

David Simcox, formerly executive director of the Center for Immigration Studies, is currently based in Louisville, KY where he does research in population, migration and labor force issues while working on a Ph.D. at the University of Kentucky.

Immigration and Free Trade with Mexico: Both Nations Could Benefit from Tighter Migration Controls  
By David Simcox

The North American Free Trade Agreement, at least in its early stages, will increase Mexican immigration to the United States, not slow it. As the Commission on International Migration and Cooperative Economic Development first found in 1990, greater prosperity in Mexico would give many would-be migrants the means of covering the costs of migration. Increased job opportunities in Mexico will only slightly offset the urge to migrate, as the gap between wages in Mexico and prospective earnings in the U. S. will remain wide.

Economist Peter Morici of the National Planning Association notes that even if we assume a strong Mexican peso, along with Mexican real wage growth that is four percent a year higher than in the United States two heroic assumptions Mexican wages would only reach forty percent of U.S. levels after eighteen years, and 80 percent in 36 years.

Mexico also has an immense queue of chronically underemployed workers to absorb. Mexico's labor force grew by more than three percent annually in the 1980s, adding some 900,000 job seekers each year. One million a year are joining the labor force in the 1990s. Mexico's bleak economic climate in the 1980s limited the creation of new full time wage jobs to no more than half the growth of the labor force. Underemployment is also estimated to afflict as much as 40 percent of Mexico's labor force of 30 million people. While Mexico's economic growth now hovers at a respectable four percent, employment is still growing one third slower than the growth of the labor force.

Free Trade and Disruptions in the Mexican Labor Market

At the outset, free trade will stimulate disproportionate unemployment in particularly vulnerable Mexican sectors, such as its inefficient grain farmers, creating additional candidates for migration. While Mexican perishable crop agriculture is expected to expand its share of the U.S. market under free trade (with accompanying displacement of citizen and immigrant workers in those sectors in the U.S.), the growth of new jobs in that sector in Mexico would only slowly and incompletely absorb workers displaced in other farm sectors. Some experts, such as agricultural economist Phil Martin, note that the growth of perishable crop plantation agriculture within Mexico will increase the numbers of Mexican farm workers migrating toward northern Mexico, many of whom will end up in the United States.

Another sector of Mexico's economy likely to shed workers under free trade is those industries where featherbedding is commonplace, particularly the state-owned enterprises. Free trade

will intensify the current emphasis on market forces in Mexico, speeding the closing, privatizing and downsizing of white elephant public sector firms. Some of those workers released will opt to emigrate. Mexican private sector industries may face tough adjustment problems that increase layoffs in the short- to mid-term. A poll in the fall of 1991 by Mexico's National Confederation of Chambers of Industries showed 48 percent of their members felt that U.S. and Canadian competition could hurt their industries; 29 percent felt they would not survive the competition.

#### Migration Driven by More Than Earnings

Non-economic forces impelling Mexican emigration will persist. The lure of family, friends and ethnic communities in the U.S. will not end with free trade. More likely, these social networks will expand and continue to draw thousands of new migrants even as the job outlook in Mexico improves. Some 2.5 million formerly illegal Mexican aliens legalized since 1987 will start becoming eligible for U.S. citizenship in 1994, and for the right to bring in spouses, parents and children without limits.

Free trade can also be expected to create new psychological and social perceptions in Mexico that could stimulate more migration. The beginning of free trade a loosening of the economic border with the United States will be an historic break with the past in Mexico's economic philosophy and its relations with the United States. This new relationship with their northern neighbor will be highly visible to Mexicans, further expanding their perception of the United States as Mexico's "metropole," making them more aware of the United States as an option for residence and work, and creating the notion that the free trade agreement has somehow invalidated the border or created an entitlement to live in the United States.

Mexico's management of its own immigration will be a factor in determining future outflow. A key question will be the extent to which trade-generated jobs in Mexico will become a magnet for additional illegal settlement of Central Americans, whose nations now have even faster population and labor force growth than Mexico and, for now, even dimmer economic prospects. Left uncontrolled, Central American and Caribbean migrants in Mexico may well compete seriously with Mexicans for jobs. Under the Salinas administration, the Mexican government has shown greater appreciation of the costs of job competition and has quintupled deportations of Central Americans since 1988.

#### Immigration Consequences over the Long Term

The long term effects of free trade in slowing immigration are just that long term, and still mostly speculation. Such speculation identifies a number of positive prospects from free trade that might ease future immigration pressure:

By tying Mexico more closely to the United States and stimulating a market economy, free trade could increase political stability. The ultimate immigration "nightmare scenario" of

millions fleeing political and economic turmoil in Mexico recedes.

Increased stability and a more hopeful political environment would encourage many Mexicans to see their futures as being lived there rather than here.

Free trade will further spread U.S. culture and lifestyle within Mexico, along with U.S. products and services. A likely by-product will be even greater receptiveness to controls on fertility and greater access to the needed means for family planning.

As the imbalance between workers and jobs in Mexico decreases, the Mexican government will be more inclined to regard labor as a valued resource to be prepared and deployed rationally, rather than continue to tacitly encourage it to leave the country.

Free trade and investment will favor the transfer to Mexico of some labor-intensive, low productivity industries, some of which formerly survived in the U.S. through low-cost foreign labor or through under-enforcement of environmental and safety regulations. Industries at risk include perishable crop agriculture, apparel, furniture, glass, and auto parts some of which are immigration magnets.

Much of the increased U.S. and other non-Mexican investment spurred by the free trade agreement can be expected initially to concentrate in northern Mexico and the border area. In the short run, the accompanying build-up of population and job-seekers near the border will further spur unlawful entry. But with time, more remote regions of Mexico, where labor and support services are cheaper, will draw a greater share of the investment and jobs. Over the long term northern Mexico's status as an immigration "springboard" will diminish.

#### Double Jeopardy for American Workers

Free trade is likely to disrupt the lives of semiskilled job holders in U.S. light manufacturing, the service sector, and perishable crop agriculture. Another particularly vulnerable sector is retail trade catering to Mexican customers at or near the Mexican border. Free trade would disrupt labor markets and impose hardship on these cities and towns. More immigration from Mexico could become an additional, particularly untimely disruption in those troubled industries and communities.

The most obvious and often cited danger to American workers is the transfer of existing U.S. manufacturing jobs to low-wage Mexico. Free trade will eliminate more of the existing requirements on content, U.S. sourcing of components, and other conditions that until now have acted as a brake on the transfer of jobs across the border to maquiladoras. But a possibly more

serious threat to American jobs is the prospective diversion of future U.S. and foreign capital investments to Mexico, capital which otherwise would have gone to the United States.

American workers could thus find themselves in the worst of all possible circumstances: the continued drain of low-skill jobs from exports to Mexico; and the continued influx of Mexican workers into low-skill industries and service occupations in the United States.

Rapid expansion of industries in Mexico has implications for the quality as well as the quantity of northbound migrants. As job opportunities grow in Mexico, employers are likely to hire first the most skilled and adaptable among the unemployed and underemployed, leaving the less skilled to seek work in the farms and service industries of the United States. This process will adversely affect productivity, wage levels and the cost of public services in migrant-impacted areas of the United States.

#### A Shared Interest in Managing Migration in Both Countries

Clearly, resident U.S. workers in a range of occupations and industries face labor market disruptions. Many of the workers most at risk in the adjustment process will themselves be settled immigrants or native born minorities. The workers most vulnerable to displacement are often the least able because of low skills to make that transition easily. Many of them could be displaced into the service sector, where they will face the prospect of competing for low skill, low wage jobs with disadvantaged immigrants.

A free trade agreement will require more effective immigration control, not less, in both countries. For the United States, the volume of future immigration will be a determinant of the success or failure of less skilled resident workers in adapting to changed labor market conditions. The adjustment of U.S. workers to the intense competition of low-wage industries in Mexico would be eased by reducing the competition from low-wage Mexican and Central American migrants here in the United States.

At the same time, a free trade regime will increase Mexico's own stake in controlling the outflow of its workers. Mexico's primary comparative advantage in attracting major foreign investment, and in keeping its products competitive in the U.S. and Canadian markets, will remain its low wages. Continued easy access of Mexican workers to jobs in the U.S. through uncontrolled emigration, while depressing U.S. wages in impacted areas, simultaneously puts upward pressure on wages in northern Mexico, as Mexican employers are forced to compete for labor with U.S. employers. Although Mexican leaders can hardly acknowledge it, a successful strategy of a looser border with the U.S. for trade purposes makes desirable a tighter border for migration to lessen imported wage pressures.

Immigration and related labor and manpower issues are critical to any negotiations of the terms and conditions of free trade. U.S. and Mexican negotiators must address them either in the trade talks themselves or simultaneously in separate high level bilateral forums. The United States has considerable

leverage. Free access to the greatest single market in the world is a major concession that justifies accommodations by Mexico to U.S. needs for curbing illegal immigration. Armed with major trade benefits from the U.S., Mexico in turn would be able to justify politically difficult concessions on immigration control to its own public.

The United States must seek continuing and consistent cooperation from Mexico in the following practical border enforcement concerns:

1. Assistance in detecting and apprehending smugglers of illegal aliens, who violate both nations' laws, through greater sharing of information, coordinated police work and cooperation in prosecution.

2. A crack-down within Mexico on wholesale counterfeiting of U.S. work authorization documents, and greater information sharing about document forgery rings in Mexico and Central America.

3. Aid from Mexican officials in discouraging reentry into the U.S. of Mexican citizens and third country nationals who have been deported from the U.S.

4. Tight curbs by Mexican officials on the transit of Third Country illegal aliens through Mexico.

In general terms, the United States must press Mexico to begin enforcing its own dead-letter laws on immigration and trans-border travel. Since the 1950s, Mexican spokesmen have disingenuously claimed that the government cannot abridge the constitutional right of its citizen to leave their country. But Mexico's constitution and laws, just as U.S. laws do, prescribe the conditions under which Mexicans may enter and leave the country -- conditions that are now ignored by millions.

Migration of Mexican citizens is governed by the Ley General de Poblacion of 1974 (General Population Law), most recently amended in 1990. That law forbids surreptitious entry into neighboring nations and defines elaborate documentary requirements for its citizens who seek to travel and work abroad.

#### Better Enforcement of Labor, Safety and Environmental Standards in Both Nations

The United States must also show it is determined to enforce its own labor, safety and related immigration laws, particularly in those industries most in competition with Mexican producers. Industries already beset by low labor and safety standards will seek to survive under free trade by more use of "sweatshops" employing illegal workers. The nation gains little from preserving such industries. Since free trade gives U.S. low-value-added entrepreneurs access to cheap labor in Mexico, it makes less sense to continue subsidizing those firms here through tolerated illegal immigration or temporary worker arrangements.

## Conclusion

Under free trade, the U.S. and Mexico as never before share a common interest in keeping Mexico's workers in Mexico. Mexico's large pool of available, inexpensive and adaptable workers is its premier comparative advantage; for the U.S. and other prospective multinational investors or importers, Mexico's labor reserve is the major attraction of a free trade agreement. The United States has an additional interest in shielding its own least-skilled workers in vulnerable industries from the competition of imported workers at a time when free trade will cause its own disruptions and displacement. For Mexico: high labor, safety and environmental standards, and greater workplace democracy will increase the rewards of jobs to Mexican workers who might otherwise migrate, and will improve the quality of life for all Mexicans. ■