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From the Los Angeles Times

The Seeds of Promise

The world's immigrant workers send home billions of dollars a year, eclipsing all government aid. The funds, arriving in trickles, ease poverty and drive growth. Wages earned in the lettuce fields of

By Richard Boudreaux
Times Staff Writer

April 16, 2006

The prickly plants started in Catalina Sanchez's garden and now stretch across her neighbors' fields as far as the eye can see. They pop up on acre after acre as word gets around: This village of dirt floors and outdoor toilets expects to get rich exporting cactus.

The seed money comes from men who couldn't make a living here and left for California, the idea from one of the women they left behind.

As their corn crops failed in thinning soil, a generation of men migrated to pick lettuce in the Salinas and San Joaquin valleys. The cash they wired home bought food, but little hope for a better life.

Then Sanchez got busy in her backyard. She started plowing her husband's wire transfers into a waist-high patch of nopal. The paddle-like cactus leaf has a succulent taste and, she suspected, a market far beyond impoverished Oaxaca state. Soon other peasant women joined her, investing cash from their men in California.

Nearly 2,000 miles away, Erasmo Alonzo imagined that the wages of his back-breaking labor were buying a TV, a washing machine and indoor plumbing. On his first visit home, "he did not find any of those things," Sanchez recalled. "Look outside," she told him, proudly pointing to her rows of nopal. "That is our future."

With additional financing from migrants in California and the Mexican government, Sanchez's co-op is building a food-processing plant that will employ dozens of this Zapotec Indian community's 5,750 inhabitants. Starting this summer, the co-op's 134 growers plan to supply 10,000 1-pound jars of organically grown, pickled cactus each week to an expanding specialty-food market in the United States.

The venture is a village-level display of the power of remittances, the billions of dollars that migrants earn in rich countries and send home to sustain their kin. It is part of a search by struggling communities, international aid agencies and governments for ways to harness this flow to alleviate the poverty that drives people to migrate in the first place.

Migrants have been sending money home, in one form or another, for centuries. But only recently have economists recognized its significance. Today, remittances are the largest, fastest-growing and most reliable source of income for developing countries. Poor nations reported \$167 billion in receipts from overseas workers last year, according to the World Bank, more than all foreign aid. Including unrecorded transactions, the bank estimates that the total exceeded \$250 billion.

This giant transfer of wealth crisscrosses the Earth in millions of trickles, a few hundred dollars at a time, sent by workers who have assumed much of the burden of Third World development. Their remittances — private aid from the poor to the poorer — offer a rare chance to accumulate savings; invest in schooling, housing or a small business; and rise into the middle class.

At least \$39 billion flowed out of the United States last year, wired home by legal immigrants as well as many of the estimated 12 million people whose undocumented status and growing numbers have provoked a furious debate over immigration policy.

According to the World Bank, the number of international migrants swelled from 120 million to 175 million during the 1990s, and the sums they send home each year have more than tripled in this decade.

"Close to a billion people, one in every six on Earth, may receive some support from this lifeline," said Dilip Ratha, a senior World Bank economist. "The scale is huge, maybe bigger than we think, and potentially transforming."

One end of the lifeline is the field near Salinas where Erasmo Alonzo started work before dawn one morning.

A wiry man with a bushy mustache and gnarled fingers, Alonzo stood out among the 15-member Latino work crew as they stepped off a white bus, stretched their muscles and spread out across the furrows. He was by far the oldest. The others called him *tio*, or uncle.

For eight years, he had been stooping over those fields for up to 10 hours a day, reaping a chronic back pain that felt "like an ugly wound." But on that July morning, he moved as nimbly as his youthful co-workers as they extracted row after row of romaine lettuce from the soil with 12-inch knives, whittled away the dirty outer leaves and tossed the heads onto a conveyer belt at a rate of 17 per minute, a precision ballet that left their white plastic aprons splattered green and two 400-pound tractor-borne boxes filled with produce.

Alonzo had been off the day before, a Sunday, and devoted part of the day to the ritual that defined his purpose in America: wiring money home to Mexico.

"It is a struggle to get a decent amount together, but I send \$500 every two or three months," he said. On this Sunday, he had wired home \$200 and paid 10% in commission to a licensed agent of AFEX, a worldwide transfer company based in Chile. From the strip mall jewelry counter where the transaction took place, he had called his wife in Ayoquezco by cellphone to tell her she could pick up the money the next day.

Fed by millions of such transactions, Mexico's annual remittance inflow has doubled since 2002 and reached \$20 billion last year, second only to petroleum as a generator of wealth for the country.

Other developing nations also depend heavily on their migrants' money. Brazilian laborers in Japan send home more than \$2 billion a year, out-earning their country's coffee exports. Remittances bring in more than tea exports do in Sri Lanka and tourism does in Morocco. In Jordan, Lesotho, Nicaragua, Tonga and Tajikistan, they provide more than a quarter of the gross national product.

Remittance income is growing fastest in Eastern Europe, a trend that quickened as Britain and Ireland eased curbs on the entry of migrant laborers from the 10 countries embraced in the European Union's eastward expansion in 2004.

Britain has absorbed more than 205,000 workers from Poland alone. They arrive hourly at London's Victoria Coach Station and on budget airlines to work as builders, plumbers, electricians, factory hands, housekeepers, gardeners, ship assistants, dishwashers and bus drivers.

India received \$21.7 billion and China \$21.3 billion last year from its workers abroad. Like Pakistan and the Philippines, which also rank among the top five remittance-receiving countries, India benefits from a large number of skilled, English-speaking expatriates who earn decent salaries.

Unlike foreign investment, most of which goes to a few big emerging markets, remittance flows are more evenly distributed and far more stable.

"They tend to increase at difficult times — during an economic downturn or after a natural disaster in the migrants' home countries — when other private capital flows tend to decrease," said Ratha, the World Bank economist.

In failing states such as Haiti and Somalia, remittances sustain the economy. Dollars from the diaspora have helped Armenia and Cuba survive economic blockade and financial collapse.

Remittance growth has been fueled in part by a relaxation of foreign exchange restrictions that benefit undocumented and legal immigrants alike. That trend has sharply reduced hidden transfers, such as cash carried physically across borders, and encouraged the spread of companies that wire money to nearly every corner of the planet.

Competition has driven down fees by roughly half since the late 1990s, allowing billions more dollars to cross borders.

President Vicente Fox, hailing Mexico's expatriate laborers as heroes, has expanded a program called Three for One, in which federal, state and local governments each match every dollar contributed by migrants for community projects.

Mexican consulates in the United States issue identification cards that help legal and illegal Mexican immigrants open U.S. bank accounts, giving them cheaper options for sending money home. Guatemala issues a similar card, and several other developing countries are preparing to do so.

Rich countries also are beginning to recognize that lowly migrant workers can help their native countries alleviate poverty. President Bush and leaders of other industrialized nations last year backed a World Bank appeal for lower fees on cash transfers and better investment strategies.

Remittances are getting more attention "because of the failure of previous development mantras," said Devesh Kapur, a University of Texas professor, formerly of Harvard. Unlike development loans or private capital, they come without strings. Because no costly bureaucracy is needed to manage them, bureaucrats cannot squander them.

"The general feeling," Kapur said, "is that this 'private' foreign aid is much more likely to go to the people who really need it."

At a rate of more than \$1,000 a day, remittances reach Ayoquezco in stacks of pesos, delivered by armored trucks that dodge cows on rutted dirt streets. The money is doled out at four collection points set up by wire transfer companies — a bank, the telephone office, the general store and Remedios Cruz's shoe shop.

Recipients spend most of the money on food and the barest household necessities. The income also eases pressure on children to drop out of school and provides a safety net for the sick and elderly. Sums left over go to build homes, buy cattle or pay travel expenses and fees for smuggling yet another family member abroad to work.

The village is so poor that the shoes, fake flowers, yarn and hair bands on Cruz's shelves are considered luxuries. He rarely sells any. Instead, he lives on \$1,100 in monthly retainers from two money-transfer firms, plus what he earns selling bus and plane tickets to migrants headed for the United States.

"Everything here, the entire economy, depends on remittances," Cruz said.

And so it does, for better or worse, in migrant-exporting communities worldwide. Household surveys sponsored by the World Bank show that

remittances have reduced the number of people who live below the poverty line in Uganda, Bangladesh and Ghana. But in many places, the money also breeds wasteful consumption, inflated real estate prices and a widening income gap between those who receive it and those who do not.

Economists say remittances have brought uneven and sometimes fleeting benefits because many governments fail to apply well-known fundamentals of development: delivering more public services, schools and hospitals to poor regions; strengthening the legal system to encourage private investment; making banking services and credit more widely available.

"So far, the success stories about remittances are individual, not collective," said Manuel Orozco, a Georgetown University economist who tracks the flow of migrant money to Latin America. "They can keep a lot of people from falling deeper into poverty, but unless a government does the right things, they won't lift many into the middle class."

A few leaders are starting to worry about the cycle of dependence.

"The big challenge is to turn our workers abroad into partners in the country's progress, so that their remittances leave a legacy of productive investment at home," President Tony Saca of El Salvador, one of the world's most remittance-dependent countries, said in an interview.

Saca's family sent two of his older brothers to work illegally in California after their father's cotton business failed in the 1970s. About one-third of his country's 6.7 million people now live abroad. Having once lived off remittances, Saca said he was determined to create enough wealth from migrants' money so that "our people will stop leaving to look for the American dream."

But how?

Two strategies have emerged in Latin America, which has taken the lead in quantifying its remittance income and exploring ways to stretch the money. One is to coax recipients to open savings accounts so that some of the money can be recycled into small-business loans.

Most of Latin America's remittance income, \$55 billion last year, flows as cash through wire transfer companies, not banks. A recent survey by the Inter-American Development Bank found that 19 of every 20 Latin American households that received this money either don't trust or don't have access to financial institutions.

"Our job is to give people more options for using these billions of dollars, including ways that might have a bigger economic impact," said Donald F. Terry, who is leading the bank's initiative. "But to do that we have to bring them into the banking system, and that's easier said than done."

Terry's institution has helped micro-banks, which specialize in small loans to the poor, enter the remittance business in 10 Latin American countries.

Banco Solidario, a participant in the pilot program, handled \$85 million of the wage transfers that Ecuador received from Spain last year. More than \$5 million of it went into savings accounts, the bank reported, generating loans to 2,504 small enterprises and 470 families buying homes in Ecuador.

Caja La Monarca serves three poor Mexican states, and the cash it transfers from migrants in the United States has enabled it to more than double its loan portfolio to \$4.3 million in three years.

The extra liquidity, though minuscule by the standards of the developed world, has improved the lives of the nine women and one man who gathered at Rosa Barra's sewing shop for their weekly meeting with a traveling Monarca loan officer. None of these entrepreneurs in the town of Tenancingo in Mexico state receive money from abroad, and their earnings are too meager to qualify them for regular commercial loans.

Before Monarca came to the rescue, Barra was desperate. She had lost \$800 when a member of her private lending circle, the sewing shop's only source of capital, skipped town with the group's money.

"When a business deal goes bad here, the first thing that comes to mind is, 'I'm going to the United States to work off my debt,'" the 47-year-old seamstress said. "I told my husband I could easily find work up there. But he threatened to tie me to a tree."

With a new source of credit, Barra has purchased four Toyama sewing machines. Her husband, Donaciano Velasquez, has bought a 1992 Dodge Caravan to haul his eight-piece mariachi band to gigs. Maria del Carmen Velasquez, who works in a pharmacy, is opening one of her own. Margarita Pichardo has purchased the beauty salon where she started as an employee.

But the effort to expand financial services is set back by legal and regulatory hurdles in some countries and by the reluctance of major banks to court low-income savers. Lacking an alliance with a larger financial institution, Monarca can serve only a fraction of its potential clientele, said Jorge Pineda, its chief of operations.

A second strategy for harnessing remittances is to encourage recipients to invest the money directly in community-wide businesses. With backing from governments and aid agencies, the thinking goes, such ventures can attract outside capital and become engines of prosperity.

Families in Ayoquezco have grown and eaten the nopal cactus since pre-Columbian times. It sprouts quickly and abundantly, producing up to four harvests a year. Its fiber-rich leaves, which taste like okra when pickled, enhance the flavor of traditional dishes. Some swear it can cure diabetes.

Every Tuesday and Friday, women haul sacks of freshly harvested nopal leaves by bus from Ayoquezco to market in the city of Oaxaca, 30 miles

north.

Arriving well before dawn, they flick away the spiny skin with box cutters and seal slices in plastic bags for restaurant cooks and other buyers. The 16-hour ritual earns each grower about \$90 a week.

That was the best they ever hoped for, until Catalina Sanchez came home with an idea.

Sanchez, 47, is a petite dynamo whose brisk forays through her field leave her cotton blouses speckled with cactus juice. Co-workers describe her as a natural leader with infectious energy and a wisdom that belies her first-grade education.

She has scraped for a living all her life, earning just enough from selling nopal to supplement her husband's remittances. When he was injured, she joined him in California in 1998 and worked the next three lettuce seasons.

One by one, the couple's two sons and two daughters joined the seasonal clandestine treks to California, picking lettuce for \$7.29 an hour and contributing to the family's \$800-a-month apartment in Salinas.

The potential of her garden back home dawned on Sanchez one day in Salinas when she noticed a jar of pickled California nopal on a supermarket delicacy shelf.

It had never occurred to her that nopal leaves could be preserved; in her village they are eaten fresh.

She bought a jar and tasted. Too bitter, she thought.

Sanchez realized that her village could tap into a growing market for something migrants crave — food from home — and create enough jobs to lure some of them back. The U.S. is home to 27 million people of Mexican origin, 1.5 million of whom are from Oaxaca.

"When your whole family is away, you feel alone and sad," she said one day at the market in Oaxaca, peeling cactus on her stool without looking up. "They leave to seek a better life, but a lot of things can go wrong up there.

"My wish is to have them all home, each with a little job, a dignified job. Every mother here feels the same."

Returning from California, Sanchez organized the Women Nopal Bottlers of Ayoquezco with help from two lifelong choir mates at the Roman Catholic Church of the Nativity.

The co-op grew quickly and caught the attention of Roberto Ramirez, director of the Foundation for Productivity in the Countryside, a Mexico City-based nonprofit agency.

Ramirez put the cactus growers in touch with two Ayoquezco natives active in California immigrant networks — Candida Hernandez, a North Hollywood cook, and Felix Cruz, a factory quality-control supervisor from San Marcos in San Diego County.

Ayoquezco's home-bottled nopal sold briskly at a Oaxacan festival in San Marcos, prompting Hernandez and Cruz to form Chapulin Distributors Inc. to import and market the product.

That led to a deal, brokered by Ramirez, giving the growers 61% of the equity in a joint venture, Chapulin 34% and the foundation 5%.

For all its promise, the enterprise struggled. Ignorant about banks, the growers turned to the government for help. The village mayor reluctantly agreed to extend municipal water pipes to the site of the nopal processing plant, then charged the growers \$7,500.

It has taken the women more than two years to secure government financing, but the \$1.5-million plant is finally nearing completion in an abandoned cornfield.

The sight of rising concrete walls has set off a wave of expectation, altering the life of a village with no other industry. Cactus growers switched to organic farming to open a wider U.S. market niche. Dozens of farmers not in the co-op began planting nopal, hoping to join and share its profits.

Chapulin Distributors rented a warehouse in Oceanside for the expected imports and began sounding out potential clients. Its 38 investors — Oaxacan immigrants working in California as hairdressers, farm laborers, factory workers and housekeepers — have sunk \$48,000 into the venture.

"A lot of the money we had been saving for our old age is going into that plant," said Hernandez, the distribution company's 44-year-old vice president. "We are confident that we will get much more in return."

As migrant men return home, some have lectured their wives on how to run the co-op, and at least seven women have been forced to drop out. But the women have remained firmly in charge. The co-op has admitted six male applicants, turning away others who seemed intent on imposing their ideas.

"The women started this when they were alone," said Maria Gomez Vargas, who worked on the project's early stages. "They want the last word."

The factory is due to start production in June with 32 employees. Ramirez said the business projected \$2.4 million in sales and \$535,000 in profit in its first year of full operation and was expected to generate an additional 210 jobs in the community.

"It's going to bring in a lot of money," predicted Remedios Cruz, the shoe store proprietor who hands out remittances here. "A lot of people will get

jobs working the assembly line, guarding the building, driving the delivery trucks, harvesting the fields. And the people who do not get those jobs, we'll be waiting for payday to see what we can sell to the people who do."

To the pioneers of the nopal project, its success will be measured by the answer to one question: Will it reverse the flow of migration?

The women of Ayoquezco are optimistic. If the enterprise prospers, says Asela Barrios, her husband will quit picking strawberries after 17 seasons in Salinas. Sara Natividad Lustre Martinez says her brother, who manages a garlic warehouse in the Central Valley town of Huron, also wants to come home. Leonides Cruz Chavez's husband is already back, sitting in on growers co-op meetings.

Erasmus Alonzo, whose wife inspired the venture, came home to stay in late 2004 and recently became chief inspector of cactus grown for the plant. His wife is chief of sales. But their family is still divided; their four children remain in Salinas.

"The women don't want me to go north again," he said. "They scolded me, and I'm going to obey them. If not, they'll get angry."

The 60-year-old patriarch smiled. In truth, he said, he prefers being home. He was ambling through his wife's nopal field, clearing diseased leaves with a sharp metal stick and looking far more relaxed than he had in California.

"With the plant, there will be enough work for us here," he said. "In our village, the land is ours and we will soon have everything we need. We won't have to be up before the sun. In my house, nobody will say, 'Get up. Hurry. It's time to work now.'"

His morning's tasks done, Alonzo retired to the porch of his cinder-block house and plopped down on a plastic chair, joining his wife and three of their children.

Elvia, 26, Armando, 23, and Omar, 19, were home for the winter, but they would soon return to Salinas. Only Elvia expressed interest in settling in Ayoquezco after the plant starts producing.

"We live in two worlds now," Armando Alonzo said. "A job at the new plant will be fine for those who have never worked up north.

"But I can earn \$100 a day up there. Here I would earn maybe one-tenth of that."

Armando's words had a defiant ring. Omar smiled in agreement and gave his brother a high-five.

A pained expression crossed their mother's face.

"Maybe my children are already too old to benefit from what we are building," Catalina Sanchez said. "But their children and other children can finally grow up with this dream, the promise of a decent job right here at home. They should never have to think about leaving."

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(INFOBOX BELOW)

Statistical Snapshot of Mexico

Key facts, based on the most recent figures available.

Population estimate - 106 million

GDP, per person - \$10,000

Percent living in poverty - 40%

Remittance income annually - \$20 billion

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Sources: CIA World Factbook, World Bank, Mexico's statistics institute, Times reporting. Compiled by John L. Jackson

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About this series

Four articles examining the worldwide flow of remittances.

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Mexico: Catalina Sanchez plowed her husband's earnings from California into a project to provide jobs at home.

{ Tuesday }

Haiti: When Dieuseul Lundi comes home for a visit, dozens of outstretched hands await him.

{ Thursday }

Philippines: Money from expatriates props up the economy, but many doubt the country is any better off.

{ Saturday }

Kenya: Benta Wauna worked abroad to give her sister alternatives to arranged marriage and extreme poverty.

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