

TESTIMONY ON THE U.S. AND MEXICO: IMMIGRATION POLICY  
AND THE BILATERAL RELATIONSHIP  
BEFORE THE U.S. SENATE COMMITTEE ON FOREIGN  
RELATIONS

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My name is Arturo Valenzuela. I am a Professor of Government and Director of the Center for Latin American Studies in the Edmund a Walsh School of Foreign Service at Georgetown University. In the first administration of President William Jefferson Clinton I served as Deputy Assistant Secretary in the U.S. Department of State where my primary responsibility was the formulation and implementation of U.S. policy towards Mexico. In President Clinton's second term I served as Special Assistant to the President for National Security Affairs and Senior Director for Inter-American Affairs at the National Security Council where I also focused considerable attention on U.S. relations with Mexico at a time when that country moved through a political transition of historic dimensions.

Mr. Chairman, over the last two decades the relationship between the United States and Mexico has grown in visibility, scope and complexity, becoming one of the most important bilateral relationships for the United States in the world. In its 1999 polling of elite public opinion, the Chicago Council on Foreign Relations found that Mexico tied in third place with Russia, just below Japan and China, at the top of a list of countries with which the U.S. has "vital interests." President George W. Bush scheduled his first foreign trip to Mexico and proclaimed "the United States has no more important relationship in the world than our relationship with Mexico.... We are united by values and carried forward by common hopes."

Mexico's growing importance for the United States is a reflection of fundamental changes that have taken place in Mexico and the world economy, changes that have accentuated the integration of both countries. In 1950, Mexico was a semi-authoritarian largely rural country of 25.8 million people with a life expectancy of 49 years and only half its population literate. Today, Mexico is an overwhelmingly urban competitive democracy with close to 100 million inhabitants, a life expectancy of 69 years and a literacy rate of 87%. It is the eleventh most populous country in the world with an economy that ranks among the fifteen largest. Its relative standing vis-à-vis the United States can be appreciated by the fact that the U.S. population fell short of doubling since 1950 while Mexico's quadrupled. Although the Mexican birth rate has dropped substantially in recent years, it remains much higher than that of the United States.

As Mexico moved from a closed to an open economy the United States has absorbed over 80% of Mexican exports. With the approval of the North American Free Trade Agreement, Mexico became the third largest export market for the United States and an important destination for U.S. direct investment. U.S. Mexico trade is now \$232 billion; three times what it was before NAFTA. The long 2000-mile border, the busiest in the world, has over three hundred and forty million legal crossings a year, suggesting the growing integration of border communities.

Mexico accounts for 25% of the significant increase in foreign-born residents of the United States, the largest share of that category that any country has had since 1890 when Germans accounted for 30% of all residents born abroad. In turn, Mexican migration is the driving force behind the surge of the Latino population in the United States, which at 37.4 million has become the largest "minority" in the country, over 60%

of whom are natives of the United States. It is estimated that about 66% of the total Latino population (25 million) are of Mexican origin. Mexicans also constitute the largest number of immigrants who entered the country illegally, perhaps as many 5 million of an estimated 7 million undocumented workers.

This increase in commerce, population movements and migration has been accompanied by economic and cultural changes that have brought benefits to both countries and are rapidly transforming both societies. Employment in the United States has been an important outlet for Mexico's population whose per-capita income is a fifth of that of its neighbor to the north and has 40 million citizens living in poverty. Mexico in turn has supplied labor in critical areas of the U.S. economy, at a time when the population is aging and the United States faces the imminent retirement of the baby boom generation. But growing integration also poses numerous challenges including illegal immigration, unfair trade and labor practices, law enforcement problems, narcotics trafficking and environmental, health and security concerns.

Mexico's greater visibility in recent years on the Washington public policy agenda debate is a fairly new phenomenon. And yet it is important to stress that while Mexico commands far greater attention it is not central to U.S. foreign policy priorities and imperatives. Rather, policy towards Mexico is driven in fits and starts by a myriad domestic factors. It is a policy that is often diffuse, fragmented and contradictory, spread across numerous government agencies with little overall coordination and focus. The growing density of the relationship has resulted in increased efforts to institutionalize it as exemplified by the 14 working groups of the Bi-National Commission that brings cabinet members from both countries together every year. The very institutionalization

of the relationship, which helps to routinize it and manage more fully its complexity, has had the unintended consequence of further Balkanizing Mexico policy, losing sight of the overall national security and foreign policy priorities of the United States. To the fragmentation of U.S. policy at the federal level must be added a myriad of interactions at the state and local level particularly in the border region. More than with any other country in the world, policy towards Mexico is driven not by security or foreign policy imperatives, but by domestic considerations.

While the overall of engagement with Mexico is largely positive, it is also true that United States policy makers have not fully assimilated the implications for the United States of the profound changes taking place in Mexico and their relevance to fundamental U.S. interests. In an uncertain and dangerous world Mexico also needs to be conceptualized first and foremost in security and strategic terms. This means taking seriously the implications of the ongoing political, economic and social transformations taking place south of the Rio Grande, transformations that raise serious concerns about the short and mid-term ability of Mexico to prosper and consolidate its democratic institutions.

Although Mexico's transition to democracy has been less daunting than those of Eastern and Central Europe, the country is still forging the key institutions and practices of a competitive democracy and has a significant way to go in establishing the full rule of law. It is important to remember that the 1988 election in Mexico was deeply flawed and that as recently as 1994 Mexico saw the assassination of prominent political leaders, a guerrilla uprising in the South and a genuine struggle to ensure the legitimacy of the presidential contest in that same year. Political institutions have lagged behind the rapid

changes that have taken place in the Mexican economy and society and account in part for some of the failures of the Fox administration to advance needed economic, social and political reforms, including critical reforms in tax policy, energy, education, justice and broader reforms of the state. It is not an exaggeration to say that Mexican politics is facing a serious stalemate. A weak president without majorities in Congress and little control over his own party has had difficulty navigating a new political reality where opposition parties are also fragmented, authority is increasingly decentralized, and critical institutions such as the police and the judiciary are fragile and corrupt.

Policy paralysis and the absence of reforms threaten to undermine Mexico's economic progress. NAFTA and the fact that trade represents 40% of the Mexican GDP has helped to cushion the Mexican economy from the deeper economic crisis affecting other countries in the Western Hemisphere. Nonetheless, Mexico has not experienced sustained real per capita growth since 1980. The cycle of economic crises, which usually coincide with the end of presidential terms of office, may not have been broken with Zedillo's successful transfer of power to Fox. Fox, who promised 7% growth rates, has presided over a decline in real per-capita income as Mexican's fear that their export engine is being threatened by the booming Chinese economy. In particular, Mexico's inability to implement fiscal reform in a country where tax revenues account for only 12% of the national product has severely hampered the country's ability to become fully competitive internationally.

It is not hard to articulate why the relationship with Mexico is of such "vital interest" to the United States. A prosperous and stable Mexico is essential to the well-being and security of the United States. Should the Mexican political transition succeed

and Mexico's economy prosper, the United States stands to gain from trade and economic integration while experiencing a reduction in the pressures for illegal migration. A prosperous Mexico can help improve living standards in Central America and the Caribbean and provide leadership to what is currently the most peaceful continent in the World. Should the Mexican political transition falter and the Mexican economy stagnate the costs to the United States could be enormous.

U.S. officials should not confuse the will of the Mexican authorities to undertake certain steps with their capacity to respond or cooperate. This is particularly true in the law enforcement and judicial areas. The will may very well be there but the capacity, in a context of archaic institutions and rapid social and political change, may be woefully lacking. Or, Mexican officials like their U.S. counterparts may simply not have the political and public opinion support to carry out an unpopular policy the U.S. wishes to implement. By pressuring Mexico because of poor performance in certain areas, the U.S. may unwittingly undermine those very elements in the Mexican government and broader political establishment, including the opposition, that have a commitment to improving institutional capacity and cooperation with the United States.

In cooperating with Mexico to help the country steer the right course, U.S. officials must be mindful not only of the fact that Mexico is going through a difficult transition where democratic institutions are not yet fully in place, but also that Mexico is a sovereign country acutely sensitive for historical reasons to an overbearing U.S. presence. Indeed, on certain issues, including the rights of migrants, the death penalty, or the role of international organizations and conventions, Mexico has and will differ with United States policy. That difference should not be interpreted as a betrayal on the

mistaken presumption that U.S. Mexican relations should be based on an acceptance by the latter of U.S. policy in order to deserve U.S. friendship.

The relationship with Mexico needs to be based on trust, but also on a mutuality of interests that are not held hostage to disagreements in other areas. The souring of the promising U.S. Mexican dialogue initiated by the Bush administration because Mexico did not go along with U.S. preferences in the U.N. Security Council regarding the war with Iraq is a case in point. It sent a message that the U.S. views progress on bilateral issues with Mexico as concessions that are subject to Mexico agreeing with U.S. foreign policy priorities, rather than essential steps that also advance U.S. interests. Ironically, the effect of U.S. actions and the personal recriminations that were levied against Fox contributed to undermining Fox' standing in Mexico, weakening his capacity to press his reform agenda and jeopardizing U.S. interests. It is tragic that the Bush administration lost its footing on Mexico, and indeed on the broader interests the United States has in the Hemisphere.

What should be the general thrust of U.S. policy toward Mexico? To the credit of President's Bush and Fox in their early conversations they identified the two key neuralgic issues for both countries in the years ahead, issues that are intimately related: the vast asymmetry in the standard of living of the two countries and the problem of migration and labor mobility.

Like other Latin American countries Mexico followed an import substitution strategy of economic development, protecting infant and state sponsored enterprises from competition. The policy was successful in promoting growth and industrialization. Mexico grew on average of 6% per year from the 1940s through the 1970s and industrial

growth rates were higher. That policy was not sustainable, however, as it spawned inefficient industries and over-bloated state institutions with widening deficits. Mexico was able to stave off the vulnerabilities of its economic model through increased oil production—but an over reliance on oil and international borrowing coupled with weak macro-economic discipline contributed to the economic crisis of the 1980s. As a response, Mexico set into place some bold new initiatives to open its economy and seek a trade agreement with the United States. U.S. policy also moved away from “aid” to “trade” as the key engine of growth that would parallel new policies aimed at assuring fiscal and monetary discipline and the downsizing of the state.

In the aftermath of the serious economic crises that have hit Latin America in the late 90s many observers are reassessing the reforms of the 90s. Growth has not occurred automatically despite significant economic reforms and privatizations. As a result, today far more attention is being paid to the quality of institutions and the transparency of rules and procedures. And, many observers of Mexico, which has gone farther than any other country in Latin America in encouraging trade, are beginning to question whether trade alone will suffice, if the domestic economy does not show stronger signs of growth. The serious downturn of 1995 exposed the weakness of the Mexican banking system and continuous problems of lack of transparency. At the same time it has highlighted the weakness of investment in infrastructure, in effective state institutions and in education as an essential element in promoting sustainable growth. Mexico’s greatest challenge is not simply privatization and the opening of markets—it is in laying the foundations for competitiveness in an era of globalization.

The Partnership for Prosperity signed by the two presidents did reflect a new emphasis. It responds to Mexico's urging the U.S. and Canada to take a leaf out of the European experience where large investments were made by the richer countries in the poorer countries of the European Union, such as Spain and Portugal that were also primarily labor exporting countries. Massive transfers of resources helped to level the playing field in Europe bringing up the standards of living of the poorer countries and setting the groundwork for common economic and monetary policy. While not envisioning a similar process of integration, Mexico has underscored that the integration of North America will not be successful until the disparities in standards of living are reduced.

The problem to date is that the Partnership for Prosperity includes no real tangible commitment from the United States. Private investment, a central feature of the scheme, can only work with substantial public investment and the Bush administration has been long on rhetoric and short on substance regarding real efforts to support Mexico. The imaginative initiative embodied in the New Millennium challenges would simply not apply to a country such as Mexico. In short, U.S. policy must couple a push for reforms, trade and private initiative with greater attention to investment in infrastructure and education.

Although there is considerable controversy over the degree to which illegal immigrants in the United States generate wealth or are a public burden, both in terms of law enforcement and social service expenditures, the costs to the U.S. are likely to increase if Mexicans can't find gainful employment at home. At the same time the opportunities for Americans to sell to 100 million Mexicans next door will be less if the

purchasing power of the average Mexican does not increase. A genuine Partnership for Prosperity is needed with substantial and real commitments over the median term. At time when U.S. willing to spend 87 billion with little debate to secure Iraq, some thought needs to be given to the importance of ensuring the long term viability of a country with which the United States has “the most important” relationship in the world. Needless to say, any substantial commitment from the United States needs to be coupled by tangible reforms in Mexico particularly in energy and tax policy.

On immigration both president’s signaled at the beginning of the Bush administration that they were prepared to break the mold and seek genuine immigration change. It is clear that the U.S. economy has benefited enormously from migrant labor. And yet, U.S. immigration laws, rather than protecting American jobs, tolerates a two-tiered labor market, one with no labor rights, poor working conditions, insufficient wages and no rights to organize. High level conversations between both countries centered on accomplishing two objectives: instituting a temporary worker program that would permit larger numbers of Mexican to come to the United States to work on a short term basis, permitting a greater “circulation” of labor back and forth. These programs would expand the very limited ones geared to agricultural workers by including other job categories. The second objective was to find mechanisms to “regularize” the status of illegal workers in the United States with the option of placing them on a path towards citizenship.

Although these same issues affect workers of other nationalities, moving ahead with Mexico was justified in the bilateral conversations by Mexico’s inclusion in the North American Free Trade Association and its unique status as a country sharing a long frontier with the United States, a status shared only by Canada also a NAFTA member.

It is not true that immigration reform was set back by 9/11. Already before the terrorist attacks opposition from conservative circles in the Republican Party had led the president's political advisers to caution against any real progress, particularly on "regularization." Despite the increasing importance of Hispanic voters of Mexican descent in American politics, the administration was not willing to "go to immigration" as Bill Clinton went to "Nafta," bucking opposition from his own party. On immigration the position of both parties has shifted, as the labor movement more closely allied with the Democrats now appears to be more receptive to immigrant workers and sees them as future members.

President Bush's hosting of President Fox at his ranch in Crawford early this month is a welcome step that suggests that the administration may be moving to place U.S. Mexican relations back on track after a long hiatus. The president's speech calling for immigration reform is also encouraging because it once again places an issue that is central not only to the relations between both countries, but to the Latino community in the United States, at the forefront of the national policy debate. The president should be commended for underscoring that the United States is a nation of immigrants and immigrants continue to make a substantial contribution to the nation's progress. He also is correct in noting that immigrants are subject to abuse and discrimination and laws affecting immigrants must be changed.

Unfortunately, the President's speech indicates that the White House has backed away from the fundamental tenets of immigration reform that was discussed by the two governments in the early months of the administration, tenets that pointed immigration reform in the right direction. Rather than seeking a two track policy that would expand

temporary worker programs, on the one hand, and provide for regularization of the status of immigrants already in the United States with a path to citizenship, on the other, the administration has opted for an ill defined temporary worker program that would include those seeking temporary employment in the United States and those already working in the country without proper documentation.

Such a program will simply not work because it is based on faulty assumptions: The most serious is that undocumented immigrants in the United States, many of whom have worked here for many years and have families in this country, would be willing to sign-up for a temporary worker program that might force them to return to their country of origin after a limited time period. With no concrete guarantee that their status in the United States will be made permanent, there would be few incentives for these workers to come out of the shadows. Indeed, many would fear that taking such a step would jeopardize their ability to continue to work in the United States, with the risk of being separated from their families and livelihoods.

A realistic reform would recognize the contributions these immigrants have made to the American economy and provide them with a path to citizenship should they choose it. Legalization opportunities should not be reserved only for Mexicans, but for workers of all nationalities in similar circumstances. Such a policy would not only address the problems of discrimination and abuse, which undocumented workers face and which reverberates across the Latino community; it would also address critical national security needs. The conventional wisdom after 9/11 was that any program that granted legal status to individuals who entered the U.S. by violating U.S. laws was simply out of the question politically, particularly for a Republican administration. And yet, that argument

can be easily turned around. Precisely because of the importance of security considerations it is untenable for the U.S. to permit 7 million people to reside and work in the country when their identities and status are not fully known. In the name of national security as well as good immigration policy, the U.S. should move to regularize the status of individuals who have been productive residents, working and living in the United States for some time.

But, a temporary worker program with a clear timeline and no specific limitations on size is also based on faulty premises if it assumes that workers will come to the United States for a finite period of time and then return to their homeland. If businesses are willing to hire in the United States (despite legal restrictions barring them from hiring undocumented migrants) and workers face the reality of unemployment back home, they will continue to pursue employment opportunities in this country. A mechanism for adjusting status is essential for any temporary worker program.

It is also critical that workers in temporary worker programs be fully covered by U.S. labor laws in order to avoid the abuses that characterize current temporary worker programs in the agricultural sector and their predecessors, including the infamous "Bracero" program instituted during World War II. Such a program cannot be open-ended, but rather be limited in scope. I believe, Mr. Chairman, that bipartisan legislation along the lines of the Hagel/Daschle proposal is far better conceived to address these problems than the proposal outlined by the President.

In concluding, I must return, however, to the thrust of my remarks at the beginning of this testimony. Even the best conceived immigration reform proposal will not solve the inexorable population and social pressures that stem from the reality of

contiguous societies with vast differentials in living standards. Mexico will continue to export workers to the United States as long as U.S. wage levels are higher and jobs are available. Although this dynamic has beneficial aspects for both countries as Mexico has available labor and the United States increasingly needs additional labor, a fully open border that permits a natural adjustment between the supply and demand of labor, as well as goods and capital, will not be achieved until the fundamental asymmetries between both countries is overcome.

The United States can no longer take Mexico for granted. While managing the complex and broad agenda involving two nations with 400 million inhabitants, the United States must not lose sight of the fact that Mexico is an essential partner that must successfully meet the challenges of building democracy and creating a better life for its citizens. That requires a U.S. foreign policy with vision that sees Mexico in broad strategic terms and is willing to expend the energy and resources to ensure that Mexico can become a partner on equal standing on the North American continent.