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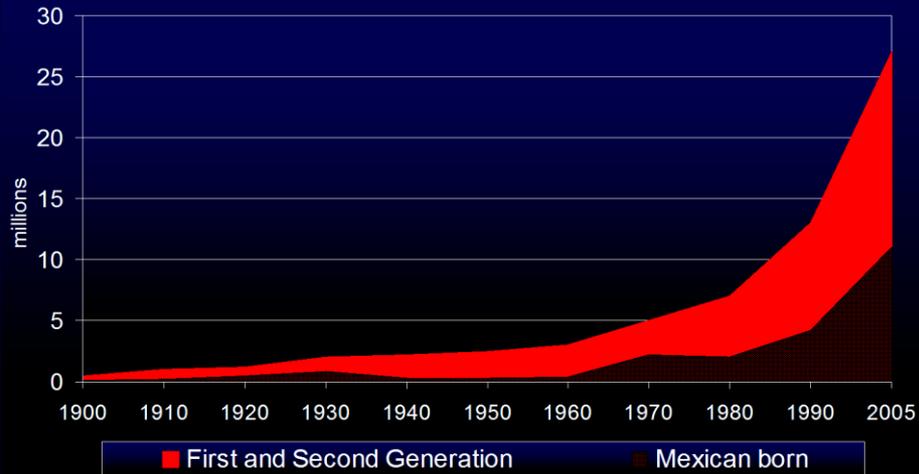
ARE MIGRATION AND FREE TRADE AGREEMENTS PATHWAYS FOR DEVELOPMENT? LESSONS FROM THE MEXICAN EXPERIENCE

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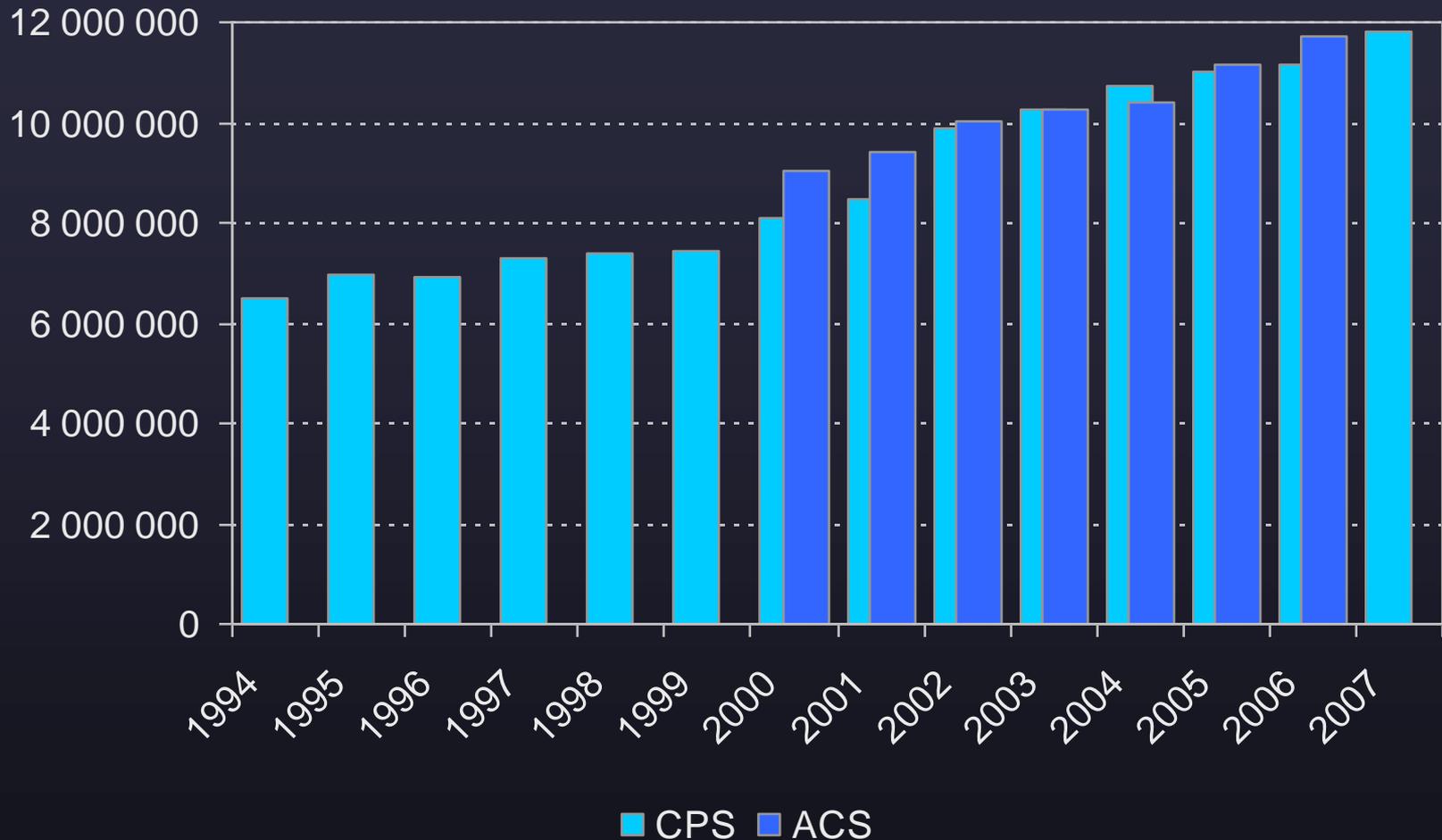
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The new migratory dynamic



Mexican born population in the US



Fuente: Estimaciones de CONAPO con base en Bureau of Census, *Current Population Survey (CPS)*, marzo de 1994-2007; y *American Community Survey*, 2000-2006.

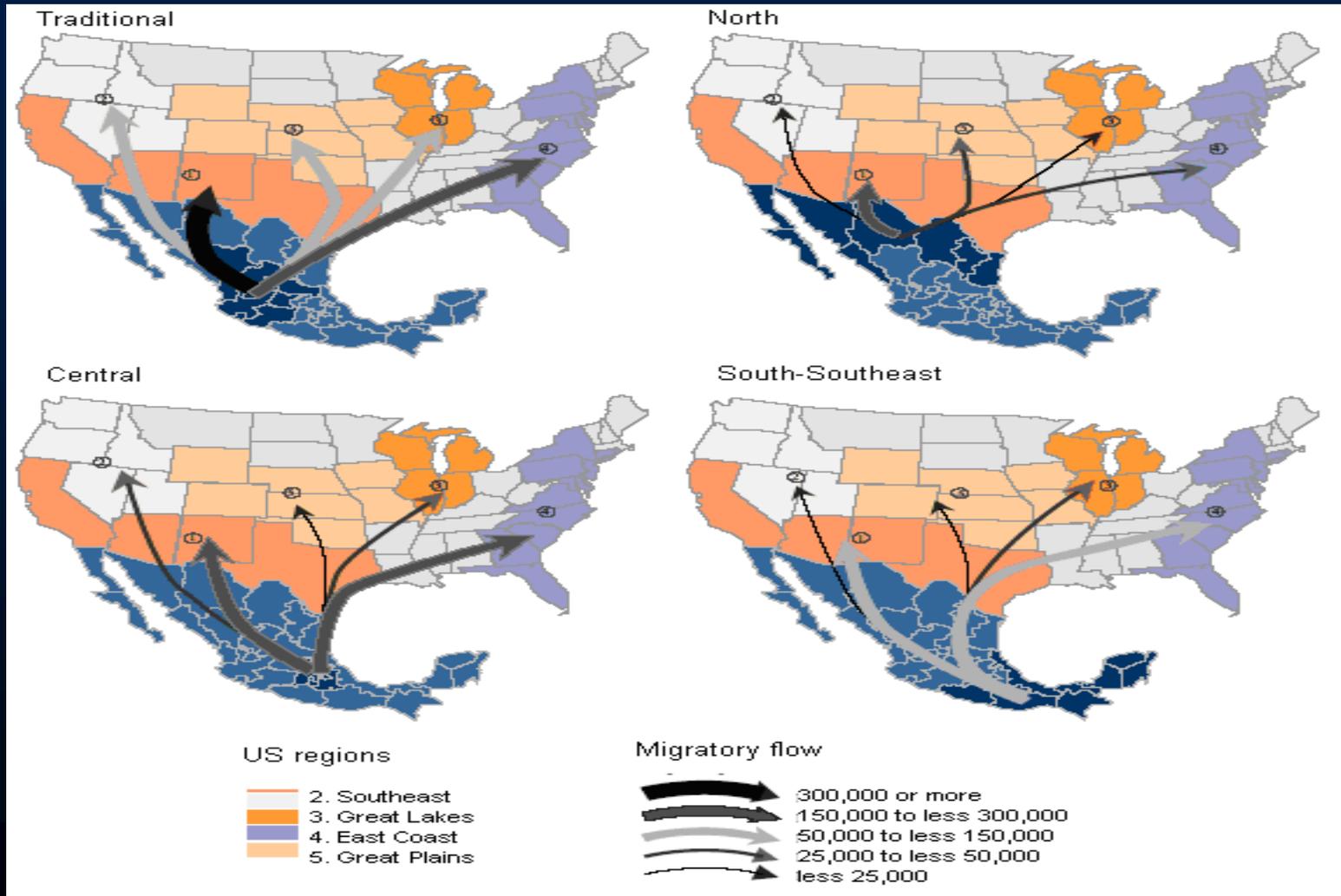
The escalating of labor migration to the US

- 12 million Mexican-born immigrants in 2008.
- Nearly 30 million residents of Mexican origin in the U.S.
- In 2007 Mexican emigrants remitted \$26 billion U.S. dollars to Mexico.

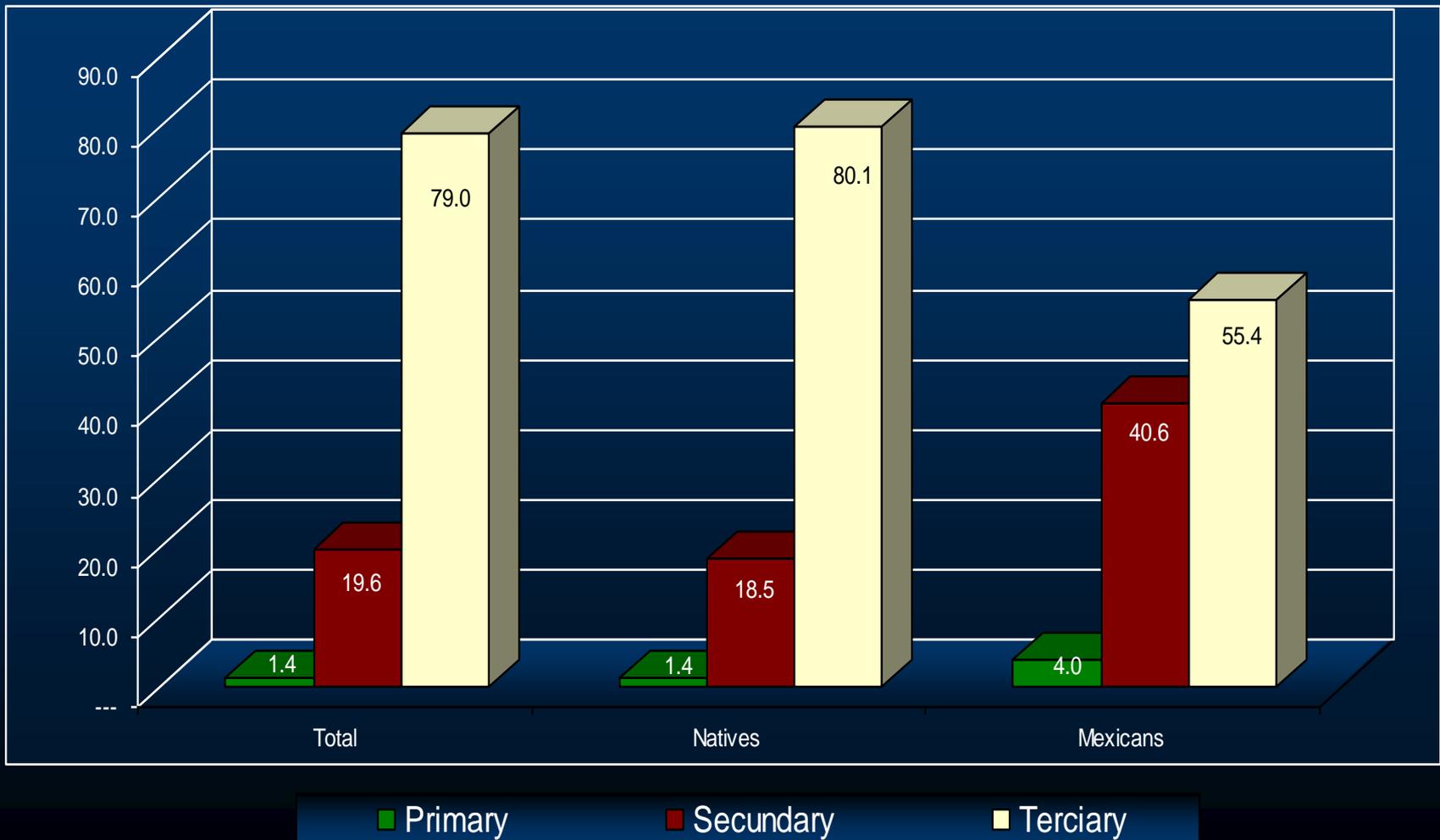
Qualitative Transformation Migratory Phenomenon

- *Territorial expansion* of the phenomenon in Mexico and the U.S.
- *Growing selectivity*: Relatively higher skilled labour leaves the country + *Brain drain*: 30 % of Mexican graduate degree holders live in the US.
- Significant participation in the *industrial sector*.
- Transformation of the *migration pattern* from predominantly circular to permanent + *depopulation* in half of Mexican municipalities.
- Mexico has become an important *transit* country.

The new migration geography

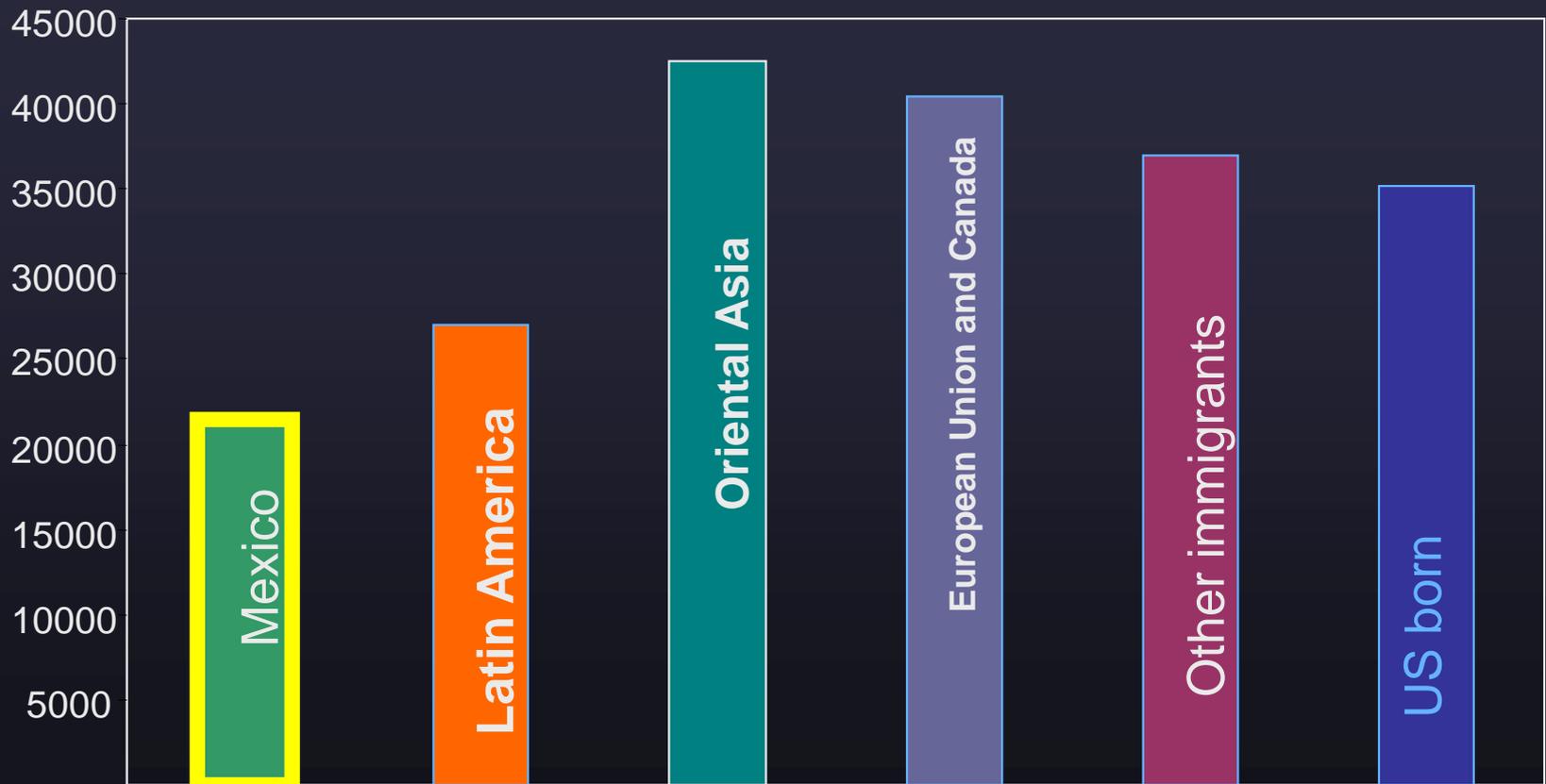


Main occupations of Mexicans in the US



Source: own estimations based on the Current Population Survey

Annual average wage in the US



Source: own estimations based on the Current Population Survey

Root Causes: The Mexican labor export-led model



The Mexican labour export-led model

- NAFTA's underlying objective for the Mexican economy is the export of cheap labor to the US through the linkage and combination of three mechanisms:
 1. the *maquila* industry,
 2. the *disguised maquila* sector, and
 3. the *emigration* of Mexican labor to the U.S.
- Mexico's labor export-led model constitutes a crucial element in the process of US *economic restructuring*.

The Maquila Industry

- The maquila sector entails assembly operations with mainly *imported inputs*—more than 90%—and virtually *no backward or forward linkages* to Mexico's productive system.
- 55% of Mexico's manufactured exports. 1.2 million workers. The wage differential with U.S. manufacture is 1:11.

Key conceptual issue: Instead of manufacturing goods what the maquilas actually export is labor without it leaving the country, i.e. it implies an *indirect or disembodied exportation of labor*.

The Disguised Maquila

- The disguised maquila sector comprises manufacturing plants with relatively more complex productive processes than maquilas but that operate under the same system of *temporary imports* (77% of their inputs are imported).
- The production of maquila-like firms account for 35% of all manufacturing exports and employ ½ million workers, involving large TNCs engaged in significant *intra-firm* and *outsourcing* transactions.
- Productivity in this sector is ~70% of the U.S. level, however the wage differential (Mexico/ U.S.) is in the range of 1:7.

Contribution of Mexicans to the US Economy



Implications for the destination economy

- Shifting capital to Mexico enable US firms to purchase *cheap labor* at as low as 9% of the cost in the US.
- This movement also allow to weaken labor and particularly organized labor in the US.
- The incorporation of Mexican (skilled and low-skilled) labor has reduced production costs in the US industrial sector.

Contributions of Mexicans to the US economy

1. Satisfy *labour demand* (1 of every 6 jobs created in the US has been taken by Mexican immigrants since 1994).
2. Contribute *to US GDP*: **485 billion** US dollars in 2006 (58% of Mexico's GDP).
3. Stimulate US *internal market* (consumption): **268 billion** US dollars in 2006 (half of Mexico's global consumption).
4. Mexican migrants supply **22 billion** USD to the US treasury in 2006 through *direct taxes* related to their jobs.

Contributions of migrants to the US economy

5. Mexico *transferred* to the US economy **99 billion US** dollars in educational expenditure of its migrant population.
6. The US *saved* for the same concept **723 billion USD** (this amount is similar to the biggest banking rescue in the world history).
7. In labour reproduction and educational expenditures Mexico *transferred* 356 billion US dollars to the US; while the US *saved* 2 trillion US dollars (15.2% of the US GDP).

Concluding Remarks



Concluding remarks

The *exportation of labour* contributes to the *development* of the destination countries and implies for the countries of origin:

- *Deaccumulation: Net transfer of profits* through the indirect or disembodied exportation of labour.
- *Transfer of the reproduction costs* of the exported labour via migration.

This implies the emergence of new modalities of *unequal exchange*



Gracias