
A North American Community: Sectoral Plans

Many of the challenges facing the three countries of North America are related to or entangled with each other. The relationship between legal and illicit trade is obvious: if you facilitate the first, you also get more of the second. If you try to impede illicit traffic, you also delay legal trade. The relationship between migration from Mexico and income disparities between that country and its northern neighbors is also clear. Until the disparities are reduced, the flow is likely to remain at a high level. There is also an insidious link between special interests trying to evade NAFTA's obligations and the spirit of partnership implicit in the agreement. The more governments succumb to special pressures the less likely they will maintain a good relationship or preserve the integrity of the agreement.

The failure to understand the relationship between these issues condemns the three countries to repeat old dysfunctional patterns of relating to each other. In this chapter, we will explore new "North American" ways to deal with old problems like customs and immigration, energy, regional development, and education. These issues have a curious relationship. Unless customs and immigration are managed more efficiently, the costs of doing business across the border will rise. Mexicans and Canadians have long been concerned about US immigration policy, whereas the United States has raised the energy issue with both governments. Instead of a trade-off, the two issues seem stalemated. Instead of confronting these issues head-on, I propose an alternative, Zen-like strategy of solving them by concentrating on a separate problem—regional development. After examining each issue, I will suggest priorities for a strategy to lift NAFTA and put it on the road to a North American Community.

Customs, Enforcement, and Immigration: The Border and the Perimeter

Along both borders, the three governments inspect vehicles, question travelers and migrants, and try to ferret out criminals, terrorists, and drug traffickers. It is very hard to judge the effectiveness of these operations, although it is quite easy to see the consequences when traffic slows at the border, or when one government acts unilaterally to stop traffic. The question is whether there is a more effective way to manage traffic.

Since 1993, the United States has more than doubled the size of its border patrol, more than tripled its budget for the Immigration and Naturalization Service (INS), and used the new funds to build more fences and sturdier barriers than ever before.¹ How can one measure progress? If border guards seize more illicit goods, is that a sign that the problem is getting worse or that interdiction is getting better? There is a similar problem with regard to illegal migration, but there are also some signs that the effort is having some effect. The border patrol, according to the *New York Times*, “all but shut down the routes along the traditional border jumping towns of San Diego, El Paso, and Laredo, Texas.” As a result, fewer migrants are taking more dangerous routes through the deserts of Arizona, and an increasing number of migrants are losing their lives—491 in 2000—to dehydration in the desert, freezing in the mountains, or shootings by angry ranchers. The border patrol arrested 272,397 people in the Tucson area in 1997, but that number tripled by 2000 before more border agents and better technology were sent there. As a result, in the early months of 2001 there were 25 percent fewer apprehensions in the same area. A second sign that the crackdown was working was that the price paid to the “coyote” (smuggler) for the illegal trip increased from \$650 in 2000 to \$800 in 2001.² Some believe that this crackdown actually increased the illegal population in the United States, because migrants who had previously gone back and forth are more reluctant to return. Moreover, the United States pays a price for its stringent border enforcement in its relations with Mexico. President Fox, more than his predecessors, has insisted that Mexicans—whether in his country or in the United States, legal or not—be treated respectfully and equally. He has described immigrants as “heroes.”

Beginning in August 2000 with his meetings with George W. Bush and Al Gore, Fox alerted the United States that the issue of immigration would be among his highest priorities. In February 2001 in Guanajuato,

1. Carnegie Endowment for International Peace and Instituto Tecnológico Autonomo de México, The U.S.-Mexico Migration Panel, *Mexico-U.S. Migration: A Shared Responsibility* (Washington: Carnegie Endowment, 2001), 7.

2. Charlie LeDuff, “A Perilous 4,000 Mile Passage to Work,” *New York Times*, 29 May 2001, 1, 16.

Presidents Fox and Bush agreed to set up a high-level group led by their foreign ministers and attorneys general to make sure that immigration would be “an orderly process that guaranteed humane treatment of migrants.” The binational panel considered issues of border safety, temporary-worker programs, legalization of undocumented Mexicans, expansion of permanent migration, and regional economic development. On 22 June 2001, the cabinet secretaries issued a joint communiqué proposing cooperative strategies to warn Mexicans of the danger of crossing the border, to provide better searching for and rescue of those who are endangered, to cooperate to prevent the smuggling of migrants, and to initiate a pilot program of nonlethal weapons use by the US border patrol.³

These policies represented substantial changes by each government. In previous years, when the United States had asked for help in stopping the illegal flow of people, Mexico said its Constitution precluded discouraging its own citizens from leaving. But under Fox, the government has established a Grupo Beta force of border agents, whose mission is to discourage illegal migration and arrest people-smugglers. Moreover, the government has instituted a tough advertising campaign warning people of the dangers.⁴ The US government also has made concessions, instructing its border patrol to be sensitive to illegal migrants and to consider using nonlethal weapons.

The United States has fewer border-related immigration problems with Canada than with Mexico, but there are some. Congress passed Section 110 of the Immigration Act of 1996, which requires the INS to keep track of everyone leaving the country as well as entering it. Because of strong protests from Canadians, who feared that this would cause even worse traffic delays, the United States temporarily suspended implementation of this provision. Many groups on both sides of the border joined and succeeded in modifying that provision with the INS Data Management Improvement Act of 2000, which improves tracking of border crossings without increasing documentary requirements.

There is one way to reduce simultaneously the delays at the border and the tensions among the governments regarding border traffic. *The three governments should develop common forms and a single “North American Customs and Immigration Force.”* This force would be composed of immigration, customs, and law enforcement officials from all three countries. They would be trained together in a North American professional school, and instead of working on both sides of each border, they would work together on the border. This would reduce by at least half the paperwork and the delays. The force should also be used on the perimeter of North

3. See Eric Schmitt, “Measures Aim at Violence Along Border,” *New York Times*, 24 June 2001, 15.

4. Susan Ferriss, “Mexico Bets Fear Can Curb Migration: Videos Describe Border’s Risks,” *Atlanta Journal-Constitution*, 11 July 2001, A6.

America, where illegal goods and drugs are most likely to enter. Terrorists and fugitives would no longer have a safe haven; law enforcement officials would be able to track them in all three countries. There are no simple answers to stopping drugs and money laundering, but such a force could permit these problems to be managed better with a positive effect on the trilateral relationship.

There are many other ways to manage the border problem, and there are experiments under way on the US-Canadian border that also could be applied on the southern one. In October 1999, President Clinton and Prime Minister Chrétien launched the Canadian-US Partnership to find new ways to facilitate trade and travel while enhancing security. All of the relevant agencies on both sides of the border met and devised systems to reduce the number of in-transit cargo inspections by half, to share intelligence on illegal migration, and to establish an Integrated Border Enforcement Team to battle smuggling and money laundering. The two governments established a Commercial Vehicle Processing Center in Fort Erie, Ontario, where trucks can assemble in a staging facility and complete the paperwork necessary for US customs without holding up traffic on Peace Bridge. They use a “pre-arrival and processing system” that gives carriers a unique barcode for each commercial invoice and permits them to fax these codes to Canadian or US customs. A longer-standing experiment is the “Intelligent Transportation System,” which permits information to be relayed electronically to transponders. The problem with this system, however, is that each jurisdiction uses a different electronic system, so once again the first problem for Canada and the United States is to establish a national system before they can collaborate on a binational or North American system.⁵

An Uncommon Immigration Policy

Fashioning a common immigration policy is an entirely different matter than managing the flow of people across the border. Let us begin with the easier case of Canada and the United States, because the standard of living in both countries is comparable. Both are multicultural societies with the most liberal immigration policies in the world. The two systems are slightly different. The United States gives preference to family reunification as the main criterion for entry, whereas Canada emphasizes skills and education.⁶ But both governments’ policies are converging—the

5. Department of Foreign Affairs and International Trade of Canada, *Canada-U.S. Partnership: Building a Border for the 21st Century* (Ottawa, 2000), 15-42.

6. In 1998, e.g., of 660,000 immigrants to the United States, 72 percent were family-sponsored and 12 percent entered because of skills. In contrast, of 200,000 immigrants to Canada, 27 percent were family-sponsored, and 57 percent entered because of skills. See Barry Newman, “In Canada, the Point of Immigration is Mostly Unsentimental: It Tackles Labor Shortages By Scoring Education, Youth Ahead of Family,” *Wall Street Journal*, 9 December 1999, 1, 12.

United States is allowing more skilled and wealthy migrants, and Canada is considering more family reunifications.

One NAFTA objective that should apply to all three countries would aim to use travel to nurture a sense of community. This could be done by expanding the “NAFTA visa” program and adapting it into a North American passport. Professionals and businesspeople who travel often in North America could apply for and receive such passports. The passport would not only be an appreciated convenience for frequent travelers, but it might also be viewed as a valuable symbol of an emerging North American identity. As such, it would create its own demand, and the three governments should respond by expanding the supply—making more people and occupations eligible.

Between Mexico and the United States, the immigration agenda is much wider and more problematic. In travels in the United States in July 2001, Fox made the case for a comprehensive expansion and legalization of migration, and Foreign Minister Castañeda spoke to a National Convention of Hotel and Restaurant Workers on 18 July, expressing his solidarity with their efforts to allow 3-4 million undocumented Mexican workers in the United States to earn permanent legal residency. He indicated some willingness to consider a temporary-worker program, provided it assures workers of their rights, and urged the United States to accept “the whole enchilada” of proposals.⁷

Let us consider these issues after examining the data. For the past 40 years, the flow of Mexican legal and illegal migrants to the United States has far exceeded that of any other country or groups of countries. On the average, every year for the past two decades, more than 180,000 Mexicans have immigrated legally to the United States, representing nearly 25 percent of total legal immigration from more than 100 countries (see table 4.3). In addition, in recent years, the United States has permitted about 55,000 temporary workers from Mexico under the H1 A and B programs.⁸ So, on the level of legal immigration, Mexico is by far the largest source. This also applies to illegal migration, although it is harder to know the numbers. The INS estimated that about 5 million illegal migrants were living in the United States as of October 1996, of which about 60 percent (3 million) were from Mexico, with an annual cumulative flow of about 200-300,000 people. A more recent INS estimate in June 2001 was of 6.5-

7. Eric Schmitt, “Bush Aides Weigh Legalizing Status of Mexicans in U.S.,” *New York Times*, 15 July 2001; and Steven Greenhouse, In U.S. Unions, Mexico Finds Unlikely Ally on Immigration, *New York Times*, 19 July 2001.

8. See LeDuff, “Perilous 4,000 Mile Passage,” 1. He cites a figure of 4.5 million illegals. The Carnegie-ITAM report cites 5-6 million illegals, of whom 60 percent were from Mexico. For the annual estimates on the flow of illegals, and the data on temporary workers, see B. Edmonston and J.S. Passel, *Immigration and Ethnicity: The Integration of America's Newest Arrivals* (Washington: Urban Institute, 1994).

7.5 million illegal migrants; 60 percent of that would be 4-4.5 million Mexicans.⁹ Based on the Current Population Survey of the Census Bureau, a study by the Center for Immigration Studies estimates that nearly 400,000 legal and illegal Mexican immigrants arrived in the United States each year from 1998-2000.¹⁰

Five sets of issues need to be examined in constructing an effective immigration policy and agreement. First, how can migration be made safer, legal, and more orderly? Second, who benefits from an open border or from more migration? Third, should Mexico (and Canada) receive special preferences for larger numbers of permanent legal residents, rather than other countries? Fourth, should there be an expansion and modification of the temporary-worker program? And fifth, should there be a “legalization” or “regularization” program for illegal Mexican workers in the United States at this time?

Making Migration Safe and Legal

Both countries’ interests would be served far better by an approach that tries to legalize and humanize the movement of people within clear restrictions and with effective enforcement. How can this be done?

Fox and Bush have already taken some steps to defend the human rights of undocumented workers and to discourage illegal migration. The US president should also instruct federal law enforcement authorities to work with border-state governors to ensure that Mexican migrants—whether legal or illegal—are treated humanely. Any violations of their human rights should be prosecuted swiftly by federal courts, if states are hesitant to do so. The Mexican president ought to instruct Grupo Beta to step up its efforts to arrest “coyotes” on the border and to ensure that punishment is appropriate and publicly known. Every unfortunate incident should be publicized, so that Americans learn that they should treat Mexicans respectfully and so that Mexicans learn the danger of an illegal trip to the north. The crime of smuggling people should be a federal crime in both countries.

The June 2001 communiqué between the two governments acknowledged substantial progress along these lines, including preventing Central Americans from transiting across Mexico, but more needs to be done to discourage the flow and to demonstrate to Mexico that the United States demands fair and humane treatment of all Mexicans.

9. For the 1996 estimate, see US Department of Justice, Immigration and Naturalization Service, *1998 Statistical Yearbook of the INS* (Washington, 2000), 236-39. For the more recent estimate of the INS, see Jim Yardley, “For Aspiring Americans, New Hope and Worry,” *New York Times*, 21 July 2001, 1, 9.

10. Steven A. Camarota, *Immigration from Mexico: Assessing the Impact on the United States* (Washington, DC: Center for Immigration Studies, 2001), 8.

Who Benefits from an Open Border or More Migration?

The conventional wisdom is that because of a large population, high unemployment, and even higher underemployment, Mexico benefits more from migration, particularly because of the large amount of remittances, and that the United States does not benefit from Mexican migration to the United States. This would explain why Mexico is the *demandeur* on the immigration issue, and the United States is the reluctant suitor. But there is substantial evidence to question this conventional wisdom. Mexicans are concerned about economic loss due to the brain drain—the increasing numbers of university-educated emigrants—and Americans benefit from inexpensive Mexican labor. The cost-benefit analysis grows more complicated the more one examines the phenomenon, but let us start with the most extreme example—an open border—to try to understand the implications of migration for both countries.

If the border were open, and public opinion polls are to be believed, Mexico would witness a massive exit. Seventy percent—or 70 million people—have said they would emigrate to the United States if they thought they would benefit economically.¹¹ No one expects that many Mexicans to pick up and leave, but if just 15 million people—double the number of illegal migrants in the United States today—left, the consequences would be devastating for both countries, especially Mexico. The magnitude of remittances to Mexico would increase dramatically, but so too would the percentage of the population dependent on those remittances.

The central Mexican state of Zacatecas has long been one of the principal sources of migration to the United States. An analysis by the Autonomous University of Zacatecas estimated that the state received about \$1 million in remittances each day, more than the national government spent in the state. The mayor, however, was distressed that assembly plants had to close because a lack of young workers, and farms needed to import labor from poor southern states. “The people can make more money by staying at home and waiting for a check from the United States, so more of them do not work,” said one farmer.¹² *With an open border, Mexico could become the first absentee welfare state.*

Even if there were hints of a serious relaxation of the border in the years ahead, that also could affect the national psychology in Mexico in deleterious ways; workers would spend more time planning to leave Mexico than working to invest there. As long as the ratio in incomes

11. Ronald Inglehart and Miguel Basañez, “World Values Survey/USA and Mexico,” 2000. I appreciate Dr. Basañez sharing the survey data. See chapter 7 for an extensive discussion of this issue.

12. Ginger Thompson, “Migrant Exodus Bleeding Mexico’s Heartland,” *New York Times*, 17 June 2001, 1,6.

between the United States and Mexico ranges from 4 to 30, the incentives to migrate will be compelling.¹³ Until that differential can be reduced by about half—and, under very optimistic projections, that could take 30 to 40 years¹⁴—a deliberate decision to relax US immigration laws would have serious adverse consequences for Mexico's economy.

The effect of such a relaxation on the United States would depend on the state of its economy. But leaving that factor aside, the likelihood is that a new large wave would congregate in existing Mexican-American communities—in Southern California, Texas, and Chicago. The social tensions that would accompany such a large shift in population might very well lead to clashes among ethnic groups.

If open borders are ruled out, would a marginal increase in immigration benefit the Mexican economy? Many surveys have found that those who emigrate to the United States are not only among the most enterprising Mexicans, they also usually leave jobs. Their journey is not motivated by the need for work, but by the wage differential. While their income in the United States is likely to exceed their income in Mexico, the relevant equation is whether their remittances exceed their productivity if they remained in Mexico. That is not known, but it does not appear to be an open-and-shut case that emigration helps the Mexican economy. In the short term, however, emigration may provide a critical social escape valve for Mexico, but the economic costs and benefits for the sending and receiving countries might be the reverse of what many think. Migration might impede the development of the sending country while assisting in some ways the receiving country.¹⁵

The effects of migration in both countries, however, are not uniform. There are some in each country who benefit, and some who do not. This is particularly true of illegal migration, which tends to involve a much higher percentage of unskilled workers. Unskilled or illegal migration benefits US employers (who can pay less for fearful, exceptionally motivated workers) and the relatively well-off in the United States, at the cost

13. George J. Borjas, "Mexico's One-Way Remedy," *New York Times*, 18 July 2000. Borjas estimates that the wage differential between manufacturing jobs in the two countries is a factor of 4, and between a manufacturing job in the United States and a farming job in Mexico is 30. For an alternative view that economic integration is more important in promoting migration than wage differentials, see Douglas S. Massey, "March of Folly: U.S. Immigration Policy after NAFTA," *American Prospect* (March/April 1998).

14. Gary Clyde Hufbauer and Jeffrey J. Schott, *NAFTA: An Assessment* (Washington: Institute for International Economics, 1993), 24-25.

15. In the mid-1980s, I directed a study for the World Bank and the Inter-American Development Bank on the implications for the sending countries of the Caribbean Basin, including Mexico, of immigration to the United States, and concluded that the receiving country benefited more economically than the sending country. See Robert A. Pastor, ed., *Migration and Development in the Caribbean Basin: The Unexplored Connection* (Boulder, CO: Westview Press, 1985).

of the unskilled native born. Borjas estimated that almost half of the gap in wages between native-born high school dropouts and other workers—a gap that widened in the period 1985-95—was due to competition with unskilled immigrants.¹⁶ The illegal Mexican workers compete against 11.7 million adult native-born workers who lack a high school education. During the 1990s, unskilled jobs shrunk by 400,000, and the increased competition led to a decline of real wages of 7.2 percent by high school dropouts who work full-time. The impact fell disproportionately on African-Americans, and the same study shows that consumers do not benefit from price reduction.¹⁷ Although the AFL-CIO now supports additional migration, a labor economist who surveyed the relationship between migration and employment during the past 200 years found that wages have increased and unionism has thrived when immigration declined.¹⁸ To summarize, migration's affect seems to be the opposite of conventional wisdom: the receiving country benefits more than the sending country. The affluent in the receiving country benefits the most and the poor pay the highest price.

One other dimension needs to be incorporated into the analysis: the social-psychological. A critical priority for the new Mexican government is that the United States show respect for and protect the rights of the Mexicans living in the United States. This is what sets Fox apart from his predecessors, and why legalization is such an important goal. But Fox may need to decide whether it is more important to gain respect by Americans or to persuade the United States to permit larger numbers of Mexican immigrants. It is possible that these two distinct issues are mutually reinforcing. The more Mexicans there are in the United States, the more influence Mexico could have. But there may be a trade-off between the two goals—respect and numbers—because many Americans fear being overrun by large numbers of Mexican immigrants. (This issue is developed in the next chapter in the section titled “Subterranean Fears.”) It might be easier to secure respect for Mexicans in the United States if Americans felt the latest wave was not just the beginning of a tsunami. If so, both governments might need to make a choice.

Should There Be Preference for North American Migrants?

The United States has never found an easy way to define criteria or set limits for immigration. Congress took 20 years to pass the first immigra-

16. The estimates are from Borjas' book, *Heaven's Door*, in this case summarized by an editorial in the *New York Times*, “Hasty Call for Amnesty,” 22 February 2000.

17. Steven A. Camarota, *Immigration from Mexico: Assessing the Impact on the United States* (Washington, DC: Center for Immigration Studies, 2001), 21-28. See pp. 22-23 for a summary of other research that confirms these conclusions.

18. Vernon M. Briggs, Jr., *Immigration and American Unionism* (Ithaca, NY: Cornell University Press, 2001).

tion bill in 1921, and it took more than a decade to pass the 1986 immigration law imposing employer sanctions and permitting amnesty for illegal workers. The decisions on who and how many are permitted to enter are, in essence, decisions about national identity. And in a multicultural, immigrant country like the United States, this raises formidable problems.

Fox argues that as a country of “North America,” Mexico (and implicitly, Canada) ought to have a special preference for immigration. That is the thesis of this book—there is a “North America,” and we need to find appropriate ways to translate that preference into policy. This approach has been endorsed by a Joint Panel of Experts from Mexico and the United States, which also made many other recommendations, including wholesale amnesty for undocumented workers, a dramatic expansion of the temporary-worker program for Mexicans, coordinated strategies to crack down on illegal migration, joint building of a viable border region, and strengthening the Mexican economy.¹⁹

Of course, Mexico, as we have seen, already receives many more legal visas and larger numbers of temporary workers each year than any other country, and Canada also is less constrained than almost any country. But the issue is whether these “informal” preferences should be translated into law. An alternative approach—one comparable to that on dollarization—is to simply let the numbers increase by indecision, to let Mexico and the United States adjust to a more fluid movement of people and cultures, just as the two countries are slowly adjusting to the integration of their economies. If the three governments decide to deepen North America, then immigration preferences should be a part of that deepening, but the United States will face additional pressures from the Caribbean Basin countries, which have long sought similar preferences, as well as from other countries in the world, to do for them what it promises Mexico.

Should the United States Consistently Enforce “Employer Sanctions” and Expand a Temporary-Worker Program?

The United States needs to decide whether to enforce its laws against undocumented workers or expand the temporary-worker program. The existing policy is based on an arbitrary and uneven enforcement of the employer sanctions law. When the labor market in the United States was tight, and unemployment was low, as was the case in 2000, the INS relaxed its enforcement within the country. When unemployment increased, it enforced the law.²⁰ This is not the way a country based on the rule of law should behave, and it sends the wrong signal to Mexico.

19. Carnegie Endowment and Instituto Tecnológico Autonomo de México, *Mexico-U.S. Migration*.

20. See two in-depth reports by Mark Bixler in the *Atlanta Journal-Constitution* on how Georgia’s farmers were assisted by members of Congress and senators to urge the INS to

In early January 2001, US Senator Phil Gramm led a delegation of his colleagues to Mexico and was persuaded by President Fox to press for a guest-worker program to end illegal migration and to provide Mexican workers in the United States with basic rights.²¹ This is no longer as implausible an option as it was a few years before, when Gramm himself stopped the passage of such a bill. The major shift was not by Gramm, however, but by the AFL-CIO, which had been the principal bulwark against any relaxation of immigration restrictions. Republicans would prefer an expansion of the existing temporary-worker program, which ties the worker to the employer for a fixed period of time. Mexico would prefer to give rights to temporary workers to find jobs anywhere in the United States and to have the option to apply for permanent-resident status after that. Consistent with the principles of an emerging North American Community, the United States should strengthen its laws against illegal migration and expand and modify its temporary-worker program to provide more rights for these workers.

Should Illegal Migrants Be Legalized or Given Amnesty?

At its meeting on 16 February 2000, the AFL-CIO announced its support for amnesty for illegal migrants and an end to most employer sanctions. This was a startling “Nixon-goes-to-China” turnabout. The reason for the shift was that the Hotel and Restaurant Employees Union viewed illegal migrants as candidates to expand its membership, and the other unions wanting to expand their numbers, expressed their solidarity.²²

The main argument for “legalization” is that the people who are in the United States are hardworking and generally law-abiding. “Legalization” removes the possibility of their exploitation. Employers know they can take advantage of these workers because the workers cannot complain to the legal authorities. And their children and spouses live in permanent fear of being deported or arrested.

To understand the hypocrisies wrapped around illegal migration, it is useful to note that it is in everyone’s short-term interest, but in no one’s long-term interest. It is in the short-term interest of workers, because they can earn more money in the United States than at home; of employers, because they get employees who work harder for less; of Mexico, because

relax their enforcement during harvests. Mark Bixler, “Onion Growers, Allies Urge INS Not to Dig too Deep,” 7 May 2000; and “Illegal Immigrants at Risk When Economy Weakens,” 5 March 2001. The INS maintains tight enforcement at the border; the only place it loosens its enforcement is within the country.

21. Susan Ferriss, “Legal Guest-Worker Plan for Mexicans to Be Pushed,” *Atlanta Journal-Constitution*, 11 January 2001, 4.

22. Steven Greenhouse, “Labor Urges Amnesty for Illegal Immigrants,” *New York Times*, 17 February 2000.

of the remittances and the escape valve; and of the United States, because these workers fill an important economic gap with cheap labor. But in the long term, the costs exceed the short-term benefits: illegal migration allows exploitation of and discrimination against workers; Mexico loses entrepreneurial individuals; and the poor in the United States are forced to compete for lower wages and working conditions than most native-born workers would accept. Most important, illegal workers undermine the rule of law because they are outside the legal system. That is why the laws against illegal migration should be enforced—not ignored—regardless of the state of the economy. If the United States needs workers, they should be accepted legally.

But what of those who are already here? Should they be legalized? When Congress previously granted amnesty to 3 million illegal aliens in 1986, it coupled that with strong employer sanctions and promised not to give amnesty again. Since then, the number of new illegal workers in the United States has more than doubled.

The strongest arguments against legalization are that it rewards those who broke the law; it penalizes those who obeyed the law; and it therefore undermines existing immigration laws. Every day, Mexicans wake up early or stay overnight to get in line around the US Embassy in Mexico City for a legal visa to the United States. People often have to wait for weeks, and some for years, to get a visa, and many never receive one. Illegal workers have, in effect, cut in line to get into the United States. Actually, they have paid no attention to the line—or the rules. If the United States chooses to give the lawbreakers a visa at the expense of the law-abiding ones, it will be sending the wrong message to Mexico. One could argue that a single grant of amnesty—as occurred in 1986—after 60 years was an appropriate and justified response to the buildup of illegal workers, but if the United States repeats this exercise every 15 years, who will pay attention to the immigration law?

Moreover, it would be difficult politically and technically to implement a program just for some Mexicans. And to legalize all 7 million or more would probably be considerably more than the US body politic could absorb, particularly in a year of a stagnant or declining economy.

A number of proposals have been offered for more limited amnesty. Illegal aliens could be given temporary-worker status. Over time, those who qualify by length of residency or employment history could apply to become permanent residents. Eventually, they could apply for full citizenship. The purpose would be to transfer those who are here illegally into legal channels. In principle, this is a much better proposal than wholesale amnesty, but it still poses two hard questions. Can it be implemented in such a nuanced way, or is this merely a face-saving path toward broader amnesty? And second, does not this approach still signal to the many Mexicans, who are patiently obeying the US immigration law and

applying for visas through the US Embassy, that they are foolish to follow US laws?

It is essential to legalize the flow of migrants, but the question remains: How? If there is a need for more workers, then the United States should expand and modify the temporary-worker program. But we need to understand clearly the risks. After Europe's guest-worker program turned sour, one scholar commented: "We invited workers, but people came." The meaning was that the Europeans thought the new workers would be "guests," staying just as long as the economy needed them. They turned out to be people, who brought families or married, and set down roots.

In the case of the United States, one need only look at public opinion polls on migration since the great second wave of migration began in 1965. The results show conclusively that the United States tolerates migrants when the economy is doing well; and it becomes angry and restrictive when the economy declines.²³ In the summer of 1993, just before the United States embarked on its longest economic expansion, a national poll by *Time* magazine found a public that resented both legal and illegal migration and welcomed laws to reduce legal and stop illegal migration.²⁴ The temporary-worker program, in brief, is rarely temporary, and often leads to serious social tensions. Therefore, before embarking on this course, the United States should be wary of this history, and Mexico also needs to think hard about what it wants and needs. If Congress chooses to expand the temporary-worker program, it should make it sensitive to the rhythms of the US economy and protective of the rights of Mexican workers. Previous programs did neither.

The politics of "legalization" turned upside down in the United States in a single year. In 2000, no serious political figure would offer such a proposal, but by the summer of 2001, both political parties in Congress were competing to apply it to an ever-wider circle of undocumented workers. What happened? President Bush expressed interest in responding to the agenda of President Fox in part because he understands the importance of Mexico and in part because he sees "legalization" as a path toward gaining influence with future Hispanic voters. For the same reason, many of the Democrats have decided to support it. Whether those expressions of support translate into a new law or provoke a reaction in "Main Street America" that defeats the law and reverses the new sensitivity to Mexico remains to be seen.

23. For a table of public opinion polls on immigration from 1965 to 2000, see <http://www.gallup.com/poll/indicators/indimmigration.asp>.

24. Bruce Nelan, "Not Quite So Welcome: As Reflected in a *Time* Poll, The Public Mood Over Immigration is Turning Sour Again," *Time*, Fall 1993, 10-16; see also Seth Mydans, "A New Tide of Immigration Brings Hostility to the Surface, Poll Finds," *New York Times*, 27 June 1993, 1, 14.

Assembling an Immigration Package

A gradual assimilation of cultures is the best long-term path for the United States and for North America, but to accomplish that goal, we need to take steps to protect the immigrants when the economy declines. This means that we need to prepare the population for a new way of looking at Mexico and the new migrants in our midst. Nongovernmental organizations are helping the new migrants, and 45 Mexican consulates in the United States actively work with the immigrants to help them understand and assert their legitimate rights in their communities.²⁵ More important, US leaders must help the country to understand that we are part of a larger entity—called North America—and that this obligates us to behave toward our neighbors in different ways than we have in the past. President Bush understands this point, because when he was governor of Texas, he insisted that Texans treat Mexico with respect. Translating that point into a national policy will not be easy, but it is essential.

Immigration to the United States has been the glue that has been slowing binding the countries of North America. At the outset of the 21st century, the US Hispanic population was about 35.3 million people, or 12.5 percent of the total population. About 60 percent were of Mexican origin, and if illegal or temporary migrants were included, that would rise to about 75 percent of the Hispanic population.²⁶ This movement of people is the human dimension of an extraordinary integration process that has been under way for decades, but has begun to accelerate in the past 10 years. It is incumbent upon all three governments to articulate a conception of North America that people will understand and that will help them appreciate their neighbors more and fear them less—whether they are across the border or in their communities.

Consistent with these principles, the three leaders should declare their hope that in the long term, the people of North America should be permitted to move freely in a common market. However, as long as the disparities in income between Mexico and its two northern neighbors are as wide as they are today, any significant relaxation of immigration controls would be contrary to the interests of the region. Still, there are four initiatives that could and should be taken immediately.

First, the three governments should agree to expand the “North American visa” and to institute a “North American passport” for people who do frequent business in the three countries. One hopes that the demand

25. See “Mexican Consuls Interpret Safety Measures,” *Atlanta Journal-Constitution*, 15 January 2001, B3.

26. Betsy Guzman, “The Hispanic Population: Census 2000 Brief,” (Washington: US Department of Commerce, Bureau of the Census, 2001), 1-2; and Roberto R. Ramirez, *The Hispanic Population in the United States: Population Characteristics* (Washington: US Department of Commerce, Bureau of the Census, 2000), 1.

for such a “passport” would increase, and that the three governments would gradually expand the supply to new categories of professionals and other workers.

Second, Congress should legislate a “preference” for permanent resident visas for citizens from Mexico and Canada. The profile of the new immigrants should reflect a convergence with Canada’s policies so that over time a unified policy might be possible.

Third, the United States should expand and modify its temporary worker program for Mexicans so as to permit them to have expanded rights to move between jobs and apply for permanent residence status. But those who make the decision on the numbers should be sensitive to the swings in the US economy.

Fourth, the United States should commit to enforce its immigration laws humanely but consistently, and it should work with Mexico to arrest “smugglers” and discourage migration from and through Mexico.

A North American Energy Plan

When the negotiations on NAFTA began in 1990, Mexican President Salinas proposed that immigration and the free movement of labor should be a part of the agreement. US President George H. W. Bush rejected that idea as a “nonstarter,” reflecting a widespread fear in the United States of being overrun by Mexican immigrants. Then, when Bush proposed including energy, Salinas dismissed that in equally strong terms. The exclusive ownership of Mexico’s oil, gas, and natural resources was a legacy of Mexico’s revolution, written into their Constitution and their national psyche. Salinas realized that trying to change the Constitution on this issue would provoke a firestorm.²⁷

It was therefore with a trace of *déjà vu*, not to say irony, that the two issues would return to the negotiating table at the beginning of the Fox and the second Bush administrations. For reasons having to do with the growing importance of immigration in the minds and lives of Mexicans, Fox proposed this issue first, and Bush agreed to a high-level commission to study it. Bush—a Texas oilman whose first 6 months in office coincided with a California energy crisis that threatened to become a national one—naturally looked to the substantial energy resources of his neighbors as a possible solution to the US problem. Fox knew that his country also had a serious set of problems related to energy, and perhaps thought initially that trilateral negotiations might make his decisions easier.

27. For the nondiscussion of these two “sacred cow” issues—immigration and energy—see George W. Grayson, *The North American Free Trade Agreement: Regional Community and the New World Order* (Lanham, MD: University Press of America, 1995), 82; and Frederick W. Mayer, *Interpreting NAFTA: The Science and Art of Political Analysis* (New York: Columbia University Press, 1998), 116-19.

Bush may not have been aware that Mexico had been importing natural gas and oil products from the United States. Demand in both the United States and Mexico for natural gas greatly exceeds supply. In Mexico, 9 of 10 new power-generating units built in recent years use natural gas, and so demand for gas increased by about 5 percent each year since 1995. Energy analysts estimate that Mexico's demand for gas will continue to increase even faster until 2020. Unfortunately, supply is increasing at the rate of 1 percent. Because Mexico has severe problems of fiscal austerity and an energy sector managed by two notoriously inefficient state-owned behemoths, the country did not have the funds to expand its production.

Mexico's reserves of oil and natural gas are substantial, but funds for investment are scarce because the government relies on Pemex, the national oil company, for as much as 30 percent of its annual revenues, and the Federal Electricity Commission is compelled to charge very low prices. To just meet its own demand, not even that of the United States, Mexico (according to World Bank estimates) would have to invest approximately \$10 billion each year for the next 10 years. This is roughly equivalent to the amount spent for health, and the government does not have it.²⁸

Although he understands the problem, Fox also recognizes the political constraints that make it so difficult to solve. That is why he was compelled in his inaugural address to make two unequivocal promises—first, that “the Federal Electricity Commission will not, I repeat, will not be privatized, nor will any of its assets be sold,” and second, that “Pemex will continue as the exclusive property of the nation.”²⁹ Although US oilmen would like to purchase Pemex or its oil reserves, they realistically know that they need to find an alternative approach.

The World Bank has offered numerous recommendations to meet Mexico's domestic needs while adapting to its political realities, and Fox has been trying several of them. Instead of privatizing the state-owned companies, he has appointed private-sector leaders to their boards and wants to promote efficiency, honesty, and competition by developing a framework of transparent regulation and legal certainty. Only in that way will Mexico be able to attract the magnitude of private investment it needs. This may involve production-sharing agreements in which the state maintains ownership and control, but private companies are able to recover the costs of exploration and receive a share of the profits.

28. For an extensive and insightful analysis of Mexico's problems in the energy sector and recommendations on ways to deal with them, see Marcelo Giugale, Olivier Lafourcade, and Vinh H. Nguyen, eds., *Mexico: A Comprehensive Development Agenda for the New Era* (Washington: World Bank, 2001), 10-11, 357-76.

29. Embajada de México en Estados Unidos de América, “Vicente Fox Inaugural Speech,” Washington, photocopy (1 December 2000), 16.

The three leaders established a North American Energy Working Group, which convened in June 2001 to set an agenda that included pipeline construction, cross-border power transmission and regulation, and research into new technologies. Because Canada and the United States have exceedingly complicated and decentralized regulatory policies on energy, but also a substantial share of the power residing in the provinces or states, meshing regulatory approaches—as California and Washington discovered—will be no easy matter even within each country, let alone among all three. Still, a proposal to coordinate policies advanced by Ralph Goodale, Canada’s Minister of Natural Resources is a positive and constructive one, which is why it is distressing that the Canadian minister was severely criticized in his country for proposing it. “We’re being panicked by the Americans with their so-called energy crisis; it’s more Canadian sovereignty down the drain,” said Albert Pratt, who wrote a very critical report of Canadian energy policy entitled *Energy: Free Trade and the Price We Paid*. His argument was that as a result of NAFTA, Canadians are now paying world prices for energy, and that amounts to an increase of almost six times in the level of natural gas prices in 1998.³⁰

Energy, in brief, remains a very sensitive symbolic issue in all three countries, but particularly in Canada and Mexico. If some of the poison in this issue could be extracted through a respectful, cooperative plan, it could facilitate the emergence of a North American Community. If it is handled poorly, then the leaders will pay the political price and the countries will find it more difficult to cooperate on other matters.

A North American Development Fund

In contemplating a “regional” development policy for North America, let us recall certain lessons from the European Union. First, sustained growth remains the most effective way to reduce disparities, and national policies are at least as important as the Union’s regional policies. That is why Ireland did so much better than Greece, although it received a third as much aid. Second, the Single Market and foreign investment may have contributed as much to the development of the poor countries in southern Europe as aid. Third, regional aid helped in significant ways—encouraging governments to maintain good macroeconomic policies, targeting bottlenecks in the economy, and multiplying investments. Of all regional aid projects, the two most effective ways to stimulate growth and reduce disparities were infrastructure and education. Fourth, as disparities declined, so too did emigration from poor to rich countries.

30. Linda Diebel, “U.S. Seeks to Control Our Energy: Critics,” *Toronto Star*, 10 March 2001.

From these lessons, and from the experience of North America, the leaders of the three countries should consider establishing a North American Development Fund to promote regional development. The fund first would concentrate on investing in infrastructure to facilitate the integration of poor regions into a single North America, and second would establish community colleges in poor regions.

When the European Union first decided on a regional policy, its funds were scarce, but with each enlargement, the Union expanded the resources for poor regions to the point at which the sheer magnitude of investment helped lift some and gave a sense of community to all. These resources were significant from both the direction of the donors—0.045 percent of EU GDP—and that of the recipient—2-4 percent of GDP. To put real numbers alongside those percentages, 0.045 of US GDP would be about \$400 billion, and 2 percent of Mexico's GDP would be \$10 billion. It is not hard to judge the reaction in the US Congress if the president requested an aid program to Mexico of \$10 billion each year for the next 10 years—let alone what the response would be if \$400 billion were mentioned. The American people and Congress are unlikely to consider such a request at this time, regardless of how good an investment it would be.

The president needs to frame the issue so that Americans understand the vital interests that are at stake. Americans have always risen to a challenge when their leaders have explained it clearly and in a compelling way. There is no national interest greater for the United States than to help lift all of North America to a new level of prosperity and social justice. The president should use an example and offer a specific proposal.

The example would be Ireland. EU funds for Ireland had a special impact because they arrived in 1989 when there was a substantial backlog of projects and infrastructural needs. That is exactly where Mexico is today. Soon after President Fox was elected, senior World Bank officials presented him with detailed memoranda, outlining his country's problems and proposing solutions.³¹ To establish a strong macroeconomic foundation, Ernesto Zedillo had to restrain his government's expenditures so severely that the government stopped investing in the future. Overall, public infrastructure investment declined from more than 10 percent of GDP in 1994 to less than 2 percent in 1998. The Bank estimated that Mexico would need \$20 billion a year for the next 10 years just to close the country's widening infrastructure gap.³² The Bank judged that the private sector would invest in the energy sector under the right

31. Many of these memoranda were subsequently published in Giugale, Lafourcade, and Nguyen, *Mexico*. Interview with Olivier Lafourcade, director of the World Bank office, Mexico City, 1 December 2001.

32. Giugale, Lafourcade, and Nguyen, *Mexico*, 2, 11.

conditions, but only governments or development banks could provide the funds for infrastructure.

The United States has a very practical interest in helping Mexico obtain these resources. Without this investment, Mexico cannot come near to fulfilling its development potential, with the result being an increase in migration, crime, corruption, and difficult relations. The funding, however, could jump-start the Mexican economy to begin to reduce the gap with its northern neighbors. It could do much more, if deployed in a strategic fashion.

To reduce geographical disparities within Mexico while lessening pressures to emigrate, *the best approach would be to improve the road system from the US border to the center and southern parts of the country.* Because of foreign investment, the northern border economy is booming. The expansion has been so rapid that the system cannot cope. The land, water, and air “are thick with industrial and human waste.” More than 1 million Mexicans have moved to the border from the center and southern parts of Mexico in the past 5 years, and the reason is that the factories on the border pay nearly triple the Mexican minimum wage. Of course, at \$4 a day, that wage still cannot compete with the hourly wage across the border, so the annual turnover rate of labor in border factories approaches 100 percent.³³ US firms do not like to invest in the border area because of the pollution and the inefficiencies associated with such a high turnover rate, but they invest there rather than in the country’s center because the roads from the border to the center are so bad.

If roads were built or improved from the border to the center, investors would locate there, for three reasons. First, the center and south of the country—Oaxaca, Zacatecas, Michoacan, and Guanajuato states—have the highest rates of unemployment, and indeed are the principal sources of immigrants to the border and the United States. Second, the wage level is much lower in these areas, and the workers are no less educated than those on the border. Indeed, they are often the same workers. Third, the region is not the polluted, cramped border. The government has incentive systems to encourage investors to locate there, but the problem is a lack of infrastructure—roads, electricity, and the like. *Build the roads, and investors would come, and immigration levels and disparities in income both would decline.*

President Fox has proposed a Puebla-Panama Corridor to connect Puebla, a city southeast of the capital, with the countries of Central America. Senior officials of the international development banks pledged to help Mexico build roads and infrastructure in the nine poorest southern and eastern states of his country to connect to the seven countries of

33. Ginger Thompson, “The Dividing Line: Misery on the Border,” *New York Times*, 11 February 2001.

Central America. On 22 June 2001, Fox signed the agreement with his Central American counterparts for a 25-year plan to promote infrastructure, education, and health. Many of these Mexican areas have few or no roads, and so such a development project would have a profound effect on the region—even more so if those roads were connected to new ones coming from the border. Although most of the investment would be targeted on infrastructure, some of it should be allocated to establishing community colleges in poor regions. (In the next section, I will develop this proposal.)

The amount of investment would be relatively small as compared with the return. And prosperity in Mexico benefits the United States in numerous ways, not the least being that for every additional dollar of imports that Mexico buys, the United States sells about 80 cents. Nevertheless, it might take some time to build a consensus for a partnership strategy, because even if President Bush decided to try to persuade Congress to approve it, Congress would undoubtedly saddle the new program with so many conditions that it would undermine the premise and purpose of the structural funds, which is to build a unique partnership in North America.

Therefore, let me propose an intermediate option while the leaders of the three countries begin to construct the kind of relationship that will make such a program seem a wholly natural extension of their summits and of a new North America. Since the establishment of the World Bank, Mexico has been its third largest recipient of loans—169 loans totaling \$30 billion. Only India (having received \$52 billion) and China (\$33 billion) have obtained more. In June 1999, the World Bank Board decided to direct \$5.2 billion to Mexico during the next 2 years to improve social conditions for the poor, strengthen public-sector reforms, and reinforce macroeconomic stability. In its report on Mexico in 2001, the Bank affirmed that it would maintain a project pipeline worth about \$1.5 billion a year. Mexico has also received more loans from the Inter-American Development Bank—160 loans totaling \$12.2 billion—than any other country.³⁴ These loans have gone to a wide range of projects, but none of them have addressed the question: How could the funds best facilitate the integration of North America?

If Canada, Mexico, and the United States all agreed that half of the loans from these two institutions during the next 5 years—say \$1.5 billion—would be devoted to answering the question of integration (through infrastructure and education), the two development banks would probably respond positively, particularly because the precedent (integrating a developing country into a regional agreement with industrial countries)

34. The figures from the World Bank and the Inter-American Development Bank are from their Web sites.

has global significance. A cost-benefit analysis of various sectoral plans might demonstrate how far a relatively small amount of investment could go in furthering Mexico's development, particularly because the private sector would play a large role. Under those circumstances, all three countries might devote a substantial amount of call-in capital or foreign aid to implement the plan—of building better roads and bridges across the borders and into central and southern Mexico, of modernizing railways, and so on.

It would neither be necessary nor desirable to establish a new bureaucracy to undertake these projects. A special coordinating office in the World Bank could work with the Inter-American Development Bank and other institutions to mobilize the funds, supervise the bidding, and oversee the projects. It might be useful for the North American Development Bank to work with the two major development banks, but the NADBank does not have the capability or the experience to manage these projects, and its mandate is different. The North American Commission proposed by this book would not manage the projects, but it would be involved in preparing the broader picture of how these investments would contribute to the goal of a more integrated North America.

While helping Mexico to integrate its poor and rich regions, the development fund's managers might very well discover the best approach to the troubled border area as well. During the past 30 years, almost every administration in Mexico City and Washington has promised to develop the border. All failed. Whether the border economy expanded or contracted, the political system could not cope. Since NAFTA, the border has exploded with new investment that has burdened the system way beyond its capacity. A development program that aimed to build up the center of the country would relieve the border of some of its congestion, and it would permit a better-managed system. The border then could become more of a commercial and transit station rather than a manufacturing platform that rises and sets in short order depending on the demands of the US public or of a particular company. As with the European Union, North America should use the development funds to help Mexico make the decisions—for example, on fiscal reform—that they need to approve to modernize their economy.

To enlist support from the donors—the United States and, to a lesser degree, Canada—Americans will need to be persuaded that this investment will alleviate their concerns about Mexico and advance their interests. If a plan relates the various interests of the United States—stemming drugs and illegal immigrants, expanding trade and development—then the prospects of supporting such a venture would increase.

Although much of the infrastructure and the universities would be built in Mexico, Canada and the United States also have considerable infrastructure problems. The increase in trade has slowed traffic in Texas

going to the border and led to numerous accidents. Congress allocated \$700 million for NAFTA-related highway and infrastructure improvements, but apparently only a small portion was allocated to Texas.³⁵

To help forge a regional identity, a case could be made that some “North American” projects should be built in Canada and the United States and advertised, as the European Union does, as North American Community Projects. Historically, one of the reasons why there has been so little US public support for foreign aid or for international organizations is that Americans never see the projects and the offices that manage them. That could be corrected if the projects and offices were also in the United States as well as in the two other countries most visited by Americans, but the lesson from Europe is to keep these offices and projects small and symbolic and save the funds for where they are needed.

Would Canada contribute? A decade ago, or even 5 years ago, the answer would probably have been “No.” But in recent years, Canada has played an increasing role in Latin America, and it has singled out its relations with Mexico for special priority. There is no doubt that Canada could not—and would not want to—contribute as much as the United States, but just as with Salinas’ original proposal, they probably would not want to be left out of any new North American project.

To be effective, the development fund would need a clearly designed plan and a pipeline of money for an extended period. Mexico’s needs exceed the capacity—or, more accurately, the political will—of its neighbors. The World Bank estimated that it needed \$20 billion a year for a decade just for infrastructure. This is roughly equivalent—in current dollars—to what the United States delivered to Latin America through the Alliance for Progress during the 1960s. The United States would need to contribute only a small proportion of those funds as call-in capital, which would allow the World Bank to borrow the remainder. It is hard to conceive of a more worthy investment, but only the president could convince the American people of that.

A North American Education Plan

The 1990s brought a consensus that education is key to economic development. The problem is in finding the right formula to improve a country’s educational system, and that approach has to be different in Canada and the United States than in Mexico.

In the European Union, the two most effective “regional policy” investments were in infrastructure and higher education. Specifically, the Union helped establish regional community colleges in the four Cohesion coun-

35. Robert Bryce, “A Texas-Size Tie-Up: Traffic from Trade Agreement Has Created a Lone Star Nightmare on Interstate 35,” *U.S. News and World Report*, 25 October 1999, 36.

tries, and these colleges served as magnets for education and development in poor areas. Is such a strategy relevant to Mexico?

Mexico has made substantial gains in education during the past two decades. Students are now required to complete 9 years of school. Enrollment has soared to more than 80 percent at the primary level; for the first 3 years at the secondary level, enrollment increased from 31 percent in 1970 to 66 percent in 1997. Educational expenditures increased from 7.8 million pesos in 1970 to 118 million pesos (both in current pesos) in 1997.³⁶ Mexico's educational problems are similar to those in many parts of Latin America. The quality of education is much poorer in the rural areas and the dropout rate is higher, although there have been improvements in the past decade. Its level of spending for education is relatively high for a developing country, but Mexico, like much of Latin America, devotes a disproportionate amount to higher education for a small number of people. Funding of elementary and secondary schools has been inadequate.³⁷

The major educational challenges for Mexico in the 21st century, according to an OECD report, are "equity, quality, and educational pertinence."³⁸ In many ways, Mexico's level of economic and educational development is comparable to Portugal's or Spain's in the early 1980s, and the EU strategy with some adaptations might make sense for Mexico.

Portugal and Spain, with EU help, established small colleges in rural provinces. These colleges served as magnets that attracted professionals from more advanced regions, and they also radiated their influence into the wider rural community, helping to upgrade their education. Although there have been many explanations for the dramatic progress made in Iberia since the mid-1980s, when Portugal and Spain joined the EU, still one needs to marvel about the expansion of educational opportunities (table 6.1). From 1985 to 1995, the proportion of students in higher education in Spain increased from 29 to 48 percent; and in Portugal, from 12 to 39 percent; but in Mexico, it declined from 16 to 15 percent. By 1995, all high school-age students in Portugal and Spain were in school, whereas only 61 percent of Mexicans were there.

36. Sergio Medina, *Human Resources and Population in Mexico at the Dawn of the 21st Century: A Regional Perspective* (Amsterdam: Thela Thesis, 2000), 100-04; World Bank, *Country Assistance Strategy for Mexico* (Washington, 1999), 7.

37. Nancy Birdsall, Nora Lustig, and Lesley O'Connell, "The U.S. and the Social Challenge in Latin America: The New Agenda Needs New Instruments," in *The United States and the Americas: A Twenty-First Century View*, ed. Albert Fishlow and James Jones (New York: W.W. Norton, 1999), 93-94.

38. Organization for Economic Cooperation and Development, *Review of National Policies for Education: Mexico Higher Education* (Paris, 1997), 47. This conclusion was supported by studies by the World Bank and the Inter-American Development Bank.

Table 6.1 Comparing development and education in Mexico, Portugal, and Spain

Country	GDP dollars, PPP basis			Enrollment/tertiary education (percent)			Enrollment/secondary education (percent)		
	1985	1990	1995	1985	1990	1995	1985	1990	1995
Mexico	5,306	6,408	7,222	15.9	14.5	15.3	56.5	53.3	61.2
Portugal	7,209	11,238	13,774	12.3	23.2	38.8	57.3	67.4	111.0
Spain	8,433	12,914	15,412	28.5	36.7	47.8	98.5	104.1	122.1

PPP = purchasing power parity

Source: World Bank, *World Development Indicators 2000* (CD-ROM).

As occurred in the Iberian Peninsula, poor regions in Mexico would benefit from community colleges that placed emphasis on technical and computer training. These colleges could attract investment and upgrade secondary school teaching in the vicinity, and they could partner with an extremely well-developed community college system in the United States. If funding were provided to Mexico for community colleges on the condition that the government systematically reduce the proportion of funding for universities and increase it for secondary schools, then an investment in community colleges would yield a double dividend. The failed attempt to institute tuition in the National University in Mexico City shows that it will be difficult to gain consent for a reallocation of educational resources, but that might be easier if Mexico's poor regions had more of a stake in the change.

An Alliance for Higher Education and Enterprise in North America was established in 1998 under the auspices of the North American Institute (NAMI), a nongovernmental group based in New Mexico and led by former Canadian Senator Jack Austin. The mandate of the alliance is to facilitate strategic partnerships among universities, community colleges, and businesses in all three countries. With the support of the three governments, NAMI could help develop "North American Community Colleges" in the poor regions of Mexico.³⁹

An equally serious, if not greater, problem is illiteracy or low levels of education in the rural areas. Here, community colleges could reap a third dividend if their students were required—in lieu of tuition—to spend a semester working in the remote areas on a "literacy crusade."⁴⁰

39. David Crane, "NAFTA Lacks a Sense of Community," *Toronto Star*, 23 August 1998.

40. I am grateful to Ted Gerber for suggesting a variation on this idea.

Greater Than the Sum of Its Parts: A Strategic Package

When President Fox proposed the idea of a common market after his election, he took quite a leap. An intermediate point between a free trade area and a common market is a customs union—a free trade area with a common external tariff. This would be no small feat, particularly because Canada and Mexico have negotiated so many other free trade agreements.

Nonetheless, a decision to move NAFTA to a customs union in 5 years would yield real benefits for the three countries. The difficulty stems from the divergent external tariffs and nontariff barriers between Mexico on the one hand and Canada and the United States on the other. The advantage would be to discard the very elaborate but inefficient “rules of origin” procedures that are required under NAFTA. One procedure for achieving this step would be to harmonize tariff levels to the lowest level maintained by one of the three countries. It is fortunate that Mexico first proposed the idea, because its adjustment is likely to be the most difficult. This would also prove to the Canadians that their fear was unfounded that Mexican participation in a free trade area would impede progress toward a customs union.⁴¹

The step after a customs union is a common market, and that is far more difficult, because it involves the free movement of labor. Most of the people on the periphery of the United States would like nothing better than to travel freely to the United States. This is understandable, because the process of trying to enter the United States can be demeaning and is always time consuming and frustrating. From the US perspective, the problem is obvious: Each year, the United States has a lottery for 40-55,000 immigration visas, and the number of applications range from 7 to 20 million.⁴² One has better odds in Las Vegas, but this does not deter the applicants. This is all the more reason why the intermediate steps on migration discussed above need to be part of the broader discussion of how the three countries can make the transition toward a common market. And it is useful to keep in mind that the European Community incorporated transitional periods of 7 years after Greece, Portugal, and Spain joined it before their workers would be permitted to travel freely to the rest of the Community.⁴³

The North American policies outlined above—for infrastructure and transportation, trade, macroeconomic coordination, border enforcement,

41. Michael Hart, “Disarming the “Undefended Border” in Order to Preserve It: Canada, the United States, and Deepening Economic Integration,” Ottawa, photocopy (February 2000), 60.

42. US Department of State, Report of the Visa Office, 1997, <http://www.ins.usdoj.gov/graphics/aboutins/statistics>.

43. Judy Dempsey, “Brussels Sets Out Migration Options,” *Financial Times*, 8 March 2001.

immigration, energy, regional development, and education—are illustrative of the range of sectors that are in need of continent-wide consideration. A trilateral perspective opens one's eyes to new, creative ways to deal with old problems. And more important, a trilateral approach diminishes the possibilities of paternalistic behavior, which has proven so destructive of bilateral relations in the past.

In a relatively short time, Fox opened a debate on North America that had been almost mute since the passage of NAFTA. The Canadians are watching the dialogue between Mexico and the United States, but they have not become engaged, and are unlikely to do so, unless they feel that something will happen. Many issues are on the table, and the prospects for trade-offs are real. Bush clearly wants to be responsive to Fox because of Mexico and because of the growing importance of the Hispanic community in the United States, but he also does not want to ruin his own agenda or capsize his party. Senator Phil Gramm, a Republican from Texas, vowed that any legalization program would have to pass "over my cold, dead political body."⁴⁴ And Gramm's view is not unrepresentative.

A *Time* magazine poll shows that the American people know that Canada and Mexico are very important and that Mexico has a huge impact on US politics (50 percent), the economy (64 percent), and culture (65 percent). But when asked whether they wanted it to be easier or harder to cross the border into the United States from Canada, 15 percent of the American people said it should be easier, and 21 percent harder. From Mexico, 15 percent of Americans wanted it easier, and 53 percent harder.⁴⁵ Americans are not ready to tear down the fences. Indeed, they seem to be sitting on the fence on the issue of Mexico. The principal subterranean anxiety of Americans regarding their neighbor to the south is immigration (see next chapter), and yet public opinion surveys also show that Americans—and also Canadians and Mexicans—are prepared to accept a North American union, provided "cultural identity" is not threatened.

The Bush administration might be tempted to assemble a minimal package to respond to Mexico and different constituent groups, but that would be shortsighted. Rather, this is the time to forge a program that responds to long-term goals and priorities. The key to the new relationship lies in establishing a North American Commission and in the three leaders deciding to define a framework of cooperation within which to negotiate each of these issues and sectors. Absent such a concept and lacking an institution to apply it, the old habits will stay.

Fox has pressed the immigration issue so persistently, and with so much credibility, that the United States is paying attention, and wants to

44. Cited in Eric Schmitt, "Bush Aides Weigh Legalizing Status of Mexicans in U.S.," *New York Times*, 15 July 2001.

45. *Time*, 11 June 2001, 46.

be responsive. But the question is whether immigration is *the* issue. This issue is very difficult for the United States and is not central to Mexico and the relationship, it is a surrogate for two other goals: respect within the rule of law and development aimed at reducing disparities.

The development fund proposal that was outlined above needs to sit at the center of the package. Fox himself has said: “We should work hard to create opportunities for Mexicans and their families so that they will stay in Mexico.”⁴⁶ But Mexico does not have the capital to create the infrastructure that would permit it to narrow the gap with its northern neighbors. Canada and the United States have the opportunity to do for Mexico what the European Union did for its four poor partners—to lift it up to the industrial world. In addition, Canada and the United States need to identify ways to tell Mexico and the Mexicans in their communities that they are respected as partners. That might involve a special immigration preference, a new program for temporary workers that protects their rights and gives them the option of seeking permanent residence, and a North American passport.

The design of the North American Community borrows ideas and experience from the European Union, but it is a unique model that relies more on the market and less on bureaucracy, more on pragmatic solutions to sectoral problems and less on grand schemes of confederation. Still, if the three governments of North America can define a common approach, they will give the middle-class developing countries hope that there is room for them in the industrial world.

46. He has often made this comment. A recent statement is in “Activities of President Fox on the Last Day of His US Tour,” 17 July 2001, <http://www.presidencia.gob.mx/>.