



EFFECTS OF GLOBAL INTERDEPENDENCE ON MIGRATION

By Dorrit Marks

According to a National Intelligence Estimate, globalization is stimulating migration, and this growing movement of people has implications for the United States. Expanding international trade, finance, investment and information flows tend to accentuate economic insecurity and migration pressures. The Mexican peso crisis of 1995, for example, contributed to a surge in illegal immigration to the United States.

Migration pressures on the United States and within the Americas region is expected to continue to rise in the next decade. The report finds that despite strong economic prospects in Mexico, disparities in living standards, the increased demand for labor in the U.S., and immigration rules regarding family ties will sustain Mexico as the single largest source of authorized and unauthorized immigration to the United States. Central America will remain the second-largest source of unauthorized immigrants and a change in the government of Cuba or deterioration of the political, human rights or economic situation in Haiti could lead again to mass emigration to the U.S. from these countries.¹

Immigration Demographics

Immigrants are generally young and mobile. They go where there is work. Tamar Jacoby says immigrants create a just-in-time delivery of workers to places where they are most needed. Immigrants communicate with their compatriots still at home, letting them know that the job market is flat in one area and booming in another.² Refugee resettlement in the U.S. reflects a new trend of resettlement in smaller cities such as Utica, NY, or mid-sized metropolitan areas such as Des Moines, IA, or Spokane, WA. Previously, popular urban locations included major cities such as New York City with its large foreign-born population.³

Remittances

The flow of remittances (the transfer of money by foreign workers to their families and communities in their home countries) from the United States has reached record amounts and represents a major source of income for millions of individuals and communities. Latin American households receive \$60 billion annually from remittances worldwide. This is more than these countries receive in aid from the United States and from institutions such as the World Bank, according to an Inter-American Development Bank (IDB) study.

California topped all states with \$13.2 billion in remittances, followed by Texas, New York, Florida, Illinois, New Jersey and Georgia—all states with large Hispanic populations. However, the greatest percentage increases in remittances are found in other states, including Iowa and Arkansas. None of the 13 states registering more than 100 percent growth rates in remittances in 2006 were among the “big” seven.⁴

The money foreign-born workers send home is mainly used to cover basic necessities. In Oaxaca, Mexico, only about 8 percent of remittances were spent on business start-ups or investments. The rest went to daily and household expenses. Besides helping the families back home, there is evidence that remittances also have a positive impact on the development and welfare of countries receiving the funds. Remitted funds help offset the negative effects of trade deficits where imports exceed exports. Remittances also help finance and improve access to education and health care for families in the home countries of immigrants.

Remittances are used for investment and to alleviate poverty. A larger share of the remittance money is being used for investment purposes in some developing countries such as Guatemala. In urban Mexico, remittances from the U.S. were the source of almost one-fifth of capital invested in micro-enterprises.⁵ According to IDB estimates, Mexico will receive remittances totaling more than \$24 billion in 2006.⁶ Remittances represent the second largest source of foreign earnings for the country after receipts from oil exports.⁷

In addition to these indications that remittances enhance growth and reduce poverty, there are negative consequences, particularly the dependence remittances create by permitting family members to reduce their work effort, that some studies point out.⁸

Unintended Effect of U.S. Policies

U.S. policies have inadvertently increased unauthorized immigration. For example, U.S. farm subsidies, an important part of U.S. agriculture policy, have resulted in unexpected consequences.

In the U.S., corn, cotton, wheat, rice and soy beans receive billions of dollars in government subsidies. Such subsidies allow U.S. farmers to sell corn, for instance, at prices below cost. Corn is the centerpiece of the Mexican diet, and, according to Oxfam, the Mexican corn sector is in acute crisis because of subsidized low-cost corn imports from the U.S. Millions of Mexicans, unable to make a living in Mexico, are emigrating to escape rural poverty.⁹

NAFTA tariff reductions have opened the Mexican market to corn imports from the U.S. and Canada, and local Mexican farmers are unable to compete. American corn prices in Mexico are 15 to 20 percent lower than the cost to produce corn in the U.S., displacing nearly a million farmers in the Mexican market since NAFTA went into effect in 1994.¹⁰ Large Mexican corn purchasers buy U.S. corn not only because of the lower price of corn but also because buyers that contract with U.S. exporters have access to loans through the U.S. Commodity Credit Corporation at 7 percent for 3 years as opposed to the high 25 to 30 percent interest rates they pay to Mexican lenders.¹¹ The situation is only expected to worsen in 2008 when Mexico is required to comply with a NAFTA deadline to totally eliminate its corn and bean import tariffs.

On the positive side, cheaper corn lowers the price Mexican consumers pay for tortillas and to feed their cows. And, in the U.S., corn prices may rise because of the role of corn in ethanol production as an alternative fuel for automobiles.

NAFTA

Because of NAFTA, trade is now 55 percent of Mexico's gross domestic product compared to 30 percent in 1990. Foreign investment is up by more than 225 percent since 1994.

Despite these positive effects, there are economic problems in Mexico. According to an article in the *Minneapolis Star Tribune*, "Real wages for most Mexicans are lower than when NAFTA took effect. And Mexican wages are diverging from rather than converging with U.S. wages, despite the fact that Mexican worker productivity has increased dramatically."¹²

NAFTA has caused Mexico to become an export-dependent economy to Mexico's detriment. Component parts are imported, processed and assembled for re-export without enough value-added to greatly benefit the Mexican economy.

Mexico's Labor Market

Many new working-age people entering the job market in developing countries will fail to find work and some will decide to emigrate. Mexico, for example, has a new job creation rate of 700,000, while the number of new workers entering the Mexican market is nearly one million annually.¹³ Mexico also has a brain drain - nearly a third of all Mexicans with advanced degrees leave Mexico for the United States. Emigration has become a substitute for the lack of opportunities in Mexico.

There are some positive developments: The Mexican government is funding the Mexican Talent Network, a nonprofit organization to help engineers and technology professionals find opportunities and contacts abroad while keeping their ties with Mexico. A Mexican manufacturer of microscopes, a recent beneficiary, received assistance in making contacts to help tap the U.S. pharmaceutical market.¹⁴ The newly-elected president of Mexico, Felipe Calderon, plans to create an investment climate in Mexico that will attract U.S. investment. He is focusing on improving labor competitiveness and creating jobs in Mexico. Immigration will not be a key issue for him in Mexico's relations with the U.S.¹⁵

Robert Pastor concludes that narrowing the income gap between Mexico, the U.S. and Canada is the only way to stop the flow of migrants. He supports the North American Investment Fund funded by Mexico, the U.S. and Canada, and sponsored by Senator John Cornyn (R TX). The North American Investment Fund would be used to build highways, roads and broadband internet lines in southern Mexico, thereby connecting the south to North America. The effort would not stop illegal immigration, but is projected to double Mexico's growth rate and reduce the income gap with the United States by 20 percent in

a decade. Andres Oppenheimer believes this investment would be a more effective way to stem unauthorized immigration than investing in a fence.¹⁶

Competition for Graduate Students and High-Skilled Workers

Global competition to attract foreign graduate students to universities is growing. In 1989, American universities awarded twice the number of PhDs granted by Asian countries. By 2001, the gap had closed. The U.S. is losing its dominance in attracting the most talented students to higher education and faces more competition for the highly skilled to fill U.S. jobs.¹⁷

The share of international students studying in the U.S has fallen, while Australia, Japan, New Zealand and some European countries have seen a large growth of international students entering higher education programs in their countries. To combat this decline the U.S. may need to revisit stringent entry provisions stemming from U.S. security concerns.

Globalization increases the demand for high-tech and other professional workers. Developed countries will continue to compete in order to fuel their information technology and strategic sectors. High-tech workers and entrepreneurs will emigrate from countries such as India, East Asia, and Russia, provided immigration laws are sufficiently flexible to allow them easy entry.¹⁸ Immigration policy affecting high-skilled workers becomes increasingly important as the competition for high-skilled labor increases around the world. Ease of employment-linked permanent residence is a factor that can facilitate or deter immigration to the U.S.

Foreign-Born Professionals

In the U.S., discussions about the immigration of scientists and engineers focus primarily on the extent to which foreign-born professionals displace native workers. These high-tech immigrants, however, affect more than labor supply and wages. In today's global economy, foreign-born engineers start new businesses and generate jobs and wealth at least as fast as their U.S. counterparts.

While the main economic ties between immigrants and their home countries in the past were the remittances sent to families left behind, today more and more skilled U.S. immigrants eventually return home. Those professionals who remain in America often become part of transnational communities that link the United States to other economies.

The new immigrant entrepreneurs foster economic development directly by creating new jobs and wealth, as well as indirectly by coordinating information flows and providing linguistic and cultural know-how that promote trade and investment with their home countries. The economic contributions of high-skilled immigrants enhance trade and investment flows. Indications are that a 1 percent increase in the number of first-generation immigrants from a given country translates into a nearly 0.5 percent increase in exports to that country.¹⁹

An effective overhaul of the U.S. immigration system must address the global integration of labor markets. According to Tamar Jacoby, immigrant influx is the product of changing U.S. demographics, global development and increasingly easy international communications.²⁰ U.S. immigration policy debate is usually considered a domestic issue, but its consequences have important implications for other countries as well.

Illegal migration is a regional issue. Nearly 80 percent of the unauthorized population in the United States comes from Latin America, primarily from Mexico and Central America. “The goal should be to shift economic integration into a healthier pattern, moving away from the mutually reinforcing dependencies on remittances and cheap labor to a system of regulated labor flows and economic interdependence ... Remittances to migrant countries of origin, emigration, or current foreign assistance programs are not likely to sufficiently develop regional economies to have the necessary broad-based impact to mitigate the root causes of migration.”²¹

Conclusions

Pressures to emigrate from developing countries will remain intense, fueled by poverty, lack of jobs, population growth and political instability. At the same time, globalization will increase access to information about lifestyles and opportunities in industrialized countries.²² The global integration of the labor market for both highly skilled and unskilled workers is also a continuing trend. Immigration laws and policies should take these realities into account, along with the effect of other laws and policies such as farm subsidies and NAFTA.

Dorrit Marks, LWV of Miami-Dade County, FL, is a member of the Immigration Study Committee

¹ “Growing Global Migration and Its Implications for the United States,” *National Intelligence Estimate*, unclassified, NIE 2001-02D, March 2001, pp. 4, 23, 29, 33.

² Tamar Jacoby, “Immigrant Nation,” *Foreign Affairs*, November/December 2006.

³ Audrey Singer and Jill Wilson, “From ‘There’ to ‘Here:’ Refugee Resettlement in Metropolitan America,” *The Brookings Institution*, September 2006, pp.8-11.

⁴ “Migrants are sending more cash back home,” *The Miami Herald*, October 19, 2006, p. 1, 22A.

⁵ Dovelyn Rannveig Agunias, “Remittances and Development—Trends, Impacts, and Policy Options,” *Migration Policy Institute*, September 14, 2006, pp. 23, 25, and 26.

⁶ “Time to wake up—A survey of Mexico,” *The Economist*, November 18, 2006, p. 7.

⁷ Doris Meissner *et al*, *Immigration and America’s Future: A New Chapter*, (Migration Policy Institute, 2006), p. 87.

⁸ Agunias, “Remittances and Development—Trends, Impacts, and Policy Options,” pp. 31 and 34.

⁹ “Dumping Without Borders—How US Agricultural Policies are Destroying the Livelihoods of Mexican Corn Farmers,” Executive Summary, *Oxfam*, Briefing Paper 50, August 27, 2003.

¹⁰ Sara Miller Liana, “Battle escalates over cheap U.S. corn popping into Mexico,” *USA Today*, August 8, 2006.

¹¹ Organic Consumers Association, “NAFTA: Truth and Consequences on Corn dumping,” www.organicconsumers.org/ April, 5, 2004.

¹² David Morris, “NAFTA helped increase flow of illegal immigrants,” *Minneapolis Star Tribune*, May 7, 2006.

-
- ¹³ “Growing Global Migration and Its Implications for the United States,” p. 14.
- ¹⁴ “Mexico creates network for high-tech pros,” *The Miami Herald*, December 6, 2006, p. 2C.
- ¹⁵ “Calderon saca a los ilegales de su agenda,” *El Nuevo Herald*, December 4, 2006, 1B.
- ¹⁶ Robert Pastor, “Concentrate on development,” *The Miami Herald*, December 6, 2006, p. 28A; Andres Oppenheimer, “How to make better use of \$37 billion border fence fund,” *The Miami Herald*, November 23, 2006, p. 11A.
- ¹⁷ Neeraj Kaushal, Michael Fix, “The Contributions of High-Skilled Immigrants,” *Migration Policy Institute*, (MPI) study No. 16, July 2006, pp. 1, 2, 16.
- ¹⁸ “Growing Global Migration and Its Implications for the United States,” p. 23.
- ¹⁹ AnnaLee Saxenian, “Brain Circulation: How High-Skilled Immigration Makes Everyone Better Off,” *Brookings Review*, Winter, 2002 No. 1. pp. 28-31.
- ²⁰ Jacoby, “Immigrant Nation.”
- ²¹ Meissner, *Immigration and America’s Future*, p. 87 – 88.
- ²² “Growing Global Migration and Its Implications for the United States,” pp.13-14.