

## Appendix E

# Research Summary

Highlights of the findings of the Commission's research program are summarized below. The presentation is organized around six themes: (1) Determinants of International Migration: Why People Emigrate from Mexico and Caribbean Basin Countries; (2) Regional and Sectoral Development in Mexico as Alternatives to Undocumented Migration; (3) Migration Effects of Trade and Foreign Investment in Mexico and Caribbean Basin Countries; (4) International Migration, Remittances and Small Business Development in Mexico and Caribbean Basin Countries; (5) Receiving-Country Policies and Migration Flows, (6) Small Country Development and International Labor Flows: Experiences in Central America and the Caribbean.

The research papers from which the summaries were drawn are keyed to the number used to identify each paper in Appendix D. A selection of these papers is being published as a research addendum to the Report.

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### Determinants of International Migration: Why People Emigrate from Mexico and Caribbean Basin Countries

There were two key elements to the Commission's mandate: a) to examine conditions in Mexico and other migrant-sending countries in the Western Hemisphere which contribute to unauthorized migration to the United States; and b) to explore "mutually beneficial, reciprocal trade and investment programs to alleviate such conditions." The underlying assumption was that economic cooperation between the United States and key migrant-sending countries would contribute to economic development and job creation that would—over time—reduce pressures for unauthorized migration from such countries to the United States. In order to make recommendations for cooperative economic programs that could reduce pressures for unauthorized immigration into the United States, the Commission had to examine the relationship between development and migration. The studies contracted to explore this

issue made clear that the relationship is very complex. The development process itself is destabilizing and probably enhances rather than reduces emigration pressures in sending countries over the short to medium term. Rapid population growth, the transformation of traditional agriculture, profound normative and cultural changes, urban growth, increases in educational attainment, improvements in communications and transportation, and the consolidation of social networks in sending and receiving locations accompany development and encourage population displacements.

The agents of change are strengthened by individual contacts established by potential migrants. How they influence migratory flows depends on specific circumstances, but they expose migrants—and through them the populations of communities from which they come—to the prospect of working in more prosperous economies in which they can maximize returns to labor. These contacts range from those that arise from labor recruitment (generally intended to be temporary but often becoming permanent), to those individual and social relationships established during periods of U.S. political and military involvement abroad. Many people who emigrate to escape conflict or political instability do not return to their native countries even if the causes leading to their departure change, and friends and relatives often join them abroad. Where social strife prevails, it is often difficult to separate political from economic motivations to migrate. In many migrant-sending communities, emigration, regardless of the reasons giving rise to it, becomes an accepted ingredient of the local culture.

As development proceeds, the attraction of emigration may lessen. This was the case in several European countries that have become net receivers of international migrants after having themselves sent migrants abroad for decades. In such cases, population growth rates declined, labor market pressures abated, investment in physical and human capital increased, productivity rose, income levels improved, and wage rate differentials between migrant-sending and migrant-receiving countries narrowed. This process normally takes several generations to run its course, and the experience, while not universal, is not unusual.

The situation in the developing world may not fit the European historical pattern. Specific country experiences are mediated by their current level of economic development, world-wide technological changes, demographic trends, and other factors. One analyst argues that Mexico's migratory experience, for example, is unexceptional by European standards. This conclusion is reinforced if one considers that population growth rates in Mexico have been much higher than they were in Europe during the latter's period of highest emigration, and that emigrating is easier today than it was earlier in the century in terms of real cost or ease of travel. While development should in time reduce pressures to emigrate from Mexico, it may take longer than it did in Europe because of the large

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wage rate disparities between Mexico and the United States and the strength of existing social networks between residents of the two countries. Wage rate differentials are even wider between the United States and other migrant-sending countries in the Hemisphere.

Resettlement and repatriation of displaced and refugee populations pose special problems. However, research indicates that in these cases as well a development approach may be the most appropriate way to correct the conditions that gave rise to social upheavals in the first place, and to provide economic options to the displaced.

Given the many variables influencing migratory flows, attempts that were made in the research to quantify and give weight to specific determinants met with only modest success. Independent variables are difficult to measure consistently across countries and over time. Measuring the extent of undocumented migration, i.e., the dependent variable, is also problematic. One Commission study gave pride of place to economic motivations in explaining such migration; this study focused on data from Latin America but included the Philippines to have a basis of comparison. Another study concluded that social factors (e.g., education and income distribution) were equally critical in explaining emigration from Western Hemisphere countries.

Emigration has become an enduring feature in Caribbean and some Central American countries. Opportunities for satisfying social and economic aspirations are limited in their small economies and populations are constantly exposed through modern media to the life styles of more developed countries. A "culture of migration" which perpetuates migratory flows is ingrained. It also affects non-migrant households as they compare living standards they can achieve working at home to those made possible by earnings from abroad.

The history of migration from Puerto Rico to the mainland is instructive; migration has become a permanent fixture of the economy despite considerable improvement in income and living conditions. Migration ebbs and flows in response to fluctuations in Puerto Rican (and U.S.) economic conditions.

While migration generally benefits individual migrants, the cost and benefit to communities and countries of origin is more difficult to measure. Those who emigrate are often relatively skilled and enterprising. Migrant remittances, while they undoubtedly benefit the recipients, may also distort local economies and aggravate income disparities. Large influxes of remittances may stimulate local inflationary pressures that distort the price of land and housing. In principle, remittances and return migration should facilitate development, but the evidence is that they often do not. Skills acquired abroad may not be used domestically and the share of migrant savings that is invested is small. Commission research

examined many suggestions to maximize the productive use of migrant remittances; however, implementing the suggestions would require significant changes in bureaucratic and financial regulatory procedures. The key element is somehow to overcome ingrained migrant mistrust of their own governmental authorities and banking and postal systems.

Results summarized from findings of studies numbered 13, 15, 16, 22, 25, 38, 39, 40, 46, 47, 50, 60 and 79.

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### Regional and Sectoral Development in Mexico as Alternatives to Undocumented Migration

Long-term abatement of undocumented migration from Mexico is tied to the generation of well-paid jobs at home. The Commission's research program explored the question of employment generation from two perspectives: sectoral and regional. The sectoral studies focused on those aspects of the Mexican economy in which there was evidence of significant but unmet employment potential. The sectors chosen were believed to have long-term growth capacity and the ability to assimilate surplus unskilled labor over the short- and medium-term. The regional approach sought to identify policies which could contribute to development of areas of traditional internal and international migration. The promotion of balanced regional growth is a priority objective of Mexico's own development strategy.

The sectors assessed were manufacturing (including export assembly), tourism, fishing and agriculture. Tourism and manufacturing assembly have experienced substantial growth. Agriculture, on the other hand, has been a troubled sector over the past two decades, and is characterized by low wages and low productivity. A major commodity exporter during the 1960s, Mexico has become a major agricultural importer. Many of Mexico's undocumented migrants come from rural areas. The fishing industry was selected for study because of historical neglect despite its assumed significant growth and employment prospects.

The research confirmed some original expectations but also called into question some commonly held assumptions. One study shed additional light on the significance of the geographic location of manufacturing assembly operations within Mexico. It has been known that maquiladoras located in the interior use considerably more local inputs than those along the border. The higher the domestic content, the greater the degree of integration into the national economy, and thus the greater the employment effects. The study found that the higher domestic content in internal maquiladoras responded mainly to the utilization of pre-existing industrial capacity. Local manufacturers were able to take advantage of the opportunities offered by the maquiladora sector. Policies to facilitate the horizontal integration of plants, some producing for the domestic sector and others for the export market, could spur economic

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growth and employment creation. The maquiladora industry, if integrated into the rest of the economy, can help accelerate the growth and modernization of Mexico's industry.

The examination of the tourism sector provided an unexpected but significant policy finding: Mexico's strategy of promoting large-scale, capital-intensive tourist beach resorts has had mediocre success in its stated objective of generating jobs, although it has increased foreign earnings. A reorientation of development policy for the sector toward the promotion of smaller, less costly tourist sites catering both to the international and domestic tourist markets could increase the employment impact. While the direct employment effects of smaller tourist centers are lower than for modern beach resorts, the indirect employment effects are greater because of regional multipliers. Ecotourism, or nature-oriented tourism, is an area of employment potential, particularly for rural areas with limited employment options.

The fishing study concluded—contrary to original expectations—that the sector's growth potential in terms of fish landings is not as promising as had been assumed. In fact, there is evidence that the potential catch for some species has been reached and that measures must be taken to preserve some of Mexico's most valuable fisheries. Consequently, further deregulation of the sector could have adverse consequences. What is required is a careful assessment of the sector's regulatory framework to ensure the preservation of threatened species to permit rational harvesting of Mexico's under-used marine resources. Many high-value species (high quality sardines, for example) are now wastefully used as animal feed rather than for human consumption in Mexican and foreign markets. Despite the limited employment potential of the fishing industry, selective activities such as aquaculture and marketing do have significant possibilities.

Commission research confirmed the dire situation of agriculture in Mexico. The flawed agricultural policies followed by successive Mexican administrations contributed to the decline of traditional agriculture and the depopulation of the Mexican countryside. Major agricultural policy reforms are urgently needed, including the elimination of subsidies for efficient, modern producers who do not need them and the re-introduction of market-driven incentives for small farmers producing basic foodstuffs. In view of Mexico's soil and climatic diversity, non-traditional agricultural exports represent a particularly promising option for the revitalization of the country's agricultural production. Mexico is well endowed to satisfy international demand in specialty markets. Its agro-industrial potential is also significant, but will require major public investment in infrastructure and private investment to develop the industrial plant and facilitate marketing. The employment potential is substantial.

The objective of the regional studies was to assess strategies to promote economic development in Mexico's less developed regions, including many migrant-sending localities. Investment is not warranted in localities with scant development potential, but may be necessary to provide employment opportunities in nearby areas. This strategy is consistent with Mexico's goal of accelerating the growth of secondary cities, thereby facilitating more balanced regional growth. A study in Zacatecas, one of the poorest Mexican states and a leading source of undocumented immigrants, reviewed the entire range of development options the state should consider. These included suggestions for alternative allocations of revenues to the federal, state and local governments, policies to enhance agricultural output, and a more effective use of migrant remittances. Another study in Zacatecas examined international marketing opportunities of crops that can be produced in the state. The two research efforts should be viewed as pilot studies which might be replicated in other migrant-sending regions. A third study, in Jalisco, examined the viability of regional development there. It evaluated the development potential of the state's different regions, focusing on the potential of medium and small cities to promote regional growth.

One of Mexico's most pressing challenges is to create employment opportunities for its large pool of unskilled workers. Better paid service sector jobs could contribute to meeting this need, particularly in sectors where there is considerable complementarity between the U.S. and Mexican economies. For example, demand is escalating for social services for the rapidly growing elderly and institutionalized populations in the United States, yet the number of U.S. workers willing to provide these services at reasonable cost is shrinking. U.S. regulatory changes allowing Americans to obtain services in Mexico might be cost effective. Providing these services in Mexico near the border, or even in the interior, could stimulate many jobs, some skilled but mostly unskilled, and could serve both countries well—leading to savings for individuals needing the services and creation of jobs in Mexico for those providing them.

Results summarized from findings of studies numbered 4, 5, 26, 31, 43, 48, 52, 53, 61, 62, 71, 73, 74, 75, 76, and 78.

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### Migration Effects of Trade and Foreign Investment in Mexico and Caribbean Basin Countries

The economic growth of migrant-sending countries in the Western Hemisphere, and thus their ability to create jobs, is tied intimately to increases in their exports. This is particularly true since Mexico and other countries have turned away from development strategies that emphasized import substitution in favor of export promotion. The key to their success lies in increased competitiveness. This, in turn, requires structural reform and the attraction of foreign investment and the technology that goes with it. Despite potential short-

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term job losses, privatization has become prevalent in order to conserve government resources.

Export-oriented manufacturing has become a major contributor to job creation in Mexico. A significant finding of a Commission study was that such manufacturing, including but not limited to maquiladora industries, was outperforming those industries producing primarily for the domestic market. Even though export industries are more capital-intensive, they generated more jobs because of their greater growth than the more labor-intensive industries producing primarily for the domestic market. These findings were supported in another study which concluded that a switch to exports cushioned the adverse employment and production impacts of the domestic recession during the 1980s. Much of the increase in exports during the decade resulted from utilization of idle capacity available because of the contraction of the domestic market. The most efficient manufacturing sectors were able to take advantage of foreign markets. As economic restructuring continues, other sectors may be forced to acquire more advanced technology. Over time, as multiplier effects come into play, the economic and employment effects of economic restructuring should increase in significance. This may not translate immediately into a reduction of emigration pressures because many other variables are at play, such as the openness of foreign markets, the appropriateness of macroeconomic policies, and the wide wage gap between Mexico and the United States that will take generations to narrow.

Future export performance depends substantially on the role multinational corporations assign to Mexico in their overall strategy of global production. A significant share of Mexico's modern manufactured exports consists of intra-firm exchanges between domestic affiliates of multinational firms and their operations outside Mexico. Future performance will thus depend not only on the competitiveness of Mexican industry and economic conditions in international markets, but also on the willingness of multinational firms to expand their investment and introduce new technology in Mexico. Mexican exports are concentrated in few export lines and therefore vulnerable to demand fluctuations. The increased focus on exports has had a major impact on the organization of work and the demand for labor in Mexico. A study in Guadalajara found an increasing degree of informalization as many manufacturers—those producing for the domestic as well as export markets—adjusted to the new situation by sub-contracting to reduce costs. There was also significant growth in informal services and commercial activities. A process of labor segmentation is also in evidence. Because of increases in exports, the demand for skilled and educated workers has surged. By contrast, demand for unskilled workers has remained static. When coupled with rising participation rates by females and young workers generally, this has led to declines in real wages. The earnings of more family members are needed to sustain a household. This may have adverse long-term consequences for the future quality of

the labor force because young workers are forfeiting educational and training opportunities.

There was a surge in manufactured exports from Mexico and selected Caribbean countries to the United States during the 1980s. This was spurred by import-enhancing U.S. policies (the Generalized System of Preferences (GSP) and the Caribbean Basin Initiative (CBI)) as well as by export-promotion policies (such as fiscal incentives for foreign investors and enhanced export credit) instituted by the migrant-sending countries. Another important factor was the decline in real wages in migrant-sending countries brought about by economic recession. The assembly sector is likely to continue to flourish in these countries because their labor costs are highly competitive internationally. In 1989, about 450,000 Mexican workers were employed in the maquiladora industry and some 200,000 in assembly operations in Caribbean Basin countries. This sector has been one of the main generators of direct employment, accounting for between 20 and 30 percent of new jobs in the Dominican Republic and Mexico. The assembly sector is also responsible for the creation of many indirect jobs. However, even if these export promotion schemes continue to do well, they are unlikely to resolve the grave employment situation of Caribbean countries generally because unemployment and labor force entry rates are high. This suggests that promotion of manufactured exports should be complemented with commodity exports, and with the production of agricultural and manufactured goods for national and regional markets.

Despite its successes, several factors impede the further growth of export assembly. Among the most significant are infrastructure bottlenecks and cumbersome bureaucratic procedures that interfere with trade. Problems associated with deficient electric power and transportation services are frequently cited examples. Some U.S. import restrictions considerably weaken the effect of the CBI in promoting economic growth in beneficiary countries. Products in which Caribbean Basin countries have a comparative advantage (e.g., apparel and leather goods) are not granted tariff-free access to the U.S. market, or are regulated by quotas, allocated on the basis of historical market shares. Further, the U.S. Agency for International Development (AID) is barred from providing assistance for the establishment of manufacturing facilities for products that could compete with American-made goods.

There appears to be a general movement in the world toward regionalization of trading relationships. A conclusion implicit in the research finding is that the United States might wish to support a free trade agreement with Mexico (similar to that with Canada) to enhance economic efficiency in both countries. Research supported the conclusion that the smaller countries of the Caribbean Basin must strengthen their efforts to integrate their economies; over time, they may wish to accede to broader hemispheric free trade arrangements.



Research indicates that Section 936 of the Internal Revenue Code could become a major potential source of growth and employment in Caribbean Basin countries. It permits tax exemptions for certain income generated in Puerto Rico by U.S. firms operating there. Funds on deposit in Puerto Rico and Section 936 can be loaned at lower than market interest rates and, since 1987, can be invested in eligible projects outside Puerto Rico in CBI beneficiary countries. Private investors have been reluctant to invest their 936 funds in Caribbean projects due to the high risks involved. One analyst suggested that some risks could be reduced by developing a special loan fund housed in Puerto Rico's Government Development Bank (GDB), where 15 percent of Section 936 funds must be deposited. Loans from the special fund could be guaranteed by the GDB, the U.S. Overseas Private Investment Corporation (OPIC), and AID. A portion of the loan fund could be set aside for the development of small projects to serve small Caribbean markets, thereby complementing the export activities that Section 936 funds are intended to serve in these countries. The development of small businesses could also increase transactions among these small economies and hence contribute to regional integration.

Results summarized from findings of studies numbered 1, 10, 18, 21, 24, 30, 32, 33, 34, 57, 59, 66, 67, 68 and 69.

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### International Migration, Remittances and Small Business Development in Mexico and Caribbean Basin Countries

Small businesses in both the formal and informal sectors provide employment to a substantial portion of the labor forces of Mexico and other migrant-sending countries. Many of these businesses are family operations that only infrequently hire non-relatives of the entrepreneur. However, some are dynamic operations with significant employment and growth potential. The specific characteristics and evolution of small businesses depend on the national and local economic setting in which they occur. Many serve primarily a welfare function by allowing destitute households or individuals to earn a basic subsistence income. These have little growth potential and tend to disappear when other income-earning opportunities are available. Informal subsistence activities can be found among lower socioeconomic groups throughout the area, and are ubiquitous in crushingly poor countries such as Haiti or war-torn El Salvador.

The economically viable small businesses are usually better capitalized. They too are often family operated, but in many cases also provide jobs for a significant number of workers. Many owners of family-run small business are relatively skilled and provide specialized services or goods. In such cases, earnings may exceed average local wages. Credit is more available for the more profitable small businesses, but by no means always from commercial sources

There is evidence that in the late 1970s and early 1980s there was considerable growth of small enterprises. This was not a reflection of a vibrant economic environment, but of lack of alternative opportunities. In Guadalajara, Mexico, for example, the expansion of the small business sector was an accommodation to the depressed economy. Many workers displaced by the economic recession created their own income-generating activities. Other small businesses appeared as larger firms in the formal economy increased their subcontracting as a means of reducing operating costs. Workers displaced by the economic recession also found it necessary to create their own opportunities.

The Commission sponsored studies in the English-speaking Caribbean, Central America, the Dominican Republic, and Mexico in order to understand relationships between migration and small businesses. There are a number of such linkages. For instance, while most remittances are destined to meet immediate family consumption needs, some portion—the magnitude varies from country to country—is used for productive purposes. Many returning migrants (or relatives of migrants) operate small businesses and their savings help finance start-up and operating costs.

In El Salvador, where migrant remittances currently represent a major—perhaps the main—source of foreign exchange, households with migrants engaged in small business activities rely on remittances for about half of their total income. Remittances subsidize and make possible the survival of these businesses and substitute for otherwise unavailable credit. While the employment impact of remittance-driven small businesses in El Salvador is now limited, this could change once peace is restored. Such businesses could play an important role in reactivating the economy.

In Guadalajara, many small entrepreneurs and small-business employees travel regularly to the United States as migrants (many do so now with legal authorization as Special Agricultural Workers). Savings made possible from work in the United States is instrumental in small business capitalization. Many successful Dominican migrant entrepreneurs in New York City were found to invest business profits back in the Dominican Republic, sometimes in substantial amounts.

It is uncertain whether small business development acts as a deterrent to migration, although the normal assumption is that it does if businesses prosper and provide well-paid employment. However, income generated by self-employment in small businesses could translate into increased migration to augment savings and remittances, as in Guadalajara.

Many analysts suggested ways to promote the growth of the small-business sector. There is a consensus on the need to encourage small business development by reducing bureaucratic burdens. Small

firms are highly diverse and therefore have different requirements; almost all need credit, and most are weak in marketing their output. Proposals were made to encourage migrants to invest their savings in their home communities by, for example, opening dollar-denominated accounts in migrant-sending country banking institutions.

Results summarized from findings of studies numbered 12, 35, 36, 37, 45, 51, and 54.

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## Receiving Country Policies and Migration Flows

The Commission sponsored numerous studies of relevant U.S. economic policies in terms of their impact on migration and changes that might tend to reduce migration pressures.

Various studies looked at maquiladora programs in Mexico and export processing zones in Central America and the Caribbean as representative of an existing area of trade and investment cooperation with the United States. Maquiladora growth has been explosive during the past decade and most observers expect expansion to continue. While low by U.S. standards, wages in maquiladoras compare favorably with other wages in Mexico. Earlier, maquiladora employment was almost exclusively female, but it is now close to 40 percent male. Both male and female earnings contribute importantly to family welfare. A key research question was whether such employment, particularly in maquiladora production along the U.S.-Mexican border, reduces or encourages unauthorized migration to the United States. The results were inconclusive, but there is little evidence that many migrants drawn to the border by maquiladoras use their location and earnings as a springboard to cross into the United States. This happens, but is less prevalent than movement from the interior of Mexico directly to the United States.

One major shortcoming of the maquiladoras, and of export processing operations in other countries, is that they are not integrated into national industry and thus have less than optimal multiplier effects. If they are to meet their long-term promise of contributing significantly to overall economic development, they will have to be incorporated more fully into national economies. This observation is most germane for Mexico, which has an extensive industrial structure unrelated to the maquiladora.

The Commission looked at U.S. foreign assistance programs as another means of cooperative economic development. By choice Mexico does not receive concessional aid directly from any country, but it does receive non-concessional loans from international financial institutions (the World Bank and the Inter-American Development Bank). Countries in the Caribbean and Central America are important recipients of U.S. foreign assistance, through which in-

fluence can be exerted on their economic and social policies. The economic policy dialogue with Mexico is conducted primarily by the World Bank and the International Monetary Fund because of their large financial contributions to Mexican development.

Foreign assistance could supplement Mexican resources in the development of regions from which the bulk of undocumented migrants regularly come. Directing resources to these areas is consistent with Mexico's own priority of regional development. The studies done for the Commission point to the pitfalls of a regional strategy, such as devoting resources to areas with little development potential, but also show the promise of well-conceived programs. These efforts must focus on building infrastructure (roads, water supply, housing), provide greater education opportunities (including the kinds of technical education needed by industry), and seek out promising agricultural products suitable to the area. Migrant remittances could be more effectively mobilized to augment resources for development in regions from which the migrants come, but experience with productive use of these resources (i.e., for marginally increasing investment rather than consumption) is not great.

The question raised with respect to maquiladoras—whether they reduce emigration pressures by providing jobs in Mexico, or stimulate emigration because these jobs are at the border and pay much less than could be earned in the United States—applies as well to agriculture. One study of winter vegetable production in Sinaloa, a border state, concludes that because this activity depends heavily on workers from other states and is highly seasonal, increases in exports could lead to increased emigration across the border as workers follow the harvest cycle. The difference between the two cases is that this agricultural work attracts migrant workers on a seasonal basis, whereas maquiladora employment is more durable.

U.S. agricultural policy can affect export earnings and employment of migrant-sending countries. One study documented the adverse effect of U.S. sugar policy on the export earnings and employment of migrant-sending countries heavily dependent on this commodity, particularly the Dominican Republic.

In addition to trade and investment policies, U.S. immigration policy as reflected in the Immigration Reform and Control Act of 1986 has had unforeseen consequences on migration flows. One example is that many persons from migrant-sending countries, particularly Mexico, were able to regularize their status. Our research indicated that many who legalized their status under the Special Agricultural Worker program had not worked earlier in agriculture. Many such people now travel to and from the United States on a legal basis, work here, and send or take back savings when they return to Mexico. In the future, many of these legalized migrants will want to be joined by families. Each of these experiences will affect the development of the migrant-sending regions.

Finally, two studies examined European experiences in using both migrant savings and returning migrants themselves to stimulate development in sending countries. While there have been successes, there have been many of the same kinds of frustrations that exist in the Western Hemisphere.

Results summarized from findings of studies numbered 4, 5, 26, 31, 43, 48, 52, 53, 61, 62, 71, 73, 74, 75, 76, and 78.

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### Small-Country Development and International Labor Flows: Experiences in Central America and the Caribbean

Most Caribbean countries have limited natural resources, other than ideal climate. Neither these countries nor those in Central America are technologically advanced. Their individual internal markets are small and their economies are highly dependent on the export of a limited number of agricultural commodities or the provision of selected services, such as tourism. Because demand for labor is limited, emigration is an enduring characteristic, particularly from the Caribbean. The emigration of skilled persons is common. This poses a major problem for the English-speaking Caribbean countries, but is a logical outcome for persons seeking greater opportunity.

The agricultural sector in most Caribbean and Central American countries has been declining for many years, partly because of poorly conceived public policies and partly because of natural limitations. The result has been large food import bills. Another outcome is migration to urban centers, which themselves offer limited employment opportunities; and this, in turn, stimulates emigration.

Commission-sponsored research examined the potential for increased agricultural production and the development of agroindustry. It showed that opportunities for agricultural development are impeded by skewed land distribution patterns which allow much fertile land to remain fallow because of the ownership structure, or (in Central America), the use of valuable land for production requiring little labor (e.g., cattle raising). Many peasants are thus forced to rely on marginal lands, seek urban employment, or emigrate.

Misuse of the natural resource base has contributed to severe ecological damage in many countries of the region. In Haiti, the environmental damage is so severe that it has destroyed the viability of many rural development options. In other Caribbean and Central American countries, careless exploitation of resources in order to increase nature-based exports has led to the loss of much forest cover and contributed to extensive soil and watershed damage. Environmental restoration and preservation has now become imperative if the region is to achieve sustained growth of nature-based exports.

Governments in these countries have attempted—with varying degrees of success—to diversify their economies. Strategies have varied from country to country, but all must be based on the nation's physical endowment and its human resource base. The small English-speaking island nations have highly developed educational systems and, consequently, well-trained labor forces. They have oriented their development toward the service sectors (such as tourism and financial services). Some have had modest success in export-oriented manufacturing industries (assembly operations), and a few have developed consumer industries that serve domestic and regional markets. The government sector is generally quite large in these countries as a way to provide employment to skilled workers with few other opportunities. The development path will differ between Central American and Spanish- and non-Spanish-speaking Caribbean countries. Some research conclusions are: the small English-speaking islands which have a trained human resource base see themselves becoming providers of advanced services (tourism and finance in particular) to developed countries. Those countries with a less well-trained human base are striving to diversify their export base in services, agriculture and assembly manufacturing. They must also develop their internal markets (domestic and regional) to cope with high current unemployment and high rates of labor force growth. It would be foolhardy to expect any significant reduction in emigration pressures in the Caribbean and Central America in the foreseeable future.

The large colonies of emigrants from these countries living in the United States and other economically advanced countries can play an important role in facilitating economic growth at home. They contribute significant amounts of foreign exchange in the form of remittances and other financial transfers. They also constitute a resource reservoir that could be better exploited as a natural bridge to export markets abroad in the countries in which they live. Further, because many are well trained, they can help introduce modern technology to their home countries. Their tourism to their places of origin can be encouraged. One study suggested ways to derive maximum benefits for Caribbean countries from their ethnic diasporas in developed countries.

Results summarized from studies numbered 2, 6, 7, 11, 14, 17, 20, 27, 28, 29, 42, 44, 64, 70, and 77.