The Shifting Expectations of Free Trade and Migration

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THE POLITICAL PASSIONS SURROUNDING THE UNITED STATES' RATIFICATION of the North American Free Trade Agreement (NAFTA), and the exaggerated claims about the trade agreement's effects, in many ways confused, rather than informed, the discussion about NAFTA's aim. The U.S. debate's progression from the understandable hyperbole that accompanies the "selling" of politically contentious policies to dire "if NAFTA ratification fails" scenarios was particularly unfortunate. Such rhetoric virtually guaranteed that any subsequent assessment of the agreement's value would be burdened by unrealistic expectations in areas that were strictly secondary to NAFTA's goal of promoting trade and cross-border investment by reducing tariffs and other barriers.

Migration may well be one of these areas—although it could hardly be of greater consequence for the Mexican public and, in some ways, the U.S. public. Indeed, an evaluation of NAFTA through the lens of migration is fraught with immense difficulties. Concurrent major economic events in both Mexico and the United States since NAFTA came into effect—ranging from the Mexican economic crisis of the mid-1990s and the peso's devaluation to remarkably strong U.S. economic growth later in that decade—as well as migration's deep and structural roots in the two countries' historical relationship, confound the process of isolating and accurately measuring NAFTA's precise effects on migration from Mexico to the United States. Such an evaluation must nonetheless be attempted, if for no other reason than the fact that free trade and migration are so intimately linked in the public's mind. My evaluation will assess whether NAFTA lived up to predictions of the trade treaty's effect on migration, and explore what can be learned from NAFTA when migration is under consideration in future trade negotiations.

A Review of Key Findings and Observations

Ten years ago, both U.S. and Mexican officials argued passionately that NAFTA, by encouraging job growth in Mexico, would reduce illegal immigration from Mexico to the United States. So far, these hopes seem dashed. Although Mexican job opportunities in the export sector increased (mostly in manufacturing), net job gains have been modest at best, and, depending on the timing of the measurement, even flat. Furthermore, average wages in the two countries have hardly begun to converge. In part because of these factors, but also because of robust U.S. demand for low-wage labor and other structural forces, illegal immigration from Mexico has risen sharply since 1994 despite increasingly vigorous border enforcement efforts that commenced at roughly the same time as NAFTA. Indeed, by most estimates, the population of unauthorized Mexican immigrants in the United States more than doubled between 1990 and 2000 (with most of that growth after 1994), and has continued to grow strongly in the new century.

Is NAFTA, then, responsible for this increase in migration, as some of its critics had predicted? I do not believe so. The analysis points instead to a picture in which the financial crises and restructuring in Mexico that both preceded and followed the trade agreement's enactment, the continuing inability of Mexican job creation efforts to keep up with the million or more new workers entering the Mexican labor force annually, the booming U.S. economy, and the strong migration networks tying the two countries have had a far more powerful effect on migration than NAFTA.

The overarching lesson from the analysis is clear: NAFTA-like free trade and investment agreements neither neutralize nor cause the forces that drive people to migrate. NAFTA has neither rescued nor gutted the Mexican economy, and net changes in employment during a short but eventful ten years have not been significant enough to offset the pressures and incentives for migration. Policy makers, then, should not expect free-trade agreements to "solve" migration problems. The economic and social realities that drive migration will endure through and behave independently of such agreements. In the end, acknowledging these realities and engaging in the sensible and coordinated—even joint—management of migration may be the only viable option.

Migration management cannot be focused exclusively on controls, however. Managing the migration spigot more effectively implies recognition and regulation of the demand for more permanent immigration and temporary work visas in both countries—in other words, it requires the more thoughtful expansion of legal migration channels and taking joint responsibility for the immigration process itself. This is the only way to do better in the migration area at least until the economic growth that trade agreements and other policy initiatives can deliver in the longer run can modulate the demand on both sides of the migration divide.

On NAFTA's tenth anniversary, however, one additional question is still relevant. Are free-trade negotiations and agreements a valid forum for addressing migration per se? The NAFTA negotiators' answer was a very timid "maybe." The agreement completely ignored the larger issue of low-skill labor migration while allowing professionals in sixty-three occupational categories to accept employment anywhere within the NAFTA space. But such "largesse" was apparently just a short-lived occurrence. In subsequent U.S. free-trade agreements with Chile, Jordan, and Singapore, as well a Canadian agreement with Costa Rica, the United States and Canada have retreated from this approach. This clearly indicates how difficult the negotiations on the movement of "natural persons" for the purpose of employment are likely to be in negotiations over the Free Trade Agreement of the Americas (FTAA), the Central American Free Trade Agreement (CAFTA), and the World Trade Organization (WTO).

I argue that the only viable solution to fundamental disagreements over migration in the foreseeable future lies in bilateral and, gradually, regional cooperation. To the extent that NAFTA-like exercises make such cooperation more viable—as NAFTA has done in many ways—free-trade agreements can become down payments on the long-term investment in "habits of cooperation." Indeed, trade agreements should not be seen as the last word on either bilateral or regional relationships, but as part of an ongoing process of engagement. To borrow loosely from Winston Churchill's views about the promise of a united Europe, broad relationships between and among neighbors are living things that grow and adapt in response to shifting on-the-ground conditions. NAFTA-like agreements can thus make important contributions to the growth of more successful "living things," which can in turn set the stage for further cooperation on migration and other deeply divisive issues.

A final observation may still be of value as the Western Hemisphere's leaders attempt to conclude the Free Trade Area of the Americas' negotiations by the 2005 deadline. The failure to stem illegal immigration across the U.S.-Mexican border aptly demonstrates that people will continue to capitalize on the economic promise of migration whether or not their government approves. In the case of NAFTA, sharp growth in the movement of goods and capital has proven to be no substitute for the movement of people. When the NAFTA partners decide to focus more squarely on workable approaches to managing migration, and look for additional bargaining chips in trade or other negotiations, smarter policies that work with, rather than against, both the market mechanism *and* human nature need to be an important guidepost to any serious effort.

NAFTA's Mobility Provisions: Political Climate and Outcome

NAFTA put in place a common set of rules of conduct on trade, commerce, and investment for three countries already engaged in the exchange of large amounts of goods and the movement of significant numbers of people. In fact, citizens of each party to the treaty have long made important contributions to the economic lives of the other two countries, from the labor of Mexican workers dating back more than a century in the United States (and beginning much more recently in Canadian agriculture) to the exchange of executives and specialists of multinational corporations, as well as students and professionals of all types.

It was not clear at first how open the three parties would be with regard to the movement of people. The Office of the U.S. Trade Representative was at best noncommittal on the issue, while many of its negotiators viewed openings in migration as an acceptable price to pay for openings in the trade and investment environment that their principal constituent—the U.S. business community—demanded. Arrayed against that position were the principal domestic agencies that led the actual negotiations on mobility, as well as the U.S. State Department's Bureau of Consular Affairs. These agencies brought to the negotiating table not only the technical expertise necessary to conduct the negotiations but also the sense, reinforced through frequent consultations, that the U.S. Congress would not support too great a widening of mobility.

Complicating the issue further were two additional facts. Canada and the United States already had agreed, under the Canada-United States Free Trade Agreement of 1988 (CUFTA), to make provision for the movement of business persons, investors, and about sixty classes of professionals. These individuals could cross the border without visas for often unspecified periods of time and were encumbered by only a few procedures—a fact grounded in part in the special treatment of each other's citizens that goes back to the middle of the nineteenth century. In many ways, CUFTA's mobility provisions were thus an evolutionary step forward in a relentlessly integrating bilateral economic bloc, as well as the product of a United States that was more confident and "open" than at any time since. The fact that Canada already had in place a mature and well-administered immigration system, that in many ways paralleled that of the United States, also created a climate of confidence in the Canadians' ability to deliver on their obligations.

In contrast, bringing Mexico on board by matching the mobility provisions of CUFTA was in many ways revolutionary, in that Mexico had little in the way of an immigration "system" and it was not clear how quickly or efficiently it could meet any of its obligations in this regard. The reality that the visa refusal rates of Mexicans attempting to enter the United States exceeded 30 percent of applications, almost exclusively on grounds that the applicant would seek unauthorized employment in the United States, was an additional complication.

Mexico's initial position on labor mobility was quite different from the views of its northern neighbors. Mexico was interested in opening a broad dialogue on all forms of migration between itself and its two prospective partners. However, Mexico also made it clear that it was not willing to jeopardize the broader economic relationship by insisting on this position. "Migration" was swiftly taken off of the negotiating table by the United States when the administration of President George H. Bush concluded that proceeding with any substantial migration provisions could sink the overall agreement in the U.S. Congress. Mexico proved compliant and the issue became moot when Mexico removed parts of the Mexican petroleum sector from the negotiating table.[1]

With the United States and Mexico having thus agreed to protect their most politically sensitive "sectors," U.S. negotiators still faced a political dilemma on mobility. The CUFTA mobility provisions had created the "TC" visa, which essentially had tracked the U.S. immigration legislation of the time (the "H" nonimmigrant visa as it stood at the time). The H visa category, however, had been reconfigured dramatically in new legislation in 1990. Although the CUFTA provisions were grandfathered in, extending these provisions to Mexico would modify U.S. law in an area where the U.S. Congress guards its primacy with considerable zeal.

In the end, NAFTA adopted a slightly refined set of the CUFTA mobility provisions, with one major exception: Mexico accepted inferior treatment for its professionals relative to that granted to the professionals of the two other parties to the agreement. Canadian and U.S. businesspersons, investors, and professionals were provided a rules-based system and predictable access to the entire NAFTA space by means of the harmonization of standards, procedures, and most licensing and certification requirements. Mexicans, however, would still be required to obtain a visa prior to U.S. entry (but not for entry into Canada). More significantly, in another bow to U.S. congressional sensitivities, Mexican professionals would have to meet certain additional procedural requirements, and the total number of visas available to them could not exceed 5,500 in any year until 2004.

Mexico has come nowhere near that number of entries at any time during the last ten years, for two major reasons. First, the temporary employment of Mexican professionals under the resulting one-year, but nominally renewable without limit, "NAFTA" or "TN" visa entails a significant amount of paperwork. As a result, many U.S. immigration attorneys of Mexican TN visa applicants advise them to make the extra effort (and pay the additional fees required) to obtain the H-1B visa, which "guarantees" them a six-year residence. The H-1B visa holds another distinct advantage over the TN visa: It does not require its holders to demonstrate to the U.S. immigration authorities that they do not intend to abandon their Mexican residence, that is, that they do not intend to become U.S. "immigrants"—a requirement that becomes more problematic the longer the worker remains in the U.S. Second, there is no evidence to indicate that the Mexican government has sought to publicize widely the availability of the TN visa or argue strongly (that is, engage the issue at the higher political levels) for removing some or all of its unequal provisions. The best explanation for this passivity is Mexican official ambivalence about the TN visa's possible acceleration of the already substantial "flight" of talented Mexican professionals to the United States under other visas: a variant of the "brain drain" set of concerns.[2]

A brief analysis of temporary worker flows among the three NAFTA partners shows a significant increase in both NAFTA and non-NAFTA workers. Most striking is the growth of temporary Canadian and U.S. professional workers in Mexico. With NAFTA, the Mexican government established for the first time a formal process for admitting foreign professionals, thus allowing both domestic and foreign companies to tap the United States' and Canada's formidable comparative advantage in high-skill services (see Tables 1–3).

Notably, there was hardly any discussion about NAFTA's modest openings in the authorized movement of certain types of professionals in the NAFTA ratification debates in the United States. Instead, a substantial part of that debate focused on whether NAFTA would lead to a significant decrease in the unauthorized movement of people across the U.S.-Mexican border. United States and Mexican government officials echoed each other in their claims that, by promoting economic growth in Mexico through increased trade and foreign investment, NAFTA would reduce the pressure for illegal immigration across the United States' southern border. Mexican president Carlos Salinas Gortari repeatedly expressed the hope that Mexico would export goods, not people.[3] The U.S. attorney general at the time, Janet Reno, argued:

We will not reduce the flow of illegal immigrants until these immigrants find decent jobs, at decent wages, in Mexico. Our best chance to reduce illegal immigration is sustained, robust Mexican economic growth. NAFTA will create jobs in Mexico—jobs for Mexican workers who might otherwise cross illegally into America.[4]

The logic underlying these arguments was not new. The idea that free trade and foreign investment can act as development catalysts, and thus as at least partial substitutes for migration, had given birth to bilateral public policy cooperation as early as 1965,

Table 1. Flow of Temporary Workers[a] and NAFTA Professionals to the United States from Canada and Mexico, Fiscal Years 1994 and 2001

Type of Entry (Visa Category)	FY1994		FY2001	
	Canada	Mexico	Canada	Mexico
Non-NAFTA Workers[b]	23,992	24,885	61,437	113,586
Treaty Traders and Investors (E1/E2)	3,123	278	3,704	3,354
Workers with Specialty Occupations (H1B)	3,527	3,256	16,454	14,423
Intracompany Transferees (L1)	6,482	2,632	22,838	15,723
NAFTA Professionals (TN)	24,826	11	92,915	2,571

Source: *The Yearbook of Immigration Statistics,* Bureau of Citizenship and Immigration Services, various years.
a. Numbers include trainees, visitors for whom employment is incidental to the purpose of their visit, spouses and children. They reflect admissions, not individuals. In some cases, an individual may enter the country several times.
b. Includes the following temporary worker visa categories: E-1, E-2, H-1A, H-1B, H-2A, H-2B, H-3, J-1, L-1, O-1, O-2, P-1, P-2, P-3, Q-1, and R-1.

Table 2. Flow of Temporary Workers and NAFTA Professionals to Canada from the United States and Mexico, Fiscal Years 1994 and 2001

Type of Entry	FY1994		FY2001	
	United States	Mexico	United States	Mexico
Non-NAFTA Workers	16,791	5,207	15,613	11,011
Management	1,053	4	592	11
Professional	8,058	104	7,895	162
Skilled and Technical	4,896	28	4,879	83
Intermediate and Clerical	856	4,848	658	10,465
Elementary and Laborers	396	13	332	35
Not Stated	1,532	210	1,257	255
NAFTA Professionals	6,385	34	8,236	101

Source: Unpublished data provided by Citizenship and Immigration Canada.
Note: Numbers reflect individuals granted work authorization.

Table 3. Flow of Temporary Workers and NAFTA Professionals to Mexico from the United States and Canada, Fiscal Years 1994 and 2001

Type of Entry	FY1994[a]		FY2001	
	United States	Canada	United States	Canada
Non-NAFTA Workers	1,173	49	8,743	3,029
Investors	341	22	7,342	2,333
Intracompany Transferees	832	27	1,401	696
NAFTA Professionals	2,628	240	46,335	3,890

Source: Mexican National Institute of Migration (Instituto Nacional de Migración, INM).
Note: Numbers reflect work authorizations.
a. 1994 data collection began in April.

with the establishment of the Border Industrialization Program (BIP).[5] BIP factories along the Mexican side of the border were allowed to import inputs tariff-free for assembly in Mexico and then re-export finished products to the United States, also without tariffs, beginning the maquiladora phenomenon that would become so significant by the beginning of the NAFTA era. BIP was not, as it turned out, an effective substitute for migration, and some analysts argue that it may in fact have fueled unauthorized migration to the United States.

NAFTA's effect on trade and foreign direct investment (FDI) vastly exceeded that of BIP. Over the eight-year period from 1994 to 2001, FDI from the United States increased about 220 percent, from US$5 billion to US$16 billion (see Table 4).[6]

Yet, like BIP, NAFTA did not bring about a decrease in migration from Mexico; in fact, there is no indication that such migration may even be cresting. The explanation for this phenomenon is that NAFTA's effects on migration to date have been caught up in the crosscurrents of several much larger trends and forces. The first is the extensive history of migration between the two countries, which has bound Mexican workers to low-wage, low-value-added labor markets in the United States. The second is a demographic surge of new entrants into Mexico's labor market, which is only now beginning to show signs of exhausting itself. The third is the fact that NAFTA is only one part of a two-decade restructuring of the Mexican economy that, so far, has served only to promote migration.

Migration Networks and the Inertia of Migration

Migration from Mexico to the United States—as it increased throughout the twentieth century—grew geographically dispersed and, as a social and economic force, more permanent in nature. The recruitment and social networks tying the two countries are by now so deeply embedded that migration is an entrenched part of both countries' economies and societies. By the 1940s, well after most other immigration flows to the United States had begun to include large numbers of women, migration from Mexico continued to involve largely the circular movement of male Mexican laborers from the rural states of central Mexico to the U.S. Southwest. In the mid-1950s, at the peak of the special Mexico-United States agricultural labor arrangement known as the bracero program (which lasted from about the early 1940s to 1964), more than a half-million Mexican workers were migrating per year to the United States. Yet enough workers were migrating outside the program's parameters that the United States deported more than 3 million Mexicans between 1950 and 1955 without seriously impeding the ability of U.S. farmers to employ Mexican labor.

Permanent Mexican immigration to the United States, relative to the more typical pattern of repeated short trips northward for seasonal work, was still relatively uncommon in the mid-twentieth century despite the fact that the United States' admissions system for permanent immigrants in some ways

Table 4. Foreign Direct Investment in Mexico, 1994–2001
THOUSANDS OF DOLLARS

	1994	1995	1996	1997	1998	1999	2000	2001[a]
United States	4,954	5,394	5,178	7,281	5,106	6,747	10,622	15,989
Non-Maquiladora	4,127	4,203	3,959	5,878	3,196	4,303	8,039	14,585
Maquiladora	827	1,191	1,219	1,403	1,910	2,444	2,583	1,404
Other Countries	5,678	2,833	2,511	4,645	2,677	5,418	3,042	2,914
Non-Maquiladora	5,610	2,657	2,314	4,368	2,477	5,084	2,642	2,677
Maquiladora	68	175	197	278	200	334	400	237

Source: Secretariat of the Economy, Mexico (Secretaría de Economía).
a. January–September.

favored Mexico (and Canada). Specifically, the First Quota Act of 1921 established a national origin-based quota system for the Eastern Hemisphere, while the Western Hemisphere remained unaffected. It was not until the 1965 amendment to the Immigration and Nationality Act that a ceiling of 120,000 annual slots, effective from 1968 to 1978, was designated for the Western Hemisphere, with Mexico and Canada the de facto beneficiaries. Permanent admissions from Mexico yet averaged only some 45,000 per year through the 1960s, in large part due to the preference of Mexican workers for circular migration and rather strict procedural U.S. rules, most notably a labor certification requirement.[7] Thus, in 1960 Mexicans accounted for only 6 percent of the total foreign-born population in the United States.[8]

Over time, these temporary and permanent movements built intricate and durable networks that generated increasing migration flows from Mexico to the United States. In the 1950s and early 1960s, some bracero workers "leaked" out of the agricultural sector and into permanent employment. Each permanent immigrant multiplied the potential immigration from Mexico by enabling family reunification, by arranging jobs for family members and friends, and, in some instances, by financing the unauthorized migration of other migrants and by providing a temporary social safety net for them.[9] By the late 1970s, these networks had matured and had begun to spread. They no longer connected only agricultural areas, but attracted migrants from other parts of Mexico, including some urban areas, and sent them to major cities in the United States, particularly in the Southwest, but also in the Chicago and New York metropolitan areas. Mexican migrants filled an increasingly broad range of jobs, moving from the agricultural sector into food processing, low-value-added manufacturing, and personal services. With the capping of certain permanent immigrant admissions from the Western Hemisphere in 1978, demand for family immigrant visas began to exceed supply. Legal permanent immigration from Mexico continued to grow through the 1980s, averaging 65,500 admissions per year from 1980 through 1986. With opportunities for legal admissions remaining grossly inadequate to meet demand, illegal immigration from Mexico continued to grow.

In 1986, the U.S. Congress passed the Immigration Reform and Control Act (IRCA). Among other things, IRCA provided for the legalization of unauthorized immigrants who could show they had been resident in the United States since January 1, 1982, or had worked in U.S. agriculture for a specified time. IRCA also created a system of graduated sanctions for employers who hired undocumented immigrants "knowingly." From 1989 to 1994, almost 2.5 million Mexicans received permanent residency, 2 million of these thanks to IRCA's legalization provisions.[10] The law led to an initial decrease in the stock of unauthorized immigrants, but one of its net effects was to lay the foundation for increased immigration in the future. With IRCA's border control provisions essentially unfunded until the mid-1990s and its controversial employer sanction provisions deeply underenforced, illegal immigration resumed. Compounding the problem was IRCA's failure to make provisions to address continuing labor demand by widening legal migration channels. Further, the large number of now-legal Mexican immigrants provided the foundation for increased legal family reunification, but many also likely facilitated the illegal immigration of friends and family.

The integration of Mexican workers into expanding segments of the U.S. labor market had been steadily increasing for well over fifty years prior to NAFTA. In contrast, NAFTA's provisions to integrate the goods-and-services markets of the two countries have been in effect for only ten years. Thus, it is no surprise that free trade has had little effect on the twin pillars of Mexican migration to the United States: intricate networks of social ties and labor market interdependence.

Rapid Demographic Change

Throughout the 1980s and leading up to NAFTA's implementation, Mexico's demographic changes were putting increasing pressure on the sputtering Mexican labor market. While the rates of Mexican infant mortality and mortality in general steadily decreased, birthrates continued to rise, peaking in 1963. They did not begin to decline significantly until after 1974, when the Mexican government began aggressive family-planning initiatives. Through the 1980s and early 1990s, this demographic momentum translated into a need to absorb an ever-increasing number of new entrants into the workforce each year. In 1988, the annual increase in the population between ages fifteen and sixty-five years reached 1.4 million, and growth in the working-age population plateaued at that figure through 2001.[11]

However, this growth will gradually slow: The population of school-age children has begun to decrease and will continue to do so through at least 2010. Mexico's National Population Council (Consejo Nacional de Población) estimates that the growth in the population of economically active people—those who are working or looking for work—has peaked: The active workforce grew by 6.7 million people between 1995 and 2000, but is expected to grow by only 5.9 million between 2000 and 2005, and 5.4 million between 2005 and 2010.[12] An ever-larger working-age cohort has meant that even during periods of steady growth, Mexico's economy has faced an uphill battle in generating jobs (and wages) sufficient to maintain the standard of living of its people. Only now are the cohorts of young people entering the labor market becoming smaller, giving the economy a chance to catch up.

To demonstrate the power of this demographic momentum during the NAFTA era, consider that when Mexico's real gross domestic product (GDP) was growing at an enviable annual rate of 6.6 percent in 2000, it was only adding about 525,000 jobs in the formal sector; it added about 700,000 in 1999, also a good year for the national economy. However, Mexico's working-age population grew by more than twice as many people in those same two years. Although estimates of the annual growth of the actual workforce vary, it is clear that even in its best years, the Mexican economy left hundreds of thousand of new entrants to the labor force (as well as their unemployed and underemployed predecessors) to choose between the informal sector and, if they had the wherewithal, migration.[13]

Also relevant to Mexico-United States migration is Mexico's continuing process of rural out-migration. Mexico, like many developing and middle-income countries, is experiencing a relentless process of rural out-migration and urbanization—a process that most economists and historians consider a natural part of economic development.[14] In 1970, 41.3 percent of the Mexican population lived in rural areas. By 1990, this figure had dropped to 28.7 percent, and urbanization continued in the 1990s, with the rural population accounting for 26.5 percent of the total population in 1995 and 25.4 percent in 2000.[15] Agricultural employment grew briefly in the late 1980s and early 1990s before resuming its downward trend. In some cases, individuals migrated directly to the United States; others chose migration to metropolitan areas in Mexico instead. In the latter case, however, when Mexico's cities could not generate sufficient opportunities for these migrants, many of them wound up undertaking another migration—this time to the United States. Both of these processes—the demographic transition and urbanization—thus provide further reason why it would have been unrealistic to expect NAFTA to have reduced migration pressures in only its first ten years of existence.

Economic Crises, Structural Change, and Emigration

The year 1982 marked a watershed in Mexico's economic history, and thus also in its migration behavior. That year's economic crisis and the two decades of economic restructuring that have followed it increased migration to the United States substantially.

The decision to emigrate—and to return—involves a complex array of factors. Most obvious is the availability of jobs and relative wages in Mexico and the United States—in the latter case, as determined both by the wages themselves and by the exchange rate. For example, Taylor and Yúnez-Naude found that a 10 percent devaluation of the peso increased migration by 15 percent in a traditional migrant-sending village in Mexico.[16] Thus, the devaluation of the peso and the attendant collapse of Mexican employment and wages brought about a sudden, significant change in the migration "equilibrium" between the two countries. Just as important, the crisis, and the slow recovery that followed, shook confidence in the Mexican economy, leading many Mexicans to conclude that migration to the United States represented their best chance of survival and progress.

Of course, an individual's decision to migrate is not just shaped by his or her own earning prospects, but also by family needs and priorities, among other factors. The resources sent home by migrants can serve as a form of insurance, by diversifying a family's sources of income, and as a source of financial capital for families who have no access to credit. These two functions of migration were particularly important as Mexico transitioned from a policy of heavily protected, state-led import substitution industrialization (ISI) to an open, free-market economy.[17] This process of structural change, almost by definition, requires *and rewards* risktaking and new investment. As people lost jobs in sectors that had previously been sheltered or subsidized by the state—many of them moved or were forced into the informal sector—the insurance and capital functions of migration became even more important. More and more families drew on the social networks that tied them to the United States for assistance with sending a family member northward.

The result of the 1982 crash and the restructuring that followed led to a clear increase in illegal immigration. Apprehensions of would-be unauthorized migrants along the border spiked immediately after the 1982 crash, both in absolute terms and per officer hours (see Figures 1 and 2). They declined only in 1987. That drop was in large part caused by two factors: (1) IRCA's legalization provisions—especially its requirement that the applicant's presence in the United States be continuous—resulted in a decrease in circular border crossings; (2) IRCA's employer sanctions created enough initial uncertainty as to whether unauthorized immigrants would be able to find jobs as to deter, temporarily, potential crossers. After IRCA's effects subsided, apprehensions (and, it is believed, illegal entries) rebounded and continued their rising trend.

The economic changes of the 1980s and early 1990s also brought about a change in migration patterns within Mexico. Although rural-to-urban migration continued, Mexico City and the area around it was no longer the nation's chief magnet for internal migrants. As the ISI-supported industries around the capital disappeared and the middle class they had supported receded in importance in the new economic environment, as the medium-size cities of Mexico's northern border states and the maquiladora assembly factories located in those cities became more attractive. Nevertheless, the jobs that migrants found in the border states were not always substitutes for the jobs once found around Mexico City. The maquiladoras employed mostly women, paid poorly compared with many other manufacturing employers,[18] and had extremely high worker turnover. For energetic young men looking for a steady job and a way up, the maquiladoras proved no substitute for heading north.

NAFTA was clearly just another step—albeit a huge one—in the course toward economic (and political) liberalization that Mexico set for itself in the early 1980s. It was hoped that NAFTA would be the missing piece to complete Mexico's new economic puzzle, delivering employment opportunities and consistent wage growth to Mexican workers and curbing emigration. Many observers warned, however, that change could not be accomplished overnight, that NAFTA would likely be just another step in Mexico's necessary, but painful, restructuring. Since restructuring had delivered only more migration up to that point, skeptics cautioned that it was unrealistic to expect NAFTA to reduce international migration in the short-to-medium term.

NAFTA's Effect on Migration

As it turned out, the skeptics were right. By most measures, illegal immigration to the United States continued to increase after NAFTA came into effect. Apprehensions along the U.S. southwestern border also continued to increase, from about 700,000 in 1994 to more than 1,300,000 at their peak in 2001.[19] The population of unauthorized Mexican immigrants grew as well: The Immigration and Naturalization Service (INS, which since March 2003 became part of the Department of Homeland Security, DHS) estimated that the

Figure 1. Southwest Border Officer Hours, Fiscal Years 1977–2003

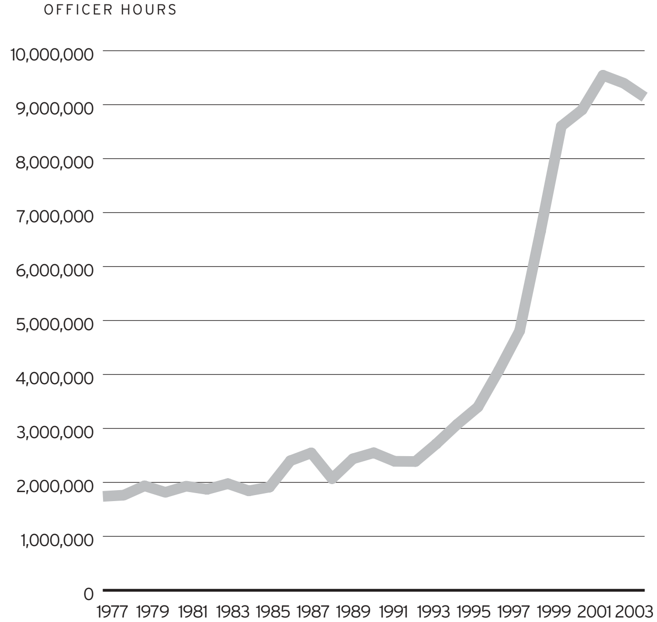
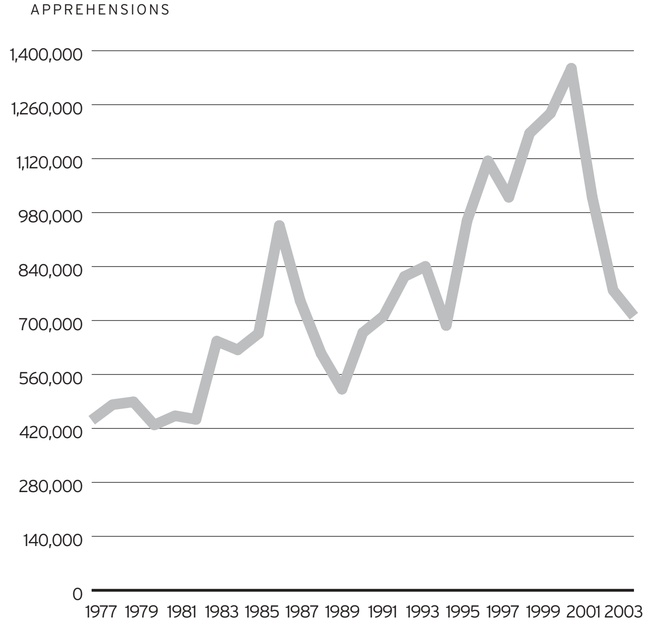


Figure 2. Southwest Border Apprehensions, Fiscal Years 1977–2003



Source: Office of Immigration Statistics, Department of Homeland Security, provided in Frank Bean and B. Lindsay Lowell, *Unauthorized Mexican Immigration into the United States: IRCA, NAFTA, and Their Migration Implications.* Paper commissioned for this report, on file with the author, 2003.

number of Mexicans present in the United States without authorization rose from 2 million in 1990 to 4.8 million in 2000, increasing from 58.3 percent to 68.7 percent of the estimated total unauthorized population in the United States.[20] According to these estimates, 79 percent of the growth in the total unauthorized population between 1990 and 2000 was due to Mexican immigrants. It is not surprising then that the average growth of the total unauthorized population during the decade was higher in the years after NAFTA went into effect than in the years before. Demographer Jeffrey Passel obtained similar findings using different methods, estimating that there were 4.7 million unauthorized Mexican immigrants in the United States in 2000.[21]

Meanwhile, the trend toward geographic and economic dispersion of Mexican-born individuals in the United States continued. The 2000 Mexican census revealed that several states that did not have a tradition of northward migration had begun sending large numbers of migrants to the United States, among them Oaxaca, Guerrero, Puebla, Hildalgo, Veracruz, Morelos, and the state of Mexico, as well as the capital district itself. An increasing proportion of migrants were from urban areas.[22] Mexican migrants also spread to nontraditional destinations in the United States: States such as North Carolina, Kentucky, Minnesota, and Arkansas saw increases of their Mexican-born populations of more than 1,000 percent between 1990 and 2000.[23]

The characteristics of migrants also appeared to have changed. Nonrandom surveys of Mexican migrants taken at popular border crossing points suggested that from 1993 to 1997, migrants became less likely to have had a job in Mexico, less likely to have migrated before, and more likely to be undocumented. The average length of intended stay increased as well.[24] Additionally, by the 1990s, only a minority of Mexican migrants surveyed worked in agriculture—in either Mexico or the United States. (Figures 3 and 4 illustrate the recent growth of the Mexican-born population in the United States.)

Figure 3. Growth of the Mexican-Born Population in the United States

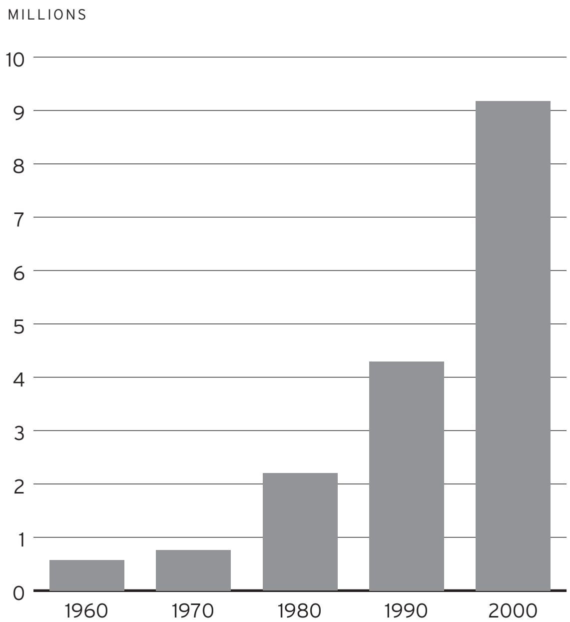
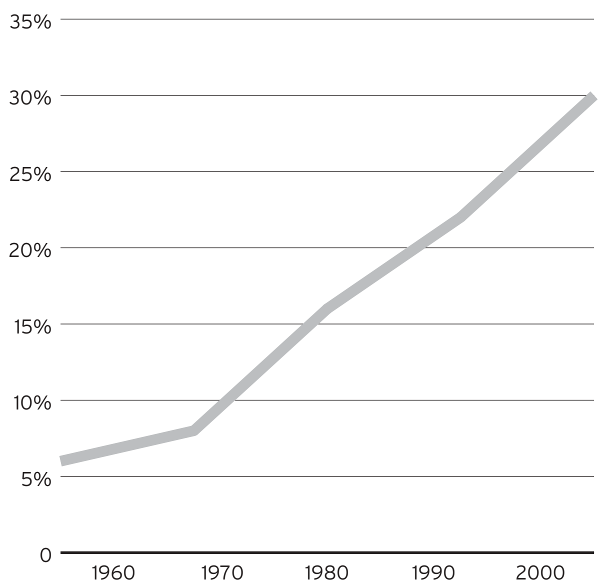


Figure 4. Percentage of Growth of the Mexican-Born Population in the United States



Source: Migration Policy Institute analysis of 2000 Census Bureau data and Campbell Gibson and Emily Lennon, *Historical Census Statistics on the Foreign-Born Population of the United States: 1850–1990* (Washington, D.C.: U.S. Census Bureau, 1999).

Free Trade and Migration Forces

THE PESO CRISIS AND RECOVERY

NAFTA's entry into force was quickly overshadowed by the "peso crisis" of 1994. The results of the crisis were an immediate devaluation of the peso by more than 50 percent, a 1996 GDP that shrank 6.2 percent from the previous year, an increase in outright urban unemployment from 3.6 percent in 1994 to 6.3 percent in 1995,[25] and a large movement of workers into informal-sector employment. The effects were not unlike those of the 1982 crisis: Large numbers of formal-sector jobs were lost, real wages in Mexico dropped severely relative to those in the United States, and confidence in the Mexican economy was badly shaken. In one public opinion poll taken during the thick of the crisis, in March 1995, only 35 percent of those polled said they thought that economic conditions would improve in the next year.[26]

The response of many Mexicans was similar to that shown in the 1982 crisis: Few jobs in Mexico, high relative wages in the United States, and uncertain prospects for the future added up to good reason to head up the well-trod path northward. Apprehensions along the border jumped in 1995, and continued to increase in 1996.

Similarly, while the NAFTA negotiations probably promoted some of the exuberant investment in Mexico that led up to the peso crisis, the crisis itself cannot be attributed to the trade agreement. Further, the political ties developed in the course of the NAFTA negotiations and the thickening economic linkages secured by NAFTA clearly played a strong role in encouraging the United States to engage in the unprecedented bailout that mitigated the crisis. If it had any effect, NAFTA likely dampened the effects of the economic crisis.

THE BOOMING U.S. ECONOMY

In 1994, real U.S. GDP grew by 4 percent from the previous year, beginning a remarkable period of sustained growth that lasted until 2000.[27] Unemployment stood at 6.1 percent in 1994 and descended to 4.0 percent by 2000, the lowest average rate since 1969.[28] The tight labor market provided ample jobs for low-skilled Mexican immigrants, making them a critical part of the robust growth of many sectors of the U.S. economy and playing a key role in drawing additional migrants to the United States. Of particular note was the increasing importance of Mexican workers in the U.S. personal services sector—a development that provided a strong indicator that the NAFTA-abetted increase in the trade of goods and high-skill, high-value-added services was not going to provide an adequate substitute for migration.

Surprisingly to some, however, the 2000 downturn in the U.S. economy, exacerbated by the attacks of September 11, 2001, did not bring about an observable decrease in Mexican unauthorized immigration to the United States. Not only has the population of Mexican-born individuals in the United States not declined, but other indicators of the size of that population, such as remittances and Current Population Survey-based estimates of the number of Mexicans in the United States, have continued to rise. Furthermore, although apprehensions along the border dropped in 2002, possibly indicating decreased illegal migration inflows, deaths of migrants along the border have remained tragically frequent.

One way to reconcile the increase in the size of the Mexican-born population in the United States with the decrease in apprehensions at the border is to speculate that the decline in the apprehension rate reflects primarily a decline in circular crossings, as migrants already in the United States postpone trips home because they fear challenging the heavily augmented U.S. border security. Also, while the U.S. economy has struggled, the Mexican economy has also been hurt through its close links to the United

States, giving migrants little incentive to return to their home country. According to a recent Pew Hispanic Center study, Mexican-American workers seemed to have suffered the lowest percent growth in unemployment in the United States from September 2000 to October 2001 (13 percent); by comparison, certain other groups in the U.S. labor pool experienced increases as high as 30 percent or more.[29] Employment prospects for Mexicans in the United States have remained robust despite the most recent lapse in the U.S. economy, a fact that may have encouraged immigrants from Mexico to remain.

CHANGES IN BORDER ENFORCEMENT

Beginning in 1993, the U.S. Border Patrol began a series of "concentrated border enforcement" exercises. Under this strategy, line patrols were drastically increased in high-traffic crossing areas, most of them in urban settings. The strategy sought to make crossing illegally as difficult and costly as possible by closing off the easiest routes. As noted, it has succeeded in making crossing more difficult, as evidenced by the increased use of "coyotes" (people-smugglers) higher smuggling fees, and the increased deaths of unauthorized migrants in remote areas along the border. However, there is no evidence that illegal immigration from Mexico has slowed as a result of the enhanced enforcement.[30] Instead, border enforcement seems to have reinforced the trend away from circular migration and toward longer stays in the United States, in turn prompting more women and children to migrate to join men working there.

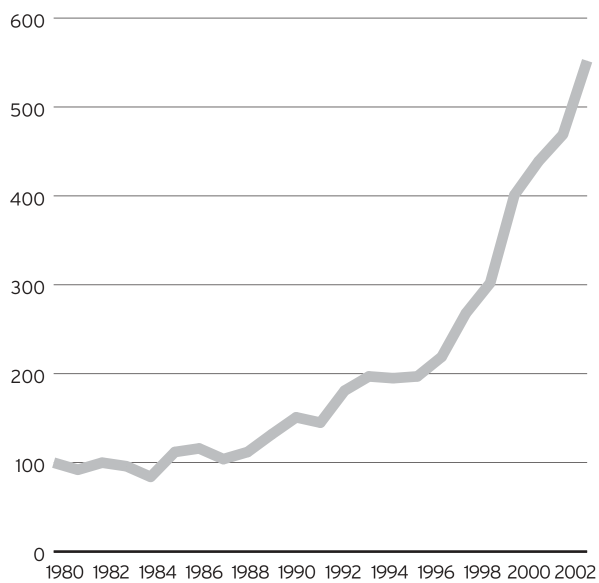
NAFTA, MEXICAN AGRICULTURE, AND RURAL OUT-MIGRATION[31]

The hope that exports of high-value fruits and vegetables would bring more employment to rural Mexico was balanced by the fear that imports from the United States would swamp Mexico's production of grain, particularly maize. Maize is a labor-intensive staple crop in Mexico, but Mexican farmers produce it far less efficiently than their U.S. counterparts. In regard to the Mexican workforce, it was feared that open trade would generate intense labor displacement in the agricultural sector and additional migration from rural areas—with many of those migrants ending up in the United States.

A 2003 study by J. Edward Taylor and George Dyer commissioned for this report, using data from the Mexico National Rural Household Survey, shows that NAFTA did not slow migration from rural areas. Although Mexican exports of fruits and vegetables increased considerably after NAFTA was implemented, generating additional employment, employment in the agricultural sector declined overall. Migration from many rural communities accelerated, and less of that migration went to other rural areas in Mexico. In fact, an increasing proportion of that migration found its way to the United States: Thirty percent of migrants from rural Mexico were in the United States in 2002, versus 19 percent in 1994. From 1980 to 1994, migration from the surveyed rural communities to the United States increased by 95 percent. By 2002, migration to the United States was 452 percent higher than in 1980 (see Figure 5).

Figure 5. Migration from Rural Mexico to the United States, 1980–2002

HOUSEHOLD MEMBERS: 1980=100



Source: Analysis of data from Mexico National Rural Household Survey of 2002, in J. Edward Taylor and George Dyer, NAFTA, Trade, and Migration. Paper commissioned for this report, on file with the author, 2003.

NAFTA does not appear to be the culprit in this acceleration of rural out-migration, however. Taylor and Dyer found no indication that NAFTA created any sort of "break point" in the growth of migration from rural areas.[32] Rather, migration from rural Mexico to the United States had been accelerating well before the onset of NAFTA, and the trend continued afterward. Further, while the expected increase in imports in corn and other grains from the United States occurred, Mexican corn production has not been gutted. In fact, annual corn production averaged about 18.3 million tons from 1995 to 2001, almost exactly what it was in the years immediately prior to NAFTA. Neither has there been an observable shift in production between rain-fed, largely subsistence farms and more commercial, irrigated farms.[33] In fact, even as agricultural prices dropped and Mexico's trade deficit in agricultural goods with the United States widened after NAFTA, Mexico's agricultural GDP increased. That growth, however, was slower than the growth of GDP as a whole with two exceptions: In 1994 and 2001, overall GDP shrank. (Much of the growth in agriculture was in labor-intensive fruit and vegetable crops in the northern and western states of Mexico, where exports of many types of fruits and vegetables more than doubled.)

The gains in the value of Mexican agriculture were accompanied, however, by a seemingly paradoxical decline in employment in the Mexican agricultural sector, from 8.1 million jobs in 1993 to 6.8 million in 2001.[34] A number of factors besides NAFTA were at work, however. The first, and one that is often overlooked, is the natural, perhaps inevitable, process of rural-to-urban movement that all countries experience as their economies advance. The share of agricultural workers as a proportion of Mexico's workforce has declined steadily, from over 50 percent in 1960, to 36 percent in 1980, to less than 25 percent and falling since 1995.[35] The second factor is the continued reform of Mexican agricultural policy. Reforms of the *ejido* system of landownership that began in 1992 have allowed land sales and rentals and have been accompanied by cuts and changes in the structure of agricultural subsidies. Both changes have encouraged increased productivity and production, but not always in ways that have resulted in greater agricultural employment or have encouraged rural people to stay put.

Thus, NAFTA has played only a minor role in the continuing acceleration of rural outmigration during the decade since its enactment. The choice of whether to migrate within Mexico or to the United States, however, has been shaped by the larger and more structural general migration forces outlined in this essay, and by the unavailability and low quality of jobs in Mexico's cities.

URBAN EMPLOYMENT AND NAFTA: THE RISE OF THE MAQUILADORAS AND THE INFORMAL SECTOR

The crises of 1982 and 1994 were characterized by the decimation of salaried jobs in the formal sector and the growth in jobs in the informal sector—self-employment, jobs in small enterprises, and jobs without benefits. Employment in the formal sector has risen and fallen with the Mexican economy. Until 1995, employment in informal-sector jobs grew faster than employment in general. The sustained economic growth of the late 1990s brought about an increase in the proportion of workers in formal jobs, but many of these gains have been lost in the downturn of the past three years.

Significantly, a substantial minority of the formal-sector jobs gained—and lost—following enactment of NAFTA have been in the maquiladora assembly industry.[36] Both informal employment and maquiladora jobs are typically poor substitutes for international migration. Average productivity (and thus wages) in the informal sector is very low. Migrant remittances are an essential source of capital for many small enterprises, meaning that the informal sector and migration are often complements, not substitutes. Likewise, wages in the maquiladoras are low, turnover is high, and workers tend to be young and, until recently, overwhelmingly female (in 2001, for the first time, the majority of recorded maquiladora workers were men), which means that the energetic and ambitious bypass or do not stay long in maquiladora jobs.

Thanks in part to increases in foreign investment and manufacturing exports brought about by NAFTA, as well as social security reforms, informal-sector employment declined in the initial period following enactment, along with open unemployment. By one indicator, unemployment and informal employment together fell from a high of 53 percent of the workforce in 1995 to a low of 44 percent in 2000, only to climb to 47 percent in 2003.[37] Both rates remain higher than those prior to the 1995 crisis, however.

Although the manufacturing sector in general was hit harder by the 1995 crisis than the maquiladora subsector, employment in non-maquiladora manufacturing recovered strongly on the back of export growth, with employment increasing 20 percent between its 1995 trough and 2000 peak; maquiladora employment roughly doubled in the same period. In the new century, it appears that the maquiladora sector may be in decline. The combination of the economic downturn, competition from China and other low-wage countries, and the loss, due to NAFTA, of some of the maquiladoras' preferential tariff treatment has contributed to a level of employment that, in mid-2003, was down 19 percent from the sector's 2000 peak, in contrast to non-maquiladora manufacturing employment, which was down 12.5 percent.

NAFTA and Migration: Promise and Reality

In terms of its effects on illegal migration, NAFTA has been cruel to both its most vocal critics and its most ardent proponents. It has not decimated Mexican employment, but it has not led to dramatic job and wage growth. If anything, it has shifted the Mexican economy slightly toward greater formal-sector employment, leading one to believe that Mexico's disappointing economic performance in the past ten years may well have been much worse without NAFTA.

Migration from Mexico to the United States, both legal and illegal, has continued to grow. In the ten years that NAFTA has been in effect, vastly expanded investment in Mexico and regional trade in goods has not reduced the movement of people—albeit for reasons that probably have as much to do with conditions in the United States as with those in Mexico. The fairest conclusion may be that, ultimately, NAFTA's economic effects have been dwarfed by much more powerful and enduring forces: robust demand for Mexican workers in the United States, enduring and deeply rooted social networks that promote migration, a demographic boom that is still several steps ahead of the employment creation capabilities of the Mexican economy, and an economy that, like those of many developing countries, has, over the past two decades, suffered repeated grave crises and a painful process of readjustment.

Looking Ahead

The "age" of selling free-trade agreements to skeptical policy makers and mass publics by claiming that they will reduce illegal immigration may have passed. Yet there are cases in which a different model of regional integration has reduced migration pressures enormously. This model, however, goes beyond just free trade. When Greece, Spain, and Portugal joined the European Union (EU), for example, the opening in labor mobility did not bring about a rush of new migration. This nonevent occurred despite a nearly three-decade history of labor migration to the EU from all three countries. However, the process of joining the EU involves much more than opening to free trade. It is both preceded and followed by extensive EU investments in the social and physical infrastructure of candidate and new member states, as well as by massive annual investments in the member states' agricultural sectors. This last investment alone consumes nearly half the European Commission's total budget. Furthermore, the EU integration concept mandates extensive economic and political reforms that enhance the newcomers' stability and prepares them to take better advantage of the benefits of membership.

The EU's model of economic and political integration seems unlikely to be duplicated elsewhere in the near future. In light of the failures of both free trade and unilateral border controls to "solve" the problem of illegal immigration, only one other major option seems open: substituting legal, regulated, safe, and orderly migration for the current system of illegal, unregulated, and disorderly migration. The perversity of the status quo becomes starker when one realizes that in effect the sovereign prerogative of states to make immigration decisions to individual migrants and organized smuggling networks is surrendered. The alternative calls for engaging in a process of using further openings in permanent immigration and substantial numbers of legal temporary work visas to satisfy a much greater proportion of the developed economies' demand for additional foreign labor and the less developed economies' interest in easier access to the labor markets of the more developed world.

In many ways, the political ties the United States and Mexico developed in the course of negotiating NAFTA helped to open a number of dialogues on migration management between the two countries that began soon after the agreement's entry into force. These dialogues dealt with important but often procedural issues at first, but gained in both depth and intensity following the elections of Vicente Fox Quesada and George W. Bush. The momentum dissipated, however, soon after the terrorist attacks of 2001 and the subsequent shift in U.S. political attention and interest. However, the negotiations' central concepts of regularizing the presence of unauthorized immigrants, offering Mexico much broader access to permanent and temporary U.S. visas, and taking joint responsibility for the management of the common border live on in the continued interest of several key U.S. lawmakers who have proposed a variety of new legislative schemes in this area.[38]

In the present climate, significant migration agreements, if they are to happen at all, will most likely happen outside the explicit context of trade accords. Although the mobility of businesspersons and investors under trade accords may no longer be controversial, the *employment* of foreigners at various levels of skill, education, and experience is a very difficult political issue for most developed societies. The "toxicity" of going beyond the narrowest possible areas of mobility has been playing itself out for two years now in the inability of the governing coalition in Germany to pass its immigration reform legislation, and was felt again most recently in the United States. After approving trade pacts with Chile and Singapore that contained labor mobility provisions *far more limited than those in NAFTA,*[39] the U.S. Senate passed a nonbinding resolution stating that "trade agreements are not the appropriate vehicle for enacting immigration-related laws or modifying current immigration policy," and that "future trade agreements to which the United States is a party… should not contain immigration-related provisions."[40]

Canada, for its part, has also been cautious in engaging other countries in mobility agreements similar to the one it negotiated with Mexico under NAFTA. Canada's 1997 free-trade agreement with Chile made NAFTA-like provisions for the temporary employment of professionals, but its 2001 agreement with Costa Rica only provided for the temporary entry of business visitors and for the employment of intracompany transferees. However, Canada has continued a somewhat productive dialogue with Mexico on labor migration: It signed a 2001 letter of intent stating its intention to expand the small agricultural guest worker program it has had with Mexico since 1974.

In sum, both the United States and Canada have mapped generally similar paths on migration since NAFTA. They have made few commitments regarding the ability of foreigners to get access to their respective domestic labor markets through trade agreements, while at the same time running fairly liberal "unilateral" programs for the temporary entry and employment of people from all nations and continuing to engage Mexico on migration matters from time to time.

One could take from this analysis the lesson that migration agreements cannot be naturally accommodated within free trade negotiations. In many ways, this is counter-intuitive. After all, it is during trade negotiations that the negotiating position of many developing states may be the strongest. The collapse of the Cancún WTO ministerial in September 2003 certainly demonstrates this last point. Furthermore, NAFTA's brief history shows that free trade cannot serve as a substitute for labor migration, at least in the short term—and that loading a free-trade agreement with mobility provisions beyond those appearing in NAFTA will make the agreement politically unpalatable to developed countries. The lack of substantial progress so far in the WTO discussion of trade-in-services (which could come to include mobility issues that go well beyond those of NAFTA) points to a trend toward more modest commitments on the mobility of persons.

Regardless of the political moment, there remain compelling reasons why migration and free-trade agreements will continue to be thought of—if not acted on—in tandem. First, from a purely economic perspective, there is little difference between trade in goods and trade in services, and much trade in services requires the movement of significant numbers of people. Furthermore, economists argue that the potential global economic gains from even a modest increase in the movement of workers can be much larger than *any* further increases in the movements of goods.[41] These gains only grow as the spectrum of skills and occupations eligible to move are expanded to allow countries to exploit their comparative advantage in services. More convincingly, perhaps, this potential for economic gains has serious practical effects. As NAFTA aptly demonstrates, the rich countries' voracious demand for workers and the poorer countries' ample supply create powerful transnational linkages between labor markets, both because of and despite official policy. The last ten years clearly demonstrated the durable need for Mexicans in low-value-added manufacturing and low-skill services in the United States, but the role of Indian information technology and communication workers (temporary and otherwise) in the United States in the 1990s provides an equally potent example. Once worker and employer have begun to turn the potential economic gains of migration into a profitable reality, governments face an uphill battle in disentangling them.

Nor is this analysis unique to the NAFTA partnership. Within the FTAA zone, Mexico, Argentina, Brazil, and Chile, among others, are all significant destinations for workers from other countries, as well as regional hubs for business. Often, just as in the case of migration from Mexico to the United States, the driving force is not the government's legal approach to the movement of people, but the demands of the economy and the existence of established migration networks. Regional agreements that set the terms for the ongoing exchange of business visitors and several types of workers among all the countries of a region may thus be worth pursuing on their own merit—independently of, or parallel to, negotiations on trade and commercial pacts. The United States and Canada already have extensive provisions for the temporary employment of foreign workers outside the context of international agreements. As negotiations continue on CAFTA and FTAA, and in the WTO, as well as depending on the level of the developed world's interest in gaining access to foreign markets, it may make sense for developed countries to use limited and regulated access to their labor markets as a bargaining chip. The bargain can be seemingly simple: Developed countries desire concessions from developing countries in opening their service sectors that parallel the concessions developing countries want from developed countries in regard to the movement of people.

The United States, Britain, and many other developed countries have large surpluses in net exports of high-skill services, reflecting their large comparative advantage in telecommunications, energy, management, and financial services. Yet developing country protectionism, among other factors, holds services to about 20 percent of all world trade. The ability of Indian information technology and communication professionals to work in the United States or of Brazilian construction companies to operate in the United States using a certain proportion of Brazilian workers might thus be exchanged for increased access to the telecommunications or financial services sectors of these countries by U.S. firms. This type of "trade in services" quid pro quo could be tested first in the U.S.-Mexican context: An agreement on temporary movement of low-skill workers from Mexico to the United States and U.S. access to Mexico's petroleum sector were first discussed together in NAFTA negotiations, and both countries remain conscious of these two items' power as bargaining chips.[42] Other, equally sensitive bilateral irritants will also have to be included in any real bargain, particularly ones that involve the taking of joint responsibility for the management of the common border in ways that effectively address each other's concerns about drugs, organized crime, and, first and foremost among U.S. interests at this time, *security*. Such arrangements will have to deal with the inevitable—and valid—concern that permitting increased movement of labor could affect relative wages in sensitive social sectors in developed countries. With stronger social policies and proper regulation and enforcement, however, these fears could go the way of NAFTA's "giant sucking sound" famously evoked in 1994 by Ross Perot. If anything, some of the United States' recent experience shows that temporary worker admissions can function much as one would want them to: Applications by U.S. employers for foreign workers in the high-technology sector climbed dramatically in the late 1990s, when there was enormous demand for such workers, but have declined sharply since the 2000 downturn. In other words, the use of temporary foreign employees responded to market forces, and foreign workers employed properly by U.S. employers did not undercut U.S. workers as the demand for technical skills ebbed.[43]

Still left unanswered is the question of how to negotiate agreements on the movement of workers. In the case of the EU, the nearly completely free movement of people takes place in the context of very deep regional political-economic integration. Another approach, now slowly taking shape in the Caribbean Community, uses the regional trade agreements' existing commitments on the mobility of business visitors and high-skill professionals as a starting point from which to extend mobility to other labor market sectors by gradually eliminating administrative barriers and making less-skilled workers eligible to move. This, in effect, was also the approach proposed by India in the WTO's Doha Development Round, to a tepid reception.

A final approach would not tie migration measures directly to trade agreements. Rather, it would use the resulting regional or subregional economic integration and cooperative spirit as the context within which to negotiate subsequent mobility agreements. Similarly, a successfully concluded trade pact could be used as a political forum for a regional discourse that concluded with an understanding on migration. The countries of the South American customs union Mercosur, which experience significant levels of intraregional illegal migration, has used the ties built though their trading bloc to negotiate the regularization of unauthorized immigrants.

The most reasonable thing to assume at this time, however, is that neither the FTAA nor CAFTA negotiations, when completed, will look much different on mobility issues from the precedent set by the U.S. agreements with Chile and Singapore. Moreover, absent a sharp turnaround in the U.S. economy, U.S. negotiators may even seek to eliminate any reference to professional entries under the resulting accords. The direction the United States might wish to follow, however, is not likely to be as easily "imposed" on the other parties as it was on Singapore or Chile. The stated intent of Brazil to obtain larger concessions from the United States in FTAA negotiations, and the tough stance taken by developing countries in general at the September 2003 WTO negotiations in Cancún, are indications that there may yet be new developments in the mobility of people associated with trade in services.[44]

Epilogue

This brief evaluation of "NAFTA at Ten" allows us to bury some false ideas and suggest some new possibilities. The idea that free trade by itself can bring about changes that can control existing migration flows in the short-to-medium term is clearly wrong. Equally erroneous is the fear that trade agreements will spur massive movements of people.

International trade is only one of many economic forces affecting migration, and migration itself has deep roots in society. Migration and economic integration have not met for the last time, however. The movement of people is an economic force with a power potentially far exceeding that of the movement of goods or capital, and trade agreements will continue to be a forum for discussing—if not concluding—cooperative agreements on the management of migration.

NOTES

1 More information on Mexican expectations leading up to NAFTA is provided in Francisco Alba, *Elusive and Changing Mexican Expectations Regarding NAFTA's Implications on Migration.* Paper commissioned for this report, on file with the author, 2003.
2 A vivid example of Mexican officials' ambivalence toward the TN visa is the cases of actuaries and plant pathologists. Canadians and Americans in the NAFTA Mobility Working Group have waited for several years for Mexican representatives to approve expanding the TN occupational list to include these two categories.
3 Demetrios G. Papademetriou, "New Directions for Managing U.S.-Mexican Migration," *Migration, Free Trade and Regional Integration in North America* (Paris: OECD, 1998).
4 "Attorney General Reno Sees NAFTA Benefits in Creating Jobs, Stopping Drugs and Illegal Immigration from Mexico" (press release). The White House, Washington, D.C., October 12, 1993, available at www.ibiblio.org/pub/archives/whitehouse-papers/1993/Oct/NAFTA-Notes-1993-10-12.
5 The BIP was created partially in response to the end of the United States' bracero program, which had allowed Mexicans to work seasonally on U.S. farms and had promoted the recruitment of Mexican workers by U.S. employers.
6 Interestingly, however, FDI from all other countries fell by almost 50 percent in 1995 and has never fully recovered, perhaps an indication that the United States' NAFTA advantage displaced capital from other countries. The special relationship between the United States and Mexico may be diluted, though, through Mexico's signing of free-trade agreements with multistate groupings elsewhere in Latin America, the European Union, the European Free Trade Association states, and Israel; Mexico even has an agreement pending with Japan. Correspondingly, Mexico's advantageous access to U.S. markets is also being diluted, by the United States' ongoing free-trade agreement negotiations and by China's accession to the WTO.
7 In most instances, U.S. employers must obtain labor certification for those employment-based immigrants and other foreign workers they wish to hire. This process requires an employer to demonstrate that the foreigner's presence will not adversely affect U.S. workers.
8 "Ten Source Countries with the Largest Populations in the United States as Percentages of the Total Foreign-Born Population: 1960" (graph). (Washington D.C.: Migration Information Source, Migration Policy Institute), available at www.migrationinformation.org.
9 For more information on these topics, see *Binational Study on Migration, Binational Study on Migration between Mexico and the United States* (Mexico City, Mexico: Binational Study on Migration, 1997); Douglas Massey, Jorge Durand, Nolan Malone, and Alfred Buch, *Beyond Smoke and Mirrors: Mexican Immigration in an Era of Economic Integration* (New York: Russell Sage Foundation, 2002); Douglas Massey, Joaquín Arango, Graeme Hugo, Ali Kouaouci, Adela Pellegrino, and J. Edward Taylor, *Worlds in Motion,* (Oxford, England:

Clarendon Press, 1998); Douglas Massey, Rafael Alarcón, Jorge Durand, and Humberto González, *Return to Atzlan: The Social Process of International Migration from Western México* (Berkeley, Calif.: University of California Press, 1987).

10 Bureau of Citizenship and Immigration Services, *The Yearbook of Immigration Statistics* (Washington, D.C.: U.S. Department of Homeland Security, various years).

11 Consejo Nacional de Población, *La Población de México en el Nuevo Siglo* (Mexico City, Mexico: Consejo Nacional de Población, 2001). See also U.S.-Mexico Migration Panel, *Mexico-U.S. Migration: A Shared Responsibility* (Washington, D.C.: Carnegie Endowment, 2001).

12 Consejo Nacional de Población, *Situación Demográfica de México, 2000* (Mexico City, Mexico: Consejo Nacional de Población, 2000).

13 Employment figures for formal employment are for temporary and permanent workers covered by the national social security agency, as reported by the National Institute of Statistics, Geography, and Informatics (Instituto Nacional de Estadística Geografía e Informática, INEGI).

14 For further discussion see J. Edward Taylor and George Dyer, NAFTA, Trade, and Migration. Paper commissioned for this report, on file with the author, 2003.

15 INEGI, "Porcentaje de Población por Tamaño de Localidad, 1950-2000" (table). (Mexico City, Mexico: INEGI).

16 J. Edward Taylor, and Antonio Yúnez-Naude, "Agricultural Policy and the Village Economy: A Computable General Equilibrium Analysis," in Roger Rose, Carolyn Tanner, and Margot A. Bellamy, eds., Issues in Agricultural Competitiveness (Aldershot, England: Dartmouth, 1997), pp. 298–304.

17 Using an ISI policy, Mexico sought to develop local "infant" industries by protecting them from competition from imports through tariffs, import quotas, exchange rate controls, subsidies, and preferential treatment of capital imports. Mexico's intense policy of ISI began soon after World War II and delivered fairly steady growth, but it began to falter in the mid-1970s, when mounting debt, inflation, and capital flight forced the devaluation of the peso from the peg it had held with the dollar since 1954. However, rising oil prices sustained ISI in Mexico through 1982, when, following a drop in oil prices, the Mexican economy went into full-blown financial crisis.

18 Carlos Salas and Eduardo Zepeda, *Wages and Productivity in Mexico: Theoretical and Empirical Issues,* (Table 1). Paper commissioned for this report, on file with the author, 2003.

19 This period also saw a simultaneous reduction in the number of apprehensions per officer hour of border enforcement, a measure that is often used to account for changes in apprehension statistics, themselves caused by changes in resources dedicated to enforcement rather than flows across the border. This indicator should not be interpreted as a reliable sign that the entry of undocumented immigrants into the United States was decreasing, or that the pressure to migrate had decreased. Beginning in 1993, officer hours were greatly increased in certain high-traffic urban areas under the Immigration and Naturalization Service's "Enhanced Border Enforcement Strategy." The program yielded an initial upsurge both in apprehensions per officer hour and in the probability of being intercepted, but this effect soon subsided. It appears that migrants adapted by using less transited, albeit more dangerous, entry routes and by turning more systematically to "coyotes" (immigrant smugglers). Additional reading on this topic is provided in Frank Bean and B. Lindsay Lowell, *Unauthorized Mexican Migration into the United States: IRCA, NAFTA, and Their Migration Implications.* Paper commissioned for this report, on file with the author, 2003.

20 Office of Policy and Planning, *Estimates of the Unauthorized Immigrant Population Residing in the U.S.: 1990 to 2000* (Washington, D.C.: Bureau of Citizenship and Immigration Services, 2003).

21 Jeffrey Passel, *New Estimates of the Undocumented Population in the United States* (Washington, D.C.: Migration Information Source, Migration Policy Institute, 2002), available at www.migrationinformation.org.

22 *La Población de México en el Nuevo Siglo* (see note 10).

23 Migration Information Source, "States and Regions Ranked by Percent Change of the Foreign Born: 1990 and 2000" (table). (Washington, D.C.: Migration Policy Institute, n.d.), available at www.migrationinformation.org.

24 Results from the Northern Border Migration Survey presented in *Situación Demográfica de México* (see note 11).

25 For observers used to interpreting unemployment figures from developed countries, Mexican unemployment figures will appear to underestimate unemployment by a large margin. This is in part because outright unemployment is a luxury unaffordable to Mexico's poor, who take refuge in informal employment when formal-sector jobs are not available. Additional reading on the effects of the peso crisis on the Mexican economy and population is provided in J. Edward Taylor and George Dyer, NAFTA, Trade, and Migration. Paper commissioned for this report, on file with the author, 2003. See also Sebastian Edwards and Moisés Naím. *Mexico 1994: Anatomy of an Emerging-Market Crash* (Washington, D.C.: Carnegie Endowment for International Peace, 1997).

26 Peter H. Smith, "Political Dimensions of the Peso Crisis," in Sebastian Edwards and Moisés Naím, eds., *Mexico 1994: Anatomy of an Emerging-Market Crash* (Washington, D.C.: Carnegie Endowment for International Peace, 1997), pp. 31–53.

27 Bureau of Economic Analysis, "Gross Domestic Product: Percent Change from Preceding Period" (table). (Washington, D.C.: U.S. Department of Commerce, 2003), available at www.bea.doc.gov/bea/dn/gdpchg.xls.

28 Bureau of Labor Statistics, "Employment Status of the Civilian Noninstitutional Population, 1940 to Date" (table), in Bureau of Labor Statistics, *Household Data Annual Averages* (Washington, D.C.: U.S. Department of Labor, 2003), available at www.bls.gov/cps/cpsaat1.pdf.

29 Arturo Gonzalez, *The Impact of the 2001/2002 Economic Recession on Hispanic Workers: A Cross-Sectional Comparison of Three Generations* (Washington, D.C.: Pew Hispanic Center, 2002).

30 *Unauthorized Mexican Migration into the United States* (see note 18).

31 The analysis in this section draws heavily on *NAFTA, Trade, and Migration* (see note 13).

32 Cuts in agricultural tariffs under NAFTA were to be phased in over a fourteen-year period. However, on many commodities, including maize, the Mexican government has exceeded its commitments and declined to exercise the option to impose "tariff rate quotas."

33 Historical series data provided by Mexico's Servicio de Información Estadística Agroalimentaria y Pesqueria (SIAP, Statistical Information Service of Food, Agriculture, and Fisheries) of the Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesqueria, y Alimentación (SAGARPA, Secretary of Agriculture, Livestock, Rural Development, Fisheries, and Nutrition).

34 Unrevised and unpublished data provided by the Mexican National Institute of Statistics, Geography, and Informatics (Instituto Nacional de y Estadística, Geografia, e Informática, INEGI).

35 Michele Veeman, Terence Veeman, and Ryan Hoskins, "NAFTA and Agriculture: Challenges for Trade and Policy," in Edward J. Chambers and Peter H. Smith, eds., *NAFTA in the New Millennium* (La Jolla, Calif.: Center for U.S.-Mexican Studies, University of California, San Diego, 2002), pp. 305–29.

36 NAFTA did not directly benefit the maquiladora sector. Maquiladoras exporting to the United States were exempt from tariffs prior to NAFTA, while some of the privileges accorded to the sector were dismantled by NAFTA by the late 1990s, contributing to the sector's woes.

37 Percentage of workers openly unemployed plus those employed but not receiving a wage or salary. The author's calculations are derived from data from Banco de Información Económica, "Otros Indicadores de Empleo y Desempleo Trimestral" (table). (Mexico City, Mexico: INEGI, n.d.).

38 For more information on bilateral migration negotiations, see Francisco Alba, *Elusive and Changing Mexican Expectations Regarding NAFTA's Implications on Migration.* Paper commissioned for this report, on file with the author, 2003.

39 Chilean and Singaporean professionals can be employed in the United States only under existing U.S. law and administrative procedures (the H-1B visa). No new visa categories were created in the trade agreements with Chile and Singapore, as had been done under NAFTA, and no administrative requirements were waived. The only notable (but otherwise inconsequential) U.S. concession in this area was simply to carve out a very small number of H-1B visas for each of these two countries.

40 Senate Resolution 211, 108th Congress, introduced July 31, 2003 by Senator Sessions. Daily Digest, Government Printing Office, July 31, 2003.

41 According to one economic modeling exercise, if in each year developed countries allowed the temporary entry of a quota of foreign workers equivalent to 3 percent of their workforce, the world economy would gain US$156 billion per year. These gains are about the size of the annual GDP of Indonesia or Denmark, and are greater than those that would result from dropping all remaining tariffs on the trade of goods in the same model. Other models suggest that world production could more than double in the hypothetical case of completely "free" movement of workers. Significantly, the bulk of these potential gains comes from the movement of low-skilled workers. To put the first figure in perspective, in 2002 admissions of new temporary workers (not including workers staying on multiyear permits issued in previous years) into the United States were equivalent to about 0.5 percent of the U.S. labor force, while new permanent admissions equaled about 0.7 percent of the workforce. The estimated stock of unauthorized immigrants in the United States in 2000 was equivalent to about 5 percent of the U.S. workforce, with about two-thirds of these immigrants being Mexican. For details see L. Alan Winters, Terrie L. Walmsley, Zhen Kun Wang, and Roman Grynberg, "Negotiating the Liberalisation of the Temporary Movement of Natural Persons," Discussion Paper in Economics no. 87 (Brighton, England: Commonwealth Secretariat, Sussex University at Brighton, 2002), available at www.sussex.ac.uk/Units/economics/dp/Wintersetal87.pdf.

42 In 2003, the U.S. House of Representative's Committee on International Relations passed a nonbinding amendment to H.R. 1950 stating, "It is the sense of the Congress… that any accord on migration issues between the United States and Mexico should also include an accord to open Petroleos Mexicanos (Pemex) to investment by U.S. oil companies and specific steps to reform Pemex's operations to make them more transparent and efficient." The implied proposal was quickly rejected by the administration of President Fox. As of this writing, the bill is in the Senate.

43 In October 2000, the U.S. Congress passed the American Competitiveness in the Twenty-First Century Act ("AC21"). The counting methodology for H-1Bs, however, has since changed. Certain H-1B employees are now exempt from numerical limitations, including those employed by institutions of higher education related or affiliated nonprofit entities, or nonprofit or government research organizations.

44 NAFTA's mobility provisions, modest as they are, are nonetheless noteworthy for their influence on other negotiations. The WTO's 1994 General Agreement on Trade in Services (GATS) provided a multilateral framework for addressing the movement of business visitors and professionals via its "Mode 4" of service delivery (the delivery of services through the presence of the nationals of one country in the territory of another). NAFTA, as the most prominent free-trade agreement being developed at the time, was an important influence on the architecture and language of GATS, and the influence of both of these agreements is still very much evident in the discussion of services in trade agreements being negotiated today, such as CAFTA and FTAA. See Julia Nielson, "Current Regimes for the Temporary Movement of Service Providers: Labour Mobility in Regional Trade Agreements." Paper presented at the 2002 Joint WTO-World Bank Symposium on the Movement of Natural Persons (Mode 4) under the GATS (Geneva: April 11–12, 2002), available at www.wto.org/english/tratop_e/serv_e/symp_apr_02_nielson1_e.doc.