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Mexico: Population and Emigration Pressures

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A Research Paper

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*ALA 87-10031
July 1987*

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Mexico: Population and Emigration Pressures

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A Research Paper

This paper was prepared by
Office of African and Latin American Analysis, with
a contribution by ALA.
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**Mexico: Population and
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Summary*Information available
as of 30 April 1987
was used in this report.*

Mexican demographic trends portend growing domestic economic and social strains as well as continuing problems of illegal emigration to the United States. Although Mexico has made significant progress toward reducing its rate of population growth over the past 20 years, an earlier baby boom will cause Mexico's population to expand at a comparatively fast pace through the end of the century. This continuous high growth of the labor force will have major implications for the United States, with hundreds of thousands of Mexicans seeing the United States as a land of opportunity and attempting to cross the border illegally. In addition, some friction with the Mexican Government is likely over implementation of the new US immigration laws, although this should remain within manageable bounds.

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By the year 2000, Mexico will have drastically cut its population growth rate to less than half of the 4 percent per year that it reached in the 1960s. Implementation of family planning programs, advances in female education, declining infant mortality, and greater female participation in the labor force will help lower birthrates. Nevertheless, at the turn of the century, Mexico's population growth rate will far exceed that of industrialized countries and the number of people within its borders will have grown by 50 percent in only 20 years. In addition, Mexico City—which at present trends will have a population of some 26 million inhabitants by the year 2000—could easily become the largest city in the world.

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Shifting patterns of demographic growth and migration will present the Mexican Government with a number of formidable challenges in the years to come. These include:

- *Job creation.* Unemployment is likely to be the most serious and intractable problem as the baby boom of the 1960s and early 1970s reaches working age.
- *Urbanization.* The swelling number of migrants to urban centers and the natural increase of the urban population will create demands for public services that the government probably will not be able to meet.
- *Education.* Although the school-age population will shrink as a percentage of the total population, it will grow in absolute numbers, straining an educational system already hard pressed to deliver on the skills training Mexican workers need.
- *Agricultural production and employment.* Mexico's inefficient agricultural sector probably will not be able to satisfy growing demand for staple foods or provide sufficient job opportunities for surplus farmworkers.

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[REDACTED]

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- *Regional imbalances.* A steady influx of migrants from poor, agricultural states into the most urbanized and commercially developed states will add to existing regional imbalances and further centralize Mexico's population. [REDACTED]

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From a political perspective, these population pressures are likely to pose additional problems for the ruling Institutional Revolutionary Party (PRI). Unemployment almost certainly will become a major political issue as the ranks of the jobless grow, probably creating friction between the government and Mexico's co-opted labor unions. Deteriorating public services in urban areas may heighten the middle-class perception of the government as a corrupt and inefficient bureaucracy. Protest votes for the National Action Party, the leading opposition party, may grow particularly in the more affluent northern states, which resent being taxed to support other regions. [REDACTED]

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On the international front, friction over illegal immigration into the United States probably will intensify. Mexican officials are concerned that the new US immigration law will lead to the sudden return of thousands of illegal workers, creating problems in relocating and employing workers. Although the government has taken no official stance on the US law, it has allowed hearings in the Mexican Senate and sponsored academic conferences that focus on alleged US maltreatment of Mexican workers. We expect the pressures for Mexicans to emigrate to the United States will continue at high levels, despite US efforts to stem the tide. A rapidly increasing male working-age population and slimmer chances of finding a job probably will spur more Mexicans to emigrate. We believe the trend toward more family groups emigrating to the United States will further swell the number of illegal immigrants seeking a better standard of living across the border. Higher wages and an increasing demand for farm labor in the United States will continue to be the chief drawing cards. [REDACTED]

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Figure 1



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Mexico: Population and Emigration Pressures

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Introduction

Mexico will experience a tremendous increase in population—in absolute terms—over the rest of this century, reflecting past high rates of growth. This will be true despite Mexico's declining rate of population growth, which fell from nearly 4 percent in the 1960s to just over 2 percent in 1986. Indeed, a recent US Census Bureau projection estimates that the country's population growth rate will slow even further, dipping below 2 percent by the year 2000. Even with a reduction in the birthrates, however, Mexico's population will continue to grow at a rate far above the 0.5 percent projected for industrialized countries from 1980 to 2000 (see table 1). As a result, by the year 2000, Mexico will have nearly 104 million people within its borders—compared to 268 million projected for the United States—a 50-percent increase over 1980 figures (see figure 2).¹

This paper looks beyond the statistics to examine the major demographic trends sweeping Mexico through the year 2000. It also analyzes the long-term outlook and domestic fallout of these trends. The paper concludes with an assessment of the impact on the United States of population developments in Mexico, including a discussion of the potential for increased friction between the two countries over illegal immigration.

¹ Demographic estimates and projections made under contract by the US Census Bureau provided the basis for much of the statistical analysis in this paper. The Census Bureau drew on Mexican census and survey data, making adjustments for possible misreporting in all age groups. In addition, the Census Bureau estimated Mexican emigration from a combination of Mexican and US census data, surveys, and refugee statistics. Looking at the overall population picture, the possible outcome in the year 2000 ranges from 100 million to 117 million. The lower estimate assumes a faster drop in the fertility rate than we think is likely while the upper range assumes that the fertility rate remains stubbornly high.

Table 1

Percent

Comparative Population Growth Projections, Selected Countries

	Average Annual Population Growth Rates, 1980-2000	
	Total	Labor force
Mexico	2.0	3.1
Honduras	3.0	3.4
Nicaragua	2.9	3.7
El Salvador	2.7	3.4
Venezuela	2.6	3.4
Bolivia	2.5	2.9
Ecuador	2.3	3.0
Paraguay	2.3	3.0
Peru	2.2	2.9
Brazil	2.0	2.3
Colombia	1.8	2.5
Chile	1.4	2.1
Argentina	1.3	1.5
Uruguay	0.7	0.9
Upper-middle-income LDCs	1.9	2.2
Industrialized countries	0.5	0.7

Sources: US Census Bureau and the World Bank.

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The Demographic Trends

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Like other Third World countries, Mexico is experiencing demographic shifts that will have a varied effect on the rate of growth of different age groups and will increase urbanization pressures. To understand these potential pressures, it is important to analyze the factors that underlie Mexico's population growth and examine trends that will boost the size of its cities.

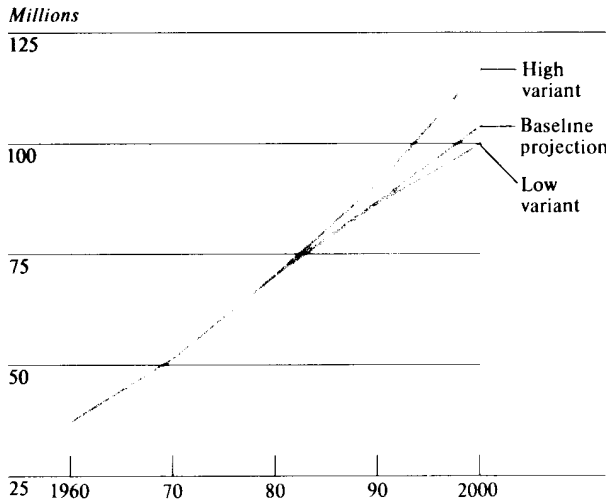
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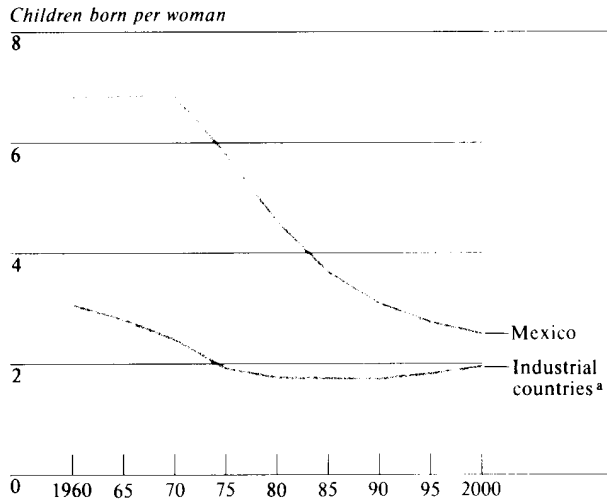
Figure 2
Mexico: Population Projections



Sources: US Bureau of the Census, United Nations.

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Figure 3
Mexico: Comparative Total Fertility Rates

^a A weighted average of 19 industrial countries.

Sources: US Bureau of the Census, World Bank.

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Falling Fertility But Continued High Birthrates

Fertility rate trends are a key component in understanding Mexican demographic patterns. The number of children the average Mexican woman will have—the total fertility rate—will continue to decline through the year 2000, according to US Census Bureau estimates (see inset, “Glossary of Terms”). The US Census Bureau estimates that the fertility rate, after falling by 33 percent during 1960-80, will decline another 45 percent by 2000 (see figure 3). In our opinion, this development is largely the result of two factors:

- The government has made a concerted effort to widen the use of contraceptives (see inset, “The Shift to Family Planning”).
- Female literacy has risen 12 percentage points to 81 percent in 1980 and secondary school enrollments have increased markedly. According to Mexican census data, women with no schooling have more than twice as many children on the average as

women who finish primary school, and have more than three times as many children as women who complete secondary school.

Improved chances of survival during the first year of life also will help lower the number of children each woman will bear in order to attain a desired family level. Moreover, a higher average age at marriage and lower cultural barriers to female jobs outside the home are important factors.

These trends notwithstanding, the crude birthrate will remain high (see figure 3). High fertility and falling mortality through the early 1970s produced a large number of women who are now entering their child-bearing years. According to US Census Bureau data, women aged 15 to 49 already represent one-fifth of the total population and their share will grow to more than one-fourth by the end of the century as the

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Glossary of Terms

Term	Definition	Term	Definition
<i>Crude birthrate</i>	<i>The number of births per thousand of population. Measures the components of population growth, but does not indicate the number of children each woman is likely to have.</i>	<i>Labor force participation rate</i>	<i>The labor force as a percentage of the working-age population. According to World Bank data, slightly more than half of all the men and women of working age hold jobs or are looking for jobs.</i>
<i>Total fertility rate</i>	<i>The total number of births a woman would have if she lived to the end of her childbearing years and if her fertility in each of those years exactly matched the current fertility of women in her own and other age groups. Defined as the sum of the birthrates of women of different ages at a given time.</i>	<i>Primary-school-age population</i>	<i>The population aged 5 to 14.</i>
<i>Crude death rate</i>	<i>The number of deaths per thousand of population. Like the crude birthrate, does not measure the number of deaths for each household.</i>	<i>Secondary-school-age population</i>	<i>The population aged 15 to 19.</i>
<i>Natural rate of increase</i>	<i>The difference between the crude birthrate and the crude death rate.</i>	<i>Working-age population or potential workers</i>	<i>The population aged 15 to 64.</i>
<i>Labor force</i>	<i>The part of the population between the ages of 15 and 64 that is employed or actively seeking employment.</i>	<i>Prime working-age population</i>	<i>The population aged 25 to 54.</i>

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growth of this age group outstrips the expansion of the population as a whole. Overall birthrates thus will remain high even though we expect each woman to have fewer children.

Declining Mortality

A second key ingredient in understanding population dynamics is trends in mortality rates. Improvements in the mortality rate and life expectancy will be more gradual than in past decades, allowing the overall rate

of population growth to decelerate (see figure 4). According to the US Census Bureau, the mortality rate will drop by about 20 percent during 1980-2000, compared with a 50-percent decline during the previous 20 years. The Census Bureau expects that at the turn of the century the average Mexican will live to the age of 73, a gain of six years compared with life expectancy in 1980, and 16 years compared with 1960.

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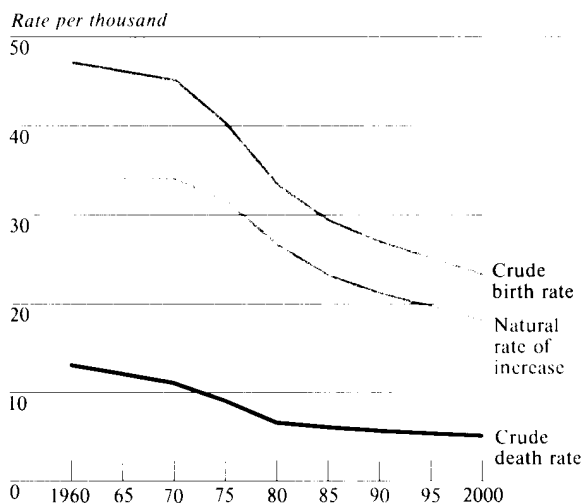
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Confidential***The Shift to Family Planning***

Growing doubts about the economy's ability to support a rapidly growing population prompted the Echeverria administration to launch an intensive family planning program in 1973. By the early 1970s, rising demand for subsidized goods, food, and social services were straining Mexico's budgetary resources and helping to push the current account deeper into the red. Shifting away from a longstanding policy of encouraging large families, the government introduced a constitutional amendment allowing the sale of contraceptives and calling for publicly supported family planning programs.

Mainly as a result of this governmental program, fertility declined a dramatic 21 percent from 1975 to 1980. During this period, the government opened several thousand rural health facilities, mounted an advertising and educational campaign, goaded hospitals and clinics to persuade clients to practice contraception, and provided cheap contraceptives. According to official surveys, contraceptive use tripled in just five years.

Figure 4
Mexico: Birth, Death, and Natural Increase Rates



Source: US Bureau of the Census.

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Difficulty and expense in treating the leading causes of death will blunt future progress in reducing mortality rates and extending the average Mexican's life span, in our view. Vaccinations and better access to sanitation and safe water supplies in the last two decades—particularly in rural areas—slashed the number of deaths due to diarrhea and infectious diseases. These improvements sharply reduced infant mortality and the crude death rate and lengthened life expectancy at birth. According to Mexican statistics, cardiovascular diseases have now replaced parasitic and infectious diseases as the primary cause of death.

Fewer Youth But a Growing Labor Force

The interaction of changing fertility and mortality rate trends will generate a rather dramatic shift in Mexico's age structure by the year 2000. The swing to smaller families will cause the growth of the primary

school age population to taper off to an average annual rate of 0.5 percent during 1981-2000, according to US Census Bureau estimates (see figure 5). This figure compares with 3.5 percent during the previous 20 years. As a result, we calculate that, by 2000, the share of the population made up of children under 15 years of age will shrink 12 percentage points—from about 44 percent to 32 percent (see figure 6). This level will still be above that of industrialized countries, where children represent only about 25 percent of the population.

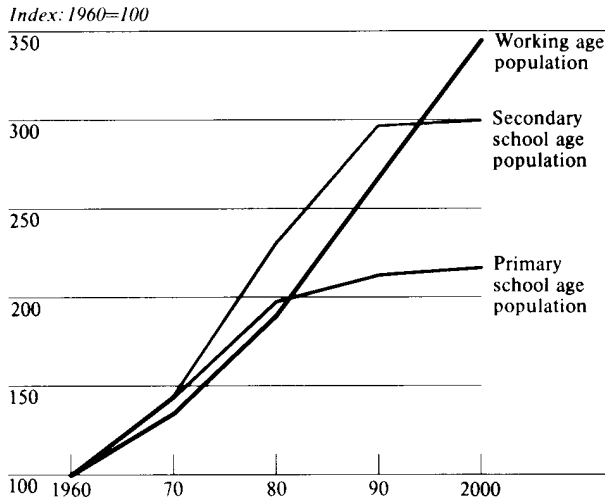
A follow-on decline in the percentage of secondary school students, however, will not occur until well into the next decade, according to Census Bureau projections (see figure 5). During the remainder of this decade, the lagged effect of lower fertility rates will be evident in this age group, resulting in the proportion of persons between the ages of 15 and 24

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Figure 5
Mexico: School Age and Working Age Populations



Source: US Bureau of the Census.

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remaining roughly 20 percent of the population (see figure 6). Even with the substantial decrease in growth, Mexico will not experience a decline in the number of school-age youths, as has occurred in the industrialized countries, until about 2020.

Similarly, the percentage of Mexicans in the labor pool will continue to swell. According to Census Bureau estimates, the working-age population will continue to expand at an average annual rate of approximately 3 percent during 1981-2000 (see figure 5). The growth in the rolls of the working-age group (15 to 64) will be fed largely by the maturing of Mexico's well-documented "youth bulge" from the 1960s.² Reflecting this surge, the share of those in the prime working-age group (25 to 54) will grow by 10 percentage points—from 28 percent to nearly 38 percent (see figure 6). Overall, the ratio of potential workers to dependents under age 15 will improve from about 1:1 in 1980 to 2:1 in the year 2000.

The "youth bulge" will not be the only factor prompting labor force growth, however. Female participation in the workplace is projected by the World Bank to continue to rise. The move toward smaller families will enable women to keep jobs longer and to enter the work force earlier. Moreover, while increased school enrollments will keep younger workers (15 to 24) out of the labor force longer, Census Bureau data indicates rising life expectancy will help increase the number of older workers.

Assuming, as Mexican officials do, that these factors exactly offset one another, the average number of new jobseekers each year will rise from 800,000 during the 1980s to 1.1 million during the 1990s. Even under this estimate, Mexico's labor force will grow by one of the most rapid rates in Latin America and more than four times faster than the average for industrial countries, nearly doubling by the end of the century.

A High Pace of Urbanization

Another impact of these population trends will be that a steady stream of rural migrants and the natural increase of the urban population will sharply boost the number of urban dwellers. Census Bureau estimates suggest that, by the end of the century, approximately three out of four Mexicans will reside in urban centers, compared with two out of three in 1980 (see figure 8). On the basis of past trends, rural migrants probably will head to the three largest industrial and service centers—Mexico City, Guadalajara, and Monterrey—and to cities along the US border, lured mainly by job openings in assembly plants and hopes of crossing into the United States. Largely because of the influx of migrants, Mexico City is expected to add 600,000 people to its population each year and nearly double in size to 25.8 million in 2000. If this growth occurs, Mexico City will become the largest city in the world.

The results of efforts to promote a more balanced growth of cities and regions are likely to be no better than mixed. Attempts to create alternative industrial

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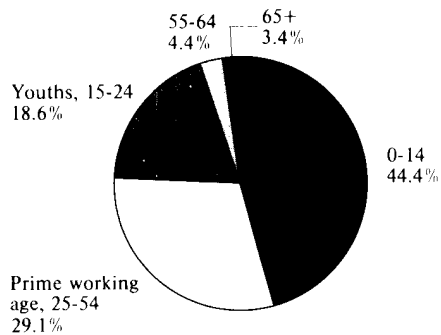
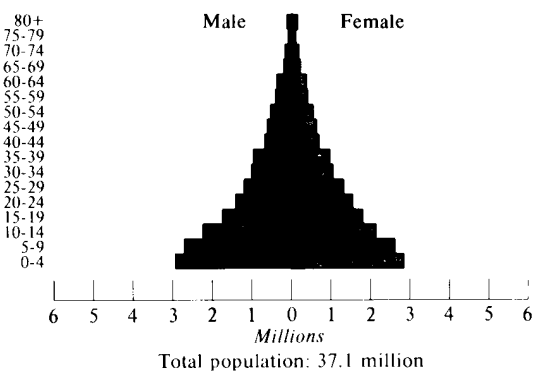
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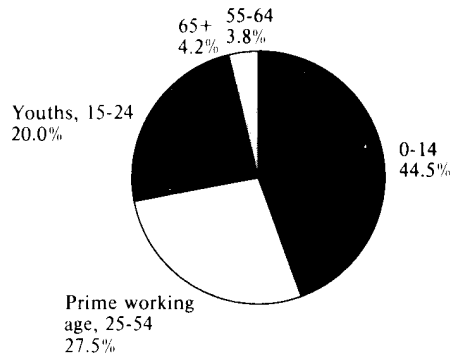
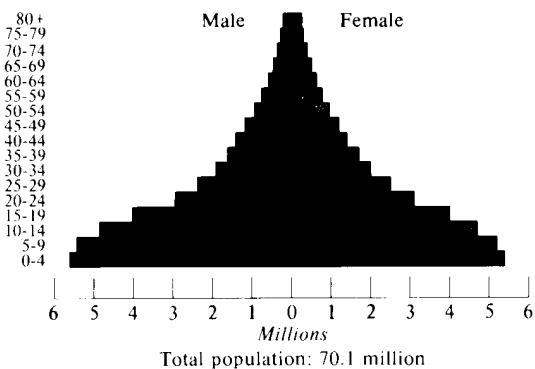
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Figure 6
Mexico: Age Distributions

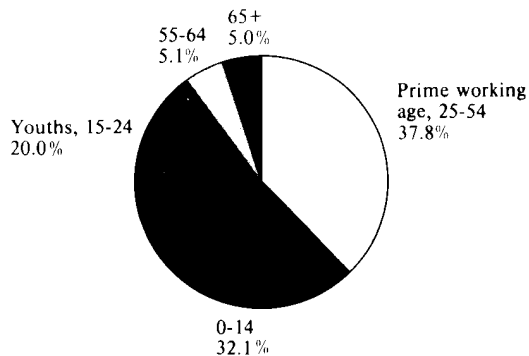
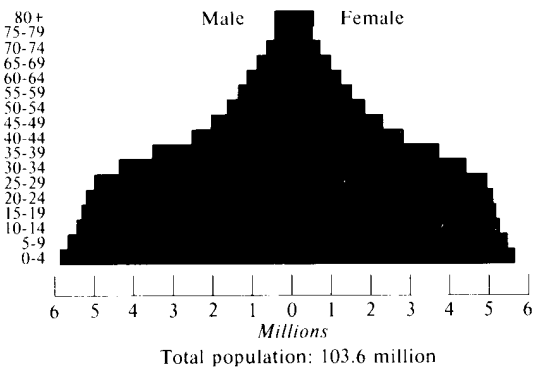
1960



1980



2000



Source: US Bureau of the Census.

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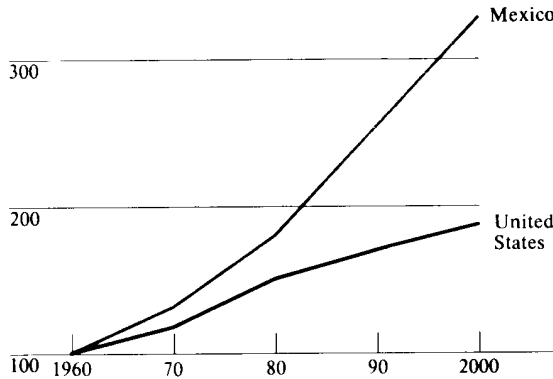
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Figure 7
Mexico: Comparative Labor Force Projections

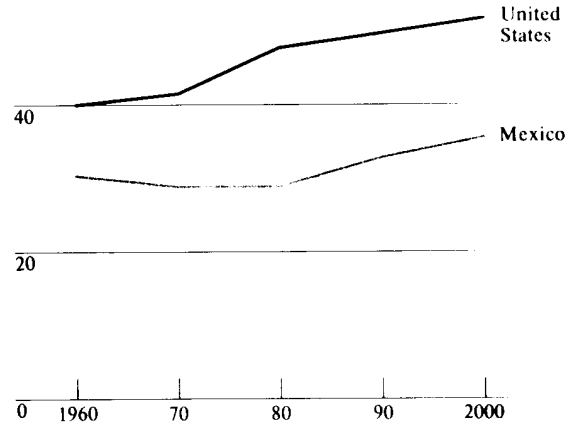
Total Labor Force

Index: 1960=100
400



Labor Force/Total Population

Percent
60



Sources: US Bureau of the Census, US Bureau of Labor Statistics, CIA estimates.

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[Redacted]

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centers began during the 1970s oil boom, but, even when Mexico had resources, the record shows decentralization programs were not very successful. Tax incentives to encourage industries to open in other areas are still too small to weigh much in decisions on plant location, according to the World Bank. Moreover, because tax breaks are available for both wealthy and poor regions, firms usually opt for the higher income zones. Insufficient plant and equipment, accompanied by a general deterioration in the country's infrastructure, are also holding back development of industrial parks and complexes, especially in areas away from established commercial centers.

[Redacted] Mexico's highly centralized government decisionmaking is an additional factor discouraging firms from locating outside the capital.⁴ [Redacted]

⁴ The one exception is the *maquila* program, initiated in 1966, which allows foreign firms to set up wholly owned subsidiaries for assembling export products and has fostered the growth of cities along the US border. [Redacted]

The Long-Term Outlook and Domestic Fallout

The absolute growth in Mexico's population and the nature of demographic trends sweeping the country will place growing strains on the political system and on an economy already suffering from insufficient resources. Mexican policymakers will face formidable challenges on a number of fronts. In our judgment, the most pressing problems will stem from demands for jobs, social services, food, and land, and from regional imbalances in these sectors. [Redacted]

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Labor Market Pressures

On the basis of US Census Bureau estimates and our own econometric forecast,⁵ we calculate that rising unemployment clearly will pose serious and growing

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⁵ Our analysis of the impact of economic factors on unemployment is based in part on the results of an econometric model. While we recognize that no model can gauge with precision the exact effects variables will have, we nevertheless are confident that the results provide a good measure of the orders of magnitude involved. [Redacted]

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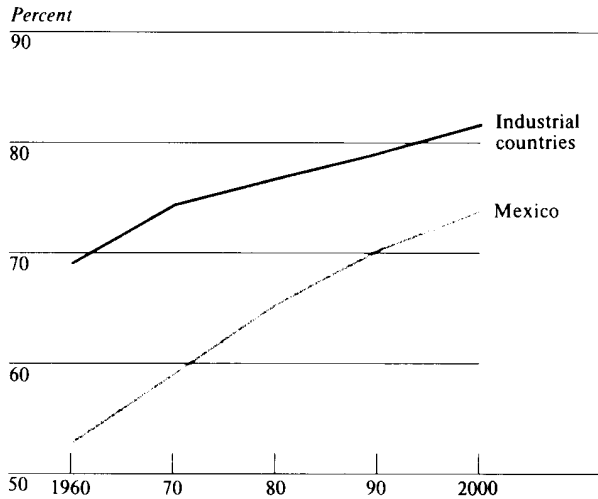
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[Redacted]

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Figure 8
Mexico: Comparative Urbanization Trends



^a A weighted average of 19 industrial countries.
Sources: US Bureau of the Census, United Nations.

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problems for Mexican policymakers during the coming years. We see little prospect that real economic growth during the next decade will achieve the 6- to 7-percent annual rate that private-sector forecasters calculate is required to provide jobs for new entrants to the labor market. We project that Mexico's economy will emerge from the steep recession that occurred in 1986 because of the expected spending surge leading up to the 1988 presidential election. Beyond that point we suspect that Mexico could reasonably expect to continue expanding at about a 3-percent pace. At this rate of growth, our model projects that, on average, 400,000 jobs will be created each year during the period 1988-2000. If participation rates remain at current levels, this will produce a 3-percentage-point increase in unemployment—to 26 percent—during 1988-90. We estimate that joblessness will rise nearly 6 more percentage points by the end of the century.

Table 2
Mexico: Labor Force and Employment Projections ^a

	Employment (million persons)	Labor Force (million persons)			Unemployment Rate (percent)		
		A	B	C	A	B	C
1985	20.9	23.8	23.8	23.8	12.2	12.2	12.2
1986 ^b	19.9	24.7	24.7	24.7	19.4	19.4	19.4
1990	21.1	27.4	28.4	28.9	23.1	25.8	27.1
1995	23.0	31.4	32.5	33.2	26.6	29.1	30.6
2000	25.2	35.4	36.7	37.2	28.9	31.4	32.3

^a Alternative A assumes a falling participation rate, B assumes a constant participation rate, and C assumes a rising participation rate.

^b Mexico City has not issued an estimate of end-of-year unemployment since mid-1986, when it reckoned that the jobless rate would reach 17.8 percent. A simulation of an econometric model indicated the recession may have driven unemployment up even higher.

Sources: Official Mexican estimates for 1985 and CIA estimates for 1986-2000.

The sensitivity of these estimates to assumptions about labor force participation, emigration rates, and real GDP growth varies. We calculate that an alternative participation or emigration rate probably would not cause much more than a 2.5-percentage-point deviation from this baseline estimate. A different economic performance during the next decade, however, could have a larger effect on unemployment. If lower oil prices or a new round of stop-and-go economic policies limited real GDP growth to only 2 percent each year on average during the 1990s, our projections indicate the unemployment rate would rise 4 percentage points over our 31-percent baseline estimate for the year 2000. On the other hand, if higher oil prices raised the average annual rate of economic growth to 4 percent, the jobless rate would be about 4 percentage points less at the end of the century.

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Mexico has traditionally attempted to deal with unemployment through the use of fiscal policy tools, but, in our view, these tools may not be as effective in the future. For one thing, Mexico's current and growing unemployment problems are largely the outcome of past economic mismanagement and underlying structural deficiencies and probably will not respond to the degree of stimulus that Mexico City will be able to afford. For example, econometric simulations indicate that a 1-percentage-point increase in real government investment would only result in a 0.2-percentage-point increase in real economic growth. This would, in turn, generate a mere 0.1-percentage-point decrease in the unemployment rate. We believe Mexico's massive debt and difficulties in borrowing abroad to finance public spending will preclude the huge increases in government consumption and investment that underpinned real economic growth and rapid employment in the 1970s. [redacted]

The slow process of correcting structural problems also dims long-term employment prospects. [redacted] Mexico City's import substitution policy encourages capital-intensive industries, stifles labor-intensive export industries, and chokes off the growth of the agricultural sector. In our view, even though Mexico has joined the GATT, taken steps to loosen import controls, and lowered tariffs, these imbalances will remain for some time to come. World Bank data indicate that at the end of last year more than half of domestic production was still fettered by quantitative restrictions on imports, and the average tariff was more than 20 percent. The Bank argues that Mexico must go even further to open the economy in order to revive productivity and boost industrial and agricultural employment growth. Those policy changes made to date have met with much domestic criticism, however, and we do not expect major progress in the near term. [redacted]

Insufficient Social Services

In our opinion, the rapid pace of population increase and urbanization is likely to create dramatic shortfalls in basic social services such as housing—particularly for lower income groups. Mexican officials put the 1980 housing deficit at 4.5 million units. They have estimated that 11 million units must be added to the existing housing stock of 12 million by the end of the

century. Even with increased government spending, however, we do not believe average annual construction would outpace the 400,000 average output during the 1970s construction boom. Moreover, even during that period, up to 65 percent of new housing—much of it substandard—was erected by the inhabitants themselves or by illegal builders. [redacted]

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Mexico also is likely to fall behind the demand for water systems in urban areas. In 1980, 61 percent of urban dwellers had safe drinking water, down from 68 percent a decade earlier, according to the World Bank. Only about half of urban residents had access to sewage disposal systems, compared with 60 percent 10 years earlier. In addition to resource constraints, distance to water supplies and the expense of extending pipes to squatter settlements in unsuitable geographic areas will limit the government's ability to correct this problem. [redacted]

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Even in rural areas, where water systems have improved substantially, Mexico clearly has a long way to go to correct existing deficiencies. According to the World Bank, one out of every two rural residents had access to safe drinking water in 1980, up from one out of five a decade earlier. A little more than 10 percent of rural dwellers were connected to a sewage disposal system in 1980. [redacted]

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In both urban and rural areas, inadequate water systems and waste treatment will have negative implications for health and irrigation of farmland. The World Bank reports that untreated domestic and industrial waste—some of it toxic—is routinely emptied into sewers, water bodies, and open areas, and we see no sign of a major change in these practices. With most infant deaths resulting from diarrhea, we believe that contaminated water will be the leading factor keeping the rural infant mortality rate almost 50 percent higher than in urban areas. Because decayed human waste is also carried through the air, we expect respiratory diseases will become even more widespread. Pollution of scarce water resources may hold back development of arid agricultural fields, particularly in the area outside Mexico City that uses municipal waste water for irrigation. [redacted]

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According to the US Embassy, urban congestion has already led to unhealthy levels of air pollution, and, in the absence of corrective government policies, we believe the situation can only deteriorate. Population pressures and the concentration of more than one-half of the country's industry in Mexico City probably will exacerbate levels of air pollutants that in 1980 were up to 600 percent higher than standards set by the World Health Organization. We doubt that the government will limit the use of private vehicles, the major source of carbon monoxide and hydrocarbon emissions. To make matters worse, government efforts to reduce the amount of lead in gasoline by replacing lead with other additives has simply increased ozone levels, which are consistently reaching harmful levels in Mexico City. Even if the government did have the necessary political mettle, it would need to reallocate limited budgetary resources to expand and properly maintain its overcrowded bus system, which is itself another prime contributor to air pollution because of the high sulfur content of diesel fuel. [redacted]

Despite the expected slowdown in the growth of Mexico's school-age population, the already-strained education system is likely to be overwhelmed. Through the end of the century, we estimate Mexico will need to provide facilities for close to 120,000 new primary and secondary school students each year if current enrollment rates remain constant. Just to hold real expenditures per student constant at the present low level, the government would have to boost real spending on education—which currently takes 5 percent of the budget—by 3 percent annually. The enrollment of 45,000 additional university students each year will pose an additional strain because of heavy subsidization of public universities and overcrowded conditions at state colleges. Even now, according to Embassy reporting, 91 percent of the students at Mexico's largest university never obtain a degree, and the education they receive often is unsuited to available jobs. These problems will only increase as enrollments rise. [redacted]

Strains on the education system will have a number of important economic implications. The creation of a more skilled labor force, in our opinion, will require a longer term commitment to opening new vocational schools, improving the quality of training in secondary

schools and universities, and raising the enrollment rate at the secondary level above current levels. Budgetary constraints, cuts in real expenditures on education in the 1980s, and pressures on the job front make us skeptical that Mexico City is willing to give education a higher priority. Mexico's consequent inability to ease shortages of skilled workers and technicians will hold labor productivity down, hobble the development of nontraditional exports, and limit the extension of health services and telecommunications. [redacted]

Inadequate Agricultural Production and Employment

Mexico's inefficient agricultural sector probably will not be able to satisfy the food demands of its growing population or provide sufficient jobs to soak up increasing numbers of surplus farmworkers. In spite of the fact that farmworkers make up one-fourth of the labor force, the agricultural sector accounts for only 9 percent of GDP and production of such basic foods as beans, corn, rice, and wheat have grown more slowly than consumption. According to World Bank data, imports of these major crops represented a negligible percentage of domestic consumption in the 1960s. By 1980, however, they accounted for up to one-third of Mexico's food needs. [redacted]

In our view, politically sensitive government policies are primary reasons why Mexico probably will not be able to reverse its agricultural deficiencies. For example, World Bank reports indicate that, under Mexican law, ranchers risk having their holdings expropriated if they own more land than the legal maximum—defined as the area needed for 500 animals—or if they raise crops. These regulations effectively curtail the expansion of both production and employment because they do not permit large enough land holdings or a more efficient system combining livestock and crop production, according to the Bank. In our judgment, quirks in land ownership policies almost certainly will perpetuate land invasions, falling investment, and underutilization of arable land. [redacted]

Furthermore, Mexico's scope for expanding agricultural production— even with the implementation of more appropriate policies—is narrowing. Politically

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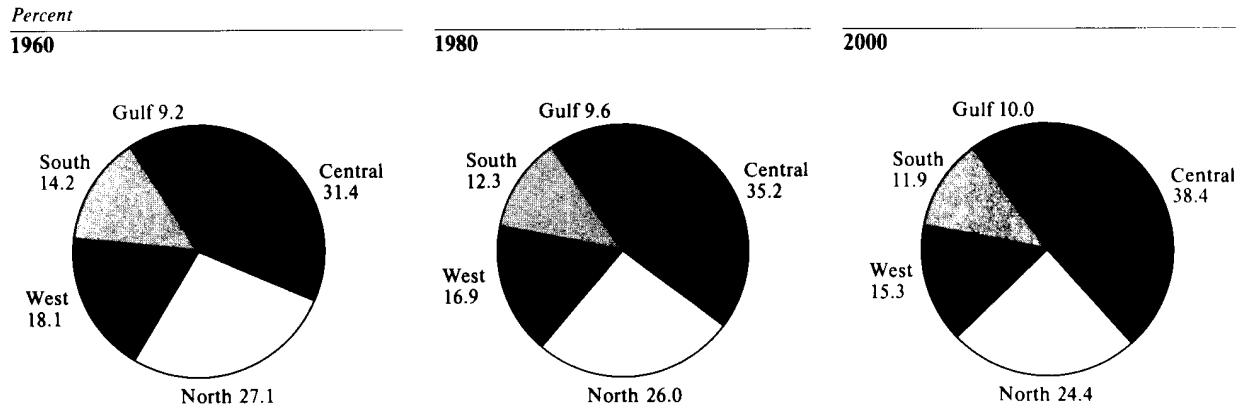
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Figure 9
Mexico: Population Distribution by Region



Source: US Bureau of the Census.

[Redacted]

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expedient, large-scale irrigation projects were highly successful in spurring agricultural growth in the 1960s. However, [Redacted] Mexico City is reaching the limit of possible irrigated, arable land. Moreover, increments in existing large irrigation schemes will bring smaller increases in production. [Redacted]

A growing rural population probably will aggravate existing land shortages and drive more workers to seek off-farm employment. Land distributed to peasants is likely to consist increasingly of woods and pastures unfit for farming, according to Embassy reporting. Consequently, even fewer peasants would be able to survive from their farm income alone. In our view, low agricultural productivity probably will increase the pressure for peasants to find other jobs by holding farm labor demand below rural population growth and widening the gap between farm and manufacturing wages. [Redacted]

Regional Imbalances and Migration Patterns
Migration patterns are likely to aggravate existing regional imbalances. According to Census Bureau estimates, the states that will grow the fastest—Quintana Roo, Baja California, Mexico State, Queretaro, Campeche, and Morelos—already are the most urbanized and boast commercial, tourist, and oil industries. The drawing power of Mexico State in particular, which reflects the growth of cities near the capital, is expected to further centralize Mexico's population (see figure 9). Continuing an historic trend, rural migrants will come primarily from poor, agricultural states, led by Michoacan, Oaxaca, and Zacatecas. [Redacted]

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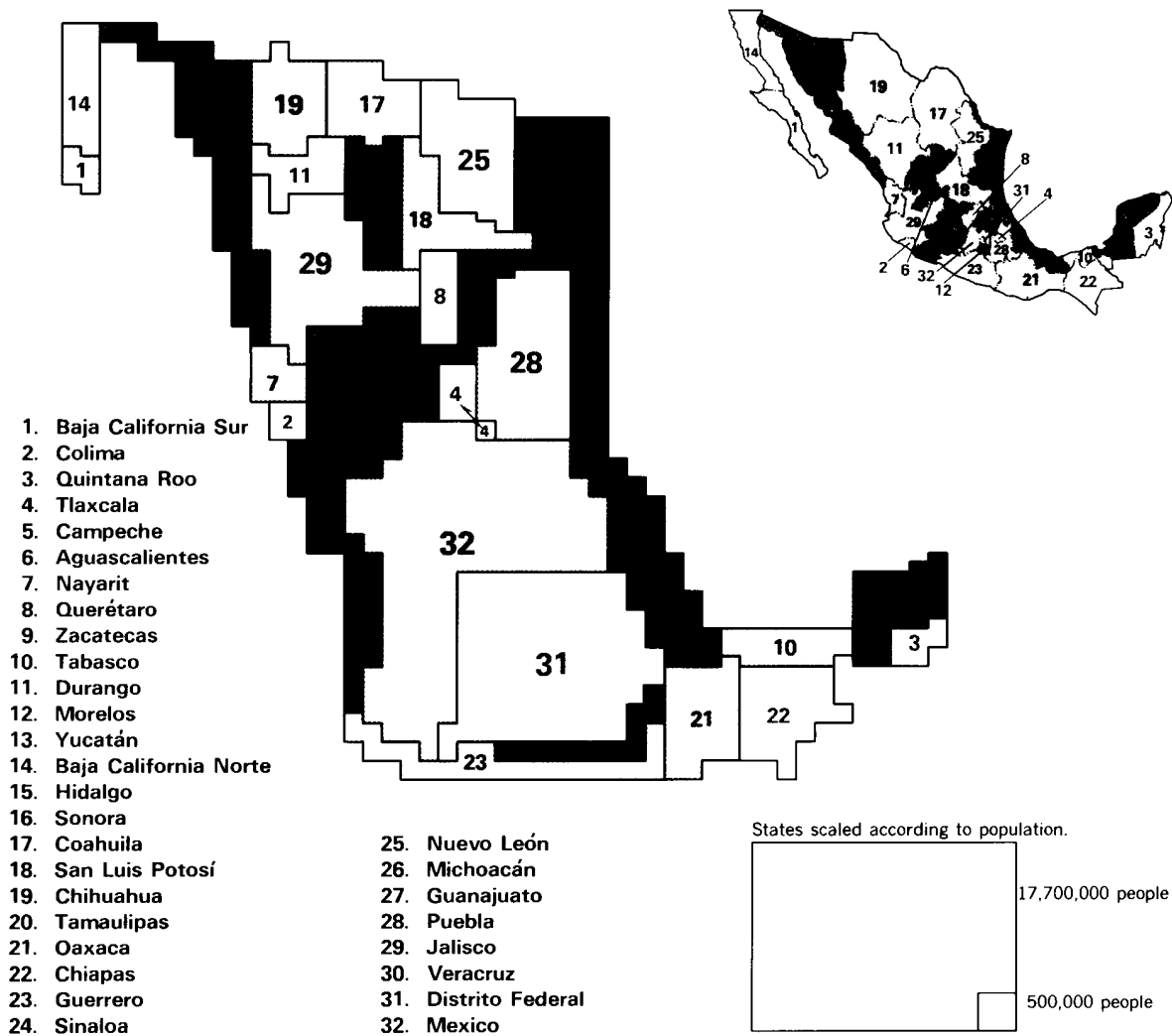
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Figure 10
Mexico's Population in the Year 2000



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It is too early to assess the effect of the new US immigration law on net Mexican emigration. According to the US Embassy, the Mexicans are afraid of a return of several hundred thousand illegal immigrants from the United States. If such a worst case scenario—from the Mexican perspective—were to come true, the northern states probably would feel the pressures first and would be hard pressed to accommodate a sudden influx of returnees. The *maquila* industry, with a total of 250,000 employees, is too small to absorb currently laid-off workers in heavy industries in the north and clearly could not soak up thousands of surplus workers—most of whom are unskilled farm laborers. Consequently, we expect that some displaced workers would migrate to other Mexican cities in search of jobs. A recent Mexican Government study also foresees some problems in relocating returning migrants away from border cities and finding housing and jobs for them, but it concludes—and we agree—that these problems will be short term.

[REDACTED]

Census Bureau estimates show that significant changes in the pace of emigration have only a marginal impact on the size of the domestic Mexican labor force. For example, if tougher US laws on hiring illegal immigrants gradually cut the number of emigrants by the year 2000 to one-half of the 1980 figure, the working-age population would grow by less than 1 percent over the baseline estimate.⁷ Should some economic disaster in Mexico cause emigration to double by the year 2000, the working-age population would shrink by only 2 percent (See appendix).

Implications for the Ruling Party

Urban and regional population pressures and the fallout from increasing unemployment will almost certainly pose important challenges for the ruling Institutional Revolutionary Party (PRI). According to the US Embassy, taxes on the more prosperous northern states to sustain the growing central region are already resented. In the past, Mexico City has received more than 55 percent of all government allocations for social improvements—a per capita

⁷ On the basis of US and Mexican census data and a 1983 US survey, the Census Bureau estimates that nearly 200,000 Mexicans emigrated to the United States on average each year during 1980-83.

[REDACTED]

share four times higher than the national average. Increasing taxes in the north for needed infrastructural improvements in Mexico City and the south might generate even more protest votes and more support for the leading opposition party, the National Action Party. The opposition may also gain some backing from urban dwellers in the major cities. Deteriorating public services could further alienate the middle class and heighten the PRI's image as inefficient and corrupt.

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Mounting unemployment and falling real wages could intensify friction between labor—one of the pillars of the ruling party—and the government in the next decade, in our view. Mexico City may not be able to count on the cooperation of the country's largest trade union, the Confederation of Mexican Workers, after the death of labor czar Don Fidel Velazquez, who is 86 years old. According to the US Embassy, Don Fidel's heir apparent holds the same conservative and progovernment views, but he lacks the current labor leader's magnetism and may not be able to keep union members in line. Even now, wildcat strikes suggest that some cracks are appearing in labor unity. At the same time, minority leftist and Communist unions may press hard for concessions on wages and jobs. Discontent over income distribution—already among the most unequal in Latin America, according to the World Bank—could grow as young, unskilled workers enter the labor force and depress real wages even further.

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A high and sustained rate of unemployment also carries the risk that part of a generation will be left out of the job market and become politically estranged. Most of the new entrants on the labor market will be young adults seeking their first job. Young people who are unable to find jobs are less likely to develop links to the PRI. This group also is likely to boost the size of the underground economy that operates outside government controls. In addition, unemployed youths will provide a larger pool of manpower for illegal activities, such as drug cultivation and trade.

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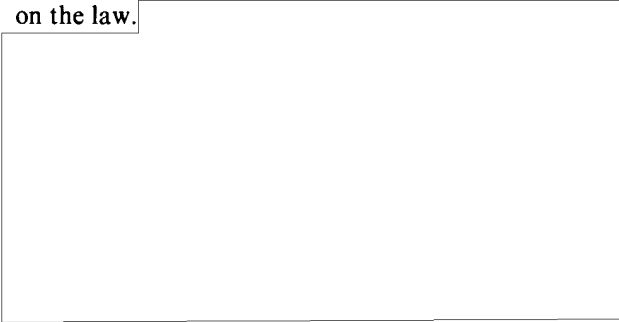
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Implications for the United States

The new US immigration legislation may create some—in our view, manageable and short run—friction in bilateral relations, largely because emigration to the United States provides a key political safety valve. The de la Madrid government so far has refrained from taking an official position on the US law, but it has publicized its efforts to prepare reception areas in the border states for the possible sudden return of thousands of emigrants. In addition, hearings in the Mexican Senate, government-sponsored academic research and conferences, and the PRI's own study on migration have focused attention on the law.



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Over the long term, however, we agree with Mexican and US observers' views that the US legislation will not itself be sufficient to turn around the rising tide of illegal immigrants from Mexico. Given a rapidly increasing male working-age population, the poor outlook for agricultural employment, and that the majority of illegal immigrants are male farmworkers who stand a slim chance of finding a job in urban Mexico, the pace of emigration is not likely to slow. Job shortages, shrinking real wages, and poor public services are likely to cause the number of illegal semi-skilled immigrants to pick up as well. We believe that a trend observed by the Immigration and Naturalization Service toward emigration of workers accompanied by their families is likely to persist and that it will further swell the number of illegal migrants. These workers will be drawn by a US labor market that will continue to create employment opportunities because of the gradual aging of the US population, the growing demand for cheap farm labor, and continuing promise of substantially higher wages.



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Appendix

Demographic Methodology

The US Census Bureau prepared three alternative projections of Mexican population growth during 1980-2000, shown in table A-1. The baseline scenario assumes that net annual international emigration—the difference between the number of people leaving and those entering Mexico, including foreigners—during 1980-85 remains constant through the end of the century. The Census Bureau estimated the net annual flow of Mexicans—including illegal immigrants—to the United States at 197,230 on the basis of refugee statistics, data on the foreign-born population by period of entry from the 1980 Mexican and US population censuses, and a 1983 US survey. This figure takes only permanent migrants into account, not temporary migrants, who may number 400,000 during peak seasons according to a Mexican household survey.

Two alternative scenarios analyze the impact of shifts in Mexican emigration. The first takes into account a possible slowdown in emigration caused by tighter US immigration regulations and assumes that net international emigration declines by one-half by the year 2000. The “worse case” alternative—from the US perspective—assumes that net international emigration doubles by 2000—an outcome that we believe probably would only be provoked by a catastrophe in Mexico.

Table A-1 *Million persons*
Mexico: Alternative Projections of Population Growth, 1980-2000

	Constant Migration		
	1980	1990	2000
Rural population	24.3	25.9	27.2
Ages 15 to 64	11.2	13.1	14.2
Urban population	45.8	60.9	76.4
Ages 15 to 64	24.9	37.6	50.9
Total population	70.1	86.8	103.6
Ages 15 to 64	36.1	50.7	65.1
	Slower Migration		
Rural population	24.3	26.0	27.5
Ages 15 to 64	11.2	13.1	14.4
Urban population	45.8	60.9	76.9
Ages 15 to 64	24.9	37.7	51.3
Total population	70.1	86.9	104.4
Ages 15 to 64	36.1	50.8	65.7
	Faster Migration		
Rural population	24.3	25.9	26.7
Ages 15 to 64	11.2	13.0	13.9
Urban population	45.8	60.7	75.2
Ages 15 to 64	24.9	37.6	50.1
Total population	70.1	86.6	101.9
Ages 15 to 64	36.1	50.6	64.0

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