



ENLACES NEWS #3

VOLUME 3, NOVEMBER 2002

A Publication of Enlaces América, the International Program of the Heartland Alliance

Remittances, Global Integration, and Immigrant Communities

By Oscar Chacón

As is well known, hard-working immigrants from Latin America and the Caribbean in the U.S. have become an indispensable source of economic support for their countries of origin. According to studies commissioned by the Inter-American Development Bank (IADB), nationals from Latin America and the Caribbean residing abroad, mostly in the U.S., sent approximately \$23 billion to their respective countries last year alone. This amount represents much more foreign aid than what it is provided to Latin America by the wealthiest nations on the planet combined. In the year 2000, the World Bank estimated that annual remittances to the region totaled approximately \$15 billion, compared to about \$3 billion in aid (grants, as opposed to loans) for that year.

International financial institutions such as the World Bank and the IADB have become increasingly interested in how to raise levels of remittance flows to developing countries in the Western Hemisphere. They have focused particularly on how to make remittance-sending mechanisms more efficient; that is to say, how to send money fast and at the lowest possible cost. However, the notion that remittances alone will be able to lift people in the region out of poverty, without fundamental reforms to current local and macro economic policies, is nothing but wishful thinking. There is no question that an infusion of capital in the magnitude of current remittance flows to the region does go a long way in alleviating the conditions of misery in which tens of millions of people in Latin America continue to live today. Since not all remittances go to the poorest of the poor, they also contribute to the appearance of an emergent middle class in the region whose growth is not exclusively the result of well-paid and broadly available employment.

In the past year alone there have been several key developments that seriously call into question the viability of economic policy models rigidly advocated by international financial institutions such as the International Monetary Fund (IMF). Other institutions such as the WB and IADB define their interventions in developing countries around these models. In recent months a number of prominent scholars and policymakers have publicly proclaimed that major reforms to dominant models of trade and development policies are urgently needed. Joseph Stiglitz, a former President of the World Bank, who is also a Nobel prize winner; Tina Rosenberg, an editorial writer for the New York Times and author of several books on Latin America, and Dani Rodrick, an author and economist at the Kennedy School of Government at Harvard University, have all concluded after careful research that there is a pressing need to revamp the global economic policy framework which so far has failed to produce beneficial results for the great majority of people around the world. These scholars have noted that China and India, two countries that have made noteworthy progress in lifting people out of poverty in recent years, have done so not by following the standard IMF recipe, but by designing and implementing their own development policies.

The current dominant international economic policies are clearly not working well for everyone, and blindly continuing to implement them will simply deepen the pain of those who have only suffered during the years of faithful implementation of free-market prescriptions for development. This is especially true in the cases of social sectors historically excluded from economic opportunities that could effectively allow them to overcome poverty and misery. It is imperative that civil society and policymakers work together to develop serious economic policy alternatives that will truly address poverty and inequity in the region.

Remittances cannot become powerful levers toward dignified, fair and sustainable development within the present international economic policy framework. Even if family remittances to Latin America and the Caribbean were to double or triple over the next ten years, they would not reach their full potential unless a different policy framework were to be put into place.

Both Dani Rodrick and Tina Rosenberg have emphasized the need to think of globalization in a more comprehensive manner, as a far more complex and profound process than simple investment and trade relationships. Both agree that the migration phenomenon is a natural and predictable element of regional and global integration processes – and that it is one that could be of great benefit to both sending and receiving countries if it were managed intelligently. By accepting and wisely regulating migration, the circularity of migrant populations would be greatly enhanced and with it, the gates for greater sharing of knowledge and experience between peoples and countries would be opened. Migration should be dealt with not as a “problem” to be solved, but as a creative and enriching process. Beyond being simple vehicles for capital transfer between the industrialized and developing world, migrants have tremendous potential as protagonists in the definition of better, more productive ways of using both remittances and funds for local development projects in general.

While most public discussions to date of the role of immigrants in relationship to economic development in their countries of origin have focused on technical improvements to make remittances faster and more affordable, immigrant communities should also be engaged in the more substantive, creative process of developing new policies that effectively reduce poverty in their home communities. Immigrants from Latin America and the Caribbean residing in the U.S are already making a very generous contribution to the well-being of their families via the remittances they send. For them, advocating effective international economic policies that guarantee better access to education, health care, housing and well-paying jobs in their countries of origin is a matter of self interest. This new emphasis on the articulation of a policy advocacy strategy for immigrant communities in relationship to their countries of origin does not negate the importance of making the sending of remittances faster and more affordable. If anything, it is a necessary complement to the more technical approach that, in the long run, will vastly increase the potential for remittances to become a more efficient factor in fostering sustainable productive outcomes.

At Enlaces América, we are committed to working with Latino immigrants in the U.S. to support them in developing the knowledge and capacity required to be effective advocates in shaping the multiple public policy decisions that impact their communities’ lives here and in countries of origin. The realities of communities in sending countries and communities in the U.S. are increasingly intertwined, as the transnational identities and practices of immigrants here deepen every day. *Oscar Chacón is the Director of Enlaces América.*