

## Policy Recommendations for Chiapas

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### Abstract:

Since the Zapatista revolution of January 1994, enormous amount of resources coming from the federal government have poured over Chiapas. The gap in years and quality of education has been reduced significantly; and road, port and airport infrastructure have undergone a dramatic transformation. And yet, the income gap between Chiapas and the rest of Mexico has only widened. To understand why, a multidisciplinary team of twelve experts have devoted significant time and resources to study different aspect of the development dynamic of Chiapas. As a result, five base documents have been published analyzing Chiapas Complexity profile, Growth Diagnostic, Institutional Diagnostic, Poverty profile, and a pilot of productive dialogs and inclusive growth in an indigenous community. This report resumes the findings from these and articulates their corresponding recommendations into a policy plan.

According to our hypothesis, Chiapas is wedged in a low productivity trap. A modern production system, responsible for productivity increases, income and development elsewhere in the world, requires a number of complementary inputs or capacities that are absent in Chiapas. As a result, its economy consists of a few primary products of little or no technological sophistication, and a vibrant service industry fueled by public expenditure in its larger cities. In this situation, there are no incentives to acquire additional education or skills because there is no demand for them in the economy. As we have proved, the few that manage to emigrate earn salaries elsewhere in Mexico slightly above other migrants with similar qualifications. As it turns out, it is not about the Chiapanecos, it is about Chiapas.

To overcome the current dilemmas and spark the engine of growth, Chiapas needs to resolve its issues of coordination, connectivity and gradually promote economic activities of higher complexity. Yazaki, one of the few manufacturers present in Chiapas, is an example of the role of the state in helping the economy to overcome the chicken-and-egg dilemmas, providing the public goods required - in an initial push – by a more complex economy. Our recommendations are based in identifying the productive capabilities embedded within the current productive structure of Chiapas four largest urban agglomerations, and leveraging on them to board on different potential, more complex industries that use a similar base of knowledge. To conquer those industries and diversify its economy, Chiapas needs a public-private agency empowered to iteratively solve the issues and bottlenecks these potential industries face in each particular place. Public transport and housing policy can be used as means to incorporating the surrounding communities into the increasingly modern economies of urban centers. Special economic zones and agro-industrial parks can be used to spur productivity in those areas where labor and appropriability are the most binding constrains.