

# Executive Summary

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*The Commission, in consultation with the governments of Mexico and other sending countries in the Western Hemisphere, shall examine the conditions in Mexico and such other sending countries which contribute to unauthorized migration to the United States and (shall explore) mutually beneficial, reciprocal trade and investment programs to alleviate such conditions. (Section 601 of the Immigration Reform and Control Act, Public Law 99-603, November 6, 1986.)*

*Development and the availability of new and better jobs at home is the only way to diminish migratory pressures over time.*

The last two decades witnessed unprecedented levels of global migration—much of it unauthorized—from developing to developed countries. Unexpected movements of people created regional tensions, exacerbated economic and social problems in host countries, taxed international humanitarian support systems, and created what some refer to as “compassion fatigue” in many receiving countries

The bipartisan Commission for the Study of International Migration and Cooperative Economic Development was created to address the “push” factors that motivate unauthorized immigration to the United States from Western Hemisphere countries. Extensive consultations abroad, domestic hearings and research confirmed two fundamental conclusions:

- although there are other important factors, the search for economic opportunity is the primary motivation for most unauthorized migration to the United States; and
- while job-creating economic growth is the ultimate solution to reducing these migratory pressures, the economic development process itself tends in the short to medium term to stimulate migration by raising expectations and enhancing people's ability to migrate. Development and the availability of new and better jobs at home, however, is the only way to diminish migratory pressures over time.

These conclusions led the Commission to focus on measures that the United States and sending countries might take cooperatively to provide jobs in their home countries for increasing numbers of potential unauthorized immigrants. This Report addresses recommendations to both the United States and sending countries that, when taken together, would contribute to mutually beneficial economic growth, thereby easing the undocumented migratory flow over time.

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## Introduction

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The United States adopted significant changes in immigration policy when it enacted the Immigration Reform and Control Act (IRCA) in November 1986. Breaking tradition, it addressed the problem of unauthorized immigration in both domestic and international terms, simultaneously targeting the "pull" and the "push" factors that motivate undocumented migration to the United States.\*

The Act sought to diminish the pull of American jobs by penalizing employers who knowingly hire undocumented workers. To address the push factors, the Act created the Commission for the Study of International Migration and Cooperative Economic Development to study the causes of undocumented migration. The Congress thereby sought for the first time to deal with the issue in nonenforcement terms.

U.S. immigration policy has long been ambivalent and often incoherent, reflecting in large measure public sentiment on the subject. If our laws closed the door to some, our legal system assured others that there were always cracks that could be slipped through. If it was illegal to enter without proper documentation, it was not illegal for employers to hire undocumented workers. Our inconsistency is

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\* The term "undocumented" is used interchangeably with "unauthorized" throughout this Report and refers to persons in the United States without legal authorization

constantly reflected in foreign policy decisions which are driven by considerations often at odds with immigration concerns, and this sends a host of contradictory signals to actual and potential immigrants.

There is a direct or indirect migration consequence to most important foreign policy decisions. Thus, U.S. intervention in Central America during the 1980s had direct migration consequences. Unstable political conditions in Central America and substandard living conditions in some Caribbean countries motivated many people to emigrate without authorization to the United States. Official U.S. passivity towards the foreign debt burdens of sending countries affected migration by contributing to diminished economic growth. In Mexico, a severely depressed economy resulted in a continued flow of migrants, including much undocumented migration to the United States. The degree to which access to the U.S. market is available to developing country exports has clear positive or negative migration fallout.

*The Commission is convinced that expanded trade between the sending countries and the United States is the single most important long-term remedy to the problem it was mandated to study.*

The possible effect on migration of other official actions has never figured in the formulation of economic or foreign policy. Emphasis is usually on immediate goals—resolution of the crisis of the moment—rather than on the long-term trends in human migration that generate their own momentum, ultimately producing millions of new and permanent residents of the United States

- *Migration consequences should not necessarily override other considerations in policy formulation, but they must be given explicit attention.*

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This is our principal institutional message: that a government structure be designed to assure that the issue of migration policy receive as much attention as do the consuming but often transient day-to-day concerns that otherwise dominate the process. The philosophy that guides this report is that immigration policy requires constant study and attention at a senior level of government. This can best be achieved by centralizing the current widely dispersed government structure for handling immigration and refugee affairs in a single agency whose head reports directly to the President.

The Commission was charged with seeking effective approaches to economic cooperation between the United States and key migrant-sending countries of the Western Hemisphere, based on the conviction

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tion that greater economic opportunity at home will reduce the pressure to emigrate. The driving force behind the Commission's work is thus to promote mutually beneficial economic development so as—over time—to diminish the need for unilateral enforcement measures to control unauthorized immigration.

The complexity of our mandate is illustrated by a basic contradiction revealed in the research. While greater economic opportunity at home is an essential element for reducing pressures to emigrate, development is a long-term process, measured in decades or even generations. There is thus a very real short-term versus long-term dilemma. Any serious cooperative effort to reduce migratory pressures at their source must be pursued over decades, even in the face of immediate contrary results. This applies equally to the United States and to the sending countries, which have primary responsibility for their own development. Enforcement measures should become less necessary over time as economic development succeeds.

The Commission interpreted its mandate not as being hostile to immigration—immigrants have constantly renewed and revitalized American society—but rather as seeking to reduce our undocumented population and the attendant potential for its continued exploitation. Our work was also one of hope—of how to promote development, not of enforcing restrictions. The work was accomplished through a three-track program of consultations abroad, domestic hearings and research. The geographic focus of our activities was Mexico, Central America and the Caribbean—the area from which most unauthorized immigrants come.

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## Recommendations

*The issue for many countries is stark: they either export goods and services to create jobs at home, or they export people.*

The Commission is well aware of our national fiscal situation and sought wherever possible to make recommendations that would not have immediate budgetary impact. The unresolved migratory pressures generated by over two million uprooted Central Americans make that area an exception. We firmly believe that the best way the United States can contribute to economic growth and job creation in sending countries is to put its own fiscal house in order. Recognizing the practicalities of the situation, however, we call for shifts in choices between certain domestic and international interests. For example, limitations on foreign assistance impose a need for more generous treatment of imports from Caribbean Basin countries to stimulate job creation to reduce emigration. The issue for many countries is stark: they either export goods and services to create jobs at home, or they export people. Everything we suggest is aimed at reducing pressures over time for unauthorized immigration. Implementation of our recommendations would also assist in the protection of our national security interests by contributing to stability in the region and to the furtherance of our commercial interests by improving markets for our exports

## Trade and Investment

*The Commission is concerned that the pace and pressure of events in Eastern Europe will consume official U.S. attention at the expense of development efforts to our south.*

The Commission is concerned that the pace and pressure of events in Eastern Europe will consume official U.S. attention at the expense of development efforts to our south. This outcome is not foreordained, and U.S. policy can assure that the Western Hemisphere will benefit from global political and economic changes. It would be especially tragic to allow conditions in Central America—where our help is most needed—to deteriorate as resources and attention are directed elsewhere.

The Commission makes numerous recommendations aimed at stimulating economic growth and job creation in sending countries. The most important are reviewed below. We stress the primary responsibility of the countries themselves to provide opportunity for their populations. The Commission acknowledges the considerable headway that has been made in Mexico, and efforts that are underway in other countries. The Commission emphasizes, however, that appropriate adjustments in certain U.S. economic policies are essential to sending countries' ability to achieve sustained economic growth. This is particularly true in the trade area.

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### *U.S. Trade Policy and Foreign Development*

A decade of World Bank research confirms that countries with industries capable of meeting foreign competition at home and abroad fare better than countries with industries protected by import barriers and where development strategy looks primarily inward. The faster migrant-sending countries can improve their economies, the shorter will be the duration of pressures to emigrate to the United States.

There has been a dramatic transformation in Latin American development policies from protectionism and state control to reliance on market forces, competition and maximum participation in the world economy. Exports have now become a major factor in the economies of the region with the United States being their dominant foreign market.

But increased exports require access to international markets. Export policies of migrant-sending countries can succeed only to the extent that economic policies in the industrial countries complement them. If efforts at export promotion are frustrated by trade restrictions, entire development programs may falter.

U.S. actions that frustrate the development of the economies of migrant-sending countries in the Western Hemisphere will ultimately encourage emigration. The Commission recognizes that the U.S. market is one of the most open in the world to both foreign products and investment, and that trade issues are socially sensitive when imports from low-wage countries compete head-on with U.S.

production. The United States, under these circumstances, has the dual role of protecting the jobs and living standards of its citizens and of fostering economic conditions that discourage unauthorized immigration. U.S. economic policy should therefore promote an open trading system.

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### *Regional Economic Integration*

Improved access to U.S. and other developed country markets is the key to the economic future of the area. The United States recognized this in 1983, when the Caribbean Basin Initiative (CBI) was enacted; in 1987, when the U.S.-Mexico Framework Agreement on Trade and Investment was negotiated; and again—on a grander scale—in 1989, when the U.S.-Canada Free Trade Agreement (FTA) came into effect.

Mexico is an important competitor in the world marketplace. The smaller economies of the Central American and Caribbean countries do not have that potential. The Commission strongly advocates their integration—and Mexico's—into larger trading areas.

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### *Toward North American Free Trade*

The U.S.-Canada Free Trade Agreement (FTA) opened real prospects for a North American free trade area including Mexico. Over 60 percent of Mexico's exports come to the United States (more than 80 percent excluding oil). Mexico already competes with Canada in a number of sectors in the U.S. market.

*The United States should expedite the development of a U.S.-Mexico free trade area.*

Mexico has made clear its desire to negotiate a free trade agreement with the United States. As a result of the meeting in June 1990 between Presidents Bush and Salinas, preparations for negotiations on free trade are now under way between the two countries.

Mexico seeks greater assurance of access for its products in the U.S. market. The U.S. interest in a free trade agreement with Mexico is to enlarge the potential for U.S. exports, based on complementarity of production in the two countries. The United States also has a strategic interest in Mexican economic growth and political stability. However, the Commission has serious concerns about runaway industries seeking low Mexican wages. This requires the United States to move deliberately.

- *The United States should expedite the development of a U.S.-Mexico free trade area and encourage its incorporation with Canada into a North American free trade area.*
- *The United States should examine the effect of North American free trade on the trade of other Western Hemisphere countries in*

*order to minimize any damage. It should also support wider free trade within the Hemisphere, but should allow the initiative to come from interested countries.*

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### *Accelerating the Momentum of the CBI*

The Caribbean Basin Initiative is a unilateral U.S. tariff preference scheme intended to provide incentives for economic growth and political stability in Central America and the Caribbean. (It does not include Mexico.) Its centerpiece is duty-free access to the U.S. market for 12 years (until 1995) for most products exported by the 23 beneficiary countries.

The CBI has been moderately successful. Its fundamental purpose—broadening and diversifying the region's production and export base—is slowly being achieved. But it has been hamstrung by factors beyond the control of beneficiary countries. Markets for traditional exports have been weak and CBI benefits have, at best, barely offset declines in such sectors. Many of the area's most competitive products have been excluded from the benefits. In some countries, political instability and conflict have impaired the climate for foreign investment.

The return of peace in Central America and events in Eastern Europe may diminish the availability of official resources for the Caribbean Basin region. This would be most unwise and shortsighted. So long as economic distress continues, so will potential instability on our doorstep, aggravating the flows of unauthorized migrants to the United States. Both Houses of Congress have approved the permanent extension of the CBI, but with other less significant improvements.

- *In addition to its indefinite extension, the CBI should be enhanced by significantly easing limitations on beneficiary products.*
- *Moreover, the Commission believes that the CBI should be transformed into a contractual arrangement between beneficiary countries and the United States, modeled after the Lomé agreement.*

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### *Revitalizing the Central American Common Market*

The Central American Common Market (CACM)—formed during 1958-63 by Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica—was once the most successful regional integration initiative in Latin America. A tenfold increase in regional trade peaked at \$1.1 billion in 1980. Industrial production doubled. But intra-regional

imbalances, oil price shocks, falling commodity export prices, political conflict and tensions, and heavy external debt service burdens brought CACM to a virtual standstill by 1986. Growth possibilities based on CACM's past protected import-substitution strategy are exhausted. Yet trade has somewhat recovered and CACM still plays an important role in the region's economy, which has a combined market of almost 27 million people. Most of CACM's free trade and cooperative institutional arrangements remain in force.

Resumption of the integration process based on a strategy of developing efficient, globally competitive production not dependent on a high degree of protection is essential to Central America's economic recovery and job creation, and therefore to the alleviation of migratory pressures.

- *The United States and, with its encouragement, the international financial institutions and other international donors should contribute to the revitalization of the Central American Common Market.*

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### *CARICOM - Slow in Coming Together*

The 13 small English-speaking countries of the Caribbean Basin have been moving toward regional integration since formation of the Caribbean Free Trade Association (CARIFTA) in 1965 and, later, the Caribbean Community and Common Market (CARICOM) in 1973. However, members did not begin to trade freely among themselves until late 1988, and 8 countries are still permitted to protect key products. CARICOM's governing body has set July 4, 1993, as the deadline for fully activating the Common Market. Members are concerned that further delay would adversely affect their trading prospects in light of the emergence of major developed-country trading blocs, i.e., the European Community and the U.S.-Canada Free Trade Agreement.

- *The U.S. should actively support CARICOM efforts at integration.*

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### *Encouraging Exports of Manufactured Goods*

Many of the migrant-sending countries have emphasized the export of manufactured goods. In order not to make these exports too expensive, they have lowered import tariffs and eliminated non-tariff restrictions that had previously excluded foreign inputs necessary to produce for export. This is particularly true of Mexico. To a great extent, the United States has already benefitted from the unilateral lowering of barriers by these countries. At the same time, however, U.S. import restrictions weaken legislative initiatives

*U.S. import restrictions weaken legislative initiatives aimed at promoting economic growth and political stability in the Caribbean region.*



aimed at promoting economic growth and political stability in the Caribbean region. For example, the allocation of U.S. import quotas on manufactured goods such as textiles, apparel and steel is based on historical precedent rather than current U.S. priorities. This favors established suppliers such as the newly industrialized East Asian nations.

- *Quota allocations for textiles, apparel and steel should be progressively shifted in favor of Mexico and CBI beneficiary countries.*

The United States encourages Western Hemisphere countries to export their products through a number of programs, such as the CBI, the Generalized System of Preferences (GSP) and the practice of levying duties only on the value added abroad on products made with U.S. components. For some migrant-sending countries, other U.S. import barriers, such as restrictions on sugar, outweigh all the foregoing benefits combined.

- *The United States should make a special effort in the current Uruguay Round of Multilateral Trade Negotiations of the General Agreement on Tariffs and Trade (GATT) to reduce trade barriers that affect exports of Western Hemisphere migrant-sending countries.*

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### *Agriculture*

The development process in Mexico and Caribbean Basin countries has resulted in large-scale rural outmigration over the past 30 years. Some migration has been directly to the United States. Most, however, has been in-country to urban areas, continually reinforcing emigration pressures from these overcrowded cities to the United States.

The Commission recognizes that the United States is limited in what it can do directly to halt or reverse these processes. But the United States can contribute indirectly through its advisory, lending and training programs in the agricultural sector and, most importantly, by improving access to its markets for sending country agricultural products. The Commission strongly supports ongoing technical assistance being provided by the U.S. Agency for International Development (AID) and the Department of Agriculture to raise agricultural, agro-industry and non-agricultural employment in rural areas.

The Commission supports the Administration's initiative seeking eventual elimination of all trade-distorting agricultural policies. As a first step, the United States proposed in the Uruguay Round of the GATT that all quota restriction and other non-tariff distortions be converted to their tariff equivalent. These tariffs could then be

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gradually reduced or eliminated. The Commission recognizes that attainment of the U.S. objective will entail a difficult negotiating process. Meanwhile, the United States should give special consideration to two commodities of critical importance to most sending countries in the Caribbean Basin: sugar and coffee.

After seven years of open markets, Congress in 1981 restored a sugar price support program to protect a relatively small number of U.S. sugar growers and processors. The sugar support system is a classic use of protection benefitting domestic producers at the expense of U.S. consumers and lower-cost foreign suppliers. This has had an adverse economic effect on both lower-cost sugar-producing countries in the area—whose exports to the United States dropped drastically—and the U.S. consumer, for whom the cost of sugar rose. Legislation before the Congress would partially restore Caribbean Basin sugar quotas.

- *The Commission supports partial restoration of Caribbean Basin sugar quotas pending a phased return to a free market situation.*

The United States should also assess other potential uses of sugar cane derivatives, with particular attention to the use of ethanol as a less polluting fuel.

With regard to coffee, the absence since July 1989 of worldwide quotas under the subsequently-lapsed International Coffee Organization (ICO) has caused serious drops in the export earnings of some key migrant-sending coffee producers, e.g., Colombia and El Salvador. The situation reflects the culmination of years of disagreement between the United States and major coffee-producing countries over coffee quotas and discount sales. Talks seeking a consensus for a renewed and reformed ICO began in late 1989 after President Virgilio Barco of Colombia made a special appeal to President Bush, who promised to review the situation.

- *Discussions on coffee trade issues should be continued with a view to stabilizing prices.*

The Commission recognizes that this is not a free trade solution.

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### *Job Creation Through Section 936*

Section 936 of the Internal Revenue Code was designed to enhance Puerto Rico's attraction as a manufacturing site and to encourage employment-producing investments by U.S. corporations there. The law exempts certain income from their Puerto Rican operations from U.S. taxes. The Tax Reform Act of 1986 expanded the exemption to include interest on loans for projects in CBI countries. Funds on deposit in Puerto Rico can now be used for loans at favorable

interest rates to qualifying projects, including complementary (twin plant) and stand-alone operations. The Section 936 Program has been an important development and job-creation tool for Puerto Rico.

- *Section 936 should be continued. Puerto Rico should remain its primary beneficiary, but efforts should be made to expand its employment-generating effect in CBI countries through greater utilization of 936 funds in labor-intensive operations in such countries.*

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### *The Co-Production Partnership*

Co-production strategies enable developing countries to generate jobs, earn foreign exchange, modernize plants, and undertake self-sustaining industrial development. In Mexico, *maquiladora* (assembly) operations originated in 1965 to attract investments to generate jobs for returning workers when the Bracero Program (1942-64) was terminated. U.S. companies send American-made components to plants on the Mexican side of the border for further processing, and then import the assembled goods paying duty only on the value added in Mexico. In 1989, maquiladoras accounted for over 15 percent of Mexico's manufacturing jobs, earning about \$3 billion in foreign exchange. If successful, today's assembly operations will evolve into a full-fledged manufacturing industry, enabling Mexico to develop its own capability to generate technology.

In order to maximize the benefits of maquiladora activities and to increase local inputs, Mexico must persevere in its efforts to integrate the maquiladora industry more fully into the national economy. Facilitating the location of maquiladoras in the interior of Mexico will accelerate this process.

- *The United States should support Mexican requests to international financial institutions for funds to improve infrastructure in interior Mexican locations capable of hosting maquiladora activities.*
- *The Commission strongly urges the two governments, and the governments of other migrant-sending countries, to be vigilant about protection of worker rights and labor standards in maquiladora and other assembly plants.*

Free trade zones (FTZs), patterned after Mexico's maquiladoras, have developed in Caribbean Basin countries. FTZs are essentially in-bond assembly operations that produce finished or semi-finished goods from largely imported components. By 1989, offshore assembly activities accounted for close to 200,000 jobs, 112,000 of them in the Dominican Republic alone. Offshore assembly offers the

smaller Central American and Caribbean economies the opportunity to accelerate growth and increase employment.

Co-production assembly and manufacturing has had spectacular growth throughout the migrant-sending region. However, many foreign assembly plants are alleged to be sweatshops where poorly-paid workers toil under exploitative conditions. By local standards, working conditions and wages in foreign assembly operations are generally above the national average. There has been considerable debate about the extent to which Mexican maquiladoras and off-shore assembly operations in the Caribbean Basin affect employment levels in the United States. Regardless of one's views on these issues, increased economic interdependence suggests that growth in foreign assembly carries its own momentum.

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### *Technology*

Increased foreign direct investment can do more for technological development in migrant-sending countries than any other measure. The acquisition of modernizing technology which accompanies foreign direct investment is essential to development. Technology transfer and adaptation require not only a hospitable climate for foreign direct investment, but adequate protection of intellectual property through patents, trademarks and other safeguards for trade secrets.

- *Migrant-sending countries should encourage technological modernization by strengthening and assuring intellectual property protection and by removing existing impediments to investment.*

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### *Worker Rights*

The linkage between trade policy and worker rights began with the enactment of the CBI legislation in 1983. Congress later included worker rights provisions in legislation authorizing the GSP, the Overseas Private Investment Corporation, and U.S. participation in the Multilateral Investment Guarantee Agency of the World Bank. Most recently, Congress provided, in the Omnibus Trade Bill of 1988, that linkage between labor standards and trade must be a principal U.S. negotiating goal in the current Uruguay Round of the GATT, and that the denial of internationally recognized worker rights constitutes an unfair trade practice.

- *Consistent with U.S. law, the Commission supports linking trade benefits to respect for worker rights.*

- *The United States and international development agencies and financial institutions should become more actively involved in promoting labor welfare.*

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## Targeting Migrant-Sending Regions for Economic Growth

The pattern of concentrated migratory flows from specific regions within countries suggests it may be possible to reduce undocumented immigration to the United States by targeting economic development in those areas.

For regional development programs to succeed, it is essential that development policies be sustained, sectoral policies be coordinated and resources be allocated carefully. Regional development efforts should not be targeted to resource-poor areas with meager development prospects. They should instead be oriented to nearby regions with greater development potential that may offer improved economic alternatives to prospective migrants.

Regional development is particularly appropriate for Mexico, where considerable numbers of undocumented migrants are known to originate from specific areas in a few states. Mexico should itself take the initiative by improving the physical infrastructure of regions containing migrant-sending communities, and providing incentives for domestic and foreign investors to locate there.

- *International financial institutions should give priority to development projects that focus on decentralized growth in Mexico's poorer regions.*

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## Developing Small Business

Small businesses in the formal and informal sectors are a major force in the economies of Mexico, Central America and the Caribbean. The small enterprise sector provides employment for about a third of the region's economically active population. Small businesses tend to be family owned and operated, hire few employees, and are generally undercapitalized and technologically disadvantaged. Their access to credit is limited, as is their choice of managerial, marketing and production techniques.

Bureaucratic requirements often constrain entry into the formal sector and pose major problems for small firms already within it. The informal sector thus often serves as a refuge for the urban poor, and provides employment to an increasing number of women. However, remaining outside the legal framework increases risks and vulnerability to exploitation.

In recognition of their income and employment potential, credit and technical assistance to the small business sector are currently the focus of many development organizations, including AID, the World Bank, and the Inter-American Development Bank. These agencies work in cooperation with local, nongovernmental groups at the grassroots level. The programs are intended to generate additional income and employment, but are precarious because of high default rates.

- *National and international development agencies should work with sending-country governments to reduce legal and bureaucratic impediments to small business development.*
- *Local and foreign private business sectors should increase support for small business assistance programs. Ways should be sought for greater participation of private commercial banks in financing small businesses, including those owned by migrant households.*

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### *Remittances*

In countries with significant emigration, most migrant remittances are used to pay for basic necessities and little goes to productive investment. But remittances have great potential as an investment resource, particularly in the migrant-sending communities to which they are sent. Millions of legal residents in the United States have close ties to areas where undocumented migrants originate and have a strong commitment to assisting their families and communities. If remittances were to be channeled into productive small businesses and these succeed in generating jobs and higher incomes, emigration pressures should eventually abate in those areas.

Migrant remittances could be used to help capitalize national or regional development banks serving small business. By voluntarily pooling their savings with other financial resources, migrants could maximize their returns and at the same time invest in the development of their homelands.

- *Individual migrant investments should be complemented by other financial resources from official and private institutions and tied to programs supporting the small business sector. AID should take the lead in fostering cooperative mechanisms to carry out this objective.*

## Structural Adjustment Process

The guiding development strategy in Latin America and the Caribbean in the decades following World War II was to create domestic industries whose output could substitute for imports. Because many domestic markets were too small to support an efficient industrial base, especially in the Caribbean and Central America, regional integration schemes developed to widen the scope for import substitution. These organizations stressed protected regional markets.

The programs had mixed results. Imports did not generally decline; instead, they shifted from final consumer products to intermediate goods needed in the new industries created. Because the programs were financed at the expense of agriculture, its output usually suffered. In most areas, the concentration on overall economic growth translated into increasingly unequal income distribution. While Mexico, the Dominican Republic, Trinidad and Tobago and some Central American countries achieved high rates of economic growth, they were not prepared for the shift from producing simple consumer goods to more complex products requiring higher levels of technology.

Development strategies have now shifted to de-emphasize protectionism and stress competition. Most migrant-sending countries in the Western Hemisphere—with Mexico in the forefront—are restructuring their economies. Private initiative is increasing. Private foreign direct investment is avidly sought. Export promotion is taking its place alongside the production of goods for the domestic market.

The process of structural adjustment involves the transition of an economy from a state-dominated model to one in which the market plays the major role, where prices rather than administrative decisions determine the allocation of most resources, and where regulation is designed primarily to foster rather than stifle competition. Undertaking the steps needed to decrease price distortions and allocate resources to the most efficient areas of a country's economy is always a painful process. It entails such actions as devaluing the currency, eliminating subsidies and increasing interest rates. Imports usually become more expensive. The cost of borrowing increases.

- *The United States should condition bilateral aid to sending countries on their taking the necessary steps toward structural adjustment. Similarly, U.S. support for non-project lending by the international financial institutions should be based on the implementation of satisfactory adjustment programs. Efforts should be made to ease transitional costs in human suffering.*
- *U.S. policies should complement and not frustrate adjustment mechanisms in migrant-sending countries. In practical terms*

*this means, for example, that a move toward export promotion should not be negated by U.S. import barriers.*

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## Improving the Financial Outlook

*The single most important cooperative measure the United States could take is to correct its own fiscal deficit.*

Western Hemisphere economies have been seriously burdened during the past decade by an outflow of capital. Oil price increases during the 1970s transferred resources to oil-exporting countries which became the basis for the petrodollars used by commercial banks to underpin much of the buildup of foreign debt. The United States during the 1980s became the largest single user of foreign savings, thereby diminishing its availability and raising its cost to developing countries. Overvalued exchange rates and political instability stimulated capital flight in many countries. Investment needed to create jobs has lagged and public infrastructure has deteriorated. The need to service internal and external debt has drained public budgets of funds for social services, causing substantial personal hardships.

Responsibilities for action to correct the financial environment must be shared. The single most important cooperative measure the United States could take is to correct its own fiscal deficit. The Commission has no illusions as to the difficulties involved, but must acknowledge this reality. Migrant-sending countries are themselves responsible for internal policies to establish development programs and create a domestic environment that attracts foreign investors.

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### *Servicing External Debt*

By reducing resources available internally, the burden of servicing external debt has aggravated the economic distress of migrant-sending countries and caused extensive suffering among their people. It has also limited some of the potential benefits to the United States of increasingly open access to Western Hemisphere markets, largely because debt-service payments are limiting the foreign exchange available for imports. The degree of debt burden has varied by country, but interest payments have typically been about 25-50 percent of exports of goods and services.

The transfer of resources from debtor countries has placed a major burden on their budgets and balance of payments. Investment in public works and services have had to be drastically curtailed. The quality of life has eroded for large segments of the population, particularly the poor and those persons already prone to emigrate.

The Baker Plan of 1985 recognized the failure of a policy that forced countries to contract their economies in order to pay interest on foreign debt, but it foundered for lack of substantial new commercial bank lending. The Brady Plan of 1989 recognized this shortcoming



and proposed a menu of choices for commercial banks that includes reductions of principal or interest on old debts, as well as new lending. While the Commission commends the effort made by Secretary Brady to change the negotiating context for debt restructuring, it doubts the Brady plan will be sufficient. The United States and other industrial countries should keep the debt issue under constant scrutiny and be prepared to take new initiatives.

- *The key consideration in addressing the debt problem is to assure that the painful efforts of debtor countries to restructure their economies not be frustrated by excessive debt service burdens which entail a major cost in human suffering.*

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## Promoting Human Resources

Many of the problems migrant-sending countries face are aggravated by high population growth rates and low levels of educational achievement. Voluntary family planning and improved educational systems are essential to socioeconomic development.

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### *Rapid Population and Labor Force Growth*

Most of the world's developing regions experienced a phenomenal acceleration in population growth rates following World War II. Immunizations through modern public health programs, large scale sanitation measures, and the introduction of chemical insecticides and antibiotics dramatically reduced mortality, particularly of infants and young children. In the absence of offsetting declines in births, the rate of natural increase soared.

*In the entire Caribbean Basin region and Mexico, the number of people in the labor market will have almost quadrupled from... 1950 to...the year 2000.*

Mexico's population more than tripled between 1940 and 1980, from 20 to 67 million people. An additional 21 million added during the last decade bring the total to 88 million. This pattern was much the same in Central America, whose population (including Panama) increased from about nine million in 1950 to over 28 million in 1990. With minor variations, these trends were repeated elsewhere in the Western Hemisphere.

With a delay of one to two decades, such growth in population produces equally rapid growth in the labor force. One million persons now enter Mexico's labor market each year, compared with two million new jobseekers in the United States, which has almost three times Mexico's population. In the entire Caribbean Basin region and Mexico, the number of people in the labor market will have almost quadrupled from 24 million in 1950 to 92 million by the year 2000.

In response, almost all migrant-sending countries have fostered voluntary family planning programs. A secondary but equally important objective of these programs is to promote maternal and child health.

- *The Commission endorses the continued financing of voluntary family planning efforts, including those which promote natural family planning. If they are to be effective, such efforts to foster responsible parenthood must take into account the Latin American moral and cultural atmosphere in which they are implemented.*

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### *Education*

*Raising educational levels is essential to socioeconomic development and reduction of migratory pressures.*

Raising educational levels is essential to socioeconomic development and reduction of migratory pressures. An educated population is key to raising productivity. Increasing education is correlated to declining fertility and improved nutritional standards. Vocational education is a prime necessity. Better paid skilled manual workers—badly needed in migrant-sending economies—are not as prone to emigrate as less trained workers earning lower wages.

Educational programs in localities with high migration rates could emphasize development of skills, vocational and white collar, for which there is a relatively high demand in the broader economic region. This would entail assessing prospective labor demands by skill levels and gearing regional school systems to provide students with appropriate training. This goal is attainable in a large country such as Mexico, which has a well-developed system of rapidly growing secondary cities.

One way to overcome the shortcomings of the limited resources and relatively small populations of the smaller Central American and Caribbean countries is to create or strengthen existing regional training institutions to serve the needs of more than one country. These training centers have already been effective in helping reduce shortages of highly educated workers.

- *Congress and AID should program assistance funds for increased vocational education in migrant-sending countries.*

Following the 1984 recommendations of the National Bipartisan Commission on Central America (Kissinger Commission), the United States funded programs to provide educational opportunities in the United States for disadvantaged persons from Central American and Caribbean countries. Such programs not only enhance educational opportunities and employment potential when students return to their home countries, but expose them to the culture and democratic ideals of the United States as well.

- *The Congress should continue to fund such programs, include Mexico as a participant, and expand the scope of scholarship programs in the United States.*

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## Efforts to Save Natural Resources and the Environment

Rapid population growth in the migrant-sending countries and measures leading to economic development often have led to considerable environmental degradation and erosion of the natural resource base. As available natural resources have diminished, competition for them has intensified pressures for people to migrate across borders.

Although damage is already severe, some patterns of destruction could be reversed by sustainable agricultural practices and measures to preserve natural ecosystems. The latter are not incompatible with economic growth as long as development activities are consistent with sustainable resource management. Environmentally-sound development projects that generate employment include agroforestry, agricultural practices based on traditional agroecosystems, and multipurpose use of the forest, including ecotourism.

- *The Commission strongly endorses the current practice of requiring environmental impact statements for all projects funded by international development assistance agencies.*
- *Further, regional centers cooperating with existing international agricultural research networks should be established to encourage the development of techniques to minimize ecological damage in agriculture.*

The Mexican side of the U.S.-Mexico border is a special case in point. An area of booming economic growth, it is also characterized by poverty and severe pollution. Rapid industrialization has created serious concern for environmental degradation. Poor water quality, untreated sewage, agricultural runoffs damaging to local water supplies, air pollution, and improper disposal of hazardous and toxic substances affect both sides of the border.

- *The Commission urges a concerted effort by both governments to improve the quality of life in border areas.*

## Redirecting Assistance Flows

The Commission is concerned that the U.S. foreign assistance program does not enjoy wide public support. Conflicting rationales and unclear objectives, unrealistic Congressional directives, the visibility of funds for foreign assistance at a time of budgetary stringency, and a widespread public perception that the money is not well spent contribute to popular opposition.

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### *Foreign Aid*

Evaluations in 1989 of the foreign assistance program by AID itself and by a House Foreign Affairs Committee task force emphasized the need for dramatic changes in direction of the program in order to make it politically viable and an effective instrument for global development.

Foreign assistance must be streamlined by eliminating bureaucratic red tape as well as redundant, unnecessary and conflicting objectives. The Commission is convinced that a more effective and targeted aid program and one which is sensitive to migration considerations would help in securing public and political support.

More U.S. development assistance should be channeled through private voluntary organizations (PVOs) because of their understanding of local conditions, needs and demands. PVOs are apt to stress long-term development and humanitarian concerns instead of the short-term political goals often imposed by Congress and the State Department.

- *Efforts to involve local organizations in the project preparation phase of development assistance should be increased.*
- *AID should be required to assess the potential migration impact of development projects and then evaluate the actual impact after they are implemented.*
- *AID should channel more funds through private voluntary organizations.*

### *Development Strategies and Funds for Central America*

Of the two million people in Central America who have been uprooted by conflict and instability, about one third are displaced within their own country. The others have crossed into neighboring countries. Another 500,000 to one million have emigrated to the United States. The plight of these migrants and displaced persons poses one of the most difficult challenges facing Central American governments and is one of the most volatile political problems related to the peace process. These people have been identified by Central American governments and the international community as the priority group for receiving assistance.

There is a growing international consensus that development-oriented programs, rather than just short-term humanitarian assistance, can better address the needs of refugees and displaced persons in Central America. This is a welcome and needed change in focus. For it to succeed, greater cooperation by the United States and other donors is essential.

- *The United States should support the process adopted by the United Nations-sponsored International Conference on Central American Refugees in Guatemala in May 1989 and channel more funds through the U.N. High Commissioner for Refugees (UNHCR), the U.N. Development Program (UNDP) and other relevant international organizations dealing with migration and development.*
- *Most importantly, the United States and the UNHCR should focus more attention and resources on voluntary repatriation and reintegration efforts, including counseling and the establishment of appropriate mechanisms to monitor the well-being and safety of returnees.*

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## Bilateral and Multilateral Cooperation

*Sending countries...often view emigration as a necessary escape valve.*

Sending countries are generally unconcerned about the impact their migrants may be having on receiving countries. They often view emigration as a necessary escape valve. The United States has not made this issue a high priority and has been reluctant to raise it in bilateral discussions with sending countries. Neither the United Nations nor the international community as a whole has paid much attention to the issue of international migration, except in the context of refugee or refugee-like movements. In many cases, migration has been viewed by both sending and receiving countries as a foreign policy irritant. In others, it is not considered important enough to be on bilateral agendas.

- *The International Organization for Migration (IOM) should play a larger role in Western Hemisphere migration discussions by convening meetings and seminars with high-level participation from the United States and Latin American member governments.*
- *The United States should give higher priority to the issue of unauthorized migration and seek greater cooperation on the part of sending countries regarding certain enforcement measures (for example, to curtail smuggling rings or fraudulent document activities).*

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## Border Development and Cooperation

A unique culture has developed among Mexican and U.S. border communities, which have become economically interdependent. Hundreds of millions of legal border crossings take place each year—for shopping, work, entertainment or medical treatment—creating an amalgam of U.S. and Mexican society. Extended families often live on both sides of the border. Economically, border areas are highly diverse, containing some of the poorest localities in the United States and some of the fastest growing areas in Mexico. Public and private infrastructure is deficient on both sides.

Many common border problems are now addressed by joint commissions or other bodies. For example, the International Boundary and Water Commission (IBWC) operates quietly and efficiently to deal with boundary disagreements and the quality, quantity and sharing of surface water. The environmental agencies of the two countries—the Secretaría de Desarrollo Urbano y Ecología (SEDUE) and the Environmental Protection Agency (EPA)—chair the national delegations that work together successfully on environmental issues throughout the year. Yet some border issues are handled only in ad hoc fashion. Funds for border infrastructure and economic development are lacking in both countries.

- *The perennial issues dealing with border development, development funding, cross-border commerce, cultural exchange, and emergency needs should be assigned to a new Border Development and Cooperation Commission, modeled along the lines of the IBWC.*
- *To facilitate cultural interactions and encourage economic development, more border crossing points should be created and action expedited on those now under consideration.*

## Creating an Agency for Migration Affairs

*...a reorganization of the current structure within the Executive Branch for handling migration is urgently needed...*

Migration responsibilities are currently diffused among several different Cabinet departments and agencies. No mechanism exists within the U.S. government to assess the impact of U.S. policies and actions on migration, to rank migration against other priorities or to bring it to the attention of decisionmakers. Failure to pay sufficient attention to the effects of U.S. policies and actions on migratory flows has over many years contributed to a large influx of unauthorized people.

The Commission believes that a reorganization of the current structure within the Executive Branch for handling migration is urgently needed to ensure that migration be given a high priority on the U.S. domestic and foreign policy agendas, and that migration consequences be carefully considered by policymakers involved in trade, development and international economic matters.

- *Immigration and refugee matters should be centralized and streamlined into a new Agency for Migration Affairs.*
- *Relevant federal agencies should be required to prepare and disseminate immigration impact statements (similar to environmental impact statements) to accompany major U.S. government decisions regarding development assistance and trade with migrant-sending countries.*

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## U.S.-Mexico Policy Coordination

The official U.S. structure for cooperative consultation on economic development issues between the United States and migrant-sending countries in the Western Hemisphere is rudimentary, even with Mexico. U.S. relations with Mexico are more important in economic and strategic terms than with most other nations with which well-developed consultative arrangements exist, e.g., through the Organization for Economic Cooperation and Development. Mexico requires constant attention at the highest levels of the U.S. government.

- *If a U.S.-Mexico free trade agreement is concluded, or a North American free trade agreement develops, the question of structure should be addressed in the negotiations and be part of the agreement.*
- *The Commission supports the creation of the position of Assistant Secretary of State for North American Affairs, to include Mexico and Canada.*

## Afterword

Summing up, the Commission is convinced that expanded access by sending-countries to U.S. and other markets through increasingly free trade is the most promising stimulus to their future economic growth. The more able they are to sell their products abroad, the less their people will feel the need to seek economic opportunity away from home.

The major paradox the Commission found, however, is that the development process itself tends to stimulate migration in the short to medium term by raising expectations and enhancing people's ability to migrate. Thus, the development solution to unauthorized migration is measured in decades—even generations. Any serious cooperative effort to reduce migratory pressures at their source must stay the course in the face of short-term contradictory results.

Primary responsibility for their own development rests with the sending countries themselves. But if the United States is to cooperate in a long-term search for a mutually beneficial outcome, it must recognize that achieving it requires steadfastness of dedication and purpose over many years. If this message is understood, the Commission will have fulfilled its mandate.