



MIGRATION INFORMATION SOURCE

FRESH THOUGHT, AUTHORITATIVE DATA, GLOBAL REACH

Migration and Development: Lessons from the Mexican Experience

By Raúl Delgado-Wise, Universidad Autónoma de Zacatecas
Luis Eduardo Guarnizo, University of California Davis

February 1, 2007

The relationship between international migration and development has caught the attention of governments and international organizations, such as the World Bank and the Inter-American Development Bank. According to some of these organizations, remittances are a fundamental resource for the development of migrant-sending countries.

Mexico has often been cited as a successful example of this positive relationship. However, this viewpoint — present in most public pronouncements and policy recommendations on the subject — reflects a very particular notion of development and does not address the root causes underlying the extraordinary dynamism characterizing labor migration between the United States and Mexico today.

The effects of migration on development depend on large structural factors in which the two phenomena are embedded.

The Mexican case is a textbook example because it illustrates how the Mexico-US regional integration process, shaped by the North American Free Trade Agreement (NAFTA), has broadened the asymmetries between the two countries, increasing migration to the United States and deepening Mexico's dependence on remittances.

This situation is unsustainable. To alter it would require radical changes in public policies concerning migration and development.

The Relationship between Migration and Development

Most studies dealing with the migration-development relationship emphasize the first element, for they tend to consider migration as an independent variable and the development potential of the migrant-sending countries as dependent, in part, upon the resources and initiatives of migrants.

Nevertheless, two contrasting interpretations of this analytical scheme are prevalent:

1. *The vicious circle:* According to this view, migration and development are antithetical processes, especially with reference to labor migration from developing countries of the South to the industrialized North. From this perspective, migration is not viewed as a possible promoter of development in the migrant-sending areas. On the contrary, it is associated with several adverse effects, such as inflation, fragmentation of the productive system, abandonment of economic activities, and depopulation, all of which, in turn, encourage further migration.

2. *The virtuous circle:* In the case of mature migratory processes, characterized by the presence of consolidated social networks and migrant organizations, migrants working abroad are seen as potential agents for local, regional, and even national development. This conception includes an ample and sometimes contrasting range of analytical perspectives that emphasize the positive role of remittances and/or migrant organizations. One perspective, which carries strong political influence, sees this connection as promoting a neoliberal, market orientation "with a human face." A second approach, dubbed "transnationalism from below," perceives migrants' interest in supporting their places of origin as potential agents of local and regional development.

The migration-development relationship looks quite different if the emphasis is placed on the *development* side of the equation. Such analytical move reverses the rationale of the inquiry. The main question is no longer "How does migration affect the country of origin's development," but rather, "What conditions at the local, national, and international level generate and maintain migration, and at what costs and in whose benefit?"

This change of perspective can also produce different policy recommendations by revealing underlying structural factors that sustain and exacerbate international migration, as economist Humberto Márquez has recently shown.

Mexico's Cheap-Labor/Export-Led Model

The way in which Mexico has been incorporated into the orbit of the US economic system, most particularly under NAFTA, is fundamental to the development model Mexico follows.

What dominates in Mexico — contrary to a successful case of manufacturing exports — is the exportation of cheap, largely poorly trained labor. This model, which in turn has played an important role in restructuring the US economy, operates through the linkage and combination of three mechanisms:

1. The assembly plants of the *maquiladora industry* (foreign-owned factories in which imported parts are assembled into products for export), which are tied in with internationalized production processes of US transnational corporations but have very low levels of integration with the Mexican economy.

2. The *disguised maquila sector*, comprising manufacturing plants with relatively more complex production processes than *maquiladoras* (e.g., automobile and electronic sectors) but that operate under the same system.

3. The *escalation of labor migration* of Mexicans headed abroad. This is the result of the narrowing and increasingly precarious nature of the Mexican job market. Mexico provides a labor reserve and a supply of cheap and highly vulnerable workers for the US economy. It is worth pointing out that *maquiladoras* and disguised *maquilas* share two important characteristics:

- they are practically devoid of productive links, both upstream and downstream, that would tie them in with the rest of the national economy, and
- they are subject to intense global competition that makes the jobs they offer ever more marginal and precarious.

According to Mexico's National Institute of Geographic Statistics and Information (INEGI), in 2004 there were 2,810 *maquiladoras* employing 1,115,000 workers. In 1994, the year NAFTA went into effect, there were 583,000 people working in the country's 2,085 *maquiladoras*.

Due to the high levels of imported components in both activities, ranging up to 80 percent of their export value, the benefits for the Mexican economy are restricted to wage earnings. The actual effect is then labor export, even though the physical location of the jobs is domestic — a sort of disembodied export of the Mexican workforce.

Under these conditions, if these "disguised" exports of labor are added to the direct export of the workforce through labor migration, the Mexican economic model is revealed as a *cheap-labor/export-led model*.

The Asymmetric Character of Mexico-US Economic Integration

As labor economist Sandra Polaski has pointed out, for the Mexican economy, the cheap-labor/export-led model has led to a fragmented manufacturing sector, a stagnant economy, a shrinking and increasingly insecure formal labor market, a growing informal sector, and deepening poverty, social marginalization, and inequality.

This environment has triggered an unparalleled increase in labor migration to the United States during the last two decades. According to the Mexican National Population Council (CONAPO), each year some 575,000 Mexicans move to the North.

Meanwhile, the population of Mexican origin in the United States reached 28 million in 2005, of which 11 million were born in Mexico, according to the US Census Bureau's American Community Survey. In 2006, according to the latest reports of the Central Bank of Mexico, remittances sent to the country surpassed US\$21 billion.

The historic growth of Mexican migration has generated a gigantic labor reserve for the US economy, whose initial training and socialization costs have been absorbed by Mexican society. Such a large workforce, a significant part of which is undocumented, also is a key factor in the restructuring of the US economy.

In broad terms, Mexican immigrants participate in two segments of the US employment market:

- a vast sector of increasingly insecure jobs against a backdrop of wide-ranging social exclusion as a forerunner to economic restructuring (for example in agriculture and construction), and
- the sizeable insecure segment of the labor market associated with restructuring and reproductive processes in areas such as domestic labor, high tech industries, production of consumer goods, and mature industries undergoing global competition and reconfiguration.

While industrial restructuring has negatively affected US workers, Mexican workers arguably have experienced its sharpest consequences.

Evidently, the economic integration under NAFTA, rather than promoting convergence in the development levels of Mexico and the United States as suggested by several analysts and policymakers, has accentuated the asymmetries between the two countries.

Data from INEGI and the US Census Bureau show that whereas in 1994 per capita GDP in the United States was 2.6 times that of Mexico, by 2004 the ratio had increased to 2.9. Similarly, average manufacturing wages (in dollars-per-man-hour) in the United States increased from 5.7 times higher than those reported in Mexico in 1994 to 6.8 times higher by 2004.

The Advent of Remittances-Based Development

The fragility of the Mexican economy is a result of its structural dependence on the US economy and, at a deeper level, the vulnerability inherent in relying on a static and short-term comparative advantage — the export of cheap labor.

Moreover, since remittances now rival in size *maquiladoras* and disguised *maquilas* as central elements of economic growth, the cheap-labor/export-led model is increasingly metamorphosing into the *remittances-based development model*. A critical degree of dependency upon remittances for the country's socioeconomic stability is thus generated.

For the Mexican macro economy, remittances, second only to oil revenues, constitute the fastest growing source of foreign exchange and a main support of the country's trade balance. Meanwhile, *maquila* exports have stagnated since 2000. In addition, as CONAPO and INEGI data indicate, remittances stand as a source of family subsistence for 1.6 million households, slowing down the growth of poverty and social marginalization.

Mexico's Approach to Development Policy

Despite the critical importance of migration for a significant segment of its population, Mexico does not have a comprehensive, sustainable migration and development policy.

Rather, three main programs aim to deal with the root causes of migration (poverty and unemployment) in Mexico: Contigo, the main antipoverty program; NAFTA; and the Partnership for Prosperity, a series of bilateral programs with the United States. Some analysts believe these programs, while alleviating extreme poverty, also institutionalize the asymmetric integration of Mexico with the US economy.

Mexico's migration policies, while abundant and varied, have resulted in an unconnected set of programs geared toward addressing some partial effects of migration. The government's basic aim has been to ensure that migration passively maintains macroeconomic and social stability. The current programs can be classified into five categories:

1. *Human rights*. These are measures aimed at protecting migrants' surreptitious border crossings, promoting safe returns to Mexico, and providing efficient consular services. They include initiatives such as the Beta Groups, the Paisano program, consular registration documents, and the expansion of the network of consulates. No initiatives at the same level have been introduced, however, to defend migrants' human and labor rights in the United States.
2. *Transnational ties*. Identity-enhancing initiatives promote the concept of Mexican communities outside Mexico. This has led to the creation of the Institute of Mexicans Abroad, whose efforts partially cover the areas of strengthening ties to Mexico, and promoting education and health programs for Mexicans abroad.
3. *Political rights*. The promotion of citizens' rights at the binational level is based on a 1998 constitutional reform that allows Mexicans who take US citizenship to keep their Mexican nationality and a 2005 Mexican federal law that grants limited political rights for Mexicans abroad.
4. *Social development through collective remittances*. Transnational grassroots initiatives have been institutionalized through policies such as the 3x1 program, in which municipal, state, and federal governments match migrants' collective contributions to socially beneficial projects (see **Migrant Hometown Associations and Opportunities for Development: A Global Perspective**). In addition, this program promotes binational organization. Through such programs, the state co-opts migrants' efforts to support their communities. The migrants' contributions represent a sort of subsidy for public works, which is not required from better-off sectors of Mexican society.
5. *Family remittances*. A market approach seeks to maximize the flow and control of remittances and reduce transfer costs. The goal has been to increase competition, thus facilitating access of the banking system to the remittance market and promoting the incorporation of migrants into the formal financial market.

Toward an Alternative Model of Migration and Development

Mexico's supply of cheap labor will not last forever. In fact, there is a growing trend toward depopulation in Mexico. Currently, 34 percent of Mexican municipalities show negative growth rates and a sharp decline in agricultural production according to INEGI — not to mention the increasing dependency on remittances.

In addition, poverty and social marginalization are increasing in migrant sending areas, particularly in states such as Zacatecas and Oaxaca.

The political debate about Mexican immigration in the United States cannot ignore the growing presence and importance of migrants in that country's social, economic, political, and cultural life. The same can be said of the Mexican side.

One essential condition for redirecting the present migration debate and incorporating development considerations is the full recognition of both the contributions made by Mexican migrants to the US economy and society, and the adverse conditions for Mexico's development that the asymmetric economic integration process generates.

Policymakers on both sides of the border may find themselves compelled to consider the following factors in reorienting their approach.

- *Cooperation for development*. In the context of regional economic integration, a form of bilateral cooperation is needed that addresses the root causes of migration — namely, increasing socioeconomic asymmetries — and that replaces security concerns as the central focus of the two countries' political agenda.
- *Full respect for the labor and human rights of workers*. In light of the insecurity and social exclusion prevailing in the binational arena, new legal and political instruments are needed to protect the living and working conditions of workers.

- *Incorporating the Mexican diaspora into the country's development process.* Considering that Mexico has a sizeable population in the United States that maintains its Mexican identity and keeps strong ties to Mexico, the participation of this important segment of the Mexican citizenry is central to an alternative development model for Mexico.

The cheap-labor/export-led model has imposed unsustainable economic, social, and political costs upon Mexican society. Addressing the structural asymmetries with the United States could prevent further deepening of the root causes of migration and their deleterious effects on both countries.

Sources

Banco de México. 2007. "Ingresos por remesas familiares, información mensual." **Available online.**

CONAPO. 2006. "El CONAPO, el INEGI y el COLMEX concilian cifras sobre la dinámica demográfica del país para el periodo 2000-2005", Comunicado de prensa 37/06. **Available online.**

Cornelius, W.A. and P.L. Martin. 1993. "The Uncertain Connection: Free Trade and Mexico Migration." *International Migration Review*. 27(3): 484-512.

Delgado-Wise, R. and Cypher, J. 2005. "The Strategic Role of Labor in Mexico's Subordinated Integration into the U. S. Production System Under NAFTA". *Documento de trabajo* 12/11/2005, Doctorado en Estudios del Desarrollo-UAZ. **Available online.**

Delgado-Wise, R. and Márquez, H. 2006. "The Mexico-United States Migratory System: Dilemmas of Regional Integration, Development, and Emigration", Proceedings. Conference: Migration and Development: Perspectives from the South, July 10-13, Bellagio, Italia. **Available online.**

INEGI. 2006. *Conteo de población y vivienda*. Mexico: INEGI.

INEGI. "Estadísticas de la Industria Maquiladora." Mexico: INEGI. **Available online.**

Márquez, H. 2006. *Economía Política del Desarrollo y la Migración en México*. Exportación de Fuerza de Trabajo y Dependencia de las Remesas en el Contexto del TLCAN. PhD Thesis. Doctorado en Estudios del Desarrollo. Universidad Autónoma de Zacatecas.

Polaski, Sandra. 2004. "Mexican Employment, Productivity and Income a Decade after NAFTA." Carnegie Endowment for International Peace, Washington.

Copyright © 2006 Migration Policy Institute. **All rights reserved.**
 MPI · 1400 16th St. NW, Suite 300 · Washington, DC 20036
 ph: (001) 202-266-1940 · fax: (001) 202-266-1900
 source@migrationinformation.org