Control measures in the countries sending remittances and financial impact on the countries receiving them (Mexico and The United States)

Permanent migratory flows in OECD[1] countries have increased for the third consecutive year, according to preliminary data of 2016. In that year, around 5 million people emigrated on a permanent basis to countries of the OECD, a figure well above the previous maximum, observed in 2007 before the economic crisis.

In 2016 the employment rates of the migrant population of OECD countries remained relatively stable at 67.4%, which represents an increase of one percentage point compared to the previous year.[2]

The movement of people from one place to another is a phenomenon that has existed throughout the history of the world, which has brought a series of benefits for both, the country of origin and the country of destination. Remittances are the main economic source that in the last ten years have benefited thousands of families that depend on their relative residing in another country to meet their needs.

The main items that remittances cover are: food, health, housing and education.

These money transfers play a key role in the Mexican economy, since Mexico is the main recipient of remittances in Latin America. Today, more than a million Mexican households receive remittances from relatives living abroad, according to the information of the central bank of Mexico (Banxico). The total amount of family remittances in May of this year is 2,586,425,023 million dollars.[3]

There is no doubt that the United States is the main sending country of remittances, and Mexico the largest receiving country; followed by Guatemala, El Salvador and the Dominican Republic, among others.[4]

The United States intentions to cut money transfers off or impose a tax on remittances has become a matter of concern to people who send money to their families in Mexico and could even have a great impact on the Mexican economy.

Mexicans residing in the United States as well as their relatives in Mexico live in a constant state of uncertainty. Indeed the United States’ measures could make frequent money transfers complicated and more expensive.

Juan José Ling, an expert on the topic and chief economist of BBVA Bancomer, foresees an important rise in remittances sent to Mexico, at least in the short term. The increase may be motivated by the fear that Donald Trump carry out the threats made against mexican migrants during his campaign trail, including the halt of remittances. [5]
Since April 2016, the campaign staff of the current president of the United States, Donald Trump, assured that the construction of a border wall could be paid by cutting a portion of remittances off to Mexico, taxing money transfers, or by raising the fees for visas.[6]

On February 7, the Republican congressman from Alabama, Mike Rogers, announced that he would introduce an initiative to create a law to compel migrants to pay a tax of 2 percent in remittances, to cover the cost of the wall ordered by Trump.

Control measures implemented by financial institutions generate profits for the countries sending remittances at the expense of migrants who religiously send money to their families. Some of these measures are fees and limits for money transfers. Nevertheless, recipient countries are mostly benefit from these remittances since these incomes help mainly to the alleviation of poverty.

In case taxes are added to remittances, some measures must be taken: Firstly, the receiving families should anticipate the changes by looking for investment opportunities in their own country; thus contributing to the economic development of Mexico. Secondly, the Mexican government must guarantee the proper use of remittances by implementing a productive process that could create employments, therefore a sustainable economic and social development.

On the other hand, to open of a retirement savings account, called Afore in Mexico, is also recommended because it could be a productive way to take advantage of remittances, suggested Carlos Marmolejo, vice-president of operations of the national commission for the retirement savings system (CONSAR).

Mr. Marmolejo explained that one of the most important projects of this commission in 2017, is that in June a part of the remittances sent by migrants may be deposited in the Afore that they once had in Mexico or in one of a relative. He recalled that the intention is that a part of the 25 billion dollars a year sent Mexican migrants to the country be used to finance their retirement.[7]

According to the Mexico’s central bank and the organism in charge of protecting and defending consumers of financial services (CONDUSEF)[8], the best way to send money is the service “Directo a Mexico” that charges only five dollars regardless the transfer’s amount. This option is convenient, secured and offers the best currency exchange.
The Organization for Economic Cooperation and Development (OECD) is an intergovernmental organization that brings together 34 countries committed to market economies and democratic political systems, which together represent 80% of world GDP.


Bank of Mexico 2017 Table Summary Income for family remittances consultation July 12, 2017


Maldonado, Rene; Cervantes, Jesus. Remittances to Latin America and the Caribbean in 2015-2016, Accelerating growth. Center for Latin American Monetary Studies (CEMLA), Mexico City.

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