

**IMMIGRATION: RESPONDING TO A REGIONAL CRISIS**

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ERIC FARNSWORTH  
VICE PRESIDENT

Good afternoon Mr. Chairman and members of the Subcommittee. It is a privilege to be with you to discuss a topic of long-standing and growing significance in hemispheric relations. As you know, the Council of the Americas (“Council”) is a leading policy voice in Latin America, the Caribbean, and Canada. Our members include over 175 companies invested and doing business every day in the Western Hemisphere. For over 40 years, the mandate of the Council has been to promote open markets, democracy, and the rule of law throughout the Americas. Thank you for the invitation to speak before you today.

Patterns of Migration are Well Established

As you have heard from the government witnesses earlier, migration is not an issue that can be “resolved,” per se; it can only be managed in an orderly, safe, and humane manner. The reason is elegant in its simplicity: the perceived economic benefits of migrating from Latin America or the Caribbean to the United States and, increasingly, Canada, outweigh the perceived security and economic risks, in addition to the emotional cost of separation from family and community. It is fairly well established, in fact, that all other things being equal, many migrants would prefer to remain with their families in their countries of birth, where language, customs, and social patterns are well known and comfortable. It is a matter of the economic desperation that some people feel in their home countries, and the economic opportunities they perceive in “el Norte,” that they will actively seek legal or, if necessary, illegal means into this country.

It is also well established that migrants do not necessarily have to be unemployed or without any job prospects at home in order to attempt travel to the United States or Canada (or, for that matter, from Bolivia to Brazil and Argentina, or Nicaragua to Costa Rica, or Guatemala to Mexico). Rather, with the exception of political persecution which is thankfully no longer a significant issue in Latin America outside Cuba, it is the prospect for economic advancement that potential migrants perceive for themselves *and for their children* that weigh heaviest in the minds of intending migrants. Most of the recent migrant community in the United States, for example, is concentrated in low skill, low wage industries: agriculture and meatpacking, landscaping, hospitality, construction, and other jobs which tend to be harder to fill at prevailing wages.

On its face, this situation might appear paradoxical. Why would anyone, the thinking goes, leave home and hearth if they already had a job in order to travel north to take work that might be seasonal, episodic, and lacking in job security or may even be subject to law enforcement actions? The answer appears to be that this allows workers the opportunity to send significant support back home in the form of remittances, until such time as family members can join the original migrant in the United States. Once families are reunited in the United States, children of migrants then have the opportunity to improve themselves through education and training unavailable to them in their home countries that will allow them to pursue even greater economic opportunity than their parents.

The Inter-American Development Bank has done excellent work on remittances, and has found that these cash flows make up a significant portion of national accounts in Latin America and the Caribbean. In 2005, it is estimated that total remittances to Latin America and the Caribbean reached nearly \$54 billion, including over \$20 billion to Mexico, over \$6 billion to Brazil, over \$4 billion to Colombia, over \$2 billion each to Guatemala, El Salvador, the Dominican Republic, Peru and Ecuador, and almost \$2 billion to Honduras and over three quarters of a billion dollars to Nicaragua. These figures are staggering in magnitude, when one considers that the total level of Mexico's exports in 2005, for example, was \$217 billion, while El Salvador's was \$3.6 billion, Honduras' was \$1.7 billion, and Nicaragua's exports are barely \$1.5 billion per year. It also explains why the Temporary Protected Status program for El Salvador, Honduras, and Nicaragua, which covers over 300,000 people, is seen as such a lifeline, and why its continued renewal is always such a priority for affected Central American governments.

Ultimately, migrants want what we would want: the opportunity to make a better life for themselves, and even more so, the opportunity for their children to move up the economic ladder which, due to social, labor, or political rigidities, they may not have at home.

### Regional Development is the Key to Better Management of Migration Flows

The key question is how to encourage opportunities for upward mobility in Latin American and Caribbean nations themselves. In reality, there are numerous actions that governments can take, with the understanding that there are no magic bullets, nor are there short-term solutions. Rather, there is only a long-term commitment to economic growth, competitiveness in a global environment, and actions to reform labor codes, political access, and the rule of law which will improve labor market flexibility, encourage workers to enter and remain in the formal economy, and keep any nation's most valuable commodity—its people—at home.

For its part, the United States has only limited means to address these matters at their source; fundamentally, reforms must be made in the nations themselves. Regional development is the most effective means to reduce and manage migrant flows to the United States (not eliminate them, which would both be impossible and unwise), and trade policy is the most effective means we have to impact regional development. As the Council's North American Business Committee showed based on US government statistics, for example, NAFTA has had a moderating impact on the flows of illegal migrants from Mexico. We would anticipate the same to occur with the DR-CAFTA agreement with Central America once that agreement is fully in force.

This linkage, in addition to US counternarcotics policy, has also been at the heart of trade preference programs in the Andean region. Specifically, the Andean Trade Preferences Act and its successor ATPDEA program for Colombia, Peru, Ecuador, and Bolivia were originally designed to help narco-source nations to develop jobs in legitimate sectors to wean workers away from the coca and marijuana fields. This program is set to expire at the end of this year unless re-authorized by Congress in the context of an overall hemispheric trade expansion strategy as a bridge to free trade agreements in the Andean region.

Development and job creation is also at the heart of the Security and Prosperity Partnership for North America that was launched by the three North American governments in Waco, Texas, in 2005 and solidified in Cancun last March. The purpose of the SPP, which the Council fully supports, is to identify and promote specific areas where actions by the three governments can make each nation more competitive globally, thus improving development prospects individually and collectively. This is particularly pertinent for the southern half of Mexico, which is the most underdeveloped region in North America and which, not coincidentally, also voted most heavily in Mexico's recent presidential election for populist candidate Andres Manuel Lopez Obrador. As President Vicente Fox said during the Cancun meeting, the Government of Mexico recognizes that it shares responsibility for security along the border as an element of the overall migration picture, but the economic development of Mexico's southern half will be the most effective element, over time, in moderating the flow of migrants north from Mexico.

### Regional Development Goes Beyond Trade

More broadly, regional development is crying out for a more focused attention to several priority areas that go well beyond trade liberalization, which is necessary though not sufficient by itself to engender the long-term, sustainable growth that will create those jobs required to keep citizens at home. In fact, in one particularly chilling statistic, the World Bank recently reported that Latin America as a whole grew less than one percent from 1980-2000; over the same time period, China grew over eight percent *per year*. Clearly, the region as a whole must do better.

Latin American and Caribbean nations, as elsewhere, find themselves fighting to excel in a global economy. Foreign and domestic investment that might normally have flowed into the region, one of the most important ingredients of long-term economic growth, now has other options, especially in Asia and Eastern Europe. Those nations which do not take direct steps to improve their respective investment climates will fall increasingly behind. As a start, greater attention must be paid to formal education, which now averages a mere six years across the region, worker training and workforce development, personal security and security of property, the rule of law, and social inclusion which strengthens democracy and social stability. In this regard, countries like Bolivia that have recently taken steps to nationalize foreign investment or nations like Ecuador where some investments are subject to a fluid interpretation of the law will find that the international business community will look elsewhere, as indeed is already happening, to make those direct investments that drive job creation and improved economic performance. Countries like Chile, Colombia, the Dominican Republic, and Uruguay which take global competitiveness seriously will continue to reap the benefits of strong investment flows. Ultimately, of course, investment-led

development in the region is the key to developing broad-based economic growth, and such growth is the *sine qua non* of moderating regional migration flows.

Beyond investment climate reforms, Latin American and Caribbean nations would do well to take direct steps to liberalize their labor markets in order to create greater incentives for job creation, while bringing greater numbers of their people within the framework of the formal economy where they would enjoy greater social protections, job security, and, not coincidentally, be more fully vested in the success of democratic governance at home.

My colleague at the Council, Dr. Christopher Sabatini, who just testified before the International Relations Committee on the state of democracy in the region, has been doing some outstanding work on labor reforms in Latin America and what it will take to broaden the economic base. This is critical as Latin America and the Caribbean face a demographic time bomb in terms of significant numbers of youth coming of age. Over one third of the population is under the age of 16. In a few short years, this will be the population cohort which tends to be most likely to migrate when good jobs in the formal economy simply do not exist. Conversely, were Latin American job markets liberalized, perhaps in exchange for greater social protections for workers, jobs would be created by the private sector which currently faces perverse incentives in hiring and firing. As a result, additional workers would be drawn into the formal economy, thus decreasing incentives for migration.

Mr. Chairman, members of the Subcommittee, migration issues are complicated, difficult, and long-standing. They cannot be addressed overnight, because the solutions are long term, and in the meantime, migration pressures will likely continue. But that's no reason not to work in conjunction with our hemispheric neighbors, who, do be sure, recognize their joint responsibilities in these matters, to find ways to address the underlying economic calculus facing numerous individuals across the Western Hemisphere. For our part, we can and should be supportive, through trade expansion and other means, even as the "sending" nations more aggressively take steps to improve their respective investment climates, focus significant attention on education reform and social mobility, and liberalize labor codes.

Mr. Chairman, thank you again for the opportunity to be with you today. I look forward to your questions.