

LIBERALIZATION, MIGRATION, AND DEVELOPMENT:
THE MEXICO-U.S. RELATIONSHIP

*LIBERALIZACIÓN, MIGRACIÓN Y DESARROLLO.
LA RELACIÓN MÉXICO-EE.UU.*

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ABSTRACT

Migration from Mexico to the United States has been increased by liberalization of the Mexican economy. Proponents of liberalization had maintained that it would reduce migration; indeed, they used this argument along with anti-immigrant sentiment as one basis on which to sell the North American Free Trade Agreement to the U.S. public. The anti-immigration demagoguery was not only offensive in sentiment but also wrong in substance. Various impacts of liberalization have been causal factors moving people northward and maintaining the high rate of migration. This reality should force a reassessment of policy in the United States. A policy that accepted the reality of continuing migration and integrated the immigrants into the labor force with full rights could have widespread benefits.

Keywords: Migration; Development; Liberalization.

1. INTRODUCTION¹

In the 2004 Hollywood disaster movie *The Day After Tomorrow*, a huge storm spreads super-freezing weather over most of the United States, yielding a massive rush of U.S. residents towards the Mexican border – where they are barred from entry by the Mexican authorities. The scene must elicit a certain grim satisfaction from many Mexican viewers who have been denied entry to the United States.²

There is an element of truth implicit in the far fetched scenario of *The Day After Tomorrow*, namely that it would require something as fantastic as a new ice age spreading rapidly across North America to reverse the current migratory flow from Mexico to the United States. Moreover, in spite of various forecasts of an impending decline in Mexico-to-U.S. migration, the high rate of movement of people northward, firmly established in the 1990s and early years of the new century, is most likely to continue. Although demographic trends within Mexico may attenuate the rate of migration and although economic variations in both countries will yield downs as well as ups in the rate, the preponderance of economic and social forces will continue to move large numbers of people northward. In recent years, the U.S. government's increased efforts to restrict Mexicans from entering the United States appear to have had little impact – except that of increasing the number of people who die attempting to avoid the border patrol (Cornelius, 2001).

Migration from Mexico to the United States was given new strength in the 1990s by the liberalization of the Mexican economy, through the general process of restructuring that began in the early 1980s and then through implementation of the North American Free Trade Agreement (NAFTA), which

¹ I am grateful for the useful comments and advice I have received from Margery Davies, Enrico Marcelli, Bob Sutcliffe, and participants in a faculty seminar at the University of Massachusetts Boston.

² The movie resolves the border crisis with an additional irony: the Mexican government allows the U.S. citizens to cross the border when the U.S. President agrees to cancel Latin American debt.

took effect on January 1, 1994.³ Proponents of liberalization had maintained that it would reduce the rate of migration; indeed, they used this argument along with anti-immigrant sentiment as one basis on which to sell NAFTA to the U.S. public. The anti-immigration demagoguery, it turns out, was not only offensive in sentiment but also wrong in substance. In reality, various impacts of liberalization have been causal factors moving people northward across the border and maintaining the high rate of migration.

The likelihood that the migration of Mexicans to the United States will continue apace, to a large extent regardless of increasingly restrictive and often draconian U.S. immigration policies, should force a reassessment of policy. Current policy yields a high rate of unauthorized immigration to the United States, and, accordingly, a large number of Mexicans working in the United States are without legal status. The result is not only a poorly treated Mexican under-class in the U.S. labor force. Most likely there is also a spread of perverse impacts, radiating out among other workers in the United States. A policy that accepted the reality of continuing Mexico-to-U.S. migration and integrated the immigrants into the labor force with full rights could have widespread benefits for both the immigrants themselves and for much of the rest of the U.S. population.

2.

The movement of people from Mexico to the United States is one of the world's largest migratory movements between two countries. Mexico is by far the largest source of U.S. immigrants, accounting for 44 percent of the total number of authorized and unauthorized immigrants to the United States during the 1990s, as shown in Table 1. In the middle years of the decade, 1994 through 1996, an average of 600 thousand migrants moved across the boarder. These were the years immediately following the implementation of NAFTA. Throughout the 1990s decade, immigration from Mexico accounted for 28 percent of all authorized immigration to the United States and 66 percent of the unauthorized immigration. (The large upward "spikes" of authorized immigrants at the end of the 1980s and beginning of the 1990s are artifacts of the way the U.S. government presents the data. Authorized immigration in these years includes people who had previously entered the United States without authorization but who then obtained legal status under provisions of the 1986 Immigration Reform and Control Act.)

³ By "liberalization," I mean primarily the elimination or reduction of restrictions and regulations on the cross-border movement of goods, services and capital. But such changes in the restrictions and regulations on international commerce are often accompanied, as has been the case in Mexico, by the reduction of regulations of the internal market as well – for example, regulations of banking and regulations of land sales (the *ejido* issue noted below). The term "liberalization" also applies to this larger set of changes. I should emphasize that liberalization policies have not included the elimination or reduction of restrictions and regulations on the cross-border movement of labor – that is, of people.



TABLE 1. AUTHORIZED, UNAUTHORIZED AND TOTAL IMMIGRATION TO THE UNITED STATES, 1987 - 2003

	Authorized Immigration			Unauthorized Immigration			Total Immigration		
	From all Countries	From México	México as a share off all	From all Countries	From México	México as a share off all	From all Countries	From México	México as a share off all
1987	601,516	72,351	12.0%						
1988	643,025	95,039	14.8%						
1989	1,090,924	405,172	37.1%						
1990	1,536,483	679,078	44.2%	749,000	454,000	60.6%	2,285,483	1,133,078	49.6%
1991	1,827,167	946,167	51.8%	617,000	391,000	63.4%	2,444,167	1,337,167	54.7%
1992	973,977	213,802	22.0%	557,000	380,000	68.2%	1,530,977	593,802	38.8%
1993	904,292	126,561	14.0%	564,000	403,000	71.5%	1,468,292	529,561	36.1%
1994	804,416	111,398	13.8%	686,000	473,000	69.0%	1,490,416	584,398	39.2%
1995	720,459	89,932	12.5%	772,000	513,000	66.5%	1,492,459	602,932	40.4%
1996	915,900	163,572	17.9%	677,000	450,000	66.5%	1,592,900	613,572	38.5%
1997	798,378	146,865	18.4%	654,000	437,000	66.8%	1,452,378	583,865	40.2%
1998	654,451	131,575	20.1%	818,000	537,000	65.6%	1,472,451	668,575	45.4%
1999	646,568	147,573	22.8%	968,000	629,000	65.0%	1,614,568	776,573	48.1%
2000	849,807	173,919	20.5%						
2001	1,064,318	206,426	19.4%						
2002	1,063,732	219,380	20.6%						
2003	705,827	115,864	16.4%						
90s decade	9,782,091	2,756,523	28.2%	7,062,000	4,667,000	66.1%	16,844,091	7,423,523	44.1%

Source: U.S. Department of Homeland Security, 2003 Yearbook of Immigration Statistics and earlier years <http://uscis.gov/graphics/shared/aboutus/statistics/Immigs.htm> and for unauthorized immigration, USINS (2003).

Note: The large upward "spikes" of authorized immigrants at the end of the 1980s and beginning of the 1990s are artifacts of the way the U.S. government presents the data. Authorized immigration in these years includes people who had previously entered the United States without authorization but who were then obtained legal status under provisions of the 1986 Immigration Reform and Control Act.

During the second half of the 20th century, each decade – and especially the 1980s – saw a sharp increase in the number of authorized immigrants to the United States, with Mexico accounting for an increasing proportion; see Table 2. In the 1990s the rate of increase of authorized immigration was reduced. However, available government data on unauthorized immigration indicate that in the case of Mexico the overall high rate of immigration was maintained through the 1990s. U.S. government data on unauthorized immigration do not exist for the period since 2000. Non-government studies, however, particularly those issued by the Pew Hispanic Center, indicate that the overall rate of immigration from Mexico to the United States has not dropped off. (Bean *et al.*, 2001, and Passel, 2005a and 2005b)⁴ Furthermore, the fact that U.S.-to-Mexico remittances more than doubled in the 2000 to 2003 period, from \$6.6 billion to \$13.3 billion, even while the U.S. economy was in recession, suggests that the rate of migration did not abate in the first years of the new century.⁵

TABLE 2: AUTHORIZED IMMIGRATION TO THE UNITED STATES, 1950 – 2000

	TOTAL	FROM MEXICO	MEXICO AS A SHARE OF TOTAL	INCREASE OVER TOTAL	PREVIOUS DECADE MEXICO
1951-1960	2,514,479	299,811	11.9%		
1961-1970	3,321,677	453,937	13.7%	32.1%	51.4%
1971-1980	4,493,314	640,294	14.2%	35.3%	41.1%
1981-1990	7,338,062	1,655,843	22.6%	63.3%	158.6%
1991-2000	9,095,417	2,249,421	24.7%	23.9%	35.8%

Source: U.S. Department of Homeland Security, 2003 *Yearbook of Immigration Statistics* and earlier years, <http://uscis.gov/graphics/shared/aboutus/statistics/Immigs.htm>.

The data for recent years do not reveal a clear trend, as is evident when the annual Mexico-to-U.S. figures are set out in graphic form, as in Figure 1. Especially in the absence of official data on unauthorized immigrants in the post-2000 period, a very large number of whom are from Mexico, any arguments about the longer term changes in Mexico-to-U.S. migration are necessarily speculative. Nonetheless, the data do demonstrate that the claims made by political authorities, attempting to gain public support for trade and investment liberalization between the two countries, have not been borne out. For example, Cornelius (2002; p. 290), cites an early 1990s statement by

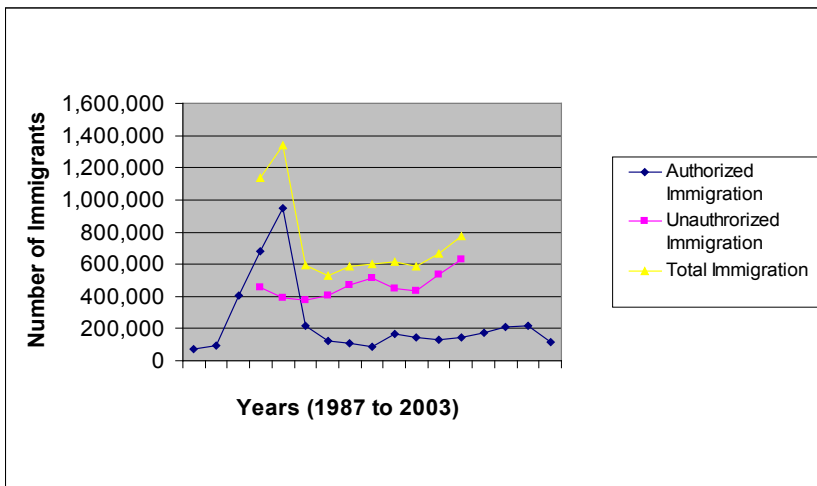
⁴ Passel (2005a, p. 1) writes: "About 80 to 85 percent of the migration from Mexico in recent years has been undocumented." Combined with the government data of Table 1, these figures imply average annual total Mexico-to-U.S. migration in the 2000-2003 period of over one million, a figure substantially higher than for any period of the 1990s.

⁵ The remittance figures are from Orozco (2004); and see below the discussion of migration as a "family strategy" in subsection 4.3 on "Employment and Incomes".



then U.S. President Bill Clinton, attempting to gain support for NAFTA with the claim: "If NAFTA passes, you won't have what you have now, which is everybody runs up to the *maquiladora* line, gets a job in a factory, and then runs across the border to get a better job. Instead there will be more uniform growth in investment across [Mexico], and people will be able to work at home with their families. And over the period of the next few years, we will dramatically reduce pressures on illegal immigration from Mexico to the United States."

FIGURE 1 - MEXICO TO U.S. MIGRATION, 1987-2003



Source: Table 1.

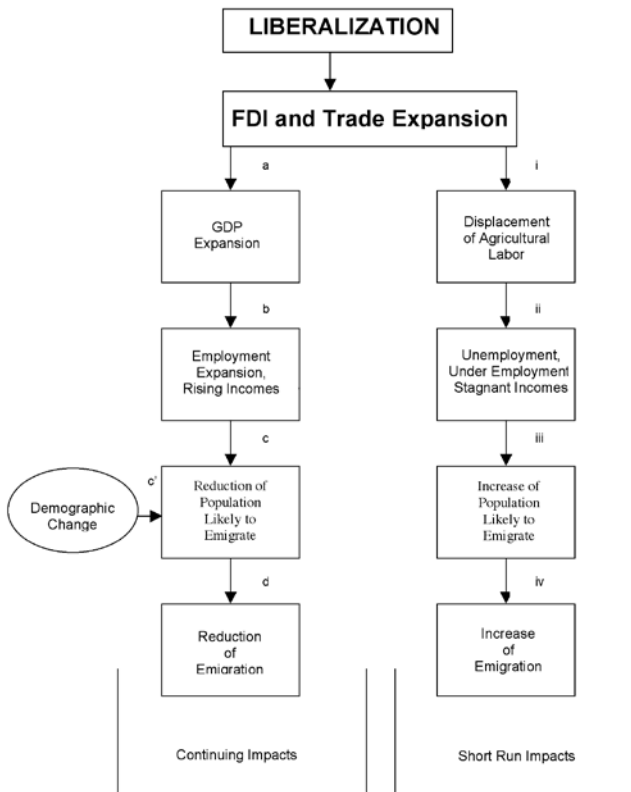
While such naive (or disingenuous) statements have been belied by the experience of subsequent years, there is a more sophisticated version of the liberalization-reduces-emigration argument that is not – or not yet – in conflict with the data. This more sophisticated version recognizes that the initial impacts of trade liberalization are likely to raise the level of emigration because of the dislocation, especially of agricultural workers, that it generates. However, in this version of the argument, after about a decade, the level of emigration falls back to the level it would have been in the absence of liberalization, and thereafter continues to fall further (relative to what it would have been) as the full alleged impacts of liberalization take effect. This argument has been most thoroughly developed on several occasions by Martin (1993, 2002, 200X) and by Cornelius and Martin (1993). Because the timing of this pattern is not exact in the argument and because the date of the beginning of liberalization in Mexico is not well defined, this version of the liberalization-reduces-emigration argument cannot be tested with available data – although the trends to date do not lend support to the argument.

More important, however, the rationale for this pattern of migration is a weak one, where crucial steps are not supported – neither by the particular experience of Mexico nor by the more general experience of many countries.

3.

The steps in the argument that liberalization leads to reduced emigration from Mexico are set out in Diagram 1: Liberalization brings about a reduced level of emigration from Mexico because liberalization yields an expansion of foreign direct investment (FDI) and of international trade, which (a) leads to economic growth, an expansion of GDP, which (b) then expands employment, reducing unemployment (and underemployment) and increasing income (reducing poverty), which means (c) there is a reduction in the population of those likely to emigrate. Step (c) is helped along (c') by demographic trends in Mexico that are reducing the share of the population in the age group likely to migrate.⁶ All of this yields (d) a reduction of emigration.

DIAGRAM 1 - THE ARGUMENT THAT LIBERALIZATION YIELDS A REDUCTION OF EMIGRATION



The more sophisticated version of this argument posits these same continuing impacts of liberalization, but it also asserts the existence of some short-run impacts that bring change in the other direction. Liberalization, along with the expansion of FDI and international trade that it generates, (i) brings about a displacement of agricultural labor. The resulting increase of the agricultural “surplus population” cannot be absorbed immediately in the labor force in spite of economic growth, leading (ii) to a rise of unemployment (or underemployment) and stagnant incomes (or falling incomes at the bottom). Thus the initial stages of liberalization and economic growth will, instead of reducing the population of those likely to migrate, actually (iii) increase this pool of ready migrants. Even with the impact of demographic change (which may be minimal in the very short-run), the short run will see (iv) a rise in emigration.

Nonetheless, in this argument, after a relatively short time – no more than a decade or so – economic growth and labor absorption will dominate displacement, and things will start to move in the other direction, reducing emigration. The keys to the whole process are, first, the expansion of FDI and international trade that is generated by liberalization and, second, the resulting economic growth. Furthermore, the economic growth in Mexico must be more rapid than in the United States – that is, there must be a convergence of the two economies to reduce the migration pressure. (It is possible that even convergence would not be sufficient to stem the rising rate of migration; see the comments below subsection 4.1 on “Liberalization and Economic Growth”.)

There is, however, a very different interpretation of the relationship between liberalization and emigration from Mexico, an interpretation that fits well with many facets of economic change in Mexico of recent decades. Liberalization certainly generates an expansion of FDI and international trade, but the impacts on economic growth, employment and incomes are such that emigration is increased, not decreased. This different interpretation is set out in Diagram 2.⁷

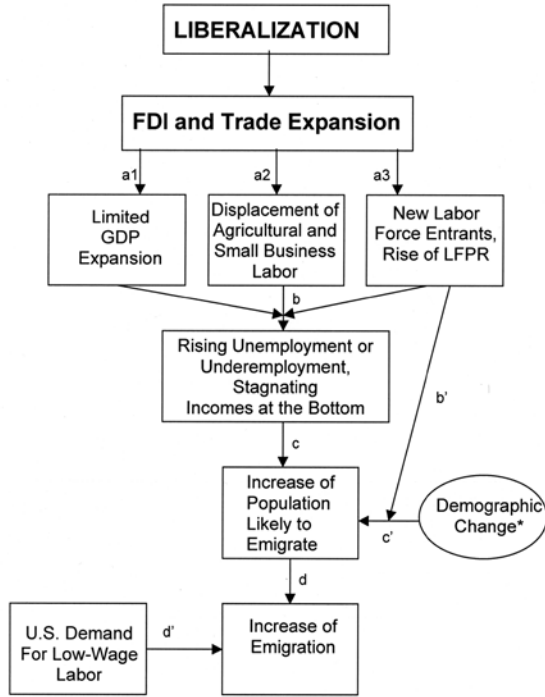
As with the argument that liberalization leads to reduced emigration, here too the immediate impact of liberalization is an expansion of FDI and international trade. From that point on, however, the two arguments diverge. In Diagram 2, the expansion of FDI and international trade, first, does not have such salutary impacts on economic growth; it leads (a1) to only limited expansion of GDP,

⁶ During the 1960s, the Mexican population grew at an annual rate of 3.4 percent, but that rate fell by almost half, to 1.8 percent, in the 1990s. Data are from the Instituto Nacional de Estadística Geografía e Informática (INEGI) web site:

<http://www.inegi.gob.mx/est/contenidos/espanol/tematicos/mediano/med.asp?t=mpob08&c=3185>

⁷ The argument owes much to Sassen (1988). Relatively early in the late-20th century surge of liberalization, Sassen argued that liberalization – especially the rising FDI that comes with liberalization – tended to generate emigration from low income countries: “The generalization of market relations and the development of modern forms of production have historically had a disruptive effect on traditional work structures... The expansion of export manufacturing and export agriculture, both inseparably related with direct foreign investment from the highly industrialized countries, has mobilized new segments of the population into regional and long-distance migrations.” (pp. 18-19) This approach has been picked up by others and applied to the Mexico-to-U.S. migration, yielding analyses complementary to that presented here; see, in particular, Canales (2003).

DIAGRAM 2 - THE ARGUMENT THAT LIBERALIZATION YIELDS RISING EMIGRATION



* Note that the demographic factors tend to reduce the population likely to emigrate, working in the opposite direction from the overall trend posited by the argument presented in this diagram.



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