear the entire cost of migration: they often have their trips financed by immediate family members in the US (which in turn places a heavy burden on poor Mexican workers in the US).

In contrast, return migrants interviewed in Jalisco (Arroyo and Berumen 2002) and in Western Mexico (Arroyo and Papail forthcoming) provide remittance income in excess of their opportunity income in their origin communities (for men, 370 dollars in remittances vs. 270 in opportunity income). Once they return to Mexico, 36% intend to set up a business (Arroyo and Berumen 2002); they frequently change their status in Mexico from wage workers to self-employed, or small employers, in the retail, construction or agricultural sectors. When they become self-employed or small employers, they employ on average 0.6 persons besides themselves.

Return migrants interviewed for EREM (the non-poor) had created a total of 1,800 businesses during their lives, before or after migrating to the US. Of that total, 900 businesses had been established after returning and were operating at the time of the interview (in 2001-2).

Naturally, there are marked personal and contextual differences between poor migrants and non-poor migrants. The first have very low levels of schooling (80% 6 years or less) and experience in unskilled or unrecognized occupations, such as agriculture. The others have approximately 8 years schooling on average and experience in other, non-agricultural occupations. In poor rural communities, there are no businesses except for small stores and transport; in non-poor Western cities, there is a far greater diversity of businesses, although mostly in the commercial sector. Their remittance levels are extremely disparate. The average remittance in ENCEL is 71 dollars, while the average remittance in EREM fluctuates between 295 and 328 dollars (the average according to the Bank of Mexico). Among the urban non-poor, 84% of the men and 53% of the women send remittances regularly. Among those interviewed for ENCEL, only 48.5% of the men and 30.7% of the women send remittances regularly.

Finally, in the ENCEL survey, whose purpose was to assess the impact of social policy, no data were collected on the destination of remittances. However, in the EREM survey, whose main objective was to assess the impact of migration and remittances on medium-sized cities, such data were collected. According to this last source, the proportion of remittance income devoted to household consumption has been gradually falling, while the share saved or invested has been rising slowly, to 20% during the last five years for which data were collected (1995-1999).

The two studies are neither conceptually nor methodologically comparable and any contrast between them needs to be treated with caution. EREM was based on interviews with the return migrants themselves. ENCEL was based on interviews with one responsible adult in households. Their coverage and purposes were different. However, the finding regarding the distribution of remittances among individuals with different levels of earnings is consistent with the analysis provided in the previous section.

Arroyo, Berumen and Papail take a pessimistic approach to their findings. A large number of the return migrants interviewed are still working as wage workers. The best they have achieved, they think, is escaping wage work and setting up a very small business, typically a store, or in some cases in agriculture or construction. The economic context in which they work does not provide real opportunities for a productive micro-enterprise to bloom. Only a small

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40 This calculation was performed by Papail for the Poverty and International Migration project (Arroyo and Papail forthcoming).
41 Because debts incurred in the migration process are paid first.
share of remittances is devoted to savings and investment. Migrants do not trust Mexico because it is crisis-prone and because the government does not help small businesses. On the other hand, however, the authors do show that 36% of returning migrants intended to open a small business in Mexico when they returned and that most of them did in fact do so. These small businesses employ an average of 1.6 persons, or the migrant and 2/3 other person. These are new jobs, so this must be assessed as a positive impact of their return and possibly a moderately positive impact on local development. Finally, the findings of the two studies are quite contrasting, and the poor fare much worse: for them, migration is not, on average, a move that clearly increases household income. For the non-poor, on the other hand, it is.

**Mexico and its diaspora: from a fractured past to transnational politics**

Today, over 90% of the Mexicans and Mexican-Americans residing in the US are descendants of Mexicans who crossed the US-Mexico border in the last hundred years, after recruiters for railroad and mining companies first triggered migratory flows from Western Mexico in the late 19th century and large-scale initiatives such as the *Bracero* program sparked subsequent movements. Nevertheless, the fact that some Mexicans of Native American and Spanish descent were already living in the south-western states of the US when those territories changed allegiance, were invaded or changed hands after the US invaded Mexico in 1847 is relevant for symbolic and social purposes. Symbolically, it places a large part of the territories now inhabited by Mexican migrants as previously Mexican land. This fact, together with the myth of Aztlan, is surprisingly vital in providing a discourse that connects many Mexican immigrants to these territories in the past, whether it is pre-Columbian, pre-Mexican (as with some inhabitants of Texas, Arizona and Colorado) or pre-1848 (before Mexico ceded Arizona, California, New Mexico, Nevada and Colorado to the US). In this discourse, the relevant fact is that Hispanic or Native American Mexicans were there before the Anglos. To some Hispanic leaders and intellectuals, the discourse in the 1980s revolved around retaking the US Southwest. This symbolic factor provides a basis for cohesion: as a people, Mexicans and Mexican Americans in general have a right to be there, because these lands once belonged to their Native American or Spanish ancestors.

Socially, this connection, which in many cases can be traced historically and in others approaches myth status, is a dividing factor. A large part of the better-educated Hispanic population of the US Southwest make a clear-cut distinction between themselves (the original Hispanics of Colorado, New Mexico, Arizona, California and Texas) and recent arrivals. Some have spoken to the authors about how intermarriage was disapproved of and talked about the ways in which parents emphasized the differences between them, a strong, pioneering people who conquered the desert between the 16th and the 18th centuries and were often miners, ranchers, or skilled craftsmen, and the descendants of peasants, workers and hacienda laborers who arrived later, in the wake of the various periods of Mexican instability.

This varied history means older groups within the diaspora have different attitudes towards the Mexican government, but trust is hardly among them. Although the diaspora was key in keeping Mexican opposition alive during the Revolution (1910-1921) and the Cristiada (1926-1929) by harboring and protecting Mexican exiles and sponsoring resistance, once peace was declared the central Mexican government concentrated on domestic issues and ignored the increasing numbers of Mexicans leaving the country. Leaders and intellectuals in the diaspora felt betrayed.

The printed media and some politicians seemed to fall prey to panic in the early 30s, when approximately 400,000 Mexican citizens and US citizens of Mexican descent were deported
from the US. Since Mexico was also experiencing an economic downturn, it was feared that the
return of hundreds of thousands of workers would depress the entire Mexican labor market. The
surprising outcome was that nothing serious happened. Most Mexicans and Mexican Americans
deported from the US, often in inhumane conditions, were re-integrated into Mexican society.

However, from the 1940s to the 1980s, the question was why the Mexican diaspora was not
playing a more effective part in American politics and why its leadership was evidently lacking.
Explanations included the poor education of most Mexicans, their lack of understanding of the
US political system, their lack of commitment to US society and the political and historical
views of Mexicans in the US Southwest. Within this population, it was widely held that that a
fairly complex if loosely structured form of Mexican society, including highly skilled miners,
railroad and other engineers, entrepreneurs and political leaders, had, over the course of a socio-
ethnic war lasting 100 years, been reduced to proletarian status by the relentless expansion of the
US political and economic systems (Vélez Ibáñez 1995). Another, less prominent argument was
that Mexican-Americans did have significant leaders and role models but that they had been
mostly overlooked by both the Mexican government and the US establishment (Díaz de Cossío
1998).

From 1965 until the early 1990s, Mexico’s migration policy was notable only for its non-
existence (or, in Alba’s words, a “policy of not having a policy”). Mexico’s first major step
towards overcoming the historic distrust between the country and its migrants and émigrés came
in the early 1990s, when consulates throughout the US began to contact existing organizations
and to develop systematic exchanges. By 1995, the 46 consulates had a list of 400 clubs and
other organizations, and consulates in the US cities with the largest Mexican populations (Los
Angeles, Chicago, San Antonio, Houston) developed a contact and organization strategy: a local
club of a few dozen could not be treated in the same way as a pan-ethnic federation of Oaxaca
migrants, even if the consul discovered that “pan-ethnic” was something of a misnomer.
Consulates viewed elections and the increasing diversification of the clubs’ activities as a
positive sign. Some consuls intervened openly in the organization of elections, to such an extent
that a few were accused of orchestrating elections to favor government sympathizers.

The clubs were mostly sporting and cultural, organizing football (soccer) matches and
various celebrations. Some were ethnic, most were of a local character. Consulates provided
citizenship services for these Mexicans, as well as the matrícula consular ID card. However,
many organizations already had concerns that went beyond birth certificates, passports or a
consular presence at a Cinco de Mayo celebration. The Mexican government, for its part, sought
their support in its attempts to improve the bilateral relationship. For their part, the Mexican
clubs and organizations wanted the Mexican government both to recognize their rights as
Mexicans and to help them become better organized in the US in order to acquire rights there.

Most of the time, however, most Mexicans in the US were not aware of the existence of
these organizations, nor did they have time to participate in their activities. As Navarro (1998)
and Zamudio (1997) showed, for most Mexican migrant workers the overwhelming concern was
making ends meet and obtaining a legal work permit and the right to stay in the US. In this
sense, the bulk of the diaspora was very much cut off from Mexico.

**Provision of identity and the right to vote**

From the early 1980s onwards, the Mexican government started to provide a voter’s card to
all Mexicans aged 18 and over. By the mid-1990s, this had become the official identity
document in Mexico and was required in all government, banking and higher education
institutions. The only agency entitled to provide it, however, was the Federal Electoral Institute
(IFE). Mexican embassies and consulates were not allowed to issue the cards. By 1992, however,
it was clear that many Mexicans who had left Mexico without it did not have an identity document. Consulates were allowed to issue passports on the basis of an ever-growing list of documentary proof of birth, military service, citizenship and residence (birth certificates, previous passports, military service identity cards etc.), which many migrants could not provide. However, the need for identification was growing, particularly among the undocumented Mexican population in the US. The Mexican Ministry of Foreign Affairs responded by renewing the *matrícula consular*, a form of identification stating, in both English and Spanish, that the Mexican government recognized the individual’s identity as a Mexican citizen and his/her address abroad. The *matrícula* gained recognition in private and governmental US institutions. This was a “silent process” that enabled Mexican citizens to open banking accounts, enroll in educational institutions, obtain driver licenses, provide one official means of identification when accessing a new job and, sometimes most importantly, return to Mexico voluntarily without being deported by US authorities or suffering various forms of extortion at the hands of local or federal police and other authorities in Mexico. Once the mostly undocumented migrants used the *matrícula* to obtain a driver’s license or register with local and state authorities in the US, they gained access to some of the benefits provided by the welfare, education and health systems. The *matrícula* was initially granted on the spot, with few if any background checks: the IFE card, a local birth certificate (whose reliability varied greatly) and even documents which had been accepted as proof of identity in Mexico in the early 1980s but had been phased out because of their unreliability were all accepted as proof of identity. *Matrícula* requirements soon became tougher, however, and today it is a document backed by reliable official documents and is very difficult to forge. It is called “High-Security Matrícula”. It also has an expiry date.

The *matrícula* was not a basis for establishing legal residence in the US, nor did it allow expatriate Mexicans abroad to vote. In theory, they could vote, but only if they possessed the voting card, traveled to a special voting booth in Mexico during the elections and if those booths had a sufficient extra number of ballot papers to allow non-residents to vote. Often, Mexicans traveled from Los Angeles, San Diego, San Antonio and other places to vote in Mexican cities just south of the border, only to find local officials either denied them the right to vote or said they did not have extra ballot papers.

In 1997, the Mexican constitution was modified to give expatriate Mexicans an explicit right to vote; a universal right to vote was already enshrined in the constitution but had not been explicitly extended to expatriates. However, the conduct of the vote abroad remained unregulated. During 1998 and 1999, a special commission set up by the IFE, the Mexican Congress and the Executive deliberated on whether and how to implement this right in the federal (presidential and legislative) elections of 2000. The number of Mexican adults living in the US was estimated to reach 5.2 million by 2000, but this was the absolute ceiling for which a procedure could be implemented. There were estimated to be far fewer Mexicans - approximately 2 million - in possession of an IFE card (which does not expire) and a survey of their voting intentions found that most were not interested. On the other hand, a comprehensive voting procedure, one that would make it possible for 90% of these Mexicans to vote if they had a voting card, would cost more than the total budget of several social programs. And in any case it was rapidly becoming too late to put in place a new procedure allowing the IFE to issue voting

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42 The *matricula* had been issued before. The decision was to convert an old practice into a widely available means of identification.

43 Sometimes, undocumented Mexican citizens were deported to Central American countries, on the grounds that they could not prove they were Mexican citizens.

44 Up to and including the presidential elections of 1988, the number of ballot papers in any given voting booth was somewhat discretionary; there were often insufficient numbers of papers in opposition districts, while extra ballot papers were normally made available in pro-government districts (and votes for the government increased accordingly).

45 Mexican adults who were not allowed to vote included members of the clergy of any church, the mentally handicapped or ill and persons with specific kinds of a criminal record. In practice, however, most of them could vote, because the procedure for granting the voter’s card did not check for these conditions.
cards to those who did not have them. However, it was reckoned that installing voting booths in all Mexican consulates and in certain areas where Mexicans had recently settled could offer 70% of the target population an opportunity to vote without having to travel long distances (Durand, personal communication). By this time, however, it was impossible to register new voters, so the percentage able to vote would be much smaller. The commission concluded that it was too costly (and too late) to implement a full-scale voting procedure, and that a smaller-scale operation was not worthwhile. Consequently, expatriate Mexicans were unable to vote in the 2000 election.

Although implementation of the right to vote for expatriates would have required substantial resources in order to deal with a very large, dispersed population, the reason why it was not implemented may lie elsewhere. Voting preferences among potential diaspora voters were surveyed, and it was clear that most of those wanting to vote intended to do so for the opposition, mostly for the left. According to some analysts, it was partisan interests that blocked the initiative. However, the issue re-surfaced in time for the federal elections in 2006. This time, however, the debate received considerable public attention. Pressure from the diaspora was much stronger and much better organized, thanks partly to the intervention of the Institute for Mexicans Abroad (IME: see below) as well as to the increasing political activism of other organizations, such as the World Association of Mexicans Abroad (AMME). The crucial stumbling block was the division within the major congressional party (the PRI). However, one day before the deadline, Congress finally passed a resolution that will, for the first time, give Mexican expatriates anywhere in the world the right to a postal vote.

Building a legitimate organization for Mexicans abroad

The government elected in 2000 decided to nominate a charismatic man as the “expatriates’ tsar”. His status was akin to that of a minister, but he was attached to the president’s office. He clashed with the ministries that had traditionally dealt with expatriates (Ministry of the Interior and Ministry of Foreign Affairs), who successfully lobbied to oust him. He was not replaced, and instead the government created an “Institute for Mexicans Abroad”. This time it was careful. Consulates organized caucuses in the US, and out of these caucuses a board of over one hundred representatives was elected. They in turn elected a president. The Institute also has an executive director and it is part of the Ministry of Foreign Affairs, although other ministries are instructed to respond to its requests. The Institute thus possesses both administrative and representative structures within the Mexican government. The aim, however, is not simply to provide a legitimate structure for the representation of the diaspora in Mexico. An additional gain could be that, through this new form of representation, Mexicans in the US might strengthen their representation and lobbying power within that country.

The Institute’s governing council has sent close to 200 requests to the various Mexican ministries. These requests often coincide with what is already known, but some of them are new. Most ask for special services, but a number of them are highly specific, clearly because these elected leaders are acquiring experience of dealing with the Mexican authorities.

The operation of the Institute has so far been successful, and a number of its requests have been heeded. However, if it does not develop a means of, firstly, keeping track of and prioritizing requests and, secondly, maintaining the legitimacy of its board, it is likely to suffer the fate of previous organizations representing expatriate Mexicans. So far, it has achieved one major success, namely the right to vote for expatriates, and may soon add another, in the form of a new subsidized health insurance scheme for migrants’ families while they are abroad.

There is a number of other, non-government-oriented organizations. They are currently competing for attention from the government and their leaders hope to be elected to the Mexican congress in 2006. They can easily be elected if a party gives them a preferential position in their
share of the congressional seats filled by proportional representation. There are still no provisions, however, to allow Mexicans abroad to vote in congressional or state elections.46

Programs promoting the migration-development nexus

Some of the demands of the IME (Institute for Mexicans Abroad) have to do with specific government programs. One of these programs is solidly established. It is called “the 3 X 1 citizens’ initiative”, because it was in fact a popular initiative by migrant groups who wanted to make improvements in their home towns. Initially, the migrants provided a set amount and the state and local governments matched it (2 X 1). Since 1998, this has included the federal government. From 1992 to 2001, the program carried out 400 projects, in which migrants invested 5 million dollars (out of total investment of 15 million dollars) (Torres 2001). In 2003 alone, however, the federal government invested 10 million dollars in 898 projects, out of a total investment of 40 million (SEDESOL 2004). The federal budget again increased remarkably in 2005 to 16.5 million dollars, and by September 30 85% had been allocated. Federal funding is no longer the main constraint: the main difficulty lies in getting authorization for projects from state development planning councils. The IME council demanded that procedures be changed so migrants had more projects approved. It was discovered that their projects were often turned down because migrants were not represented on state development planning councils. The federal government demanded that a migrant or ex-migrant be elected to these councils and the approval rate has subsequently improved. By 2005, the creation of “migrant validation committees” for state spending became a condition for state governments that wanted to participate in the program and a new procedure was put into place to allow communities to arrive at a consensus for specific public works. The IME council also requested that migrant training workshops on the operation of the 3 X 1 program be organized, and this request was granted. This program is likely to continue to grow. The federal government also raised its ceiling, from 25,000 dollars per project to twice that amount when the project calls for it.

The IME council also put in a request for a binational health insurance program. The Ministry of Health responded by developing a form of insurance for migrants’ families in Mexico. This program was not generally accessible and remained impractical. By late 2005, however, a much more attractive scheme should be in place.

Finally, micro-financing is an area of increasing interest. In the next few years, both because the operation of Mexican microfinancing institutions should be improved and because migrant interest in investment is growing, we should witness a significant rise in remittance and microfinancing schemes. Some schemes are in operation and a few are remarkably successful (Myhre 2003). However, these schemes also attract strong criticisms, on the grounds that microfinancing does not benefit poorer migrants or contribute to the development of their regions.

Concluding remarks

In spite of the size of the Mexican diaspora, it has traditionally played a minor role in Mexican politics and policy-making. This may be due partly to the traditional attitude of the Mexican government and Mexican society towards migrants and partly to the social composition of the flow, which has generally comprised relatively poor and uneducated individuals, who have traditionally been perceived as lesser citizens. However, the influence of the diaspora has

46 Colombia has passed a law that creates a special Congressional jurisdiction for Colombians abroad, and allows them an exclusive vote for a representative in that Congressional seat.
increased remarkably over the recent past, as has the impact of their remittances.

This is clearly related to the recent surge in emigration. During the late 1990s, job growth and early signs of demographic stabilization did not, by themselves, lead to any change in emigration levels. Rather, it would rather seem that other factors played a much greater role in increasing emigration, including US labor demand, economic restructuring in Mexico and the consolidation of very diverse and widespread social networks. Data from the 2000 censuses in both the US and Mexico show that migration continued to increase. More recent survey data also suggest that, after 2000, Mexicans continued migrating to the US in very large numbers. The outlook is one of continuing emigration. The most reasonable option is to maximize the development potential of migration.

Remittances are growing slightly faster than emigration. Some changes could be attributed to counter-cyclical responses: remittances grew in the immediate aftermath of the Mexican crisis of 1995 and they continued to rise, albeit less rapidly than official sources suggest, through 2000-2004. Their geographic and social distributions suggest that, on the one hand, a considerable number of poor municipalities have become major receivers and that the poorest income quintile is significantly dependent on remittances. On the other hand, medium-sized and large cities and municipalities are also major receivers in absolute terms and individuals and households in Mexico’s highest income quintile receive the largest income from remittances. The latter findings suggest that a significant portion of these remittances may be entering economic circuits in which their impact may be substantially positive. However, an analysis of the local and regional multipliers and of households’ investment and consumption patterns is required in order to further assess this impact.

Two conclusions can be drawn from the contrast explored in the second section between Mexico’s poorest migrants and returning migrants from medium-sized, non-poor cities. Firstly, the poor do not regularly remit amounts that entirely offset the costs and opportunity income of migration, although some do. Secondly, migrants returning to cities sent higher remittances, covered their costs and created some small businesses, although the authors of this analysis regard these achievements as insubstantial. These findings suggest that the Mexican government’s fear that a large-scale return of migrants would have a catastrophic effect on poverty levels may be exaggerated, although its impact throughout the economy as a whole and on other income strata may be considerable.

Taken together, remittance trends, distribution patterns and changes in migration processes suggest that some of the growth in remittances may be counter-cyclical and basically aimed at reducing poverty and local deficiencies. However, another part of the increase is finding its way into small businesses or other forms of local and regional improvement. Even rural areas with high levels of emigration are experiencing improvements, as Tuirán found (2002). Improvements in macroeconomic stability cannot be ruled out as at least partly responsible for the recent growth in remittance flows.

Lastly, Mexican policymakers are gradually granting expatriates more influence and rights in the country of their birth. Mechanisms that foster fund matching, micro-credit and other financial and administrative incentives can only have a limited impact, because of their limited scale relative to the total migration flow. A new policy area needs to be established that deals specifically with emigration as a major factor in development.

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47 Analyses have traditionally focused on the impact of remittances in extremely small, marginal rural communities (Adelman, Taylor and Vogel 1988, Taylor and Adelman 1996). Our findings suggest that such a analysis should also be undertaken for prosperous towns and households.
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