



## NAFTA AND MEXICO-US MIGRATION: WHAT LESSONS, WHAT NEXT?

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One hoped-for side effect of the North American Free Trade Agreement, which lowered trade and investment barriers between Canada, Mexico and the United States beginning in 1 January 1994, was faster economic and job growth in Mexico that would slow unwanted Mexico-US migration. Instead, Mexico-US migration has surged: the number of Mexican-born US residents almost tripled to 12 million between 1990 and 2010. The NAFTA-related migration hump – the surge in Mexico-US migration to over 500,000 a year – turned out to be far larger and to persist far longer than expected, reflecting supply-push conditions in Mexico, demand-pull factors in the United States, and networks that link Mexican workers to US jobs. This paper explains the factors in Mexico and the United States that allowed Mexico-US migration to increase rapidly and why it will be hard to reduce Mexico-US migration in the short term.

### Mexico-US migration

Between 1820 and 2010, over 75 million immigrants arrived in the United States. About half were from Europe, including a tenth from the leading country of immigration, Germany. However, only four percent of German immigrants arrived since 1980, compared with three-fourths of Mexican immigrants, which is why Mexico surpassed Germany as the leading country of immigration in 2007. A quarter of the legal immigrants in the United States and over half of unauthorized foreigners, were born in Mexico.

How did Mexico become the major source of US immigrants? In 1800, Mexico and the United States had populations of roughly equal size, six million,

and Mexico's per capita GDP was about half that of the United States. Northern Mexico (now the southwestern US states) was transferred to the United States by the Treaty of Guadalupe Hidalgo in 1848, ending a war that began when American settlers moved into Mexican territory and rebelled against Mexican authority. The relatively few Mexican residents of what is now the southwestern United States became Americans, and there was relatively little migration and trade between these Distant Neighbors<sup>1</sup> for the next century (Riding 1989).

The US population grew with immigration and births and the United States industrialized in the first half of the 20th century; Mexico had high birth and death rates, a much slower growing population, and an agrarian economy marked by large landowners and poor peasants. Early in the 20th century, when Mexico was undergoing a civil war to break up its *latifundia*, the US government approved the recruitment of Mexican workers to come to the United States as guest workers. These so-called Braceros (arms) were young Mexican men admitted legally between 1917 and 1921 and again between 1942 and 1964 to work on US farms and railroads.

Both of the Bracero programs that brought Mexican men into the United States as guest workers began during wartime emergencies, when farmers said that they faced a shortage of labor. Both got larger and lasted longer than expected because of distortion and dependence. Distortion reflects the assumptions of US farmers that Braceros would continue to be available, prompting investments in orchards and vineyards that may not be profitable if a reduced inflow of Braceros raised wages, which prompted farmers to resist efforts to reduce or end the Bracero program (Martin 2009).

Meanwhile, some Mexicans became dependent on higher wage US jobs, and moved their families to the border to increase the chance of being selected as a Bracero.<sup>2</sup> When the Bracero program ended in 1964,

<sup>1</sup> Mexico's desire to avoid closer ties with the United States was summarized in the aphorism, 'Poor Mexico, so far from God, so close to the US'.

<sup>2</sup> Farmers had to pay transportation costs from the place of recruitment in Mexico. By moving to border cities, Mexicans improved their chances of being selected by US farmers.

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during the height of the Civil Rights movement and amidst concern about poor Americans, thousands of Braceros and their families in Mexican border cities had no way to earn a living. In a bid to discourage them from migrating to the United States, the Mexican and US governments modified their trade laws to allow the creation of *maquiladoras*, factories in Mexican border cities that imported components, hired Mexican workers to assemble them into goods such as TVs, and re-exported the finished products. The *maquiladoras* never provided many jobs for ex-Braceros, who were almost all men, because they preferred to hire young women.

Even though many rural Mexicans had experience working in US agriculture, there was relatively little illegal Mexico-US migration during the 1960s and early 1970s, the so-called golden era for US farm workers. About 110,000 Mexicans were apprehended just inside the Mexico-US border in FY65, the year after the Bracero program ended. The number of apprehensions gradually rose, reaching 420,000 in FY71 and topping a million in FY77 and FY78, when the leader of the United Farm Workers, Cesar Chavez, complained that Mexican ‘wetbacks’ were making it hard for US farm workers to win wage increases (Martin 2003).

Mexico had extremely high population growth rates during the 1960s, when Mexican women averaged 7.2 children. After oil was discovered in the Mexican part of the Gulf of Mexico in 1978, the Mexican government, anticipating ever-higher oil revenues, went on an unsustainable spending spree that ended with a sharp peso devaluation in 1982 and increased illegal migration to the United States. Apprehensions of Mexicans just inside the Mexico-US border topped 1.2 million in FY83, and averaged about 1.5 million a year for the next 15 years. The Border Patrol handled internal enforcement within the United States, and agents seeking unauthorized foreigners would surround farms and workplaces and try to catch workers who ran away. However, employers were not punished for hiring unauthorized workers, and there was not enough enforcement to prevent their spread from farms to construction sites, factories and restaurants.

The US government responded to rising illegal Mexico-US migration with the Immigration Reform and Control Act (IRCA) of 1986, which introduced penalties on US employers who knowingly hired unauthorized workers. The theory was that ‘closing

the labor market door’ would discourage Mexicans from attempting illegal entry over the loosely guarded 2,000 mile border, since it would not be worth taking the risk to cross the border illegally if employers shunned unauthorized workers to avoid fines. However, unauthorized Mexicans soon learned that they could still get US jobs by showing forged documents or documents belonging to legal workers, enabling those who eluded border agents to find jobs as before. Meanwhile, IRCA legalized 2.7 million unauthorized foreigners, 75 percent Mexicans, creating millions of new links between legal Mexicans in the United States and their relatives and friends in Mexico.

In 1990, there were 4.3 million Mexican-born US residents, and most were legally in the United States as a result of the legalization in 1987–1988. The number of Mexican-born US residents tripled over the next two decades to 12 million, and today over half are not authorized to be in the United States. This means that two-thirds of Mexican-born US residents arrived since 1990, and most are unauthorized, despite legalization to wipe the slate clean and enforcement efforts aimed at deterring their entry. The third element in the effort to deter unauthorized Mexico-US migration was NAFTA, a trade and investment agreement that was expected to speed up economic and job growth in Mexico keep Mexicans there.

### NAFTA and migration

Mexico in the mid-1980s changed its economic policies from inward-looking to outward-looking, shifting from a policy that protected local industries from imports to a policy that lowered trade barriers to attract foreign investors. Mexico joined the General Agreement on Tariffs and Trade in 1986 (now the World Trade Organization). A Canada-US Free Trade Agreement (FTA) went into effect with little fanfare in 1989, prompting the Mexican government to propose its own FTA with the United States in 1990. The result was the North American Free Trade Agreement, which went into effect 1 January 1994. Mexico’s then President, Carlos Salinas, asserted that lowering trade and investment barriers in North America would allow Mexico ‘to export goods, not people’.<sup>3</sup>

NAFTA put Mexico on the economic map for US and other foreign investors. Foreign investment

<sup>3</sup> Quoted in Elisabeth Malkin, “Nafta’s Promise, Unfulfilled”, *New York Times*, 24 March 2009.

poured in and trade increased, making Mexico the second-largest trading partner of the United States, after Canada. But NAFTA got off to a rough start in Mexico, with a sharp peso devaluation in 1994 and a deep recession that sharply lowered wages and increased unemployment. NAFTA hastened changes already underway in Mexico, such as accelerating rural-urban migration. Many young women left rural areas to seek jobs in border-area *maquiladoras*, and many young men headed to the United States. For both men and women, the mantra was ‘go north for opportunity’.

Rural Mexico presented a special challenge. When NAFTA went into effect in 1994, a quarter of Mexicans lived in rural areas, three fourths of Mexico’s poverty was in rural areas, and over half of the Mexicans in the United States were from rural Mexico. During the Mexican Revolution of 1910–1917, the battle cry was land for the peasants, and Article 27 of the Mexican constitution redistributed large landholdings into *ejidos* whose farmer-members could farm their land, and pass it on to their heirs, but not rent or sell it. In 1992, after decades of rural poverty, the Mexican government modified Article 27 in anticipation of NAFTA to allow the rental and sale of *ejido* land, assuming that *ejido* members agreed (Cornelius and Myhre 1998).

The combination of allowing *ejido* land to be rented or sold and the employment and wage changes associated with NAFTA signaled especially young people in rural Mexico that their future lay elsewhere. One dimension of the displacement challenge in Mexico is evident in corn production. In the early 1990s, the US state of Iowa produced twice as much corn as the country of Mexico, and at about half the price the Mexican government offered to farmers who had corn to sell. With about half of the days worked in Mexican agriculture devoted to corn production, freeing up trade in corn meant that millions of rural Mexicans would have to find alternative jobs. The hope was that many Mexican farmers would shift from producing corn to labor-intensive fruits and vegetables, but lack of knowledge, investment, and infrastructure, plus the continued availability of Mexican farm workers in the United States, meant that much of the growth in labor-intensive agriculture occurred in the United States rather than Mexico.

Mexicans could have stayed in Mexico and found non-farm jobs. However, the creation of formal sector jobs has been too slow to absorb the growing

labor force and make a dent in widespread underemployment. Mexico’s GDP growth has been less than three percent over the past three decades, including the 15 years since NAFTA went into effect; with the population growing by over one percent a year, per capita GDP growth averaged about 1.5 percent per year. The gap between GDP per capita in the United States and Mexico, about five to one according to the World Bank, has narrowed only slightly since NAFTA went into effect in 1994, when the gap was about six to one.

Most experts say that the Mexican economy must average six percent economic growth to create enough jobs to reduce the gap in GDP per capita and the economic incentive to migrate (Weintraub 2010).<sup>4</sup> The Mexican education system must also be reformed to justify higher Mexican wages. Mexicans adults in 2010 have an average eight years schooling. The Mexican government via the *Oportunidades* (Progresá from 1997–2002) is trying to break the inter-generational transmission of poverty by educating children, providing payments to the mothers of poor children every two months if the child was in school at least 85 percent of the time. The payments increase as children get older, reflecting the rising opportunity cost of going to school, since 15 and 16 year olds could work and earn more than younger children (Levy 2006). In 2010, *Oportunidades* provided support to five million poor Mexican families (there are about 26 million families in Mexico) at a cost of 3.6 billion US dollars. About 85 percent of *Oportunidades* recipients are in rural Mexico.

By 2010, Mexico had a population of 110 million and a labor force of 45 million. Both the population and labor force are expanding by a million a year (OECD 2010). Mexico offers too few formal-sector jobs to keep Mexicans at home. Only half of Mexico’s workers are wage and salary employees, according to the OECD, and many of those who appear to have formal sector jobs are employed only part time, making them ineligible for these benefits. The number of private sector jobs enrolled in IMSS, Mexico’s social security system, has remained at about 15 million since 2000. There are about eight million Mexican-born workers in the United States, which means that a third of Mexicans with formal-sector jobs are in the United States. Until Mexico can add formal-sector jobs at a faster pace over time, especially young Mexicans with

<sup>4</sup> Weintraub (2010) characterizes the Mexico-US relationship as dependent-dominant, that is, the Mexican economy is dependent on the dominant United States to accept its exports and its migrants.

Table 1

## Mexico-US population and labor force 1970–2010

Year		Mexico	United States
1970	Population (million)	53	203
	Labor force (million)	15	83
	Labor force as a share of population (%)	28	41
2010	Population (million)	110	310
	Labor force (million)	45	155
	Labor force as a share of population (%)	40	50
	<i>Employment</i>		
	Total formal sector jobs (million)	15	125
	• Filled with Mexicans (million)	15	6
	Employment in Agriculture (million)	7	3
• Filled with Mexicans (million)	7	2	
2050	Population (million)	130	425
	Labor force (million)	65	212
	Labor force growth 2010–2050 (%)	45	37

Sources: US Census and Conapo for the United States, 2050 projections from Population Reference Bureau (PRB); Instituto Mexicano del Seguro Social (IMSS), Subdirección General de Finanzas for Mexico.

friends and relatives already in the United States will continue to migrate north for opportunity.

### The migration hump

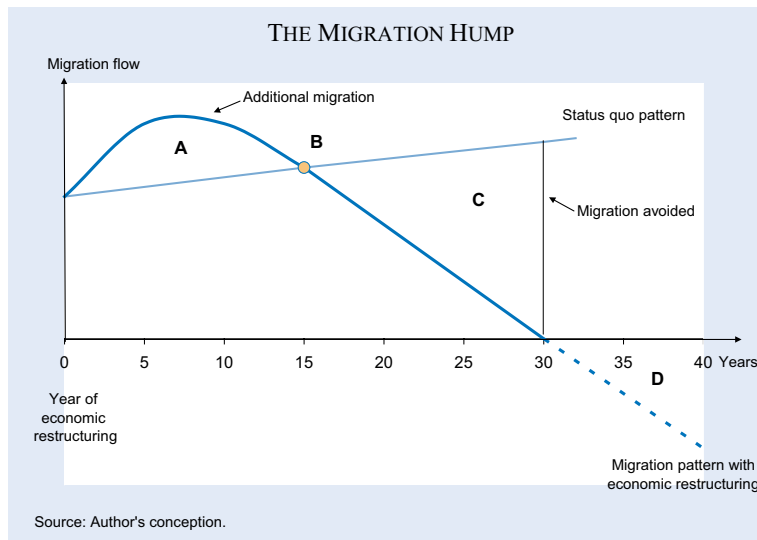
NAFTA accelerated changes already underway in Mexico, adding to rural-urban migration, creating higher wage jobs near the Mexico-US border, and displacing workers from jobs in previously protected industries in central Mexico. These NAFTA-linked changes meant that some Mexicans who were previously protected behind trade barriers in agriculture and industry had to find new jobs, and made it clear to many small farmers in rural Mexico that a better life lay elsewhere. However, poor education systems in rural Mexico meant that many of those leaving rural Mexico were not prepared for good jobs in Mexico or the United States (Levy 2008).

NAFTA provides an example of an economic policy that produces pain before gain, that is, the same trade and investment policies that should reduce unwanted international migration in the long term can increase such migration in the short term. Analyses of free trade agreements generally find that countries that are more fully integrated into the world economy grow faster than countries that are more closed to the global economy. However, these comparative static analyses are based on before and after comparisons; they often ignore the migration that occurs as richer and poorer economies with a pre-existing migration relationship lower barriers to trade and investment.

International migration, legal and unauthorized, can rise as especially poorer economies already experiencing out-migration adjust to economic integration, creating a migration hump. Reducing trade barriers can displace workers in both poorer and richer countries, as when garment and auto parts factories closed in the United States when these factories shifted to Mexico and Mexican farmers and workers making heavy equipment lose their jobs as imports from the United States rise. The displaced US workers rarely migrate to Mexico, but some of those displaced in Mexico migrate to the United States, so that migration and trade can increase together, especially if freer trade displaces Mexican workers faster than foreign investment creates new jobs in Mexico. Eventually, faster economic and job growth in Mexico should reduce Mexico-US migration.

The migration hump is pictured in Figure 1. The solid line through B represents the rising migration expected without economic integration as a result of rapid labor force and slow formal sector growth in Mexico. The extra migration in the hump is pictured above A, which shows how economic integration leads to an increase in migration over the status quo trajectory. However, economic integration should also speed up economic and job growth in Mexico, so that migration falls below the status quo level at B, after 15 years in the figure. As faster economic and job growth in Mexico continues, migration is projected to fall even more, and area C represents the migration avoided by economic integration. Eventually, some migrants may return from abroad as net emigration turns into net immigration, as occurred in Ireland, Italy and Spain.

Figure 1



The critical policy parameters are A, B, and C – how much additional migration results from economic integration (A), how soon does the hump disappear as migration returns to the *status quo* level (B), and how much migration is avoided by economic integration and other changes (C)? Generally, there must be a pre-existing migration relationship and three more factors for economic integration between poorer and richer countries to lead to a migration hump: a continued demand-pull for migrants in the destination country, an increased supply-push in the country of origin as freer trade displaces workers and accelerates changes under way such as rural-urban migration, and migration networks that can move workers across borders.

These conditions were present in the case of Mexico and the United States. Migration was the major relationship between Mexico and the United States for most of the past half century, which enabled migration networks to make rural Mexicans aware of job opportunities in the United States. The US government did not develop an effective policy to keep unauthorized workers out of US jobs and, when Mexican government policies and NAFTA accelerated displacement in rural Mexico, more Mexicans migrated to the United States. Today, 10 percent of the 120 million people born in Mexico live in the United States. With their US-born children, the United States has absorbed at least 25 million people who would otherwise live in Mexico.

There are three central policy messages of the migration hump. The first is the need for policy makers to acknowledge the potential for a pain-before-gain

increase in migration with closer economic integration, requiring e.g. the Mexican government to cooperate to reduce the open massing of Mexicans on the Mexican side of the border to attempt illegal US entry. The second policy message is that trade and other policies should be implemented in ways that make the migration hump smaller and shorter, such as phasing in freer trade slowly in areas with the most labor displacement and not changing policies that add to migration, as when Mexico allowed the rental and sale of *ejido* land at about the same time

that NAFTA went into effect.

The third policy message is to link economic integration with enhanced cooperation to manage migration so that the migration hump migration does not lead to a backlash that slows freer trade and investment. Mexican and US trade negotiators, saying that it was hard enough to negotiate NAFTA, took migration off the table. Except for NAFTA's Chapter 16, which creates freedom of movement for college educated residents of Canada, Mexico, and the United States who have job offers in another NAFTA country<sup>5</sup>, migration is not dealt with in NAFTA.

### Mexican and US responses

The Mexican government's response to rising Mexico-US migration in the 1990s was to emphasize that most Mexican migrants found US jobs, suggesting that they were needed because US employers hired them. The Mexican government argued that the migration hump should be turned into legal migration with a guest worker program negotiated cooperatively. Then Mexican Foreign Relations Secretary Jose Angel Gurria in 1996 said: "the phenomenon of migration can be beneficial and offers great potential advantages to both the migrants' original and new countries, but only when a common vision on this phenomenon is reached".<sup>6</sup>

<sup>5</sup> The major effect of Chapter 16 has been to move Canadian professionals into US jobs with TN visas. About 20 percent of Mexicans with doctorates are in the United States, and half of the 20,000 Mexican PhD holders in the United States entered since 1990.  
<sup>6</sup> Quoted in Migration News (1996), Mexican Views on Immigration, Vol. 3, No. 11, [http://migration.ucdavis.edu/mn/more.php?id=1072\\_0\\_2\\_0](http://migration.ucdavis.edu/mn/more.php?id=1072_0_2_0)

The efforts of commissions and task forces to design mutually acceptable guest worker programs were not successful, even during the late 1990s when the US unemployment rate dipped below five percent. There was hope for a new era in Mexico-US migration in 2000, when Mexicans elected Vicente Fox President in July 2000, breaking the 70-year hold of the Institutional Revolutionary Party (PRI) on power, and George W. Bush, who advocated a new guest worker program during the campaign, was elected US President in November 2000.

During the spring and summer of 2001, Fox pressed Bush for a comprehensive immigration reform. Fox was especially bold in calling for freedom of movement. In January 2001, Fox said: “when we think of 2025, there is not going to be a border. There will be a free movement of people just like the free movement of goods”.<sup>7</sup> Some US and Mexican advisors urged Fox to press for more than just a guest worker program, and Mexican Foreign Minister Jorge Castaneda in June 2001 summarized Mexico’s four-pronged immigration agenda to include legalization for unauthorized Mexicans, a large guest-worker program, a reduction in border violence and an exemption of Mexico from visa quotas, ending with what became a memorable phrase: “it’s the whole *enchilada* or nothing”.

Fox and Castaneda were in Washington DC just before the 11 September 2001 terrorist attacks, when Fox said that he expected the United States to enact comprehensive immigration reform before the end of the year.<sup>8</sup> The terrorist attacks turned attention elsewhere and accelerated the addition of Border Patrol agents and fences on the Mexico-US border so that terrorists could not use the migration infrastructure developed to move Mexican workers into the United States. Smuggling fees rose from 200 to 300 US dollars in the early 1990s to 2,000 to 3,000 US dollars a decade later, and migrants who paid more to enter the United States illegally were more likely to settle because of the difficulty and expense of re-entry.

In 2005, when the US unemployment rate dropped toward five percent and unauthorized Mexicans dif-

fused throughout the United States in agriculture, construction and services, Congress once again tackled Mexico-US migration. Under Republican leadership, the House approved the Border Protection, Antiterrorism, and Illegal Immigration Control Act in December 2005, which took an enforcement-only approach to unauthorized migration. The House bill called for mandatory screening of newly hired as well as existing employees to ensure they are legally authorized to work in the United States and would have made ‘illegal presence’ in the United States a felony, which would have made harder for unauthorized foreigners to eventually become legal immigrants. This so-called Sensenbrenner bill prompted massive demonstrations against an enforcement-only approach and in favor of legalization in spring 2006, culminating in a May 1 ‘day without immigrants’ protest.

Under Democratic leadership, the Senate took a different approach, approving the Comprehensive Immigration Reform Act (CIRA) in May 2006. CIRA included more enforcement, as in the House bill, as well as new earned legalization and guest worker programs. Unauthorized foreigners in the United States at least five years could become ‘probationary immigrants’ by proving they had worked in the United States, paid any back taxes owed and a USD 1,500 fee, and passed English and background tests. After six years of continued US work and tax payments and another USD 1,500 fee, they could apply for immigrant visas, a process called fees are ‘earned legalization’.<sup>9</sup> This so-called Kennedy-McCain bill approved by the Senate was not considered by the House and died.

The Senate debated a revised Comprehensive Immigration Reform Act (CIRA) in 2007 that was tougher on unauthorized foreigners, but opponents blocked a vote on the bill despite the active support of President George W. Bush. During the 2008 presidential campaign, Barack Obama expressed support for CIRA, but John McCain reversed his previous support and said that enforcement must precede legalization. Obama has several times repeated his support for comprehensive immigration reform, but Congressional action has been blocked by opponents of legalization and opponents of new enforcement efforts that could increase discrimination against minorities.

<sup>7</sup> Quoted in Migration News (2001). Mexico: Guest Workers, Vol. 8, No. 2, [http://migration.ucdavis.edu/mn/more.php?id=2297\\_0\\_2\\_0](http://migration.ucdavis.edu/mn/more.php?id=2297_0_2_0)

<sup>8</sup> Fox said: “the time has come to give migrants and their communities their proper place in the history of our bilateral relations ... we must, and we can, reach an agreement on migration before the end of this very year ... [so that] there are no Mexicans who have not entered this country legally in the United States, and that those Mexicans who come into the country do so with proper documents” – quoted in Migration News (2001), Fox Visits Bush, Vol. 8, No. 10, [http://migration.ucdavis.edu/mn/more.php?id=2463\\_0\\_2\\_0](http://migration.ucdavis.edu/mn/more.php?id=2463_0_2_0).

<sup>9</sup> Unauthorized foreigners in the United States for two to five years would have to satisfy the same requirements, but in addition return to their countries of origin and re-enter the United States legally, and those in the United States less than two years would be expected to depart, although they could return legally as guest workers.

The stalemate in Congress has encouraged some states and cities to enact laws to deal with illegal migration. Some have been friendly to unauthorized foreigners, such as issuing them ID cards or prohibiting police from asking about the immigration status of persons they encounter, but most have aimed to make life difficult for unauthorized foreigners. Arizona in April 2010 enacted the Support Our Law Enforcement and Safe Neighborhoods Act (SB 1070), which makes it a state crime for unauthorized foreigners to be in the state. A federal court injunction blocked SB 1070 from going into effect, agreeing with opponents that regulating immigration was strictly a federal responsibility. Mexican President Felipe Calderón, who reportedly has relatives living illegally in the United States, said that SB 1070 “introduces a terrible idea: using racial profiling as a basis for law enforcement”.

Legal and unauthorized Mexico-US migration continues with no end in sight. Economic and job growth in Mexico was slowed by the 2008–2009 recession and by longer term factors that range from the rising preference of some foreign investors for China and other Asian countries to a government effort to deal with drug gangs that left over 30,000 people dead in four years. The United States, which has about 15 million unemployed workers, is projected to have an unemployment of over nine percent for the next several years, and to experience especially slow growth in the residential construction employment that employed many Mexican-born workers.<sup>10</sup> Sluggish growth and drug wars in Mexico may encourage Mexicans to migrate northward, while more border enforcement and high unemployment may counter this migration, making migration a continued irritant in Mexico-US relations even as NAFTA promotes economic integration.

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<sup>10</sup> Employment in residential building construction (NAICS) peaked at a million in 2006 and fell below 600,000 in 2010.