

Remittances as a Vital Tool for Economic and Human Security in Latin America¹

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While a wide range of extensive literature deal with migration as a security concern, much less attention is aimed at migrant remittances regarding security. However, vulnerable communities in developing regions such as Latin America tend to rely upon the sum of money received from migrants working abroad. In the shadow of the Covid-19 pandemic, it has again become apparent that migrant related monetary remittances play a vital role in disaster relief. In this paper it is argued that remittances have been a crucial tool for economic and human security in Latin America especially during the pandemic. Examining primary and secondary statistical sources, the analysis also tries to find explanations for the resilience and increasing volume of cross-border remittances with regard to the Latin American region, exceeding earlier estimates to a great extent.

Keywords: *remittances, migration, security, Latin America, Covid-19*

Introduction

It has become challenging to get along and navigate in our globalised world – one characterised by volatility, uncertainty, complexity and ambiguity (VUCA world) – that step by step presents profound challenges, requires different levels of management and leadership, as well as generates new dimensions of security needs.³ “Secures” (Latin), i.e. “freedom from fear or anxiety” is something that many lack in developing regions, such as in Latin America and the Caribbean (LAC), where vulnerable communities tend to rely upon the sum of money received from family members and friends working abroad. Still in the shadow of the Covid-19 pandemic, it has again become apparent that migrant related remittances play an important role in disaster relief.

In fact, this global pandemic has been a disaster, hitting Latin America hard; 69 million infections and more than 1.6 million deaths have been documented.⁴ Real numbers are even higher. The vaccination has been a priority in Latin American countries, at the same

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³ Zeger van der Wal: *The 21st Century Public Manager. Challenges, People and Strategies*. London, Palgrave Macmillan, 2017.

⁴ Reuters Covid-19 Tracker: Daily Statistics in Latin America and the Caribbean. *Reuters*, 15 July 2022.

time, monetary remittances from abroad turned out to be an “alternative serum” for the region. Surprising and reassuring data show that remittances in the LAC region have been extremely resilient under Covid-19 so far, helping millions of families to cope with the hardships during the fight against the pandemic.

Seeing the biggest declines in April 2020, the World Bank forecasted a 20% drop in remittances for low- and middle-income countries (LMICs) by the end of 2020, and a 19.3% contraction in Latin America, the sharpest decline in recent history that would have been about four times the decline in remittances experienced during the 2008–2009 global economic crisis.⁵ The pessimism was though justifiable, as it was foreseeable that the epidemic would reduce employment and/or the wages of migrant workers as a result of the pressure on the labour markets of the host countries. However, despite forecasts, remittance flows quickly recovered, at least in some regions.⁶

In this paper it is argued that migrant remittances have been a crucial tool for economic and human security in Latin America during the Covid-19 pandemic. Also, the aim of the analysis is to find explanations for the resilience and increasing volume of cross-border remittances with regard to the LAC region, exceeding earlier estimates to a great extent. The research conducts secondary analysis of primary and secondary statistical sources especially focusing on the period between 2019 and 2022, while the study also offers a theoretical background by bringing migration, remittances and security to a common ground. It then provides a brief overview of the dominant migration trends in Latin America, followed by the chapter presenting remittances that have produced a surprising turnaround in the region during the pandemic.

Migration, remittances and security

Within the field of security studies, the cross-border movement of people emerged as a key issue in the context of the geopolitical dislocation following the Cold War and also by wider social and political shifts associated with ‘globalisation’.⁷ Ever since, a wide range of security theories and extensive literature deal with migration as a security concern,⁸ while much less attention is aimed at migrant remittances regarding security.

“Migration is increasingly interpreted as a security problem”,⁹ however, its interpretation and level of analysis differs. Security discourse has broadened and involve strategic and humanitarian approaches to the migration–security nexus, bringing state-centric security and human security to the table.¹⁰ Without deeper introduction of the concept of “security”,

⁵ KNOMAD: Covid-19 Crisis Through a Migration Lens. *Migration and Development Brief* 32, April 2020.

⁶ KNOMAD (2020): op. cit.

⁷ Philippe Bourbeau: *Handbook on Migration and Security*. Cheltenham, Edward Elgar Publishing, 2017.

⁸ Didier Bigo: Security and Immigration: Toward a Critique of the Governmentality of Unease. *Alternatives*, 27, no. 1 (2002). 63–92; Khalid Koser: When is Migration a Security Issue? *Brookings*, 31 March 2011; Fiona Adamson: Crossing Borders: International Migration and National Security. *International Security*, 31, no. 1 (2006). 165–199.

⁹ Bigo (2002): op. cit.

¹⁰ Jef Huysmans – Vicki Squire: Migration and Security. In Myriam Dunn Cavelty – Victor Mauer (eds.): *Handbook of Security Studies*. London, Routledge, 2009.

this section cites the internationally known security theory of Buzan, Ole Wæver and Jaap de Wilde¹¹ and a few thinkers on human security in order to ultimately relate to migrant remittances.

Buzan offers a broader framework of security by specifying the levels and sectors of security. The three levels are individuals, states and international systems, and the increasingly overlapping sectors – often looked at as a matrix – are the ones of political, military, economic, societal and environmental. Remittances on an individual level mostly connects to economic security, which is defined by Buzan et al. as “concerns access to the resources, finance, and markets necessary to sustain acceptable levels of welfare (and state power)”.¹² Since the Copenhagen School of International Relations (dominated by Buzan himself and his colleagues) rather understood ‘societal security’ that concerns especially the identity of a society, according to their conceptualisation, migrant remittances are less related to this sector, even though they too have social substance.

As far as individual security is concerned, Buzan considers “life, health, status, wealth, freedom”¹³ amongst others to be the main foundations. Yet it was Booth, who positioned human beings at the centre. He claimed that “security means the absence of threats” i.e. people (as individuals and groups) being “free from those physical and human constraints which stop them carrying out what they would freely choose to do”.¹⁴ He listed threats such as poverty, poor education, political oppression, or war. Hampson a bit later defined the term “human security” in an even broader sense that includes economic, environmental, social and other types of harm to the overall livelihood and well-being of individuals.¹⁵ Along these lines, remittances can be considered a tool to support, preserve and restate human security – especially when the state misses to do so. In fact, in the absence of state involvement – such as the existence of an efficient social security system – many people in developing countries, especially the poor and vulnerable, can only cope with security threats relying on migration-related remittances.¹⁶

Indeed, facing modern time challenges of security, the focus shifted from national security to individual and human security. According to the concept of human security identified by the UN, instead of the security of the state (military protection, state interests and territorial possession), the emphasis should be placed on the security of individuals (their well-being, access to food, education and work).¹⁷ This is where remittances most

¹¹ Barry Buzan – Ole Wæver – Jaap de Wilde: *Security. A New Framework for Analysis*. Boulder, Colorado, Lynne Rienner Publishers, 1998.

¹² Buzan et al. (1998): op. cit. 8.

¹³ Barry Buzan: *People, States, and Fear. The National Security Problem in International Relations*. Chapel Hill, University of North Carolina Press, 1983. 36.

¹⁴ Ken Booth: Security and Emancipation. *Review of International Studies*, 17, no. 4 (1991). 313–326.

¹⁵ F. Osler Hampson: Human Security. In Paul D. Williams (ed.): *Security Studies. An Introduction*. New York, Routledge, 2013. 279–294.

¹⁶ Hai Anh La – Ying Xu: Remittances, Social Security, and the Crowding-out Effect. *Journal of Asian Economics*, 49 (2017). 42–59.

¹⁷ Ivett Szász: A humánbiztonság koncepciója és mérésének lehetőségei. *Nemzetbiztonsági Szemle*, 7, no. 2 (2019). 109–127.

commonly appear in both security and migration related research; how they sustain livelihoods,¹⁸ their impact on poverty, labour or food security/insecurity.¹⁹

Human security and national security are not competing concepts, but complementary concepts when analysing such complex issues.²⁰ Therefore, looking beyond the individual level, the effects of remittances (their size or their absence) can be examined on a state and an international level as well. When analysing economies and repressive regimes like the Venezuelan with the dictatorial rule of Nicolas Maduro,²¹ the matter of the fact is that remittances – beyond their will – actually contribute to upholding the system on the brink of collapsing.²² In this sense, the absence of remittances would be a threat on national security; not only an economic, but also a political security threat for the state. Being aware of the size of remittances received in the LAC region (as to be presented in the following sections), that often represent a vital source of foreign currency for developing countries, as a matter of fact, their extensive reduction would possibly result in regional security threat.

Back to Buzan et al., in order to study problems in the broadest sense, they also introduced the concept of the “regional security complex”, their main conceptual innovation. It was the regional level of analysis that was given the main consideration in their work, noting that the pattern of security interdependence is normally characterised by regional fragmentation.²³ This is often particularly accurate when dealing with migration trends in several regions, however, it is not without question how regions are divided. According to Buzan, the American continent is divided into North and South America, while the latter has two subcomplexes; the North Andean and the Southern Cone. The geopolitical division has been questionable ever since. For instance, by no means can the United States be divided into a separate regional complex from Mexico, the Central American isthmus and the Caribbean, because as a hegemon (superpower according to the theory) it plays a dominant role in intra-regional military, political and economic aspects, the latter including LAC remittances (again to be seen later). Although most international migration takes place between countries in the same region²⁴ – see Latin American interregional migration for instance – migration is global in that sense too, that migratory routs are diverse and cross-border migration in fact often also cross regions and continents. So do migrant remittances in our globalised world with technological advances, in which for capital transfers national borders are easy to bridge.

¹⁸ Patricia Weiss Fagen – Mican N. Bump: Remittances in Conflict and Crises: How Remittances Sustain Livelihoods in War, Crises, and Transitions to Peace. *The International Peace Academy, Policy Paper*, February 2006.

¹⁹ Jorge Mora-Rivera – Edwin van Gameren: The Impact of Remittances on Food Insecurity: Evidence from Mexico. *World Development*, 140 (2021).

²⁰ Szászi (2019): op. cit.

²¹ Maduro, scapegoating the United States with its imperialism and multinational companies has made Washington responsible for all the trouble of the Venezuelan situation, marking the U.S. itself as a threat. Owing to the region’s specific anti-U.S. sentiment, the Venezuelans (the audience) are actually accessible through such communication (the speech act). On the other hand, the lack of press freedom and coercion also contribute to the securitisation ‘success’.

²² Shannon O’Neil: Venezuelan Remittances Don’t Just Save Lives. *Bloomberg*, 04 April 2019.

²³ Buzan et al. (1998): op. cit.

²⁴ UN: Population Facts, No. 2017/5.

Whereas the migration and development nexus are subject to intense debate in modern sciences, in fact social stability can be shaken by waves of immigration.²⁵ However, in case immigration is “securitised”, i.e. interpreted as an existential threat by authorities and politicians (the securitising agent),²⁶ it makes it difficult to integrate immigrants into the receiving society.²⁷ Consequently, if economic integration is likely to fail, migrants will have less favourable circumstances to send remittances to their motherlands.

After such occurrences as the 2008 financial crisis and the latest coronavirus, it must have become even more evident that our world is highly interconnected, all issues have global implications. The recognition that what may affect only one actor at first, when a new development occurs, may ultimately affect everyone, directly or indirectly, in one way or another puts security – and its conceptualisation – in a whole new perspective.²⁸ How the world – in all levels – struggled to survive Covid-19, and uphold relative security is unprecedented. Latin America has (also) been deeply struggling, great challenges were experienced by its population; both its international migrants, as well as those who stayed at home.

Latin American migration outlook

The migration landscape of Latin America has undergone profound changes in the last decades in terms of direction, intensity and composition of migratory flows. What is seen in the post-world war Latin America is that the direction of migratory flows changed; the region has transformed from being an immigrant receiving region to one that let go of a huge emigration population.²⁹ About 42.7 million people in the region live outside their country of birth.³⁰ These emigrants represents about 15% of all migrants around the globe (281 million); twice as much as the Latin American share of the world’s population.³¹ The high migration potential that characterises the region (the Caribbean has the highest potential in the world in terms of actual readiness to migrate) is a sign that many more are planning to leave their homeland.³²

Three fundamental migration processes can be identified regarding the LAC region:

1. South–North migration particularly to the United States;
2. Transatlantic (and transoceanic) migration mainly to Europe; and
3. Intra-regional migration, i.e. migration

²⁵ Péter Marton: *Biztonsági komplexumok. A biztonság empirikus elemzésének alapjai*. Corvinus University of Budapest, 2019. 101–112.

²⁶ Buzan et al. (1998): op. cit. 23–31.

²⁷ Ariane Chebel d’Appollonia: *Securitization and Integration. In Migrant Mobilization and Securitization in the US and Europe*. New York, Palgrave Macmillan, 2015. 63–90.

²⁸ Péter Marton: A biztonság empirikus elemzésének újragondolása. *Nemzet és Biztonság*, 10, no. 6 (2017). 61–78.

²⁹ Thomas Skidmore: *Modern Latin America*. Oxford, Oxford University Press, 2005.

³⁰ Jairo Acuña-Alfaro – David Khoudour: El potencial de la migración en América Latina y el Caribe. *UNDP, Programa de las Naciones Unidas para el Desarrollo*, 20 January 2020.

³¹ Dany Bahar – Ernesto Talvi: Can Latin American Countries Benefit from their Large Emigrant Populations? *Brookings*, 30 March 2018.

³² IOM: *Measuring Global Migration Potential, 2010–2015*. IOM’s *Global Migration Data Analysis Centre*, July 2017.

within the region itself, which is currently the most pronounced trend due to the Venezuelan humanitarian and migratory crisis.³³

The most striking feature of the region's main migration routes has been the predominance of the United States as the prime destination country. This is because most migration routes in fact lead to the U.S. (mainly from the Caribbean and Mexico), while other relevant movements take place within Latin America and the Caribbean. Six out of ten international migrants living in Latin America were born in the same region.³⁴ Following the 9/11 terrorist attacks – which resulted in the serious rethinking of the concept of security – tighter immigration regulations were implemented in the U.S., then later due to the economic crisis of 2008 that hit developed countries hard (especially Spain, for example), interregional migration flows increased in the LAC region. The main destinations have become the strong economies of South America, Argentina, Chile, Brazil or Colombia.

With the emergence of south–north migration corridors on the American continent, the waves of massive immigrant populations accelerating from the 1980s to the 1990s laid the foundations for the establishment of significant foreign colonies in the United States that still exist today. Moreover, thriving diasporas – as a “pull” factor – continue to attract those who remain in the homeland. Immigration from Latin America to the United States and Canada accounted for 43.2% of total inflows in 2020, meaning that more than 25 million Latin American migrants live in North America.³⁵ Another statistic worth noting is that nine out of ten immigrants received by the U.S. are from El Salvador and Mexico.³⁶

European colonising countries are popular destinations for those wishing to leave Latin America. More than half of Latin America's migrant population residing in Europe lives in Spain (2.5 million³⁷), while immigration to Italy, Portugal and the United Kingdom has also become popular in recent decades. Although only 6.1% of immigration to Europe comes from the region, there are still around 4.6 million Latin American immigrants in the old continent, this group is characterised by a high concentration of the productive age and a predominant presence of women³⁸ (feminisation of migration).³⁹ Emigration to Europe comes mainly from Ecuador, Colombia, the Dominican Republic, Argentina, Peru, and to a fewer extent from Venezuela.⁴⁰ Even though the global economic crisis has certainly curbed the number of people arriving in Europe for a short time, it has not led to a remigration of the Latin American population. The economic recovery has boosted inflows again, and the total number of immigrants in Europe is still growing today as

³³ Jorge Durand – Douglas Massey: *New World Orders: Continuities and Changes in Latin American Migration. The Annals of the American Academy of Political and Social Science*, 630, no. 1 (2010). 20–52.

³⁴ UN (2017): op. cit.

³⁵ IOM: *Informe sobre las migraciones en el mundo 2020*.

³⁶ BID: *Flujos Migratorios en América Latina y el Caribe. Banco Interamericano de Desarrollo*, September 2021.

³⁷ INE: *Población por nacionalidad. Instituto Nacional de Estadísticas*, 2021.

³⁸ Jordi Bayona-i-Carrasco – Rosalia Avila-Tápies: *Latin Americans and Caribbeans in Europe: A Cross-Country Analysis. International Migration*, 58, no. 1 (2020). 198–218.

³⁹ Gabriella Thomázy – Amadea Bata-Balog: *Colombianas en Chile: tendencias y determinantes de la migración femenina. Acta Hispanica*, 25 (2020). 23–35.

⁴⁰ Mónika Szente-Varga – Amadea Bata-Balog: *Return Migration from Venezuela to Europe: Back to the Roots. Estudios Internacionais*, 9, no. 3 (2021). 75–95.

a result of the rapid increase in the influx of refugees in recent years. One of the biggest, if not the biggest, security threat for Europe and the whole world is the ongoing Russian invasion on Ukraine, which has let almost 7 million citizens leave their country.⁴¹ The Ukrainian refugee crisis again distracts Europe from the critical migration situation of Latin America.

While Latin American emigration to Asia and Oceania (including Australia and New Zealand) is also slightly increasing (mainly from Brazil), intraregional migration flows have been streaming even more intensely. The term ‘unprecedented’, often used by experts, illustrates the severity of the migration crisis that has characterised Latin America in recent years, facing two dominant flows. One is migration from Central America to the United States via Mexico from the “northern triangle” of Honduras, El Salvador and Guatemala. Since 2014, it is estimated that 265,000 migrants in transition have intended to settle in the U.S. from these countries each year, 80% of whom are detained by Mexican or U.S. authorities.⁴² As a result, the phenomenon of return migration is also increasing, mainly from Mexico. The second wave of migration crises originates from Venezuela, a country once used to be one of the richest in the region, yet today it is in a catastrophic economic, political and social situation. Until 2022, the UN High Commissioner for Refugees counted 6,133,473 million emigrants (as of 5 May 2022), of which 84%, i.e. about 5 million Venezuelans found their permanent or temporary new “homes” within the region, still millions residing with irregular status.⁴³ The countries receiving the largest share of the influx are Colombia, Peru, Chile and Ecuador. Such an exodus – with an estimation of 9 million displaced people by the end of 2022⁴⁴ – is indeed posing enormous challenges for host and transit countries and a great security threat to the region, especially considering that it is deeply underfunded by the international community.⁴⁵

Remittances in the LAC region before and during the pandemic

Latin American migrants outlined above support the development of their homeland in three main ways, namely through business and social networks, the dissemination of knowledge and technology, and monetary remittances. This study focuses on the latter, and its development during Covid-19. Remittances sent from abroad – on a regular or occasional basis – to those who have remained at home, are mentioned in the (re) migration literature in the context of utilitarian strategy on the one hand, and in the system of transnationality and networks on the other.⁴⁶ International remittances are thus an important and spectacular link between migrants and the society that sends them. They

⁴¹ UNHCR: *Ukrainian Refugee Situation*. 2022.

⁴² Acuña-Alfaro–Khoudour (2020): op. cit.

⁴³ R4V: *Inter-Agency Coordination Platform for Refugees and Migrants from Venezuela*. 2022.

⁴⁴ RMRP: *Regional Refugee and Migrant Response Plan*. R4V, 2022.

⁴⁵ Béla Soltész: A venezuelai kivándorlás hatása Dél-Amerika országaira. *KKI Elemzések*, no. 51 (2021). 3–14.

⁴⁶ Amadea Bata-Balog: A remigráció diskurzusa: A hazatérés mozgatórugóinak és fejleményeinek áttekintése – különös tekintettel a magyar nyelvű szakirodalomban. *Tér–Gazdaság–Ember*, 9, nos. 3–4 (2021). 49–68.

are considered to be a positive consequence of migration, in contrast to the negative effects of emigration, – such as labour shortages, brain drain or structural problems – especially influential in developing countries where these remittances account for a significant share of the total national income.⁴⁷ Great examples of this are the LAC countries, where remittances have risen steadily over the past decade and genuinely represent a salient component of their GDP (26.4% of GDP in El Salvador, 26.2% in Honduras and 23.6% in Jamaica).⁴⁸



Figure 1: Top remittance recipients in the LAC region, 2021

Source: KNOMAD (2022): op. cit.

As a result of the pandemic, the total value of officially recorded international remittances in the world average fell moderately by 2.4% in 2020, despite dramatic forecasts, while remittances from low- and middle-income countries were “only” 1.6 % lower than the 2019 values.⁴⁹ According to KNOMAD, out of the six LMIC regions (see Figure 1), Latin America and the Caribbean was clearly with the most fruitful in terms of remittance growth after closing the first year of the crisis with an 8.2% increase, with incoming remittances reaching \$104 billion at the end of 2020.⁵⁰

⁴⁷ Ninna Nyberg Sørensen: The Development Dimension of Migrant Remittances. IOM, June 2004.

⁴⁸ KNOMAD: A War in Pandemic 2022. *Migration and Development Brief 36*, May 2022.

⁴⁹ KNOMAD: Resilience. Covid-19 Crisis Through a Migration Lens. *Migration and Development Brief 34*, May 2021a.

⁵⁰ KNOMAD (2022): op. cit.

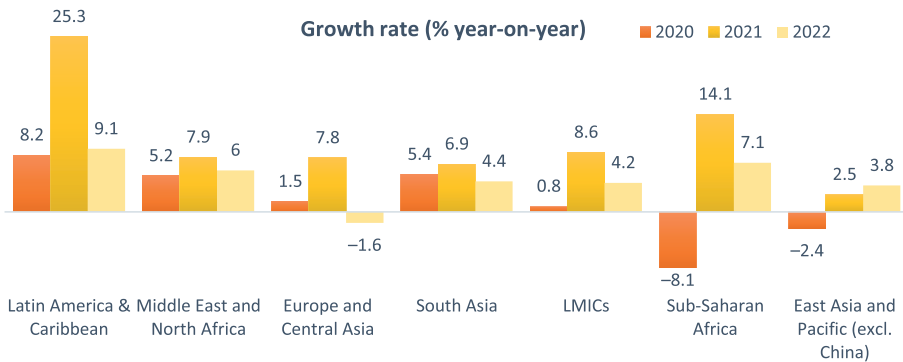


Figure 2: Remittance flows by LMIC region, 2020–2022

Source: KNOMAD (2022): *op. cit.*

Although the Covid-19 shock initially led to an expected decline, remittances rapidly bounced and many Latin American countries have reported that their monthly remittance flows not only have recovered since April 2020 but are even higher than they were before the pandemic. By 2021, we see that remittances further catch-up, and we can witness a 37% increase in Guatemala, 34% in the Dominican Republic, 33% in Honduras, 31% in Salvador, 26% in Colombia, 25% in Mexico and 24% in Jamaica compared to the previous year. We could continue the list with South American countries regaining their strengths in terms of remittances, like Brazil or Ecuador, while there are some negative examples as Panama or Paraguay, where remittance inflows could not catch-up so quickly. Nevertheless, on the top of the list there is Mexico, which is the second largest recipient of remittances in the world with nearly \$54.1 billion – only outstripped by India, followed by China – certainly leading the way in Latin America with huge amount of migrant remittances.⁵¹

Even before the release of last year's official year-end statistics, it was clear that the data for 2021 would reflect a further increase in remittances, and there were clear signs of another boom by 2022, as well. Revenues from remittances in the region indeed reached \$131 billion in 2021, an increase of 25.3% by the end of the year – again even exceeding the projected values.⁵² Looking at the latest data of May 2022 – which already takes into account the effects and escalating risks of the Russian invasion of Ukraine – remittances to the LAC region are forecasted to propel by a strong 9.1% pace in 2022 and 7.7% in 2023.⁵³ However, downside risks dominate due to the war and its consequences on economic developments, austerity measures, inflation pressures and uncertain advancements in immigration policy in the United States, and further geopolitical risks.

⁵¹ KNOMAD (2022): *op. cit.*

⁵² KNOMAD: Recovery. Covid-19 Crisis Through a Migration Lens. *Migration and Development Brief 35*, November 2021b.

⁵³ KNOMAD (2022): *op. cit.*

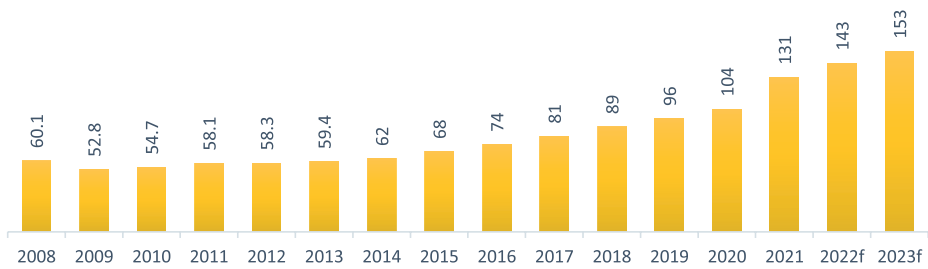


Figure 3: Migrant remittance flows to Latin America (2008–2023) billion \$

Note: f = forecast

Source: 2008–2014: CEMLA (2021): *op. cit.*; 2015–2023: KNOMAD (2022): *op. cit.*

Interpretation of remittance developments

Migrants are particularly vulnerable to the economic and health effects of the pandemic, as they generally have limited access to the host country's state aid, social security system and often have occupations that suffer significant job losses during a crisis. In many cases, we see that the savings of immigrants are insufficient to protect their income during the current pandemic.

Thus, the question arises, how is it possible for migrants from certain countries to send home not less, but sometimes even more of their savings during the Covid-19 pandemic? The fact that remittances to Latin American countries were in a surplus was a pleasant surprise. How can this trend provoking early forecasts be explained? Some key factors help to reveal what happened.

First of all, more than 75% of remittances to the region come from the United States,⁵⁴ (and for some countries more than 90%)⁵⁵ as the U.S. is the number one destination for those leaving the LAC region. Although the employment rate of foreign-born workers in the States decreased by more than one-fifth in April 2020 compared to before the outbreak of the pandemic, the situation has steadily improved ever since. Immigrants tend to change jobs rather than stay out of work in the long run, so shifts to the necessary sectors during the epidemic have reduced the impact of the employment crisis. All this, as well as various aids, incentives and benefits provided by the government have improved economic conditions compared to the forecasts and allowed remittances to quickly recover. Meanwhile Spain's, the second largest host country for Latin American communities, economic situation had a negative impact on remittance flows to Bolivia (–16%), Paraguay (–12.4%) and Peru (–11.7%) in 2020.⁵⁶ Similarly, in the case of some countries, remittances

⁵⁴ Mariellen Jewers – Manuel Orozco: *Migrants, Remittances, and Covid-19. Remittance Behavior and Economic and Health Vulnerabilities*. Washington, D.C., Inter-American Dialogue, 2020.

⁵⁵ KNOMAD (2022): *op. cit.*

⁵⁶ Banco Mundial: *Los flujos de remesas desafían las previsiones y siguen siendo sólidos durante la crisis provocada por la Covid-19*. 12 May 2021.

within the region have significantly shrank due to the virus and restrictive measures that were particularly strict in the region. For example, remittances from Ecuador to Colombia, Mexico and Peru fell by 20% due to restrictive measures.⁵⁷ At the same time, with the emergence of new migratory routes, we are witnessing an increase in remittances within the region. The number one example is remittances sent from Colombia to Venezuela or money transferred to Mexico for Guatemalans, Salvadorans and Haitians on their way to the United States. Since transit migrants tend to stay in transit countries for a longer period, they need additional financial assistance from their families (either from their home country or those already living in the country of destination) to cover the cost of living and travel, and the payment of human traffickers. Therefore, we see that the inevitability and favourable development of remittances during the epidemic is felt primarily by the Central American and the Caribbean region, and secondarily by South American countries. In the South, the importance of these resources seems to be somewhat smaller compared to their own GDP (e.g. Argentina 0.2%; Brazil 0.3% or Colombia 2.7% in 2021),⁵⁸ yet they are an extremely important additional source of income to fight poverty.

Part of the explanation is that remittances are in fact ‘counter-cyclical’ in times of crisis. During periods of crisis (let it be a financial crisis or natural disaster), migrants try to send a large share of their income back to their home countries. This altruistic behaviour was also observed during the 2008 economic crisis, and this is reflected in the personal narratives of many Latin American migrants who say: “I will not stop helping my mother in any way, even if my income is declining”, as they note “we struggle here, but it is even worse at home”.⁵⁹ Although newcomers and those living in insecure situations often have unbalanced working conditions, diasporas living in key migration corridors are better prepared to sustain the level of remittances destined for people living in their country of origin in times of crisis.

Pandemic-related travel and movement restrictions and the closure of shops made it difficult to access physical remittance providers, such as returning cash. However, the proliferation of digital transfers, such as the use of digital money, and the shift from informal to formal channels have greatly contributed to avoiding a decline in trends. A Mexican case study, for example, found that in the municipalities close to the border, which previously received remittances through informal channels, the number of registered remittances and open bank accounts has risen to a record level since the beginning of the pandemic.⁶⁰ Both national and international banks have developed a variety of policies to help member states and migrants in sending remittances; reducing the costs, simplifying the process by implementing favourable transfer regulations.

While new migration flows and the number of refugees has declined, the crisis led to an increase in remigration. Initially, many migrants were stranded in their host countries due to lockdown measures and travel bans; however, as these were slowly lifted, a steady

⁵⁷ KNOMAD (2021a): op. cit.

⁵⁸ KNOMAD (2022): op. cit.

⁵⁹ Miriam Jordan: Even When They Lost Their Jobs, Immigrants Sent Money Home. *The New York Times*, 24 September 2020.

⁶⁰ Lelys Dinarte et al: Neither by Land nor by Sea. The Rise of Electronic Remittances during Covid-19. *World Bank Group*, May 2022.

increase is perceptible in the number of migrants that returned to their country of origin. Some also transferred their last savings home before making the trip, while the large increase in remittances may also be explained by the savings sent home of migrants who died in coronavirus infection.⁶¹

Another understanding of the size and evolution of remittances is related to the individualistic and collectivist nature of societies. Individualistic societies emphasise individual goals and individual well-being, while a collectivist, solidarity-based nation focuses on the goals of the group, in which the individual easily sacrifices his or her own interest. Personal, long-term relationships are becoming increasingly important, and migration networks, transnational and diaspora relationships are extremely strong. Latin American countries are characterised by such collectivism, while developed Western nations have rather individualistic identities. This also explains why during the pandemic the resources of Latin communities have been enriched, while the remittances to Western developed countries have usually subsided. Similarly, to other European countries, remittances in Hungary fell significantly from 2019 to 2020 (–25%),⁶² ever since continued to drop according to the National Bank of Hungary.

The strengthening of oil prices helped the recovery of remittances and the economic recovery of the oil producing countries in the region, such as Brazil and Mexico. The resilience of remittances to the crisis is also shown by the fact that (except for China) the remittances targeted at low- and middle-income countries have evidently surpassed foreign direct investment (FDI) figures and three times the value of development aid (ODA).⁶³ It is visible that there has been an increase in the dependence on remittances in the Latin American region, mainly due to the deterioration of GDP and high rates of inflation. All in all, this could make these economies vulnerable to sudden changes in remittance revenues – as noted earlier, can culminate in economic security concerns. Nonetheless, the economic development potential of migrants' remittances is well known, given that this is practically the only quantifiable feature of migration.⁶⁴ However, the extent to which these transfers can offset the effects of the Covid-19 crisis in different countries is still questionable. Certainly, the outbreak of the coronavirus once again highlighted the importance of remittances, which continue to be a basic source of income for a significant share of the Latin American population and a vital mechanism to alleviate the negative effects of the severe pandemic.

Conclusions

Remittances to the LAC region have been responsive in a positive direction. Although the epidemic has not yet ceased to exist by the middle of 2022, we see the tightening and lifting restrictions on mobility in sending and receiving countries that affect the

⁶¹ The Economist: Why the Pandemic Has Not Dented Latin American Remittances? *The Economist*, 02 December 2020.

⁶² Eurostat: *Personal Remittances Statistics*. 2021.

⁶³ KNOMAD (2021a): op. cit.

⁶⁴ Nyberg Sørensen (2004): op. cit.

recovery of post-Covid economies, the size and direction of legal and irregular migration flows, and thus the development of migrant remittances, as well. Indeed, LAC emigrants have maintained strong connections with their home countries, sending home sizable remittances before, during, as well as after the global pandemic. Remittances to Latin America are expected to further increase in 2022 and 2023, however, downside risks are also present due to the impact of the war between Russia and Ukraine, geopolitical uncertainties, improvements depending on economic developments, the inflation pressures in Western societies and dilemmas regarding immigration policies (especially concerning the U.S.).⁶⁵ Further growth will require greater progress in accessing bank accounts for the immigrant population (which is essential for the use of digital channels) and there will be a high demand to reduce the cost of remittances. The 2030 target is to reduce the costs by almost half, since transferring money across international borders is persistently high, although it is lower in the LAC region than the global average.⁶⁶

Despite the importance of intraregional migration, countries of the region are not large senders of remittances compared to the remittances they receive⁶⁷ – yet these transfers are also decisive in their amount and effects. More importantly, the data and its analysis have mirrored the importance of the conditions of the U.S. economy for remittances to the region. However, the increase in remittances in 2020–2022 also well reflects the collectivist nature of the Latin American population, the effort and commitment of migrants (altruists) to maintain support for their relatives left in their countries of origin, especially in critical times such as a crisis caused by a pandemic. Those who remain at home need revenue in particular to finance their medical services during the pandemic, especially considering that the underdevelopment and overcrowding of public health in the region often requires the use of private institutions. By its nature, remittances function as a channel to reduce poverty and inequality,⁶⁸ in case there was a decline in remittances, the living conditions of those in the Latin American region would continue to deteriorate, which would encourage further emigration. Both resulting in security threats either for individuals themselves or at the regional level as well. Especially during the Covid-19 pandemic, when the vulnerable population has experienced great uncertainties, remittances turned out to be an essential form of social insurance and a kind of livelihood diversification.⁶⁹ Money transferred home has been a vital economic lifeline, helping millions of families in Latin America more resilient to shocks – like the economic and social effects of the pandemic – providing remittance recipients support to mitigate risks.

Although remittances have the potential to reduce livelihood security risks of the recipients, while also displays visible development effects on the recipient economy, it is vital to realise that the responsibility for the citizens' social security and development lies with states and not migrants.⁷⁰ Nevertheless, the leaders of the countries representing the

⁶⁵ KNOMAD (2022): op. cit.

⁶⁶ KNOMAD (2022): op. cit.

⁶⁷ Kimberly Beaton et al.: Migration and Remittances in Latin America and the Caribbean. *IMF Working Papers*, 144 (2017).

⁶⁸ Beaton et al. (2017): op. cit.

⁶⁹ Laura Thompson: Financial Remittances – A Tool for Development? *IOM*, 16 October 2014.

⁷⁰ Thompson (2014): op. cit.

world's major economies, –including the main destination countries of LAC migrants –have committed themselves “to take steps to support the full inclusion of migrants [...] in our pandemic response and recovery efforts [...] regardless of their migration status”.⁷¹ In the framework of the G20 Rome Summit they reaffirmed to “strongly encourage the continued facilitation of the flow of remittances and the reduction of average remittance transfer costs”.⁷²

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⁷¹ GPMI: *G20 Rome Leaders' Declaration*. 2021.

⁷² GPMI (2021): op. cit.

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