Global Restructuring and U.S.-Mexican Economic Integration: Rhetoric and Reality of Mexican Immigration Five Years After NAFTA

Robert D. Manning and Anita Cristina Butera

Introduction

The fall 1999 protests over the World Trade Organization (WTO) meeting in Seattle highlighted the intensifying social and political tensions accompanying the market-driven forces of "globalization." Neoliberal assumptions of "free trade" and "capital mobility" had previously dominated the political discourse of both developed and developing countries with grandiose promises of "rising tides" of prosperity "lifting the boats" of all participating social groups via higher wages, lower retail prices, and increasing employment. While neoliberal critiques (Rugman 1994; Hufbauer and Schott 1993, 1992; Lustig, Bosworth, and Lawrence 1992; Reich 1991) have tended to focus on recalcitrant nationalism such as protectionist trade policies and intransigent unions with inflexible labor policies, the reality is that supranational institutions like the International Monetary Fund (IMF) and the WTO are radically transforming existing "social structures of accumulation" (Gordon, Reich, and Edwards 1984) through externally imposed "structural adjustment" policies (cf. Otero 1996; Castaneda 1995; Perry 1994).[1] That is, the expanding boundaries of the post-Cold War "global factory" entail the abrupt dismantling of historically negotiated capital-labor relations under the guise of enhancing national living standards. Hence, the unique features of the class struggle in particular countries are overshadowed by

0026-3079/2000/4102/3-183$2.50/0 American Studies, 41:2/3 (Summer/Fall 2000): 183-209

the representation of social conflict as inevitable squabbles over access to the global shopping mall; human rights and labor mobility are conspicuously absent from the discussion (Beckman 1997; Hansen-Kuhn 1997; Marshall 1993). From this perspective, then, the dominant discourse has effectively subsumed the historically specific politics of production into the universalistic culture of consumption.

In the Western Hemisphere, the most debated economic globalization initiative of the post-Cold War epoch is the North American Free Trade Agreement (NAFTA). As one of the most expensive and intensive lobbying campaigns in U.S. legislative history, featuring unusually strong inter-corporate cohesion and political pressure on the American state (Dreiling 2000), NAFTA was implemented on January 1, 1994, following its ratification by the United States, Mexico, and Canada; Central and South American countries are expected to be included in the next decade (Hansen-Kuhn 1997; Inter-American Development Bank 1996; Gestrin and Waverman 1994). Touted as a job creation program for the American economy, competitive relief for U.S. multinational corporations, and a booster-shot for the faltering Mexican economy, NAFTA was portrayed by the Bush and Clinton Administrations as a political catalyst for accelerating economic growth on both sides of the border. According to President Clinton, during a September 14, 1993, signing ceremony of NAFTA side agreements,

> [NAFTA] means an even more rapid closing of the gap between our two wage rates. And as the benefits of economic growth are spread in Mexico to working people . . . [t]hey'll have more disposable income to buy more American products and there will be less illegal immigration because more Mexicans will be able to support their children by staying home. (1993[c], 1)

On the other hand, opponents of "free trade" in the United States were chastised by government, business, and sympathetic think tanks as economic protectionists,[2] even labeled as misinformed sympathizers of obstinate industrial unions, while the Mexican middle class was persuaded that American opposition was a continuation of Yankee domination whose primary goal was to perpetuate Mexico's economic underdevelopment.[3] Mexican President Carlos Salinas de Gortari often emphasized this nationalistic theme by declaring that the goal of NAFTA was "to export goods and not people." On September 21, 1993, at the quadrennial International Industrial Conference convened in San Francisco, President Salinas declared:

> It is trade that will provide us with the opportunities to produce more, to create more opportunities in Mexico. . . . [Those] Mexicans who come to the U.S. looking for jobs take

> risks . . . and are very talented. That is why we want them in Mexico . . . so they will use their courage, ability and risk-taking willingness for the development of Mexico and not the development of another country. (quoted in Johns 1993)

Furthermore, implicit in this free trade doctrine are assumptions that modernizing the Mexican economy will increase jobs, raise wages, reduce consumer prices, elevate the Mexican standard of living, and reduce future flows of illegal immigration to the United States.

In the United States, the issue of curbing illegal immigration was especially important in consolidating support among conservative politicians as well as nativist and restrictionist groups who later waged the California campaign for Proposition 187 (Calavita 1996). President Clinton underscored this point during an October 1993 town hall meeting in Sacramento, "One of the reasons that I so strongly support this North American Free Trade Agreement is, if you have more jobs on both sides of the border and incomes go up in Mexico, that will dramatically reduce the pressure felt by Mexican working people to come here for jobs. Most immigrants come here illegally not for the social services, most come here for the jobs" (1993[b], 1).

This position was echoed one month later by U.S. Attorney General Janet Reno. She emphasized that NAFTA would enable the United States to regain control of its borders by reducing the flow of undocumented migrants, "[The] best chance to reduce illegal immigration is robust Mexican economic growth. That is why passage of the North American Free Trade Agreement will help me protect our borders. NAFTA will create jobs in both the U.S. and Mexico. The Mexican jobs will be filled by workers who might otherwise cross illegally into America. If NAFTA passes, my job guarding the border will be easier. If NAFTA fails, my job stopping the flow of illegal immigrants will become even more difficult" (1993, 7).

This article examines the early performance of NAFTA as an important neoliberal program for promoting economic globalization. In particular, it assesses whether NAFTA has achieved its espoused goals of rapid job growth, higher wages, rising standard of living, geographic dispersal of foreign investment, and reduced emigration from Mexico. A key issue is whether NAFTA offers an effective framework for promoting bi-national economic integration that benefits the social and economic agendas of both countries. Or, is it a rhetorical wolf in sheep's clothing that advances earlier policies of U.S. industrial restructuring and labor market reorganization that primarily benefit the interests of American corporations over workers and consumers. That is, by fostering the mobility of capital *and* labor, is NAFTA a political catalyst for challenging historically negotiated "social structures of capital accumulation" that traditionally define a society's acceptable "cultural rate-of-profit," work conditions, and living standards.[4] Finally, the U.S. media has neglected the increasing economic

sacrifices of the Mexican middle and working classes that were not predicted after the implementation of NAFTA. This article explores the sources of these difficulties, the forces underlying the continued growth of Mexican immigration over at least the next two decades, and its increasing social and geographic diversification.

The Demography of Migration: Aging into Employment and Retirement

The demographic transition of the Mexican population—from a largely rural to an increasingly urban population—has been accompanied by lower fertility rates and smaller families. Both policy-makers and journalists have emphasized that this trend will invariably result in lower levels of emigration to the United States (Millman 2000; Commission on Immigration Reform 1997). Even so, there is a temporal lag in the impact of declining fertility rates on reducing the aggregate size of the potential emigrant population because of the youthful age structure of the Mexican population. For instance, over the last decade, the economically active Mexican population has risen from 31.4 million in 1990 to an estimated 41.6 million in 2000. Overall, an annual average of one million new workers entered the Mexican labor force each year during the 1990s. It is for this reason that the cornerstone of the North American Free Trade Agreement is the unfettered flow of commerce—particularly foreign investment—with its promise of accelerating the growth of jobs in Mexico. The key issue is whether NAFTA-induced strategies of economic "modernization" are narrowing the gap between the supply and demand for employment. If the Mexican economy is able to absorb a larger proportion of its newest workers, this could substantially reduce the pressure of migration to the United States—an explicit goal of NAFTA as asserted by President Clinton.

Over the last three decades, the Mexican government has pursued an effective population stabilization policy, including a variety of family planning programs. During this period, the national population growth rate has declined from an annual increase of 3.1 percent in the 1960s to 1.9 percent in the 1990s and is projected at 1.5 percent over the next decade, 2000-2010 (U.S. Bureau of the Census 1999; *Banco Interamericano de Desarrollo,* 1996). According to demographic statistics reported in the *Wall Street Journal*, annual job growth will match labor force growth by 2006. However, this favorable forecast is based on questionable assumptions such as an average four percent Mexican GDP growth rate and the steady decline of new job entrants over the next decade—from 1.2 million in 1996 to .8 million in 2007 (Millman 2000). In fact, it is doubtful that this demographic trend will significantly reduce the growth rate of the Mexican workforce for at least 20 years. This is because Mexico's youthful age structure, together with its rapidly expanding population base (from 68.7 million in 1980 to over 100 million in 2000), will continue to produce a substantially higher, *absolute* number of new workers over the next two decades. Not incidentally, this trend will include the increasing participation of women in the Mexican labor

force. The central issue is whether they will contribute to a rapidly expanding, diversified Mexican economy or expand the pool of potential immigrants to the United States.

Table 1 presents the population distributions by gender for 1998 and 2010 (U.S. Bureau of Census 1999; *Banco Interamericano de Desarrollo* 1996). The key 10-19 year-old age group numbers 21.85 million in 1998 and is estimated to rise to 23.65 million in 2010. If only 80 percent of this male cohort become active job seekers, then an average of nearly one million new male workers will enter the Mexican labor force each year over the second decade of the millennium. And, if only one-fourth of the women of this age cohort seek paid employment, then a total of at least 1.3 million new Mexican workers will be entering the job market each year during this period. This number, moreover, does not include underemployed *campesinos* who will be displaced due to the "rationalization" of rural, communal landholding plots or *ejidos*. Moreover, it is important to note that average life expectancy is projected to rise from 71.6 years in 1998 to 75.5 years in 2010. This trend suggests that Mexican workers in the United States will have to continue to send remittances for a longer period of time to support elderly family members (and/or send additional household members to the United States) or bring them to the United States after they outlive their familial support networks in Mexico. Consequently, while Mexico has undergone a sharp decline in its aggregate fertility and population growth rates, the absolute number of Mexicans entering the workforce (especially women) will continue to increase over the next two decades.

The North American Free Trade Agreement: Regional Economic Development or Intra-Sectoral Integration

The demographic projections described above indicate that the supply of Mexican job seekers will exceed current levels through 2020. The central issue is the ability of the NAFTA-guided economy to absorb these future cohorts of workers. According to a recent report by the U.S.-Mexican Chamber of Commerce,

> As the second-largest market for U.S. goods and services, a growing, prosperous Mexico is in the interest of every citizen in the U.S. This trade lowers poverty in Mexico with a resulting reduction in illegal immigration. A vibrant Mexico will be better able to deal with corruption and illegal drug activities as well as provide resources for a healthier environment. (1998, 3)

Ironically, as noted by analysts of conflicting political perspectives (Beckman 1997; Haufbauer and Schott 1993, 1992; Marshall 1993), NAFTA trade negotia-

Table 1

Age Structure of the Mexican Population by Gender: 1998-2010*

	1998			2010**		
Age	*Men*	*Women*	*Total*	*Men*	*Women*	*Total*
0-4	6,187	5,936	12,123	6,103	5,845	11,948
5-9	5,988	5,757	11,745	6,143	5,895	12,038
10-14	5,708	5,500	11,208	6,132	5,894	12,025
15-19	5,398	5,245	10,643	5,910	5,714	11,624
20-24	5,020	4,949	9,970	5,454	5,351	10,805
25-29	4,313	4,434	8,747	4,985	4,995	9,980
30-34	3,427	3,775	7,202	4,653	4,746	9,399
35-39	2,779	3,153	5,931	4,320	4,470	8,790
40-44	2,225	2,570	4,824	3,522	3,896	7,418
45-49	1,924	2,149	4,073	2,877	3,315	6,192
50-54	1,545	1,712	3,257	2,248	2,649	4,897
55-59	1,264	1,400	2,663	1,881	2,199	4,080
60-64	1,008	1,124	2,132	1,464	1,712	3,176
65-69	749	853	1,603	1,108	1,328	2,437
70-74	511	606	1,117	797	997	1,794
75+	549	765	1,313	900	1,325	2,225
Total	48,624	49,929	98,553	58,498	60,331	118,828

Source: U.S. Bureau of the Census, International Program Center, 1999.
*Population in thousands.
**Estimate.

tors explicitly discussed rules for trade, labor, and environmental standards while they ignored the accompanying increase in labor mobility and flow of undocumented Mexican workers; there are no sanction provisions under NAFTA concerning violations of union-related issues such as strike breaking, anti-union campaigns, and firing union members—even when complaints are verified (Beckman 1997; Hansen-Kuhn 1997; Inter-American Development Bank 1996, 21). This is the context in which the short-term growth trends of the Mexican economy are examined.

In the 1990s, the rhetorical debate over NAFTA tended to focus on stimulating macro-economic growth by reducing protectionist barriers to international commerce. This view is challenged by Mexico's membership in GATT (now World Trade Organization [WTO]) since 1986 and over a century of regional economic integration with the United States. Not surprisingly, the multilateral mantra of "free trade" has produced only "free-er" trade through selectively

imposed quality standards, quotas, and retaliatory tariffs; pre-NAFTA tariffs averaged about 5-6 percent on Mexican imports and 12.5-15.0 percent on U.S. imports albeit with wide sectoral variation (Peters 1996, 65).[5]

In reality, the fundamental issue concerns future patterns of foreign investment in Mexico[6] and how they will influence the economic growth of the Mexican economy. That is, by opening the border to "free investment," Mexico has become dependent upon the whims of foreign investors to modernize its economy.[7] In the process, Mexican economic planners now confront the daunting task of balancing the pursuit of diversified economic development with the reality that foreign investors are guided by strategic access to Mexican consumer markets and the intra-sectoral integration of continent-wide production and distribution systems (Gereffi 1996; Castells and Laserna 1994). The goal of the Mexican government is to increase economic linkages across industries (inter-sectoral integration) through the use of primary and secondary inputs (e.g., steel, glass, electrical components in automobile production) rather than simply offering low wage labor and minimal environmental standards for reducing the production costs of exports to the United States. Indeed, General Motors' creation of a continent-wide auto production system (intra-sectoral integration) conflicts with Mexico's goal of diversifying its economy by increasing the use of domestic inputs and employment of high value-added labor such as engineers.

At first glance, traditional economic indicators such as foreign investment, balance of trade, and national economic growth (GDP) suggest that the short-term achievements of NAFTA have been impressive, albeit with wide vacillations. For instance, Foreign Direct Investment (FDI) averaged almost $4 billion per year before NAFTA (1990-1993) and nearly $10 billion afterwards (1994-1998)—peaking at $12 billion in 1997; 60 percent of FDI originates from the United States, and it is projected to remain stable at $10 billion in 1999 (American Chamber of Commerce 1999). This is mirrored in the rapid escalation of Mexican exports, from $51.8 billion in 1993 to $110.4 billion in 1997; exports to the United States rose from $43.1 billion in 1993 to $94.5 billion in 1997 (CEPAL, 1999, International Monetary Fund 1998). Although Mexican exports rose to $117.5 billion in 1998, increasing imports of foodstuffs and industrial inputs (machinery, equipment parts, assembly components) for the *maquiladora* sector[8] led to a dramatic overall deficit shift in the Mexican balance of trade—from +$0.62 billion in 1997 to -$7.7 billion in 1998. Of course, this trade deficit was counterbalanced by the huge $15.7 billion surplus with the United States (U.S. Department of Commerce 1999). During the first six years of NAFTA, the United States has accumulated a total trade deficit in goods with Mexico of about -$93 billion (McMillion 1999).

Unfortunately for Mexico, the enormous influx of foreign capital did not stabilize its fragile domestic banking, investment, and credit systems, which intensified pressure on the overvalued peso and national current account balances; the latter continues to deteriorate today. This resulted in a steep devaluation of the peso, enormous capital flight, debt service difficulties, and a sharp

recession that precipitated a crisis of confidence in Mexican political leadership—especially the discredited policies of NAFTA architect President Carlos Salinas. The resulting love-hate attitude of Mexicans toward NAFTA has corresponded with the roller coaster growth of the economy (GDP) over the last decade: 1989-1994 (3.0%), 1994 (3.5%), 1995 (-6.2%), 1996 (5.1%), 1997 (7.0%), 1998 (4.8%), and 1999 (estimated 3.6%). According to recent projections, the next millennium will begin with a GDP growth of 3.4 percent, only slightly above the pre-NAFTA average (American Chamber of Commerce 1999).

Although Foreign Direct Investment (FDI) has been touted as a measure of NAFTA's success, by providing capital for public and private domestic investment as well as by stimulating job growth through multiplier effects, the underlying FDI patterns indicate a more sobering reality—especially in terms of lower than expected domestic job growth and higher consumer prices. According to the Economic Commission on Latin America and the Caribbean (CEPAL), "the main focus of FDI are related to NAFTA through the establishment of continent-wide systems of integrated production [intra-sectoral integration] or strategic positioning in the domestic market" (1999, 1). This means that most foreign investment is designed to replace portions of higher cost production/distribution systems in the United States (for re-export) and "acquisition of private [Mexican-based] assets . . . [in] response to strategic dynamics in oligopolistic markets" (CEPAL 1999, 2). Hence, a key feature of intra-sectoral integration is the export of high wage industrial jobs from the United States to Mexico, where they are replaced with low-wage workers employed in modern, capital-intensive production facilities. Not incidentally, the entrance of foreign corporations into the Mexican domestic consumer market through FDI has provided greater product choice but offered surprisingly modest consumer price relief; foreign corporations have taken advantage of traditionally high consumer costs in Mexico by matching the prices of inferior domestic products or establishing joint ventures with corporate competitors (Wal-Mart and CIFRA) rather than engaging in price-cutting competition. To the chagrin of beleaguered Mexican consumers, oligopolistic rather than competitive pricing policies have accompanied the arrival of new, multinational retailing companies.[9]

Instead of forging forward (high value-added phases of production such as engineering [research & development]) and backward (primary inputs such as high quality steel, concrete, electrical components) linkages for promoting autonomous Mexican economic development (McMillion 1999; Gereffi 1996; Peters 1996) and thus greater domestic job growth, the major beneficiaries have been multinational corporations that have invested in a limited spectrum of industrial sectors and low value-added phases of production—primarily manufacturing. That is, NAFTA has facilitated the continent-wide expansion of their international production/distribution systems and has replaced existing domestic firms through mergers and acquisitions in order to gain access to previously

protected domestic consumer markets—especially food, beverage and tobacco, and services such as retailing and banks.

The strategy of investing in new, modern plants—especially for re-export to the United States under HTS 9802 (largely due to competitive pressure from Asian competitors)—is illustrated by the following industrial sectors: automotive (Chrysler, Ford, GM, VW, Nissan), electronics (Compaq, Daewoo, Sony), and apparel (Burlington, Dupont). More recently, a growing share of FDI has strategically sought entry into previously restricted Mexican consumer services through "acquisition of private assets." These include food (PepsiCo), beverages (Anheuser Busch, Labatt, Coca Cola), tobacco (Philip Morris, BAT), as well as globalizing services such as telecommunications (Bell Atlantic, Loral, Hughes), finance (HSBC, Santander), and retail trade (Wal-Mart). Consequently, corporate investment patterns have generated significantly fewer jobs and consumer price relief than was initially predicted by international economists.

The most dramatic example of the former investment strategy—intra-sectoral integration—is demonstrated by U.S.-Mexican auto trade. Indeed, the largest sources of FDI in Mexico are the Big Three U.S. automobile manufacturers: General Motors, Ford, and Chrysler. As illustrated in Table 2, this commercial flow has accelerated rapidly since the enactment of NAFTA. Between 1993 and 1998, the value of Mexican auto parts exports nearly doubled ($7.4 to $14.5 billion) and vehicle exports nearly quadrupled ($3.7 to $13.2 billion) while the combined imports of autos and parts from the United States rose only 58.5 percent ($7.5 to $11.9 billion); in 1998, this trade flow constituted over one-fourth ($27.7 of $94.5 billion) of total Mexican exports to the United States. Because the vast majority of these products are re-exported to the United States rather than sold in the domestic economy, they have both inflated the merchandise balance-of-trade surplus as well as exacerbated the Mexican current account deficit.[10]

Table 2

Intra-Sectoral Integration: Mexico-U.S. Auto Trade, 1993-1998 (in millions)

Years	Exports: from Mexico			Imports: to Mexico			**Balance***
	Total	Auto-Parts	Auto	Total	Auto-Parts	Auto	
1993	$11,081	$7,354	$3,727	$7,484	$7,317	$167	$3,597
1994	$14,489	$9,702	$4,787	$8,319	$7,663	$656	$6,170
1995	$18,330	$10,501	$7,829	$7,214	$6,737	$377	$11,116
1996	$22,950	$11,645	$11,305	$8,329	$7,076	$1,253	$14,621
1997	$25,424	$13,314	$12,110	$11,560	$9,582	$1,978	$13,864
1998	$27,665	$14,475	$13,190	$11,865	$9,502	$2,363	$15,800

Source: U.S. Department of Commerce, 1999.
*Mexican import and export with the United States.

For example, the city of Saltillo in the state of Coahuila is called the Detroit of Mexico. It boasts two huge auto plants—established by Chrysler and by GM—whose production is dedicated solely to North American exports; Chrysler invested nearly $500 million dollars in its Dodge Ram and metal stamping plants in 1995-1996 (Focus Mexico 1997). Not unexpectedly, Mexican consumer prices have not declined in accordance with the sharp fall in the real wages of domestic manufacturing workers since 1995. This is mirrored in the bilateral auto trade balance, which has increased nearly five-fold in Mexico's favor during this period—from $3.6 billion in 1993 to $15.8 billion in 1998 (U.S. Department of Commerce 1999). For these reasons the *maquiladora* sector is projected to account for one-half of all Mexican exports by the end of the year 2000.

Employment After NAFTA: Has Capital Mobility Fueled A Hemispheric Job Machine?

As previously discussed, current foreign investment strategies that are guided by intra-sectoral integration tend to be capital-intensive, produce fewer jobs than older plants in the United States, and are not deeply embedded (forward or backward linkages) in the Mexican economy. Indeed, as the composition of foreign investment in Mexico shifts from labor-intensive "screw-driver" assembly plants to automated, state-of-the-art production facilities, the number of jobs created per financial unit of investment has tended to decline. This belies the optimistic assumptions of the *Binational Study of Migration Between Mexico and the United States* whose authors assert:

> If Mexico maintains market-driven economic policies, the International Monetary Fund [IMF] projects 5 percent annual economic growth and 2.5 percent employment growth for 1997 and thereafter—given this two to one ratio between real GDP growth and employment growth, there would be 750,000 new jobs created each year, based on 30 million employers, self-employed workers, and wage and salary employees. . . . If Mexico is able to generate this additional employment, emigration pressures should diminish. (1997, 30)

Significantly, these projections are based on fewer than 800,000 new workers entering the Mexican workforce each year, a dubious assumption over the next two decades.

So, if official estimates of the growth of the Mexican work force in the next century are understated, what are the prospects of NAFTA in improving employment opportunities in the near future? First, examination of aggregate growth trends suggests a moderate impact, albeit with enormous regional variations. Dr. Luis Rubio, Director of the Center for Investigation of Development in Mexico City, estimates that the number of new jobs directly attributed to NAFTA at about

1.5 million over the first five years (1994-1998), a powerful job engine but by no means turbo-charged (Pfister 1999). Indeed, the nominal GDP growth rate was an impressive 7.0 percent in 1997 but IMF job projections fell short by more than one-half and, in 1998, net job growth is estimated to have been considerably fewer than 400,000 based on GDP gains of 4.8 percent (U.S.-Mexico Chamber of Commerce 1999; World Bank 1999).

The previous PRI-dominated government of Mexico—led by President Salinas' handpicked successor, Ernesto Zedillo (1994-2000)—vigorously defended the economic achievements of NAFTA. In the process, it complicated the enumeration of employment growth by classifying both formal and informal employment as unique "jobs." For instance, the Mexican Labor Ministry stated that the economy generated 845,000 new jobs in 1998 yet it reported that only one-fifth earned more than $5 per day or the equivalent of the minimum wage for construction workers in Mexico City (*El Financiero* 1999). Clearly, many workers must perform more than one of these "jobs" simply to earn a sufficient income to survive. Furthermore, job gains attributable to FDI obscure employment losses resulting from the "restructuring" of parastate companies and intensifying competition with foreign-manufactured imports as well as industrial consolidation following oligopolistic investment strategies (acquisitions, joint-ventures) of foreign corporations; the number of businesses owned by the Mexican government fell from over 1,000 in 1982 to less than 200 in 1999 (CEPAL 1999; Peters 1996).

Furthermore, by participating in the world economy, Mexican workers have become increasingly vulnerable to fluctuations in global market forces as well as lower cost labor. For example, *El Financiero* (1998) a leading Mexican financial periodical, reported that manufacturing employment in October 1997 remained 5.6 percent below 1993 levels as the Mexican economy rebounded from the disastrous 1995 recession. This slower than expected job growth is because Mexican workers are being displaced by cheaper Asian *maquila* laborers (Darling 1993). In addition, it is estimated that 28,000 small- and medium-sized Mexican businesses went bankrupt during the first three years of NAFTA because of the rising cost and scarcity of commercial credit together with falling internal consumer demand (largely due to falling wages) and the influx of cheap imports; as many as two million jobs have been estimated to have disappeared during this period (Hansen-Kuhn 1997).

Even the "in-bond" plants or *maquiladoras* show only moderate employment gains over the last three years compared to national needs (see Table 3). Between 1994 and April 2000, the number of *maquiladoras* increased from 2,085 to 3,687 while the number of jobs grew from 582,000 to 1,306,800, or an annual average of about 121,000 (*Mexico Business Monthly* 2000). Significantly, without greater inter-sectoral integration, the rise of capital-intensive investment has resulted in lower net employment gains as labor-intensive sewing machines are being replaced with automated production processes. Hence, the data suggest

that the Mexican employment gap—the difference between new workers and net job growth—will continue to increase over the next decade even while Mexico experiences moderate to high macro-economic growth rates.

Table 3
Growth of Mexican Maquiladora Industry
Number of Plants and Employees
1993-2000

Years	Maquiladora Plants	Maquiladora Employees
1993	2,166	540,900
1994	2,085	582,000
1995	2,104	640,000
1996	2,365	729,400
1997	2,449	792,200
1998	2,952	100,030
*1999**	3,206	112,010
*2000***	3,687	130,680

Source: *Maquiladora* Industry Analysis, 1996; Mexico Business Monthly, *Maquila* Census, 2000.
*These data were collected in August.
**These data were collected in April.

Second, the most disappointing performance of NAFTA is the surprising decline in real Mexican wages. This trend was not predicted by proponents of NAFTA, who embraced the neoclassical economic explanation of income determination. That is, higher "value added" investment (new technology, efficient distribution, modern management policies) would yield substantial improvements in Mexican labor productivity that, in turn, would lead to higher wages. According to this view, rising incomes would increase the standard of living of Mexican workers and therefore lead to greater consumer demand—including imports from the United States. Although modern, high-technology investment has infused the Mexican economy and increased labor productivity (especially in manufacturing industries), it has not increased the wages or buying power of Mexican workers. The Mexican government acknowledges this problem and reported that eight million workers earned less than the minimum daily wage in 1997—a 20 percent increase from 1993 (Pfister 1999). This trend is especially disconcerting when the real earning power of the Mexican minimum wage is examined during this period. On August 1, 1993, the daily minimum wage was the equivalent of $4.62 (U.S. dollars). On August 1, 2000, it was only $3.91 ($37.90 pesos)—a 15.4 percent decline even after the rise of the peso—with

significant variations by region and occupation (National Minimum Wage Commission 2000).[11]

This decline in real wages of Mexican manufacturing workers from 1981 to 1998 is reported in Table 4; wages of *maquila* or "in-bond" plants (primarily within the two-mile Border Industrialization Zone) are presented separately from all manufacturing employment. For instance, in 1981 average manufacturing hourly wages ($2.82) in Mexico were one-fourth of corresponding wages in the United States and nearly double the comparable rate in the *maquilas* ($1.67). Ten years later, during the global recession, Mexican manufacturing wages averaged $1.58 per hour—only 11 percent of U.S. manufacturing hourly wages. More striking, they were only 25.4 percent higher than *maquila* wages. In 1993, the year before the enactment of NAFTA, Mexican manufacturing wages had rebounded to an hourly average of $2.40—nearly one-seventh of U.S. wages—while the comparable rate in the *maquiladoras* had climbed to $1.77 per hour.

Table 4

Mexican Hourly Compensation in U.S. Dollars
Manufacturing and Maquiladora:
1980-1998

Years	Hourly Wage in U.S. Dollars		Index to $=100	Exchange Rate*
	Manufacturing**	Maquila***		
1980	2.21	n.a.	22	23.0
1981	2.82	1.67	26	24.5
1983	1.42	0.91	12	120.1
1985	1.59	1.07	12	256.9
1990	1.58	1.26	11	2,813.0
1993	2.40	1.77	15	3.12
1994	2.47	1.82	15	3.38
1995	1.51	1.17	9	6.42
1997	1.75	1.51	10	7.92
1998	1.83	1.56	10	9.14

Source: U.S. Department of Labor, Bureau of Labor Statistics, Office of Productivity and Technology, May 1999.

*Mexican currency converted in 1993 to the New Pesos, which is worth 1,000 old pesos.

**Average of all Mexican manufacturing industries.

***All *maquiladora* data derived from monthly census of all firms registered as *maquiladoras*.

Only two years later, 1995, the collapse of the peso drove down all Mexican manufacturing wages to a paltry $1.51 per hour (nine percent of comparable U.S. rates) and *maquila* manufacturing hourly wages to $1.17. Although these hourly wage rates rose moderately to $1.75 and $1.51 in 1997, they were 27.1 percent and 14.7 percent lower, respectively, than 1993 pre-NAFTA levels and rose only marginally in 1998 and 1999. Today, the take-home pay (after benefits) of a typical *maquila* worker employed by a Fortune 500 company is about $5.00 per day (Lindquist 2000; Moore 2000). These low wages are especially instructive because the manufacturing sector is the major beneficiary of high-tech, foreign investment. This trend is especially disconcerting to NAFTA supporters such as Philip L. Martin. An agricultural labor economist and specialist in Mexican migration, Martin (1993) asserted that illegal immigration would begin declining substantially after the wage gap between Mexico and the United States fell by about one-half, from its pre-NAFTA ratio of 8-to-1 to approximately 4-to-1. Today, at over 10-to-1, there is little discussion of a major reversal of this wage trend in the near future. This is because many U.S. companies are reluctant to increase labor compensation in their *maquilas* and some have even returned to the United States because of wage pressures and labor quality concerns.

For example, in the rapidly growing manufacturing economy of Guadalajara, Jalisco, the shortage of labor is partially attributed to the refusal of foreign corporations to raise wages; many *maquila* workers are employed temporarily simply to finance a trip to the United States. According to the manager of NatSteel, "Guadalajara's high-tech managers are so determined to keep salaries from inching up that they meet monthly to make certain [that] everyone is maintaining the going rate" (quoted in Lindquist 2000, 1). To make matters worse, the lack of discretionary income among the Mexican middle and working classes has attenuated the multiplier effect in terms of job growth by stifling the expansion of domestic consumer markets. This point is underscored by Salvador Placencia, who quit his job sewing Wal-Mart garments in 1999 to work on the family dairy, which lies in the outskirts of Guadalajara. "There's lots of jobs around now, but they don't pay much." Salvador is waiting for two of five brothers working in the United States to come home for a visit and then take him back with them because in "[Guadalajara] what you earn in one week doesn't even buy a pair of shoes" (quoted in Lindquist 2000, 1). As a result, the combination of rising expectations and falling wages has reinforced migratory pressures to *El Norte*—especially among more experienced and skilled/educated workers.

The disappointing record of NAFTA, which is failing to create sufficient numbers of jobs at adequate wage levels, is exacerbated by the difficulties arising from the continued concentration of investment along the U.S.-Mexican border or *la Frontera*. The ramifications of this issue were clearly understood during the NAFTA negotiations. According to President Clinton, during a White House meeting with past Chrysler CEO Lee Iacocca on October 20, 1993:

> If NAFTA passes, you won't have what you have now, which is everybody runs up to the *Maquiladora* line, gets a job in a factory and then runs across the line to get a better job. Instead there will be more uniform growth in investment across the country, and people will be able to work at home with their families. And over the period of the next few years, we will dramatically reduce pressures on illegal immigration from Mexico to the United States. (1993[a], 1)

This theme was reiterated by President Salinas during an October 1993 television interview with David Frost, "Today, Mexicans have to migrate to where jobs are being created, the northern part of our country. With NAFTA, employment opportunities will move toward where the people live, reducing drastically migration, within the country and outside of the country" (quoted in Forero 1993, 5).

Capital Mobility or Regional Integration: Are *Maquiladoras* Creating Jobs Or Low-Wage Laborers?

Unlike the initial promises of NAFTA, the spatial patterns of foreign investment in Mexico indicate only modest progress toward regional diversification. Today, approximately 75 percent of Mexico's *maquiladoras* and 80 percent of *maquila* workers are located in the border states. The top ten Mexican border cities account for 1,751 *maquilas* (54.7%) and 651,580 *maquila* workers (59.8%) in March of 1999. Although the last five years (1995-1999) have witnessed the establishment of more *maquiladoras* outside the border industrialization zones, they tend to be relatively small plants. In 1995, for example, 273 of 465 new *maquiladora* plants (58.8%) were located outside of the border region and were distributed among 24 of the 31 Mexican states. These include cities in the interior states such as Guanajuato, Guadalajara, Aguascalientes, Zacatecas, and San Luis Potosi that typically employ fewer than 1,000 workers (U.S. General Accounting Office 1999).

In comparison, the largest *maquiladoras* are concentrated in the border cities of *la Frontera* such as Nogales, Reynosa, Mexicali, and Nuevo Laredo. In fact, the twin-border cities of Tijuana-San Diego and Ciudad Juarez-El Paso alone account for 996 (9.2%) of all Mexican in-bond plants and 373,657 (34.3%) of all *maquiladora* workers in 1999! Overall, the U.S. General Accounting Office (1999) reports that nearly two-thirds (65.8%) of all *maquila* workers are employed in only three industrial sectors: electrical, electronic materials and accessories (279,988); textiles and apparel (232,745); and automotive equipment and accessories (204,531). Clearly, the Mexican government has not been successful in guiding the flow of FDI beyond the traditional border industrial parks or encouraging its diversification into other industrial sectors.

A third key issue of NAFTA concerns the gender distribution and household structure of the *maquiladora* work force. Overall, 70 percent of Mexican *maquila* workers are women, but there are major distributional differences by region: border plants have until recently hired almost exclusively women while the interior plants—especially auto *maquiladoras*—employ larger proportions of men. The preponderance of female workers in the border *maquilas* is largely a result of the industry policy of maintaining low wages, even below the levels of local white- and pink-collar jobs such as retail clerks, secretaries, and waitresses. This explains the high labor turnover of border *maquilas* (much greater than interior plants) and the continuous need to recruit teenage girls from southern states and, more recently, even older women with greater familial obligations (Moore 2000; Tiano 1994; U.S. Office of Technology Assessment 1992). Significantly, women's and community groups have been the most successful in organizing *maquila* workers by linking neighborhood and workplace issues such as housing, child care, safe drinking water, transportation, sexual harassment, health care, and environmental contamination. As labor "shortages" in *la Frontera* lead to the hiring of more older women (late 20s) with fewer paid work options, the politics of *maquila* work could result in greater demands for better wages and safer work/living conditions. The demands of a mature workforce, in turn, will intensify industry pressure to recruit even younger, more inexperienced female workers from interior provinces.

Not surprisingly, the male partners of female *maquila* workers frequently abandon the undersirable labor market of *la Frontera* and seek higher paying employment in the United States; the relatively low risk of crossing the border illegally is rewarded with high U.S. wages—regardless of industrial sector. In 2000, the Mexican daily minimum wage of less than $4 per day (depending upon currency exchange and locality of Mexico) is dwarfed by the U.S. federal minimum hourly wage of $5.15 ($5.75 in California). This led Vincente Fox, soon after his historic July 2, 2000, election to the Mexican presidency, to declare that "So long as a worker in Mexico earns $5 per day and a worker in the United States earns $60 [per day], immigration problems will continue" (quoted in Lindquist 2000, 1). Consequently, these peculiar employment dynamics of *la Frontera* not only contribute to increasing pressure on male household members to become undocumented workers in the United States but also to the emergence of binational households that are headed by single women in Mexico (Moore 2000; Tiano 1994; Chavez 1992).

A final issue concerns the impact of *ejido* reform (1992 amendment to Article 27 of the 1917 Mexican Constitution) on the modernization of the rural sector, which David Yetman has addressed in his article in this issue. This policy of encouraging the privatization of communal peasant landholdings was an historically unprecedented political precursor to the market-based, social and economic policies of NAFTA. By reducing tariffs on agricultural products such as corn, wheat, vegetables, and dairy products while simultaneously reducing farm

subsidy payments, the Mexican government sought to radically reform the "inefficiencies" of small-scale farming. The objective of this "revolutionary" privatization policy is to facilitate the transfer of small subsistence units to large agri-producers and increase the productivity of Mexican agriculture through economies of scale, mechanized technologies, and access to scarce sources of commercial credit.

The underlying assumptions of *ejido* reform are that displaced peasants would move to urban areas and become productive industrial workers while consuming cheap, imported foodstuffs. This policy would consolidate political support from U.S. farmers seeking new agricultural markets while previous *ejido* land would shift to producing cash crops such as sorghum for export markets (Snyder and Torres 1998; Gates 1996; Harvey 1996). In the process, the government would save billions of dollars in discontinued subsistence food and producer price-support subsidies as market forces rather than government intervention would determine the prices of consumer foodstuffs such as tortillas (Cornelius and Myhre 1998; Barry 1995; Fox 1994). In the short term, the major problem was how to accommodate the enormous waves of displaced peasants, with estimates that several million *campesinos* would have to be resettled during the first transitional decade (de Janvry, Gordillo, and Sadoulet 1997; Barry 1995; Hinojoso-Ojeda and Robinson 1992).

The initial concern that the *ejido* would be swiftly transformed and absorbed by commercial agri-business has not transpired. Instead, each *ejido* has produced a wide range of complex responses where the social, political, and economic importance of communal lands vary according to their unique socio-historical experiences. For instance, some researchers have found that participation in *ejido* organizations generates political capital for mobility into local government positions while others depend on the steady, low-risk financial returns for retirement. In some situations, *ejidos* provide community identity and cultural attachments for its members while more tenuous patterns are emerging in others where aging cohorts of *ejidatarios* are being succeeded by their children who have become established in the United States (Cornelius and Myhre 1998; Snyder and Torres 1998; de Janvry, Gordillo and Sadoulet 1997).

Ironically, the Mexican government's policy of destabilizing the *ejido* system has provoked fierce resistance from community members. By increasing the cost of living and reducing farm commodity prices, the "rational" response of *ejidatarios* has been to increase "investments" of household resources by allocating additional family members to employment activities in the United States. Indeed, the crisis of the Mexican *ejido* has increased the dependence of remaining household members on remittances sent by family workers in the United States, which are generally used for subsistence and consumer products as well as sources of rural investment and credit for coping with the economic uncertainty of NAFTA-era agricultural policies (Massey 1998; Massey and Espinosa 1997; Taylor 1992). This current situation is explained by an *ejidatario* in the Tlacuitapa

region of Jalisco, "Farming here is a very nice thing and it's a good way of life, but no way does it make a living. . . . The prices seem to go down and down each year. . . . If it weren't for my family in California sending money, we wouldn't have any choice but to go north to join them" (quoted in Collier 1998). Consequently, like earlier peasant struggles over land-tenure relations, the contemporary Mexican *ejido* system is not passively accepting a fundamental restructuring without a fight. In the long term, the current campaign to modernize the rural sector will spur population growth and reinforce historical patterns of legal and illegal labor migration to the United States. The most intriguing question is whether *ejidatarios* without a social tradition of labor migration to *El Norte* will pursue alternative economic strategies via inter-regional migration within Mexico or establish new migration streams to the United States.

Free Trade and Investment: Will Capital Mobility Reduce the Flow of Mexican Workers to the United States?

The underlying assumption of the political discourse over NAFTA is that free trade can facilitate international capital mobility to Mexico without a corresponding increase in the movement of labor to the United States. According to this view, the jobs created by the influx of foreign investment would be so desirable in terms of wages, benefits, and work conditions that Mexican workers would be reluctant to leave their families and migrate to the United States simply for higher wages. This logic is articulated by a General Accounting Office report that asserts,

> NAFTA does not provide for open borders or the complete freedom of movement for labor among participating countries. . . . In the long run, illegal Mexican migration to the United States should decrease if the Mexican economy can provide the jobs needed by an expanding domestic workforce. The implementation of NAFTA is ultimately expected to accelerate Mexico's economic development, thus helping alleviate emigration pressures. (1993, 5)

As explained previously, this view is based on several faulty premises. First, that the wage gap between the United States and Mexico would shrink because of increases in Mexican labor compensation. Instead, the initial six years of NAFTA have been characterized by economic volatility that has reduced real wages and thus reinforced the "rational" behavior of Mexican workers to seek employment in the stable labor market of the United States. Second, that Mexicans with "good" jobs lack the incentive to maximize their earning ability or enhance their standard of living by working in the United States. This perverse logic implies that, in a global era of mass marketing and rising consumer

expectations, Mexican workers lack the initiative to migrate in order to maximize their interests in a capitalist economy while corporations are constantly exploring new opportunities to maximize their profits through geographic relocation. Finally, that foreign investment would not distort existing social relations of the domestic labor market. By hiring almost exclusively women in the border *maquiladoras* in order to depress wages and undermine labor unions (NAFTA lacks enforcement powers against illegal, anti-union policies), this employment pattern has had a negative impact on traditional household structures. In the process, it has led to greater inter-regional migration of women to *la Frontera* to support their families as well as incentives for male household members to seek jobs in the United States.

The most instructive, longitudinal research on this topic has been conducted by Douglas S. Massey and his associates (Massey 1998; Massey and Espinosa 1997; Massey, Alarcon, Durand, Gonzalez 1990). According to Massey, the principal factor in the rapid growth of Mexican labor migration to the United States is the expansion of market-based economic relations between the two countries.[12] That is, out-migration is more likely from Mexican communities with high levels of industrialization and other forms of market-influenced economic activities. Additionally, this research indicates that labor migration is more closely linked to interest rates in Mexico than U.S. wage rates; restricted access to and high cost of credit leads Mexicans to seek work in the United States in order to accumulate funds both for consumption and investment in their native communities.

Significantly, the most wide spread social movement of the 1990s—the Mexican debtors' union or *El Barzon*—originated among small farmers in 1993 before gaining support among urban groups throughout the country; strikers have focused on the usurious interest rates charged by banks (including credit cards) and lack of available credit for small businesses and consumer groups while large corporations have received very favorable rates (Torres 1998). This is suggestive. The economic volatility of the early-NAFTA regime encourages the growing number of Mexicans enmeshed in the expanding market economy to formulate their household investment plans based on the stable earnings/saving environment of the United States. This leads Massey to conclude, "undocumented migrants do not come from the poorest and most backward Mexican communities, but from th[e] most dynamic and rapidly developing. The higher the wages in a person's community, and the higher the percentage of women employed in local manufacturing, the greater the probability of leaving on a first trip to the United States" (1998, 26).

Clearly, the available data show that the number of Mexicans migrating to the United States is climbing sharply—even after the enactment of NAFTA. For instance, in the most sophisticated enumeration of the illegal immigrant population in the United States, the Immigration and Naturalization Service (INS) estimated its size at between 4.6 and 5.4 million in October 1996 (INS 1997).[13]

Overall, the INS reported that over one-half (54%) of all illegals came from Mexico (2.5 to 2.9 million) and that the aggregate growth rate of undocumented immigrants was 28 percent during the preceding four years (1992-1996). This is especially important because illegal entry commonly constitutes the initial phase of the lengthy process of obtaining permanent residency. Not surprisingly, Mexico accounts for the largest number of legal immigrants. As Table 5 indicates, between 1994-1998, more than 643,000 Mexicans legally immigrated to the United States and their proportion of the annual total of U.S. legal immigrants is rising steadily.

Table 5

Legal Immigration from Mexico to the United States: 1994-1998

Fiscal Year	Mexican Legal Immigration*	Total Legal Immigration*
1994	13.8% (111,398)	100.0% (798,394)
1995	12.5% (89,932)	100.0% (720,461)
1996	17.9% (163,572)	100.0% (915,900)
1997	18.9% (146,865)	100.0% (789,378)
1998	19.9% (131,575)	100.0% (660,477)

Source: U.S. Immigration and Naturalization Service, 1999.
*Number of legal immigrants in thousands.

The expanding volume of Mexican migration to the United States is mirrored—albeit imprecisely—by recent trends in U.S. Border Patrol apprehensions. These data are presented in Table 6 by year (1992-1999) and border check-point. Over the last five years, apprehensions along the southwest border increased a moderate 25 percent, from 1.2 to 1.5 million. More striking, however, is the dramatic fluctuation in apprehension levels at the different check-points; note, some variation is a result of changing Border Patrol deployment strategies. This dynamic pattern suggests that Mexican migrants are more quickly reacting to Border Patrol enforcement strategies. As a result, there may be lags in devising effective deployment responses to this highly mobile population that may lead to small short-term and large cumulative underestimates of the volume of illegal migrants at the border.

Although the U.S. immigration enforcement resources are concentrated along the Canadian and especially, the Mexican border, which accounts for the overwhelming proportion of INS apprehensions, recent research indicates that a growing number of illegal immigrants are arriving via other ports of entry. Indeed, an important implication of the development-migration connection is the class composition of contemporary migration flows. According to the INS (1997), an estimated 41 percent of the illegal resident population originally

Table 6
Border Patrol Apprehensions:*
1992-1999

	1992	1993	1994	1995	1996	1997	1998	1999
Del Rio, Texas	33.4	42.3	50.0	76.5	121.1	113.3	131.1	156.7
El Centro, California	29.9	30.1	27.7	37.3	66.9	146.2	226.7	178.3
El Paso, Texas	248.6	285.8	79.7	111.0	145.9	124.4	125.0	87.0
Laredo, Texas	72.4	82.4	73.1	93.3	131.8	141.9	103.4	89.0
McAllen, Texas	85.9	109.0	124.3	169.1	210.6	243.7	204.3	133.5
San Diego, California	565.6	531.7	450.2	524.2	483.8	283.9	248.1	146.2
Tucson, Arizona	71.0	92.6	139.5	227.5	305.3	272.4	387.4	352.8
Yuma, Arizona	24.9	23.6	21.2	20.9	28.3	30.2	76.2	72.4
South West Border	1,516.7	1,145.6	1,212.9	979.1	1,271.4	1,507.0	1,368.7	1,537.0
U.S. Total	1,555.8	1,199.6	1,263.5	1,031.7	1,324.2	1,549.9	1,411.9	1,225.7

Source: U.S. Department of Justice, Immigration and Naturalization Service, September 1999.

*Number of apprehensions in thousands. These statistics include the apprehension of the same individuals more than once.

entered the country legally at airports and other entry points but then overstayed their temporary visas. This new pattern, however, is not reflected in the allocation of INS enforcement resources. The Border Patrol received substantial funding increases in the 1990s while the U.S. Congress has not authorized sufficient personnel for augmenting overburdened INS investigative staffs within the continental United States. Even today, U.S. Congressional authorizations extol the virtues of "beefing up" the Border Patrol while neglecting the rapid increase of illegal overstayers. Again, this is not a trivial issue. Since middle- and upper-middle-class immigrants are more likely to enter the United States by air transportation, contemporary INS enforcement policies essentially regulate the low-wage, working class migrants who cross the border by land while neglecting the more educated, middle-class immigrants who fail to return to their native

countries after the expiration of tourist or student visas. In the case of Mexico, the rapid growth of the NAFTA-fueled economy will lead to increasing numbers of visa overstayers who will not be accurately reflected in INS apprehension or legal immigration statistics.

Conclusion

Examination of both short- and long-term demographic and economic trends indicate that Mexican migration to the United States will continue to increase through at least the next two decades. Although both U.S. and Mexican politicians have argued that NAFTA will substantially reduce illegal immigration, the reality has so far failed to match the promises of their political rhetoric. NAFTA has not generated enough jobs at sufficient wages to significantly deter the ever-expanding pool of Mexican migrant workers from seeking employment in the United States. As Andres Rozenthal, Deputy Foreign Minister of Mexico, acknowledged in November 1994, the government has not been very interested in discouraging Mexicans from searching for work in the United States since "In times of economic difficulty, migration has acted as a safety valve for the Mexican economy" (cited in Walker 1994).

Unlike the economic crisis of the early-1980s, which drove hundreds of thousands of unemployed Mexicans to search for work in the United States, the NAFTA era features relatively sustained rates of growth (except for 1995) and a dynamic manufacturing sector. Nevertheless, this period has been characterized by higher rather than lower levels of Mexican emigration because of rising consumer expectations and falling industrial wages. Furthermore, the tenacity of the peasant resistance to the transformation of the *ejido* system is increasing the rural dependence on family members' remittances from the United States. This will continue high fertility rates in the rural sector as well as the reliance on household members' participation in labor migration networks.

Overall, the result is a widening gulf between the demographic bulge of new workers and the economic reality of modest job growth. For Mexican Senator Adolfo Aguilar Zinser, the post-NAFTA responses to this mounting social crisis is predictable because "The [Mexican] government's economic policy is dependent on unlimited emigration to the United States" (cited in Collier 1998). And, this policy reinforces future out-migration pressures as social inequality increases in areas of high emigration due to the departure of the economically successful. Furthermore, even those interior states with growing numbers of *maquiladoras* may experience increased emigration in the future. This is because macro-economic fluctuations may send *maquila* workers to the United States following wage-cuts and employment layoffs.

The changing patterns of economic development that have been accelerated by NAFTA have also produced new flows of Mexican migrant workers. The result is a dramatic increase in Mexican immigration to areas without a pre-existing Mexican population—especially in the states in the Midwest and Deep

South. This trend is mirrored in the profusion of journalistic reports of new Mexican communities in Colorado, Nebraska, Ohio, New York, North Carolina, Virginia, Kentucky, Alabama, Georgia, and Florida. From the burgeoning urban population of New York City (estimated at over 300,000) to the nascent rural communities of Appalachia and Midwestern meat-packing towns, expanding networks of Mexican immigrants are seeking their NAFTA dream in unknown territories of *El Norte*—even in the shadow of the U.S. capital. And, these are not the poorest of the rural poor, as growing numbers of skilled urban workers and even college graduates are joining *campesinos* and *maquila* veterans in the journey to the United States. In the case of Mexico, the economic contradictions of neoliberal policies like NAFTA suggest that the promise of *trabajo* may be more likely realized in a Delaware poultry farm than an electronics assembly plant in Oaxaca.

Notes

Financial support from the Center for Immigration Studies, Washington, D.C., is gratefully acknowledged during the senior author's residence as the 1999-2000 Luce Fellow. The meticulous research assistance of Ms. Liana Prieto is most appreciated.

1. The Mexican architect of NAFTA, President Carlos Salinas de Gortari, aggressively attacked the historic social and political foundations of capital-labor relationships by attacking urban trade unions, reducing publicly subsidized goods and services to the poor, and dramatically altering national investment/industrial ownership patterns by permitting foreign ownership of domestic companies. According to Ilan Semo, the Salinas Administration "embark[ed] on a neoliberal shock policy [in 1991] based on strict compliance with the recommendations of the IMF: fiscal discipline, privatization of public enterprises,wage freeze, reduction of the deficit, free trade, and encouragement of foreign investment" (1996, 121). In the *campo* or countryside, this featured the revolutionary reform of land tenure relations through the privatization of collectively-owned rural land or *ejidos*. This policy was designed to stimulate investment and thus the rationalization of the farm sector by rupturing historic family ties to communal lands (Yetman this issue; Snyder and Torres 1998; Cornelius and Myhre 1998; Harvey 1996). Significantly, Salinas was the leading candidate for the presidency of the WTO until the late-1994 collapse of the Mexican peso led to his political disgrace and self-exile in Dublin.

2. Government officials of the Clinton and Salinas administrations actively sought to politically marginalize U.S. opponents of NAFTA as representatives of relatively small political interest groups (labor, environment, human rights) or obstructionists to the new global economic order. In addition to the U.S.-Mexican Chamber of Commerce and the World Bank, many politically conservative and moderate research centers in Washington, D.C., actively promoted NAFTA and criticized its opponents. These include the American Enterprise Institute, Brookings Institution, Cato Institute, Heritage Foundation, and the Institute for International Economics. See Karen Hansen-Kuhn (1997), Thea M. Lee (1995) and William McGaughey (1992).

3. President Carlos Salinas, officials of his Partido Revolucionario Institucional (PRI) or Institutional Revolutionary Party, and Mexican business leaders aggressively mobilized political support for NAFTA. They appealed to Mexican nationalism for passage of NAFTA and portrayed U.S. opponents as "reactionary forces" seeking to perpetuate Mexico's underdevelopment and economic subordination. See Adolfo Aguilar Zinser (1992).

4. The impact of economic globalization on specific countries depends upon the historically negotiated relations between capital and labor. In Japan, for example, it has profoundly altered the social relations of capital accumulation by legitimating the rapid pace of labor market reorganization. Traditionally, Japanese corporations have accepted a lower rate-of-profit in exchange for labor stability by offering permanent employment. Today, labor market reorganization (layoffs, forced retirement) has had a devastating impact on many unemployable older workers and their families. For an examination of the U.S. industrial restructuring and the attendant processes of labor market reorganization have profoundly impacted the political economy of U.S. capital accumulation, see Manning (1989, Chapter 5; 2000, Chapter 2).

5. The sharp devaluation of the Mexican peso in December 1994, which led to the $52 billion multilateral loan "bail-out" package, effectively overwhelmed the proposed 15-year phase-out of

Mexican tariffs on imported products. This abruptly increased the cost of Mexican imports paid in pesos and dramatically reduced the cost of Mexican exports paid in dollars or other national currencies. In essence, the wide vacillation in currency exchange values essentially undercut the existing tariff system established by NAFTA (McMillion 1999; Beckman 1997; Peters 1996).

6. The Foreign Investment Law of Mexico specifies the extent of foreign ownership of corporations by industrial sector in Mexico. For example, new petrochemical plants can be wholely-owned (100%) by foreign corporations, whereas existing state-owned (PEMEX) plants are limited to 49 percent of foreign participation. For listings of foreign exclusionary and nonexclusionary industrial sectors for investment in Mexico, see "Business Opportunities in Mexico" at www.mib.org.mx.

7. For discussions on how Mexico's dependence on foreign investment has increased speculator and investor influence on the Mexican economy, see Charles W. McMillion (1999), Karen Hansen-Kuhn (1997), Gustavo del Castillo (1996), Enrique Dussel Peters (1996), and Thea M. Lee (1995).

8. The "twin-border" assembly plants or *maquiladoras* were established through the creation of the Border Industrialization Program (BIP) in 1965 following the termination of the Mexican contract labor or "Bracero" program (1942-1964). The growing number of unemployed Mexican farm workers along the border aroused the concern of the U.S. government. Tariff items 806.30 and 807.00 were enacted to generate employment opportunities along the border in an attempt to diffuse this potentially volatile situation. These tariff codes permit the export of unfinished products from the United States, such as electrical parts, and then allow their re-importation as finished goods from Mexico tariff free—except for the value added—typically only low-wage assembly costs. Hence, *maquiladoras* connect the tariff free flow of unfinished parts from U.S. plants to their Mexican counterparts across the border (for low-wage assembly) and then back as finished products upon their re-importation to the United States. This explains the spatial pairing of border cities such as San Diego and Tijuana. See Gereffi (1996).

9. The author's field research in Mexico (1992-1997) compared consumer prices of the same corporate retailer in its stores in the United States and in Mexico City. Consumer prices were generally the same in Mexico as in the United States but sometimes considerably higher. One factor for the higher retail prices in Mexico is the much greater sales taxes (IVA). Even so, after the devaluation of the peso in December 1994 and the erosion of real wages after NAFTA, consumer prices of imported goods tend to be much more expensive in pesos than their pre-NAFTA prices. This is reflected in the preference of *maquila* workers along the border to patronize U.S. retailers than shop in Mexican stores. See also Gereffi (1996) on the limited growth of domestic production of consumer goods and Mexican retailers.

10. During the first six years of NAFTA, the United States registered total current account losses to Mexico of -$118 billion while Mexico's other trading partners enjoyed a current account surplus of $190 billion (McMillion 1999). This seeming contradiction of greater trade exports and greater outflow of capital from Mexico reflects unfavorable internal pricing and profit repatriation of multinational corporations in Mexico as well as unfavorable currency exchange that has dramatically increased the cost of capital equipment purchases (e.g., auto manufacturing plants)—especially from Japan and Southeast Asia. This underscores the vulnerability of the Mexican neoliberal economic model due to limited industrial integration (Gereffi 1996). It also illuminates the important role of the international narcotics trade in stabilizing the Mexican economic system by augmenting its deteriorating current account balance through the circulation and investment of its billions of dollars of profits.

11. The National Minimum Wage Commission of Mexico raised the minimum wage effective December 3, 1998. For example, zone A, which includes Mexico City, was set at $34.45 pesos (U.S. $3.44) while zone C, which includes the rural state of Michoacan (the major source of emigration to U.S.) was set at $29.7 pesos (US $2.97). The National Minimum Wage Commission of Mexico raised the minimum wage effective January 1, 2000. For example, zone A which includes Mexico City, was set at $37.90 pesos (U.S. $3.91) while zone C which includes the rural state of Michoacan (major source of emigration to U.S.) was set at $32.7 pesos (U.S. $3.37).

12. Massey reports that the absolute number of Mexicans migrating to the United States has escalated sharply over the last two decades. He contends that the circular pattern of Mexican labor migration is responsible for the relatively small proportion of permanent settlers, although it has been increasing in the 1990s. Massey's extensive research and publications on this topic are summarized at www.pop.upenn.edu/mexmig.

13. This figure does not include the children of undocumented immigrants who were born in the United States.

References

Aguilar Zinser, Adolfo. 1992. "El Tratado de Libre Comercio, Dimension Politica," in Barbara Driscoll de Alvarado and Monica C. Gambrill, eds., *El Tratado de Libre Comercio, Entre el Viejo y el Nuevo Orden.* Mexico City.

American Chamber of Commerce. 1999. "Stats That Stick," November 3, 1999. Available at www.amcham.com.mx.

Banco Interamericano de Desarrollo. 1996. *Impacto de las Tendencias Demograficas Sobre los Sectores Sociales en America Latina.* Santiago.

Barry, Tom. 1995. *Zapata's Revenge: The Farm Crisis in Mexico.* Boston.

Beckman, Steve. 1997. Statement to the United States International Trade Commission Investigation 332-381, The Impact of the North American Free Trade Agreement on the U.S. Economy and Industries: A Three Year Review. (May 15).

Calavita, Kitty. 1996. "The New Politics of Immigration: 'Balanced-Budget Conservatism' and the Symbolism of Proposition 187," *Social Problems.* 43:3.

Castaneda, Jorge G. 1995. *The Mexican Shock, Its Meaning for the U.S.* New York.

Castells, Manuel and Roberto Laserna. 1994. "The New Dependency: Technological Change and Socio-economic Restructuring in Latin America," in A. Douglas Kincaid and Alejandro Portes, eds., *Comparative National Development, Society and Economy in the New Global Order.* Chapel Hill, N.C.

del Castillo, Gustavo. 1996. "NAFTA and the Struggle for Neo-liberalism," in Otero, ed., *Neo-Liberalism Revisited.*

CEPAL (Economic Commission on Latin America and the Caribbean). 1999. "Mexico is Region's Second Largest Recipient of Foreign Direct Investment." www.cepal.org.

Chavez, Leo. 1992. *Shadowed Lives: Undocumented Immigrants in American Society.* New York.

Clinton, William J. 1993[a]. "Remarks by the President at NAFTA Products Event." The White House, Office of the Press Secretary. October 20.

_____. 1993[b]. "Remarks by the President During 'A California Town Hall Meeting'." The White House, Office of the Press Secretary. October 3.

_____. 1993[c]. "Remarks by President Clinton, President Bush, President Carter, President Ford, and Vice President Gore in Signing of NAFTA Side Agreements." The White House, Office of the Press Secretary. September 14.

Collier, Robert. 1998. "NAFTA Gives Mexicans New Reasons to Leave Home." *The San Francisco Chronicle.* October 15.

Commission on Immigration Reform. 1997. *Migration Between the United States and Mexico, A Report of the Binantional Study on Migration.* Mexico. Immigration Reform, Mexico.

Cornelius, Wayne A. and David Myhre, eds. 1998. *The Transformation of Rural Mexico, Reforming the Ejido Sector.* La Jolla, Calif.

Darling, Juanita. 1993. "Mexico's Angst over NAFTA: Workers Are Torn as Many Have Lost Their Jobs in Previous Attempts to Open Up Markets." *Los Angeles Times.* October 17.

Dreiling, Michael C. 2000. "The Class Embeddedness of Corporate Political Action: Leadership in Defense of the NAFTA." *Social Problems.* 47:1.

El Financiero. 1999. "Number of Strikes Falls 13.2% in 1998." *El Financiero.* January 10.

_____. 1998. "October Manufacturing Employment Up 5.3%." *El Financiero.* January 11.

Focus Mexico. 1997. *Maquila Suppliers Handbook.* El Paso.

Forero, Juan. 1993. "The Immigration Issue: Backers Say That Given Time, NAFTA Will Stem the Flow of Illegal Migration into the United States By Spurring Jobs in Mexico." *The San Diego Union-Tribune.* November 14.

Fox, Jonathan. 1994. "Political Change in Mexico's New Peasant Economy," in Maria L. Cook, Kevin J. Middlebrook, and Juan Molinar Horcasitas, eds., *The Politics of Economic Restructuring.* La Jolla, Calif.

Gates, Marilyn. 1996. "The Debt Crisis and Economic Restructuring: Prospects for Mexican Agriculture." in Otero, ed., *Neo-Liberalism Revisited.*

Gereffi, Gary. 1996. "Mexico's 'Old' and 'New' Maquiladora Industries: Contrasting Approaches to North American Integration," in Otero, ed., *Neo-Liberalism Revisited.*

Gestrin, Michael and Leonard Waverman. 1994. "Extension of NAFTA to Latin America," in Rugman, Alan M., ed., *Foreign Investment and NAFTA*, Columbia, SC.

Gordon, David M., Richard Edwards and Michael Reich. 1984. *Segmented Work, Divided Workers, The Historical Transformation of Labor in the United States.* Cambridge, Mass.

Hansen-Kuhn, Karen. 1997. "Clinton, NAFTA and the Politics of U.S. Trade." *NACLA Report on the Americas.* 31:2 (September/October).

Harvey, Neil. 1996. "Rural Reforms and the Zapatista Rebellion: Chiapas, 1988-1995," in Otero, ed., *Neo-Liberalism Revisited.*

Hinojosa-Ojeda, Raul and Sherman Robinson. 1992. "Labor Issues in a North America Free Trade Area." in Lustig, Bosworth, and Lawrence, eds., *North American Free Trade.*

Hufbauer, Gary and Jeffrey Schott. 1992. *North American Free Trade: Issues and Recommendations.* Washington, D.C.

_____. 1993. *NAFTA, An Assessment.* Washington, D.C.

Inter-American Development Bank. 1996. *Integration and Trade in the Americas: Periodic Note.* Washington, D.C.

International Monetary Fund. 1998. Direction of Trade Statistical Yearbook. Washington, D.C.

de Janvry, Alain, Gustavo Gordillo, and Elisabeth Sadoulet. 1997. *Mexico's Second Agrarian Reform, Household an Community Responses, 1990-1994.* La Jolla, Calif.

Johns, Brian. 1993. "NAFTA Answers Immigration Problem, Salinas Says." *Journal of Commerce.* September 22.

Lee, Thea M. 1995. "False Prophets: The Selling of NAFTA." Washington, D.C.

Lindquist, Diane. 1999. "NAFTA's Bittersweet Boom." *San Diego Union-Tribune.* July 31.

Lustig, Nora, Berry P. Bosworth, and Robert Z. Lawrence, eds. 1992. *North American Free Trade: Assessing the Impact.* Washington, D.C.

McGaughey, William. 1992. *A U.S.-Mexico-Canada Free-Trade Agreement, Do We Just Say Not?* Minneapolis.

McMillion, Charles W. 1999. *Assessing Nafta: What Is So Different About US-Mexico Trade Six Years After Nafta?* Washington, D.C.

Manning, Robert D. 2000. *Credit Card Nation.* New York.

_____. 1989. "*U.S. Industrial Restructuring, Immigrant Workers, and the American State: The Political Economy of Mexican Migration.*" Ph.D. dissertation, Department of Sociology, Johns Hopkins University, Baltimore, Maryland, Chapter 5.

Marshall, Ray. 1993. "The Implications of the North American Free Trade Agreement for Workers." *CIS BACKGROUNDER*, 2-93. Washington, D.C.

Martin, Philip L. 1993. *Trade and Migration: NAFTA and Agriculture.* Washington, D.C.

Massey, Douglas S. 1998. "March of Folly: U.S. Immigration Policy After NAFTA," *The American Prospect.* (March/April).

Massey, Douglas S. and Kristin E. Espinosa. 1997. "What's Driving Mexico-U.S. Migration? A Theoretical, Empirical, and Policy Analysis." *American Journal of Sociology.* 102:4.

Massey, Douglas S., Rafael Alarcon, Jorge Durand, and Humberto Gonzalez. 1990. *Return to Aztlan, The Social Process of international Migration from Western Mexico.* Berkeley, Calif.

Millman, Joel. 2000. "A New Future for Mexico's Workers: Hot Job Market Eases Pressure to Emigrate." *Wall Street Journal.* April 14.

Moore, Molly. 2000. "Irma's Dream: Life and Death on Mexico's New Frontier." *The Washington Post.* June 25.

National Minimum Wage Commission (Mexico). 2000. "Doing Business in Mexico—Labor." Available at www.nafta-mexico.org.

Otero, Gerardo. 1996. *Neoloiberalism Revisited: Economic Restructuring and Mexico's Political Future.* Boulder, Colo.

Perry, Guillermo. 1994. "Fiscal Reform, Structural Adjustment, and the New Role of the State in Latin America," in Coplin I. Bradford, Jr., ed., *Redefining the State in Latin America.* Paris.

Peters, Enrique Dussel. 1996. "From Export-Oriented to Import-Oriented Industrialization: Changes in Mexico's Manufacturing Sector, 1988-1994," in Otero, ed., *Neo-Liberalism Revisited.*

Pfister, Bonnie. 1999. "NAFTA Logs Mixed Impact." *San Antonio Express-News.* January 2.

Reich, Robert B. 1991. *The Work of Nations: Preparing Ourselves for 21st-Century Capitalism.* New York.

Reno, Janet. 1993. "Consider NAFTA A Border Control Too For Immigration: Expansion of Job Opportunities in Mexico is the Only Long-Term Answer." *Los Angeles Times.* October 22.

Rugman, Alan M., ed. 1994. *Foreign Investment and NAFTA.* Columbia, S.C.

Semo, Ilan. 1996. "The Mexican Political Pretransition in Comparative Perspective," in Otero, ed., *Neo-Liberalism Revisited.*

Snyder, Richard and Gabriel Torres, eds. 1998. *The Future Role of the Ejido in Rural Mexico.* La Jolla, Calif.

Taylor, J. Edward. 1992. "Earnings and Mobility of Legal and Illegal Immigrant Workers in Agriculture." *American Journal of Agricultural Economics.* 74.

Tiano, Susan. 1994. *Patriarchy on the Line: Labor, Gender, and Ideology in the Mexican Maquila Industry.* Philadelphia.

Torres, Gabriel. 1998. "The El Barzon Debtors' Movement: From the Local to the National in Protest Politics," in Cornelius and Myhre, eds., *The Transformation of Rural Mexico.*

U.S. Bureau of Census. 1999. "Mexico, Demographic Indicators," International Data Base. Available at www.census.gov/cgi-bin/ipc/idbsum.

U.S. Department of Commerce. 1999. "U.S. Total Trade Balances With Individual Countries, 1991-98, U.S.-Mexican Auto Trade (Table)." Available at www.ita.doc.gov/industry.

U.S. Department of Justice. 1999. "Border Patrol Apprehensions." Immigration & Naturalization Service. (September). Available at www.ins.usdoj.gov.

_____. 1997. "Illegal Alien Resident Population." Immigration & Naturalization Service. Available at www.ins.usdoj.gov.

U.S. Department of Labor. 1999. "Mexico, Hourly Compensation Costs for Production Workers in Manufacturing," unpublished statistics, Bureau of Labor Statistics, Office of Productivity and Technology. (May).

U.S. General Accounting Office. 1999. *U.S.-Mexico Border: Issues and Challenges Confronting the United States and Mexico*. Washington, D.C.

_____. 1993. *North American Free Trade Agreement : A Focus on Substantive Issues*. (T-GDD-93-44) Washington, D.C.

U.S.-Mexico Chamber of Commerce. 1998. "The North American Free Trade Agreement (NAFTA) At Four Years: What It Means For the U.S. and Mexico." Available at www.usmcoc.org.

U.S. Office of Technology Assessment. 1992. *U.S.-Mexico Trade: Pulling Together or Pulling Apart?* Washington, D.C.

Walker, S. Lynne. 1994. "Anti-Immigrant Sentiments Worry Nation." *The San Diego Union-Tribune*. November 11.

World Bank. 1999. "The World Bank Group—Development Data: Country Data." Available at www.worldbank.org/data.