Latin Migrants Shift Sights From U.S. to Neighbors

By Miriam Jordan
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It sounds like the typical American dream for an immigrant: Each month, Marco Antonio Serna sends $500 to his parents, wife and 17-year-old daughter back in Colombia. Except Mr. Serna, 43 years old, didn't migrate to the U.S. for work; he went to Chile, where he is employed at a small casino outside Santiago.

"There's a big community of Colombians here," the former factory worker says.

In a noticeable and important shift in global migratory patterns, millions of migrant workers are no longer relying on the U.S. as heavily as they did for better-paying jobs that allowed them to send money home to families in Latin America, the Caribbean and Asia. Instead, they have moved more to developing economies, creating a shift in money transfers out of countries like Chile, Brazil and Malaysia.

According to Western Union, the world's largest money-transfer firm, more than half of the company's revenue 10 years ago was generated in the U.S. In 2012, that figure was less than 30%. In all, the company moved $79 billion in cash transfers last year.

Most experts don't expect the U.S. to lose its position as the world's largest source of such money transfers or remittances. But the steady shift, which is allowing more immigrants to work closer to their home countries, is continuing despite some recent bumps in emerging-market economies.

"A long period of growth in emerging markets has created expanding opportunities in richer developing economies" that aren't going away, said Harvard University professor Kenneth Rogoff, a former chief economist at the International Monetary Fund.

All told, migrant remittances world-wide topped $518 billion in 2012, according to the World Bank, almost 3% higher than the previous year. The Bank projects the figure to reach nearly $550 billion in 2013. The transfers, which are crucial to poverty alleviation, represent three times the size of foreign aid to the developing world. For many countries, they provide a more stable source of foreign exchange than foreign direct investment.

The remittances between countries are seen as one of the few reliable indicators of where immigrants are working, since many are entering the country illegally.

"We are seeing regional countries of attraction," for migrants, said Odilon Almeida, president for the Americas region at Western Union. "People who would think 'only U.S.' now prefer the option of working in a country that is easier to reach and to enter."

Malaysia, Chile and other countries that supply commodities like rubber and copper to China and India are expected to remain a good source of jobs for migrants, even if the giant Asian economies decelerate. According to Gordon Hanson, international economist at University of

California, San Diego, who studies remittances and migration, "you would need a full-blown implosion of China and India for a reversal in this new remittance pattern."

Immigrants also are developing networks that are rooting them in some emerging markets, Mr. Hanson said. And tighter U.S. border security is likely to keep new destinations attractive to migrants.

Colombians and Peruvians have flocked to Chile to work in the service sector and to Panama to help expand the canal and airport, as well as build a new subway system in Panama City. In Brazil, Bolivians are working in textile factories, and Chinese merchants are peddling goods to the swelling middle class. Migrants from Bangladesh, India and Vietnam are toiling in Malaysia's burgeoning electronics sector.

Developing countries are even becoming magnets for workers from developed but faltering economies, such as Portugal and Spain. The European crisis triggered "an out-migration from previously migrant-receiving countries," said Dilip Ratha, a World Bank economist who specializes in remittances.

"What we are seeing now is the beginning of a trend…that is going to accentuate going forward," he said.

Nearly 44% of immigrants to Chile have a university degree, according to the government. It is attracting Spaniards and Ecuadoreans who previously lived in Spain, in addition to Colombians, Dominicans and others who historically focused on the U.S.

Portugal has become a net recipient of transfers, with $3.9 billion entering the country in 2012 compared with $1.2 billion outbound that year, according to the World Bank. Portuguese technicians are settling in oil-rich Angola, a former Portuguese colony, as well as Brazil, which has a dearth of high-skilled labor.

Luis Miguel Cardão Gomes, 39, of Portugal, moved to Brazil in 2008 amid the onset of the European crisis. In the city of Goiania, he opened a smartphone repair shop and bought a house. Every month he sends his 9-year-old daughter, Almada, €250, or about $340, "which makes a huge difference," he says. During a visit to Portugal in February, he found the country in a funk, he says.

Intraregional remittances in Latin America used to be limited to small corridors: Nicaraguans earning a living in Costa Rica and Bolivians working in Argentina, says Paul Dwyer, chief executive of Viamericas Corp., a U.S. money-transfer company serving Latin America.

"Because of the growth and opportunity in economies like Chile and Brazil, you are seeing a wider range of blue-collar and young professionals finding jobs there," he said.

The advent of the South American free-trade zone known as Mercosur has enabled nationals of members to legally work in the bloc. Even as prosperous Mercosur countries like Brazil experience some weakness, jobs in those countries still tend to be much better paying than in their poorer neighbors.

A decade ago, Chile was a net recipient of remittances, with inbound transfers representing 70% of the money crossing the nation's borders, according to Western Union. Last year, outbound transfers exceeded inbound 60-40 for the company, and so far this year the ratio is the same.

"Remittances are a necessity, not a luxury," for senders and their families, said Fabio Mello Fernandez, manager of the remittance desk at Banco Paulista, a Brazilian foreign-exchange specialist.

In five years, AFEX, a Santiago-based transfer business, says it has gone from almost exclusively handling remittances from Chileans living in the U.S., Canada and Spain to helping immigrants in Chile send money home elsewhere in South America, the Caribbean and Spain.

"There were barely any immigrants here a decade ago," says general manager Andrés Aguilar. "Our business had to adapt," Branches are open seven days a week in immigrant enclaves, and the firm's revenue has jumped more than 30% annually in the last five years, he said.

In Brazil, outbound remittances now account for 40% of Western Union transfers, up from 10% in 2002, according to Western Union, and the outbound market continues to grow. Blue-collar and white-collar workers are expected to keep arriving as the country builds infrastructure ahead of the 2014 World Cup and 2016 Olympics.

Inbound remittances represented 75% of the total volume a decade ago for Panama. Last year, more than half of all remittances left that country. In 2013, Western Union's outbound transfers from the country have continued to grow, the company says. In addition to infrastructure projects, expatriates are working for multinationals like Procter & Gamble Co., which previously had big regional operations in Venezuela.

Ten years ago, nearly two-thirds of remittances flowed into South Korea from the U.S. and other countries, according to Western Union. Facing a shrinking labor pool due to an aging population, the country has been wooing immigrants. As a result, South Korea in 2012 became a net remittance sender.

Malaysia's fast-growing economy now depends on a steady flow of immigrants from nearby countries to do jobs many Malaysians shun, such as maintaining sprawling rubber plantations and working on factory assembly lines.

"More countries are recognizing they need migrants for their long-term economic well-being," says Scott Scheirman, Western Union's chief financial officer, adding that the company has been seeing double-digit annual growth there in recent years.

Despite the shifting global money flows, countries such as the U.K., Germany and other large European nations are likely to continue to attract foreign labor, according to remittance experts.

And the U.S. is still likely to remain dominant, too, in money transfers as Mexicans and Central Americans, in particular, continue to journey north over land to find work.

"The magnitude of what other countries send is never going to approach the U.S.," says Mr. Dwyer of Viamericas remittance firm. But, he adds, alternative destinations can be invaluable for would-be migrants put off by stringent U.S. immigration policies.

Mr. Serna of Colombia says he was turned down twice when he applied for a visa to the U.S. In Chile, he says that he has a work permit and "all my documents in order." He no longer dreams of the U.S., he says: "I have stability here."

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