When the North American Free Trade Agreement took effect on January 1, 1994, expectations were high on all sides. By gaining free access to U.S. and Canadian markets, Mexico hoped to attract international investment, expand manufacturing, diversify its economy, and increase national income. Canada, meanwhile, would assure its continued access to the world’s largest consumer market as well as gaining new access to a new pool of low cost labor and natural resources. In the United States, NAFTA was sold as a means both of enhancing American economic productivity and reducing undocumented migration by enabling Mexico to “export goods and not people.” The economic forces unleashed by free trade were supposed to promote economic and demographic convergence within North America, to the benefit of all concerned.

While trade between the three nations indeed boomed as anticipated, and although many sectors of the North American economy have seen profits and efficiencies increase, the record on economic and demographic record as been decidedly mixed. Although the demography of North America has increasingly converged to a common regime of high life expectancy and low fertility, the economic gap between Canada and the United States, on the one hand, and Mexico, on the other, has widened, while Mexican emigration to the United States has continued and that to Canada has expanded. Undocumented migration to the United States, however, ended in 2008 and the net inflow of undocumented migrants since that year has been negative. The respite in unauthorized migration offers the three countries of North America an opportunity to consider an alternative model of economic integration. The way in which Spain was brought into the European Union offers important lessons for Canada and the United States in promoting a more prosperous and stable North America.

Table 1 presents current demographic indicators for Canada, Mexico, and the United States to reveal a remarkably similar demographic profile, albeit with some notable exceptions. Population size, of course, remains a key feature distinguishing the three countries from one another. In demographic terms, Canada remains by far the smallest of the three parties to NAFTA with a population of just 33.5 million people, roughly one third that of Mexico (111.2 million persons) and about a tenth of that of the United States.
(307.2 million inhabitants); but no one ever expected a convergence in population size between the three countries given their very different demographic starting points.

Table 1. Demographic profile of countries in the North American Free Trade Agreement.

<table>
<thead>
<tr>
<th></th>
<th>Canada</th>
<th>Mexico</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (millions)</td>
<td>33.5</td>
<td>111.2</td>
<td>307.2</td>
</tr>
<tr>
<td>Growth Rate (%)</td>
<td>0.82</td>
<td>1.13</td>
<td>0.98</td>
</tr>
<tr>
<td>Urbanization (%)</td>
<td>80.0</td>
<td>77.0</td>
<td>82.0</td>
</tr>
<tr>
<td>Median Age (years)</td>
<td>40.7</td>
<td>26.7</td>
<td>36.8</td>
</tr>
<tr>
<td>Pct &gt;65 (%)</td>
<td>15.2</td>
<td>6.2</td>
<td>12.8</td>
</tr>
<tr>
<td>Net Migration Rate (per 1000)</td>
<td>5.63</td>
<td>-3.61</td>
<td>4.32</td>
</tr>
<tr>
<td>Life Expectancy (years)</td>
<td>81.2</td>
<td>76.1</td>
<td>78.1</td>
</tr>
<tr>
<td>Total Fertility Rate (per woman)</td>
<td>1.52</td>
<td>2.31</td>
<td>2.06</td>
</tr>
</tbody>
</table>

When it comes to fertility, mortality, urbanization, population growth, and aging, however, the three countries are remarkably similar. In each case the population growth rate is around 1% per year, with a value of 0.82 in Canada, 0.98 in the United States, and 1.13 in Mexico. All three countries are fully urbanized, with the level varying from 77% urban in Mexico to 82% in the United States and 80% in Canada. The gap in life expectancy, meanwhile, has narrowed to within five years, with Mexico and the United States being relatively close at 76.1 years and 78.1 years, respectively, compared with an expectancy of 80 years in Canada. Despite Mexico’s history of high fertility, moreover, childbearing rates have plummeted in Mexico since the 1970s and its total fertility rate is rapidly approaching replacement level. When it comes to childbearing, the outlier is Canada, with a TFR of just 1.5 compared with 2.1 in the United States and 2.3 in Mexico.

The recency of Mexico’s fertility decline, however, yields a demographic legacy in the form of a much younger population than its two northern neighbors. Given the low birth rate in Canada, it has the highest median age (40.7 years) and the greatest share of people over the age of 65 (15.2%), followed by the United States with a median age of 36.8 years and 12.8% of its population aged 65 or older. In contrast, the Mexican median age is just 26.7 and the share 65 or older is just 6.2%. Although the recent decline in Mexican fertility can be expected to produce rapid aging in years to come, the country is still quite young and over the past several decades has produced expanding cohorts of young adults entering the labor force.

This demographic reality, combined with the uneven economic performance of Mexico in recent has given rise to the other major demographic difference separating Mexico from its northern neighbors. While Canada and the United States are nations of immigration, Mexico remains a country of emigration.
The rate of net international migration to Canada presently stands at 5.6 persons per 1,000 and in the
United States at 4.3 persons per 1,000; but in Mexico the rate is -3.6 persons per 1,000. The vast majority
of Mexican migrants go to the United States, of course, mostly in unauthorized status. Although Mexican
emigration to Canada has risen in recent years, it remains a small fraction of the outflow to the United
States. The continuation of undocumented migration from Mexico in the wake of NAFTA and the rapid
growth in the unauthorized Mexican population of the United States constitute a serious source of friction
in Mexican-American relations.

Table 2 offers an economic profile of the three countries of North America. To a degree that
might surprise some people, economic circumstances in the three countries have converged along several
dimensions. In the contemporary knowledge-based global economy, human capital formation is among
the most important economic processes, and with respect to education Mexico has been catching up to
Canada and the United States. At present the school life expectancy for a young person today—that is,
the number of years of education a person just entering primary school can expect to complete at current
rates of schooling—is 16 years in the United States and 17 years in Canada; but Mexico now stands at 13
years, just three years behind the United States. The school life expectancy for a typical Mexican student
is now to finish secondary school and complete one year of post-secondary education.

Table 2. Economic profile of countries in the North American Free Trade Agreement.

<table>
<thead>
<tr>
<th></th>
<th>Canada</th>
<th>Mexico</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>School Life Expectancy (years)</td>
<td>17.0</td>
<td>13.0</td>
<td>16.0</td>
</tr>
<tr>
<td>GDP Per Capita (thousands)</td>
<td>38.2</td>
<td>13.2</td>
<td>46.0</td>
</tr>
<tr>
<td>Unemployment Rate (%)</td>
<td>8.3</td>
<td>5.5</td>
<td>9.3</td>
</tr>
<tr>
<td>Poverty Rate (%)</td>
<td>10.8</td>
<td>18.2</td>
<td>12.0</td>
</tr>
<tr>
<td>Gini Index</td>
<td>32.1</td>
<td>48.2</td>
<td>45.0</td>
</tr>
<tr>
<td>Inflation Rate (%)</td>
<td>0.3</td>
<td>3.6</td>
<td>-0.3</td>
</tr>
</tbody>
</table>

Although unemployment rates have risen sharply in recent years, the level in all three countries
remains under 10%, in contrast to many other OECD countries. In the United States, for example,
unemployment stands at 9.3% compared with 8.3% in Canada and 5.5% in Mexico, though the latter figure
hides a high degree of under-employment and informality in the Mexican labor force and yields a much
higher poverty rate of 18.2%, compared with 12% in the United States and 10.8% in Canada. Poverty is
defined by local and not absolute standards and obscures large differences in material well-being between
the three countries. In terms of average income, Mexico continues to lag far behind its northern neighbors,
with a per capita GDP of just $13,200, compared with figures of $38,200 in Canada and $46,000 in the
United States (figures adjusted for purchasing power parity). Although inflation remains low in all three countries, income inequality is substantially greater in the United States and Mexico (with respective Gini Indices of 45 and 48) than in Canada (whose index is just 32).

The New Reality of Mexico-U.S. Migration

As discussed above, the North American demographic system is characterized by persistent out-migration from Mexico northward. The overwhelming majority of Mexican emigrants go to the United States, although the number migrating to Canada has increased in recent years, especially the number migrating under temporary work visas. Figure 1 summarizes recent trends in temporary labor migration from Mexico to Canada. As recently as 1998 the number of Mexican workers entering Canada totaled only around 7,000, but this number has risen steadily to reach 16,000 in 2007. Most of these workers return to Mexico at the end of the season and come back again the following year. At present, around 70% of all temporary Mexican workers are repeat migrants and 30% are new entries. Despite this growth, Mexican migration to Canada remains small in scale and limited in its social, economic, and demographic effects. Among all immigrants currently residing in Canada, just 0.8% are from Mexico, and even among the most recent arrival cohort the figure is just 1.5%. The nationalities dominating immigration to Canada include China (14% of the most recent cohort), India (12%), the Philippines (7%), Pakistan (5%), the United States (4%), and South Korea (3%).
In contrast, Mexican emigration to the United States during the past several decades has been truly massive. Figure 2 shows trends in Mexican migration by considering yearly entries of legal immigrants and temporary workers. The volume of undocumented migration is here proxied by the number of Mexican border apprehensions per 1,000 border patrol agents. As can be seen, undocumented migration surged during the early 1970s, then stabilized at between 500,000 to 700,000 apprehensions through the mid-1980s, dropped to around 400,000 during the late 1980s and early 1990s before declining steadily to below 50,000 by 2009. Legal immigration, meanwhile, rose from around 50,000 in 1979 to around 100,000 in 1973, where it fluctuated through the mid-1980s before surging and then settling down at around 200,000 per year since the early 1990s. Temporary labor migration, in contrast, remained low through the mid-1990s but since then has risen to more than 300,000 per year.
At present, therefore, undocumented migration has fallen effectively to zero while legal entries fluctuate around 200,000 and temporary worker entries fluctuate around 300,000 per year. According to official estimates by the U.S. Department of Homeland Security, the undocumented population peaked at 11.6 million persons in 2008 and by 2009 had dropped to 10.7 million persons, with the Mexican portion of the population dropping from around 7.0 million to around 6.6 million. Thus net undocumented migration since 2008 has been negative. In the context of a deep American recession, a much expanded guest worker program, and legal immigration to the United States unauthorized migration from Mexico has ceased, at least for the time being. This respite in the flow of undocumented migrants offers the United States a chance to rethink its border policies. Rather than spending 3.5 billion dollars on border enforcement, in the absence of unauthorized migration, these funds might be converted to structural adjustment funds made available to Mexico, in the same way that structural funds were made available to Spain beginning in the 1980s to facilitate its integration within the European Union.
Economic Integration European Style

After a short period of deliberation, EU member states in 1978 decided to reward Spain for its transition to democracy and economic liberalization by entering serious negotiations to specify the conditions under which it might join the European Union as a full member in its economic and political project. In doing so, EU officials built on their earlier success in admitting Greece, a poorer nation that had already been successfully integrated within the EU. Given the goal of full and complete membership in the European Union, negotiators on both sides had two central aims: (1) the integration of Spain's markets with those of northern Europe by specifying institutional, financial, and legal changes that Spain would have to make before accession; and (2) the harmonization of Spanish social systems with those in the north by requiring specific reforms in the administration of education, social welfare, criminal justice, and employment.

EU negotiators did not seek to make Spain's social and economic institutions identical to those in northern Europe. Rather, they sought to begin moving them toward convergence and to the achievement of certain minimal criteria prior to accession. The success of this integrative project is most easily measured using data on the openness of the Spanish economy, defined as the share of GDP devoted to international trade (exports plus imports). Using data from the Penn World Tables, Figure 3 shows the pace of Spain's economic transition before and after EU accession. As can be seen, institutional change in the Spanish economy was slow and incremental before 1986. From 1954 to the death of Franco in 1975, the index of economic openness rose only from 4.1 to 18.3, yielding an average change of just 0.6 points per year. In the decade between Spain's EU application and its final accession, the index continued to rise slowly, going from 19.1 to 26.4, or just 0.7 points per year. Following accession, however, structural economic change occurred at a rapid pace, with the index of openness rising from 26.4 in 1986 to 65.1 in 2004, yielding an average rate of change of more than two points per year. Over the same period (1986-2004), the share of workers employed in agriculture fell from 16% to 5% while the share in services went from 52% to 64% and the share in industry held fairly steady at 32% and 29%.
The associated structural transformations of the political economy were naturally accompanied by major dislocations in Spanish society. The unemployment rate rose from just 4.4% at Franco's death to peak at 24% in 1994 before slowly declining, finally dropping below 10% in 2004. Although female employment increased modestly after accession, male employment fell sharply at first and poverty rose as the number of long-term unemployed increased. Although income itself did rise after accession, the increase was not fast enough to close the gap with its northern EU neighbors. To demonstrate this fact, Figure 4 shows trends in GDP per capita for Spain and northern Europe from 1954 to 2004. The trend for northern Europe is indexed by the average GDP per capita for Belgium, France, Germany, the Netherlands, and the United Kingdom. All data are again from the Penn World Tables and are given in constant U.S. dollars adjusted to purchasing power parity.
As can be seen, the absolute size of the north-south gap in GDP remained fairly constant until Spain's application for EU entry, whereupon it widened slightly. In the wake of Spain's accession, however, the pattern of parallel economic growth resumed and the gap stayed more-or-less the same in ensuing years. Despite the constancy of the gap in absolute terms, of course, its relative size steadily fell as GDP steadily rose in both Spain and northern Europe. In 1954, for example, the absolute north-south gap of $4,138 constituted 52% of average GDP in the north, whereas in 2004 the larger gap of $5,207 represented just 20% of the northern average. In other words, although the absolute size of income gap increased somewhat in the course of the transition that followed political and economic liberalization, it fell sharply in relative terms.

The distinction between absolute and relative income gaps is important theoretically. In the neoclassical model of migration, migration occurs whenever there is a gap in wages or income between two geographic regions with no legal barriers between them and relatively small costs of moving. If the expected returns to movement are positive, a rational actor will migrate to increase his or her stream of lifetime earnings. Given relatively fixed costs of movement, the principal determinant of migration is thus the absolute size of the differential in expected earnings (average income times the likelihood of employment) at origin and destination. As long as a positive wage gap exists, people have an incentive to
migrate and as they leave the supply of labor in sending societies falls while that in receiving societies rises, increasing wages in the former location and lowering them in the latter until, at equilibrium, the wage gap is reduced to nothing more than the costs of movement.

Figure 4 clearly shows that the gap in GDP per capita between Spain and northern Europe was not eliminated in the years following EU accession. Indeed, if anything the gap increased slightly. Neoclassical theory therefore predicts a continuing outflow of migrants from Spain toward higher-income countries in the north such as Germany, Britain, and France, an outcome that certainly transpired historically. According to statistics compiled by the OECD's Systeme d'Observation Permanente des Migrations Internationales (SOPEMI), in 1979 some 10% of the Spanish population lived outside the country. The fear expressed by some observers that EU membership would unleash a new wave of Spanish emigrants thus had considerable theoretical and empirical justification.

Nevertheless, as Figure 5 clearly shows, Spain's entry into the EU, did not unleash a new wave of out-migrants. The graph shows trends in permanent emigration, temporary emigration, return migration, and net migration between Spain and the rest of Europe from 1965 to 2001. Despite oscillations linked to economic conditions, prior to accession Spain was a net exporter of people to the rest of Europe. During the economic boom years from 1967 to 1973, Spain was sending out around 100,000 temporary and 100,000 permanent emigrants per year, yielding a net outflow of between 100,000 and 150,000 persons per year to destinations in Europe.
The recession of 1974 was associated with a spike in return migration and a drop in permanent emigration that pushed the net outflow to near zero, but after 1977 return migration fell and temporary migration persisted to raise the net annual outflow to between 50,000 and 100,000 persons during the first half of the 1980s. During negotiations leading up to Spanish accession, however, the level of temporary migration began to fall, and after EU entry the number of return migrants began to rise. By the early 1990s both temporary and permanent emigration had fallen to low levels and with return migration steadily growing, the nation in 1991 for the first time in history received more Spaniards than it sent out. Since that date the net flow of Spanish migrants has been positive.

Spain has historically sent out migrants not only to Europe, but also to overseas destinations, principally in Latin America, and the effect of Spanish entry into the EU was even more dramatic in its effects on overseas emigration. As shown in Figure 6, prior to accession, Spain each year exported up to 5,000 of its citizens overseas, especially from 1973 to 1983. Spanish entry into the EU, however, was associated with a sharp drop in emigration and an even sharper rise in return migration, shifting net migration quickly from negative to positive and producing rapidly growth in the net inflow of Spaniards back to their homeland. By century's end, a net figure of more than 25,000 persons per year were returning to Spain from abroad.
Thus, despite their right to free labor mobility within the EU and facing a sizeable north-south income gap, a high rate of domestic unemployment, and a very open economy, Spaniards ceased emigrating during the 1990s, contrary to expectations derived from neoclassical economic theory. When Spain entered the European Union, its labor markets did not move toward wage equilibrium with the rest of Europe, but neither did its migrants move to arbitrage the persistent income gap. The north-south differential in living standards continued even as Spanish emigration dwindled and reversed.

What happened in Spain is better understood in terms of a model that has been proposed as an alternative to neoclassical economic theory, commonly known as the new economics of labor migration. This model views migratory decisions as being more sensitive to relative income and local market failures than to absolute differences in earnings or income between regions. Research has shown that people migrate in response to lower relative incomes, even holding absolute income constant; and the decision to migrate also appears to be driven more by a lack of access to markets for capital than geographic differences in expected wages. Although some people do migrate to maximize lifetime earnings, many others move abroad to finance the acquisition of a home, a business, or land in the absence of viable lending markets. One study found, for example, found that Spanish migrants to Germany came disproportionately from regions with high interest rates and returned to purchase houses with money they
had saved in the north. The absence of a well-developed social insurance and pension programs has also been shown to spur emigration.

Although Spanish entry into the European Union may have failed to eliminate north-south differentials in national income, it did mitigate the various market and insurance failures that had been driving migrants outward for decades. These problems were addressed with considerable assistance from the EU's wealthier countries. In recognition of the fact that structural economic change is expensive and time-consuming but nonetheless essential for integration, the EU made available "structural adjustment funds" to Spain to subsidize the modernization of its infrastructure. Figure 7 reveals the degree to which the EU subsidized Spain's restructuring by showing amounts transferred from three key EU funds to facilitate the social and economic integration of poorer countries: the European Regional Development Fund, the European Social Fund, and the European Cohesion Fund.

![Figure 7. Structural adjustment funds transferred from EU to Spain 1986-1999 (Source: Farrell 2001)](image)

The European Social Fund was established to invest money in education, vocational training, and occupational retraining, thereby increasing workers' adaptiveness to industrial change and promoting greater mobility and flexibility. The European Regional Development Fund was founded to invest in regions with average incomes under 75% of the EU average to redress geographic imbalances and promote the construction and renewal of infrastructure. Finally, the European Cohesion Fund was established to
invest in environmental protection, human health, and transportation so as to promote closer integration between member states.

Although there have been fluctuations in response to economic cycles, the size of these transfers has steadily grown over time. The data in Figure 7 have been translated into nominal U.S. dollars. From levels of zero before accession, transfers to Spain from European Regional Development Fund grew to reach $3.5 billion in 1999, about what the U.S. currently spends on border enforcement. At the same time, transfers from the European Social Fund grew to reach around $2 billion per year in 1999 and after its inception in 1992, transfers from the Social Cohesion Fund rose to peak at around $1.7 billion in 1996 before dropping back to around $1.2 billion in 1999. Considering all funds together, EU investments in Spain from 1986 to the end the 20th century totaled at least $51.9 billion dollars.

It was these funds, and the institutional convergence and market harmonization they enabled, that eliminated the incentives for out-migration and led to the curtailment of emigration from Spain-despite the persistence of a large north-south gap in national income and continuing high domestic unemployment. A social context of rising access to markets for capital, credit, and insurance and ongoing improvements in public infrastructure, along with a decline in the relative size of the income gap, transformed Spain in a few short years from a net exporter to a net importer of labor and made it an integral part of European society.

**Economic Integration American Style**

The scenario of market unification played out very differently in North America. Unlike their European counterparts, Canadians and Americans were unwilling to commit politically to a project of full-blown political and economic integration within North America, despite their desire for greater trade and investment opportunities to the south. U.S. officials led the way in negotiating a limited integration of North American markets that paid virtually no attention to institutional and social concerns and provided no assistance whatsoever to Mexico to undertake necessary structural adjustments. Mexican President Carlos Salinas and his technocratic ministers tolerated this one-sided negotiation because they very badly wanted a trade agreement for the same reasons that Spain sought entry into the EU: to institutionalize economic reforms and to attract new foreign investment. They were just dealing with less enlightened negotiating partners.

The Bush administration took advantage of its strong position and the asymmetries of power and wealth drive a very hard bargain, one that secured maximum U.S. access to Mexican resources and markets while conceding as little as possible to Mexico for accessing resources and markets in the United States. U.S. firms gained access to Mexico's financial, agricultural, energy, textile, and manufacturing
sectors, but Mexican firms were blocked in their efforts to access to the U.S. transport, agricultural, and textile sectors; and whereas Mexico was forced ultimately to dismantle its system of agricultural subsidies and tariffs, the United States was able to keep most of its farm tariffs and subsidies in place.

Although labor and environmental concerns were subsequently addressed in weak and nebulously worded "side agreements" during the Clinton administration, little attention was paid to structural integration or institutional harmonization. In keeping with the precepts of the "Washington Consensus," U.S. policy makers assumed "that reducing trade and investment barriers alone is sufficient to lift living standards" and therefore included in NAFTA "no mechanisms to narrow income gaps through aid or any other means of resource transfer." Structural adjustment subsidies, social harmonization policies, provisions for labor mobility and immigration reform were summarily rejected as unfit for discussion by U.S. trade representatives. In contrast to the EU program of comprehensive integration and egalitarian partnership to create a unified political economy, the NAFTA program was one of selective integration and unilateral action undertaken to create a segmented political economy that served narrow U.S. interests to the detriment of the region as a whole.

Despite these differences, Mexico's economy nonetheless grew more open in a manner that was remarkably similar to that observed in Spain. Figure 8 graphs the economic openness index for Spain and Mexico from 1950 to 2002. As can be seen, Mexico's economy was relatively closed before 1986, with trade not accounting for more than a fifth of GDP. With its entry into the General Agreement on Tariffs and Trade, however, the Mexican economy began to open up, slowly at first but then at an increasing pace after the enactment of NAFTA in 1994. Whereas the openness index for Mexico stood at just 18 in 1986 by 2002 it was 66%, about the same level as in Spain.
This restructuring of the Mexican political economy was accompanied by greater integration within North American markets for goods, services, and capital. To illustrate the extent of this integration, Figure 9 plots trends in total trade, intracompany transferees, and business visitors between the two nations. As before, each series was divided by its value in 1986 to create a common scale. Prior Mexico's joining of GATT, little upward movement is apparent in any of the series, but afterward total trade and business migration rise sharply and accelerate further after the implementation of NAFTA. By 2002, total binational trade stood at around eight times its 1986 level, the number of intracompany transferees was 5.5 times greater than in 1986, and the number of business visitors was nearly four times greater. Although not shown in the graph, the number of treaty investors admitted to the United States from Mexico increased 55 times between 1986 and 2002.
These huge increases offer clear and unambiguous evidence of ongoing integration in North American markets. Under NAFTA, however, the United States categorically rejected the idea of integrating labor markets, seeking to create a North American economy that somehow consolidated all markets except one. To finesse this obvious contradiction, the United States embarked on a unilateral militarization of the Mexico-U.S. border. Rather than transferring resources to Mexico to assist it in its structural transformation, as in the EU model, under the NAFTA model the United States transferred resources to its southern border to block the inflow of migrant workers. Figure 10 shows the annual number of U.S. Border Patrol Officers and the yearly budget of the Immigration and Naturalization Service, the agency responsible for immigration enforcement until 2002, when these functions shifted to the Department of Homeland Security.
Figure 10. Number of border patrol officers and size of INS budget 1970-2002 (Source: Massey et al. 2002)

As can be seen, border enforcement increased incrementally until the mid 1980s. From 1970 through 1985 the number of Border Patrol Officers increased gradually from around 1,600 to 2,500 and the INS budget went from $218 million to $507 million. After Mexico's entry into GATT, however, expenditures for border enforcement increased noticeably, but the rise is nothing compared with what happened after Mexico's entry into NAFTA eight years later. From around 4,200 officers in 1994 the Border Patrol mushroomed to more than 11,000 in 2002 and the INS budget grew from $1.6 billion to $6.2 billion. Whereas the wealthier nations of the EU transferred $20 billion in structural adjustment subsidies to Spain during the first decade after market unification, the United States spent $32 billion to harden the border with its newest trading partner.

In the absence of any efforts toward structural integration or political harmonization, NAFTA has not been successful in reducing either the absolute or the relative gap in GDP per capita between Mexico and its neighbors to the north. On the contrary, the north-south gap grew at an increasing pace after 1994. Figure 11 plots GDP per capita for Mexico and the average GDP per capita in the United States and Canada from 1970 to 2004 using constant PPP-adjusted dollars. Whereas the north-south gap stood at $17,700 in 1986 by 2004 it had reached $24,100 and constituted 75% of the North American average compared to 70% ten years earlier. Thus the size of the income differential between poor and rich countries in North America widened in both relative and absolute terms.
Given rising differentials in relative and absolute income and ongoing market and social insurance failures owing to a lack of institutional harmonization, migration between Mexico and the United States has not diminished. Indeed, despite sequential reductions in the number of residence visas allocated to Mexicans, legal immigration from that country has continued to rise. Figure 12 shows trends in gross Mexico-U.S. immigration along with trends in economic openness and the size of the GDP gap. To place these series on the same scale, each was divided by its 1986 value. Immigration is measured by counting the number of Mexicans admitted to permanent resident status each year, excluding those adjusting from illegal status under the 1986 Immigration Reform and Control, which temporarily swelled the ranks of resident aliens from 1988 to 1992. Even excluding this groundswell, however, it is evident that Mexico-U.S. migration has increased, not decreased in the wake of NAFTA. Prior to 1994, legal immigration to Mexico fluctuated without any consistent trend whereas after 1994 the trend has been unambiguously upward, albeit with sizeable oscillations.
Undocumented migration is more difficult to assess, but analyses of data from the Mexican Migration Project suggest that the U.S. strategy of partial economic integration with no structural assistance and massive amounts spent on border enforcement has not only failed, but backfired (see Massey 2005; Massey, Durand, and Malone 2002). By concentrating enforcement resources in particular sectors along the border, U.S. policies changed the geography of undocumented migration, diverting the flows to more remote crossing sites where the odds of apprehension were lower but the risks of death and injury were higher (Orrenius 2004). This diversion has led to an unprecedented diversification of migrant destinations and has driven up costs of border crossing (Durand and Massey 2003). Despite the new risks and costs, Mexicans have not stopped coming to the United States, however; they simply curtailed circular movement, lengthened stays north of the border, and settled down in growing numbers. The net effect of U.S. policies has thus been to increase the net rate of undocumented migration to the United States (Massey, Durand, and Malone 2002). Rather than falling rates of emigration and declining relative income gaps—the outcomes observed following Spain's accession to the EU—in the wake of NAFTA North America has witnessed an acceleration both legal and illegal immigration and a widening of the north-south economic gap.
It might be argued that Mexico's entry into NAFTA is in no way comparable to Spain's entry into the EU. After all, despite the parallels noted above, the gap in living standards between Spain and its northern neighbors was not as great as that between Mexico and its northern neighbors. Notwithstanding the truth of this observation, a natural experiment is currently being repeated with cases that more closely approximate the Mexican example. In 2004, ten relatively poor states from eastern Europe entered the European Union, and these were joined by two more in 2007. The new states enter under terms similar to those enjoyed by Greece, Portugal, and Spain. They are eligible for structural adjustment subsidies from the Cohesion Fund, Regional Development Fund, and the Social Fund, and residents of all nations will enjoy free labor mobility by 2014.

The largest of the new EU members is Poland. Although its population is roughly the same size as Spain's upon its accession, after more than 40 years of communism its productive infrastructure is less advanced than was Spain's at its point of entry and its current per capita GDP is much closer to that of Mexico. Indeed, the trajectories of national income in Poland and Mexico are similar. Figure 13 shows trends in per capita GDP for both countries from 1970 to 2004. Sometimes Poland's GDP has been above Mexico's and sometimes the reverse, but generally the two series have moved together. In addition, as Figure 14 shows, Poland also displays a similar pattern of economic transition, despite the fact that Poland began with a communist command economy and Mexico began with a mixed important substitution industrialization economy. At least when measured by the openness index, Mexico and Poland experienced very similar transitions to the market in level and timing.
Figure 13. Per capita GDP in Northern Europe, Poland, and Mexico 1970-2004 (Source: Heston et al. 2006)

Figure 14. Openness of Polish versus Mexican economy 1970-2004 (Source: Heston et al. 2006).
Conclusion

I have argued here that the European Union's approach to regional integration offers a proven model of success for the spread of prosperity and the beneficial management of international migration. Despite some initial misgivings by some EU members, the poor four—Ireland, Spain, Portugal, and Greece—were successfully integrated into the European Union. Ireland prospered abundantly as its per capita income rose from 63% to 111% of the EU average; and although absolute income gaps persisted for the other countries, the relative size of the income differential fell everywhere. Institutional harmonization and rising relative incomes led to the rapid reversal of long-standing historical outflows of population and the remarkable transformation of all four nations into immigrant-receiving societies. There is no practical reason why the same model cannot be applied in the Americas, first in North America, and once NAFTA is functioning effectively, to Central and South America. The ultimate goal would be to create an integrated market in the western Hemisphere within which stable democracies would share equally in economic growth so that the pressures for out-migration would be eliminated and free labor mobility achieved.

The only barrier to realizing this dream is the reluctance of American leaders and the general public to define Latin Americans as "us" rather than "them"—seeing Latin and Anglo Americans as common citizens in a cooperative American union of equal and independent states. Despite the glaring failures of the NAFTA model to deliver economic growth, political stability, and controlled migration, the United States persists in its commitment to unilateral border militarization and selective economic integration as a preferred strategy. When Mexican President Vicente Fox in 2001 proposed a revamped "NAFTA-plus" that would include a development fund to support infrastructure development and poverty alleviation, he was firmly rebuffed by Bush administration officials who dryly noted that, "we're no longer in the business of Marshall Plans" (Anderson 2003:46).

Despite a blue ribbon, tri-national report urging a greater commitment to community building in North America (see Manley et al. 2005), the United States refuses to reconsider the failed policy of assuming that free trade will solve social and economic problems in the Americas. On the contrary, it has moved to compound its earlier errors by extending the experiment to other countries in the western hemisphere. The Central American Free Trade Agreement was negotiated along lines similar to those of NAFTA, finalized in 2004, and offered U.S. interests greater access to markets in Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua but made no concessions on labor mobility and offered no financial assistance to countries facing wrenching structural adjustments.

The vision of stable economic union and minimal migration is no less achievable in the Americas than it is in Europe. The 12 new entrants to the European Union contain 110 million people with a per
capita income of $13,781 compared with Mexico's population of 111 million and per capita income of $13,200. If Europe can accomplish economic union with poorer neighbors on these terms, so can the United States and Canada. Indeed, following the European model of integration offers the only realistic way out of the current quagmire of stalled economic growth, undocumented migration, and political bickering in North America.