US Foreign Direct Investment and Mexican Immigration

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Abstract
The purpose of this study is to show the correlation between foreign direct investment from the United States to Mexico and the effects it had on Mexican immigration to the United States during 1990 to 2000. The case study shows that neoliberal policies, like foreign direct investment, have failed to establish a stable economy in Mexico due to the unequal distribution of foreign direct investment funds within Mexico. As a result of this failure, immigration increased to the United States due to neoliberal policies in Mexico conditioned by the United States.

Introduction
From 1990 to 2000, the United States saw an enormous wave of Mexican immigration. In 1991, 370,000 Mexicans immigrated to the United States. In 1995, that number jumped to 570,000, almost doubling. From 1996 to 2000, a similar trend occurred from 490,000 to 770,000 immigrants in the beginning of the 21st century (Pew Hispanic Center 2013). The question in everyone's mind was why was there such an increase of Mexican immigration to the United States? Immigration from Mexico to the United States has been a topic often misunderstood by scholars, politicians, and ordinary citizens. The most accepted view regarding Mexican immigration is Push-Pull theory, which suggests that people independent of external forces choose to emigrate from Mexico, a developing unstable nation, to the United States, a developed stable nation (Barajas 2009). Push-Pull theory is a commonly used theory in the United States because of its simplicity and common sense core. A second view, the historical structural perspective, sees the emigration of Mexican citizens to the United States as a complex topic dealing with several factors like US political and economic influence over Mexican politics. As explained by Garcia Bedolla, “One important and often overlooked structural constraint related to immigration patterns is the US political and economic involvement in the country of origin” (2009, 50). During this period, foreign direct investment by American corporations increased significantly in Mexico from 2,549,000,000 dollars in 1990 to 9,526,290,000 dollars in 1995 and reached 18,110,008,381 dollars in 2000 (Secretaría de Economía 2013). Foreign direct investment is one important way in which the United States has been able to influence Mexican politics (Garcia Bedolla 2009). In order for Mexico to receive any investment, Mexico had to open its market to American businesses, something that did not occur in Mexico until the 1982 Debt Crisis (Steger and Roy 2010).

The historical structural perspective focuses on the explanation of exploitation that takes place between nations and classes. The Neo-Marxist approach of World-Systems, explains it as the unequal exchange of surplus value and products between the United States (the core) and Mexico (semi-periphery); (Wallerstein 2004). It is through the unequal exchange between the United States and Mexico that best explains why there was such an increase in the number of Mexican immigrants to the United States from 1990 to 2000. World-Systems theory looks at immigration as a process that occurs for the benefit of the United States since capitalist systems travel through a cycle of economic downturn that can be overturned through cheap, dependable, and exploitable labor from the developing world (Cheng and Bonacich 1984). World-Systems also points to the exploitation of the developing nations by the developed nations through the unequal exchange that leads to continual dependence (Wallerstein 2004). The movement of Mexican immigrants from 1990 to 2000 can be explained by the unequal exchange between the United States and Mexico, which benefitted the United States at the expense of the Mexican laborer once in the US labor force.

The significance of a structural analysis on Mexican immigration provides a greater understanding of Mexican immigration by explaining how US foreign economic policy influences immigration as much as individual choice. The study on foreign direct investment, from its origin and evolution, to whether it enhances or undermines economic development in less-developed countries, is a standard part of international political economy. However, the relationship between foreign direct investment and immigration has been studied much less; this research will contribute to the study of foreign direct investment and immigration. Finally, the evolution of the World-Systems theory of unequal exchange, from raw materials for manufactured products to the unequal exchange of foreign direct investment for immigration labor, argued in this present article, is a unique contribution to the study of Marxism.

This research supports its argument in five parts: the following Literature Review section analyzes the relevant theoretical approaches to studying foreign direct investment and immigration. The Methodology section uses a linear regression to establish a correlation between foreign direct investments and Mexican immigration from 1990 to 2000. Additionally, it also uses a case study on secondary sources of foreign direct investment and immigration to explain the correlation, while adding a qualitative explanation to foreign direct investment in Mexico and how it conditions immigration to the United States.
Results section will outline the findings of the multiple methods leading to the Discussion section that explains the nexus of foreign direct investment -- immigration-exploitation. In this section, three key points (the United State’s involvement with the immigration process, unequal exchange between the United States and Mexico, and the exploitation of Mexican laborers in the United States) are outlined by the theoretical framework of this article with an emphasis on the case study of exploitation of Mexican immigrants in the California agricultural industry. The driving question behind this research is-- does foreign direct investment correlate with Mexican immigration patterns to the United States from 1990 to 2000?

**Literature Review**

Migration of people across lands has occurred since the evolution of the human species. In the present 21	extsuperscript{st} century, theories have developed to explain why people choose to migrate from their home countries to new and at times different, host countries. Push-Pull theory, associated with neoliberalism, focuses on the individual as the primary agent and the sole decision maker. Push-Pull theory explains that rational individuals migrate from their home countries because of negative "push" factors; they are then "pulled" into host countries by positive factors. Structural theory, associated with World-Systems, emphasizes the relationship of the receiving and sending countries. According to the theory, people migrate to specific countries due to the relational ties that those countries hold with their home countries. In Latin America, the United States has had a strong presence both politically and economically. Mexico is a clear example of such influence, especially during the late 1980s and 1990s.

Neoliberal economics looks at the benefits that both the Global North and the Global South receive when they interact in the free market. International economic relations for neoliberals are a positive-sum gain for both the North and South since each one receives indispensable products that are important to their growth (Cohn 2005). The core tenets of the neoliberals are financial liberalization, competitive exchange rates, trade liberalization, promotion of foreign direct investment, privatization of state enterprises, deregulation of the economy, and protection of private property (Steger and Roy 2010). Through the implementation of the tenets, a neoliberal argues that developing nations from the Global South can achieve independence and economic stability. For a neoliberal, the Global South is dependent and underdeveloped because of irrational policies that promote protection of the domestic market and thus produce firms that do not need to innovate since they have no competition (Cohn 2005). Looking at Mexico before President Miguel de la Madrid (1982-1988) and President Raul Salinas (1988-1994), Mexico was a strongly protectionist country; the government played a major role with multiple government enterprises and protected its industries from foreign firms. Trade barriers and tariffs made it difficult for foreign companies to grab hold of the Mexican market. During this time, Mexico was going through an economic downturn; high inflation and slow growth led the way to the 1982 Debt Crisis that prompted Mexico to default on its loans. Once in office, President Salinas moved Mexico to the far right by accepting the Washington Consensus, a set of agreements that nations must approve before receiving loans from the United States, in exchange for bailout loans. The Washington Consensus forced Salinas to end Mexico’s protectionist position and open up Mexico’s domestic market to foreign competition. Later on, Mexico would take an International Monetary Fund (IMF) bailout of $40 million in exchange for austerity measures that ended social programs for Mexico’s poor communities (Steger and Roy 2010). Ultimately, Mexico did stabilize using the tenets of the neoliberalism, but at a high cost to the working and poor classes.

Push-Pull theory focuses on a micro level analysis of why people migrate to different countries. Rational individuals and families ultimately make the decision to leave their home countries and move to wealthier developed countries. Micro level analysis of migration looks solely at individuals whom realize that in their current state of affairs they lack wealth, jobs, social programs, and necessary goods like food. Push-Pull theory explains this point as the push, people realize that they have no prospects of a better life and so they decide to leave (Barajas 2009, 28). The focus of Push-Pull theory is in the current state of affairs that migrants face in their home countries without analyzing the historical connections between the two nations. In developing countries people have very few opportunities to have a stable life since there are few social resources available to the public. Thus, people look to developed countries like the United States to migrate in search of jobs, economic stability, and social services. For a Push-Pull theorist these conditions are the pull, “...individuals realize that there are more jobs, higher wages, social services, political freedoms, and so forth in America (the pull)” (Barajas 2009, 28). Rational individuals analyze the current circumstances that they face in their home countries and come to realize, that according to Push-Pull theorists, they can migrate to the United States for a better state of affairs in which they can create a stable life for themselves and their families.

Push-Pull theory’s simplicity has not only made it popular but faulty as well. Push-Pull theory lacks a macro level analysis of why migrants’ home countries, especially Latin American countries, lack social services, jobs, and political freedoms. Push-Pull theory lacks a historical analysis of why people migrate to a specific country. As explained by Garcia Bedolla, “in popular discourse, immigration is described as a personal decision made by an individual or family, with little consideration of the macroeconomic context that influences that decision” (2009, 50). The theory does not account for the negative effects left in Latin America by the colonial period. Colonizers extracted raw materials
from Latin America, which helped Europe develop while impoverishing Latin America. Today, Latin America depends on the United States and Europe to manufacture Latin America’s raw materials into finished commodities; then Latin America buys those finished commodities at double the price of what the United States and Europe purchased the raw materials. The open door policies of neoliberalism have created poverty and dependence of Latin America on the United States and Europe. For example, “The 1994 North American Free Trade Agreement (NAFTA) formalized ‘free trade’ between the United States, Canada, and Mexico yet particularly disadvantaged Mexico’s domestic industries in manufacturing and agriculture” (Barajas 2009, 31). The open door policies of neoliberalism have negative effects on the Mexican and Latin American economies, small Latin American farm workers are put out of employment by the subsidized cheap commodities of American farm workers, Push-Pull theory ignores such historical ties; however, the historical connections of receiving and sending countries are important since they can help explain why people migrate in such large numbers to a given country. For example, “They (neoliberals) fail to provide a sufficient explanation of mass migration and to elaborate the historical-structural relationships between the sending and receiving societies” (Barajas 2009, 28). The United States has and continues to be involved in Latin American affairs influencing and molding the societies of Latin America. In return, Latin Americans are negatively affected forcing some to migrate to the United States. Such limits of Push-Pull theory are explained and addressed by Structural theory.

Structural theory, an alternative to Push-Pull theory, focuses on the historical ties of the sending and receiving nations. Under Structural theory, the level of analysis is a macro analysis; policies enacted by developed nations usually have negative effects on the economies of the developing nations (Barajas 2009). Such effects displace workers of the developing nations forcing them to migrate into the specific country that displaced them. The historical ties involved between Latin America and the United States are capital imperialism of the United States over Latin American nations. The neoliberal policies of the United States have created conditions for the involvement and intervention of US forces, economic and military, in the affairs of Latin American nations. For example, Barajas explains that Structural theory “highlights the causal relationship between capital mobility and labor migration, including how military interventions, labor recruitment, and foreign investment displaces people from their homelands and directly contributes to large-scale migration of both capital and workers” (2009, 29). Mass migration occurs with respect to policies that impoverish Latin American nations. Latin Americans are forced by those policies to leave their homelands and migrate to the specific country that is involved with the impoverishing of their nations in search for stable jobs and lives.

Migration of individuals is not a random act by people from developing nations; they are not able to pick up their goods and move to a developed nation whenever they please. People are forced to migrate out of their home country in search of wealth to be able to feed their loved ones. Structural theory’s analysis of the historical/relational ties allows one to notice the inequalities created by the policies of the neoliberal nations. For instance, “Neocolonized nations produced for the neocolonizers, respond to their consumption needs, borrow credit/capital from them to produce for them, and continuously fall deeper into debt while creating wealth for the neocolonizer elites and the neocolonized intermediaries” (Barajas 2009, 30). Imperial powers continue to dominate world political affairs through a new form of domination. Developed nations continue to have influence over developing nations by intervening in the internal affairs of those developing countries. In the Western Hemisphere, the United States claimed that it had the right to intervene in Latin American affairs for the national security and interest of the United States. For example, during the early 1900s, the Monroe Doctrine prohibited any European country from colonizing Latin America and the Roosevelt Corollary claimed that the United States would intervene in Latin American affairs for the purpose of US national security (Garcia Bedolla 2009). The dominance of developed nations over developing nations continues to produce unjustified displacement of workers who have no social resources available to them. Workers are forced to migrate in search of those social resources in the nation that displaced them. As a result of Latin American migration to the United States, the United States has been able to produce wealth by exploiting laborers of their surplus value. Thus, the United States continues to create wealth while Latin American nations remain in poverty.

The United States’ direct involvement with Latin American affairs has had an impact with mass migration of labor to US societies. In Mexico during the Porfiriato period, the United States invested heavily in the reconstruction of the Mexican economy. For instance, “By 1900 US companies owned 80 percent of Mexican railroads, 75 percent of mining and 50 percent of oil fields” (Garcia Bedolla 2009, 52). The United States was directly involved in the economic affairs of Mexico, running the important industries that the Mexican economy could have used to lift itself from poverty. However, the direct involvement of the United States created displaced workers who looked to the United States for work and stability. A similar trend occurred in Central America as well as in the Caribbean. As a result, Central Americans, Caribbeans and Mexicans migrated in mass numbers to the United States in search of economic justice and a stable life (Garcia Bedolla 2009). United States’ intervention has created conditions for Latin American migration; the neoliberal policies of the United States invite cheap labor from Mexico and Central America to the American work force.
To expand on the structural theoretical framework, Marxism and Neo-Marxist literature focuses on the relations of the different classes within a society and the global community. For Marx, the working class is subject to exploitation by the capitalist class, who controls the production forces. The expropriation of surplus labor value is the ultimate form of exploitation (Marx [1848] 1994). For Wallerstein, such a process of exploitation also occurs on a global scale through unequal exchange. Through unequal exchange, core states gain access to periphery and semi-periphery markets enabling exploitation on a larger scale (Wallerstein 2004). Contrary to the neoliberal belief of positive-sum gain, the benefits that both developed and developing nations gain when they interact through free trade that is not regulated by governments (Cohn 2005). Expropriation of surplus labor value and unequal exchange theory provide the theoretical framework used in this article to explain Mexican immigration and provide a window into the lives of the exploited. Ultimately, North-South relations are a key point in the examination of Mexican immigration as a byproduct of Mexican-American economic interdependence.

World-Systems theory looks at the global economy and North-South relations as the main structures in which exploitation of the periphery and semi-periphery occur by the core. Periphery and semi-periphery are developing nations located in the Global South. These nations are dependent on core nations since they do not obtain the means of production to create the necessary goods to sustain themselves (Wallerstein 1974). By contrast core nations are fully developed countries found in the Global North that are independent (Wallerstein 1974). Both the Global North and Global South are within a capitalist world-economy, which is “...a large geographic zone within which there is a division of labor and hence significant internal exchange of basic or essential goods as well as flows of capital and labor” (Wallerstein 2004, 23). The world-economy is a capitalist system because the accumulation of capital is given priority above all else (Wallerstein, 2004). Through the economic interaction of the core states and the periphery states the process of unequal exchange occurs in which core states gain surplus value from the periphery that is then subject to continued dependence. For instance,

Once we get a difference in the strength of the state-machineries, we get the operation of ‘unequal exchange’ which is enforced by strong states on weak ones...Thus, capitalism involves not only appropriation of the surplus-value by an owner from a laborer, but an appropriation of surplus of the whole world-economy by core areas (Wallerstein 1974, 65).

The Global North has been able to expropriate surplus value from the Global South through the economic interactions that favor the North over the South. The unequal exchange has manifested itself in Mexico through the exchange of loans for the restructuring of the Mexican economy to model a neoliberal economy. Prior to 1990, the Mexican economy went through a process of economic cycles that led to the Debt Crisis of 1982 due to the government taking loans from banks for development. In return, the Mexican population received a debt that could not be paid creating the debt crisis in which Mexico’s way out was to accept an austerity loan. The austerity loan forced the opening of the Mexican economy in exchange for monetary support, creating competition within Mexico and displacing laborers due to cheaper products from the United States (Steger and Roy 2010). This research argues that unequal exchange has evolved from this monetary-structuring face, to the unequal exchange of foreign direct investment for raw labor. After the opening of Mexico’s market, foreign direct investment from American companies flooded Mexico at the same time that immigration from Mexico to the United States increased. Mexico during 1990 to 2000 received foreign direct investment from the United States and the United States has in exchange received cheap labor from Mexico.

Marx’s theory of exploitation shows how Mexican laborers have been exploited throughout the history of US-Mexican relations. The expropriation of surplus labor value by the capitalist class over the working class is manifested through the transaction of wages for labor and the output of capital. For example, Marx writes that wages are the money that a capitalist gives to a worker in exchange for the worker’s labor, labor then is a commodity (Marx [1848] 1994). A worker sells his labor to the capitalist who then pays for that labor commodity that will produce capital for the capitalist. Marx further noted that for the laborer, the wages paid to him enables him to live for another day, half of that day spent laboring for his continuity as a laborer (Marx [1848] 1994). On the other hand, the capitalist receives the creative ability of the laborer, his labor power. For instance, “...the capitalist receives in exchange for his means of subsistence labor, the productive activity of the worker, the creative power whereby the worker not only replaces what he consumes but gives to the accumulated labor a greater value than it previously possessed” (Marx [1848] 1994, 257). From the interaction of the capitalist and the worker, the capitalist is able to maintain the worker as a laborer by paying him a wage for his labor and in return, the capitalist receives the wage and more from the labor of the worker. This for Marx is the greatest form of exploitation. The worker is only paid for his labor up to a certain amount. The labor of the worker however produces for the capitalist what he has paid for and in addition, surplus value in which the capitalist has full control of while the worker has no say. This is known as the expropriation of surplus labor value (Marx [1848] 1994). Mexican laborers are subject to this form of exploitation once they are in the US labor force. Mexican laborers are paid low wages and in return, their labor produces large amounts of value for American businesses.

The historical structural literature provides a clear understanding of why Mexican people immigrate to the United States. World-Systems theory provides a critical
view of the role the United States has had on the immigration of thousands of people to the American workforce through the unequal exchange of foreign direct investment for raw labor. The expropriation of surplus labor value shows how American businesspersons have exploited Mexican laborers who produce capital for their continual existence. Neoliberalism cannot provide a clear explanation of the immigration phenomenon that has affected the United States, on the contrary their tenets state that immigration from Mexico should stop with the implementation of neoliberal policies. The Neo-Marxist and Marxist literature provide a theoretical framework to examine and explain the Mexican immigration of the 1990s to 2000.

**Methods**

What causes Mexican immigration flows to the US? The research question is interesting for the reason that immigration patterns can be traced to external factors that correlate with the decisions people make when emigrating from their home country to a new country. This research will focus primarily on the World-Systems theory, which states that developed nations dominate developing nations for the purpose of receiving surplus value and becoming dominant core nations (Cohn 2005). The present study uses a multi-method approach— a linear regression to establish significance between the independent and dependent variables and a case study to document specific examples of the relationship between foreign direct investment and Mexican immigration. The focus of this research is the study of multinational corporations and their use of foreign direct investment in one or more countries, as well as immigration of Mexicans to the United States. Multinational corporations are described as “...firms that control productive assets in more than one country. Parent firms in the home countries of multinational corporations (MNCs) acquire foreign assets by investing in affiliate or subsidiary firms in host countries” (Cohn 2005, 313). These corporations invest in other countries’ firms to gain profits for themselves while investing in the infrastructure of the host country. There are two primary ways in which MNCs invest in other countries, the first is through foreign direct investment, and the second is portfolio investment. For the purpose of this study, the research will focus on foreign direct investment. Direct investment pertains to the notion that the corporation that invests in a host country gains the majority control and management rights over the productive assets of the corporation in the host country (Cohn, 2005). The study of MNCs in Mexico will take place from 1990 to 2000. The study of the MNCs will be through secondary sources that look at where the investment goes, to what type of production, and the geographic location of the investment.

The linear regression model was chosen since the study of foreign direct investment and immigration is a one-way case. That is, the amount of foreign direct investment correlates with the amount of immigrants emigrating from Mexico to the United States. That is to say, the amount of immigrants emigrating to the United States does not dictate the amount of investment the US sends to Mexico, the causal arrow only goes one way. The linear regression model is also applicable to this study since the dependent variable is at the interval level. Both the independent and dependent variables are numbers that are in order and they have exact values. This is important since the regression can only work when the variables are strictly numbers with value. Using data from The World Bank Group (2013), the amount of investment by the United States in Mexico during 1990 to 2000 (independent variable) was entered into Statistical Product and Service Solutions (SPSS). For the dependent variable, Mexican immigration, data for the same years were retrieved from the Pew Hispanic Center (2013). The SPSS system ran the test with the dependent and independent variables.

The case study will show foreign direct investments’ impact on the Mexican society. The case study should indicate if there are positive or negative effects; the sectors of the Mexican economy in which foreign direct investment has gone; and if employment opportunities have been created. The case study will also look at immigration, the patterns of immigration, which people immigrate, and from what parts of Mexico; as well as what job prospects immigrants encounter once in the United States and what jobs they leave behind. For the case study, the research explored secondary sources written on the subject of investment, the geographic location receiving the investment, that is, if the investment is concentrated in the northern or southern regions of Mexico, and what type of industries receive the investment, whether it is banks, textile or agrarian firms. Navigating through the web, articles were found that document US foreign investment in Mexico. The articles point out that firms and regions receive unequal shares of foreign direct investment.

The main hypothesis is that as US investment increases, Mexican immigration to the United States will correlate. The hypothesis might be correct since Mexican immigration has been increasing from 1990 up to 2000, at the same time that US investment increased during the same period. Under the tenets of the World-Systems theory, people immigrate to the country that is sending the investment since it creates a pathway to that country. The firm brings with it representatives of the home country, which is often a capitalist nation, that requires cheap labor for the creation of surplus value within its own country (Cheng and Bonacich, 1984). Mexico is a developing nation that has come to depend on the US market for economic growth and stability; however, the United States has also come to depend on the Mexican laborer who has been exploited working in the agrarian and construction industries of the United States. Under NAFTA, new investments have entered Mexico causing displacement of low and middle class
farms who must migrate in search of new jobs, which are nearly nonexistent in
Mexico prompting people to immigrate north.

The dataset is strong but it has some limitations due to the nature of studying
private MNCs. The strengths of the dataset are that there are no missing data
for both the dependent and independent variables. For the linear regression, the
dataset is strong since the data are in interval form. Interval data allow SPSS to
operate complex regressions that can show if the variables used correlate with each
other, how significant the independent variable is, and how much of the variation
is being explained. The correlation pertains to the idea that the independent
variable is influencing the action of the dependent variable; in this case, that
foreign direct investment influences the flow of immigration from Mexico to
the United States. The significance pertains to whether the independent variable
being used in the regression is applicable to the dependent variable. Finally, the
variation shows how much of the dependent variable is being explained by the
independent variable. The limitations came in the case study; MNCs are private
entities that do not have to publicly display their finances or actions. As explained
by Cohn, “As private enterprises, MNCs are reluctant to provide information
about themselves, and they are adept at obscuring their activities” (2005, 314).
This is a limitation for the case study since there is not much public data on
the investment and activities that MNCs are performing in Mexico. Another
limitation is that the numbers gathered for immigration are also limited since
countries do not document illegal immigration. There are only estimated numbers
by the United States and other agencies on how many immigrants enter the
United States each year. The number of immigrants is also an aggregate number;
it does not distinguish between a laborer and a highly skilled laborer. This is
important since the research can be much more detailed in exploring a specific
group of immigrants like laborers.

Results

The linear regression results came out positive and support the main hypothesis
that as foreign direct investment increases so does Mexican immigration. The
case study results show that foreign direct investment has been concentrated
in particular sectors and regions in Mexico. Due to the limited sources of
information on multinational corporations and immigration, the study looked at
the period 1990 through 2000.

The linear regression results show a strong R square at 76.6 percent. The R square
explains the amount of variance in the dependent variable that is explained by the
independent variable. Foreign direct investment accounts for 76.6 percent of the
explanation of why Mexican immigrants migrate. The results also show that the
independent variable is highly significant with a p-value below .001. The results
further show that for every one dollar-unit increase in foreign direct investment,
there is an increase of immigration flows from Mexico to the United States by
2.66E-005. The correlation between foreign direct investment and Mexican
immigration is positive. The positive correlation supports the main hypothesis
that as foreign direct investment increases, so does Mexican immigration from
Mexico to the United States.

The case study results show that foreign direct investment is concentrated by
region and in economic sectors. From 1990 to 2000, the main center for foreign
direct investment was in central Mexico and in the northern states. For instance,
“Foreign direct investment in Mexico is highly concentrated geographically in
the center of Mexico, particularly in Mexico City, and in the northern states”
(Hamilton 2011, 258). The northern states with the highest foreign direct
investment are Chihuahua with 1,087.1 million in 2000, Nuevo Leon with
2,387.0 million in 2000, and Baja California with 1,173.8 million in 1999. The
Federal District received 22,043 million in 2000 compared to the southern state
of Oaxaca with 6.1 million in 1997 (Secretaría de Economía 2013). Mexico’s
main industries are beverages, tobacco, chemicals, iron, steel, petroleum, mining,
textiles, clothing, motor vehicles, consumer durables, and tourism (Central
Intelligence Agency 2013). These industries receive the bulk of the foreign direct
investment, for example, “It [FDI] is also concentrated in the largest Mexican
firms: between 1999 to 2005, over 50 percent of new investment and 60 percent
of reinvestment have gone into the 500 top firms in Mexico, and 70 percent and
80 percent, respectively in the 1,000 firms” (Hamilton 2011, 259).

The strongest sector that received foreign direct investment was in the
manufacturing and financial sectors (Nunnenkamp, Alatorre Bremont, and
Waldkirch 2007). The manufacturing sector shows conflicting effects in Mexico,
this sector receives one third of the foreign direct investment, and however, it has
done little in employment opportunities. This is a trend that appears throughout
Mexico, the majority of employment comes from sectors that receive little to
no foreign direct investment (Nunnenkamp, Alatorre Bremont, and Waldkirch
2007). Mexico’s labor force is 50.1 million and by occupation 13.7 percent are
in agriculture, 23.4 percent in industry and 62.9 percent in services, services
account for: financial, specialized, technical, education, medical, personal, public
administration and defense. (Central Intelligence Agency 2013). Foreign direct
investment has had positive growth in the Mexican economy. For instance, The
FDI/GDP ratio rose from 1.4 percent in the 1980-1985 periods to 1.8 percent
in 1986-1993 and 3.4 percent in 1994-2000, while the share of FDI in gross fixed
capital formation increased from 3.2 percent to 9.1 and 16.3 percent, respectively,
for these periods (Matta, Moreno-Bird, and Peres 2002). Mexico imports
metalworking machines, steel mill products, agricultural machinery, electrical
equipment, car parts for assembly, repair parts for motor vehicles, aircraft, and
aircraft parts, while exporting manufactured goods, oil and oil products, silver, fruits, vegetables, coffee, and cotton. Its primary export partner is the United States with 78.8 percent of exports sent to the United States and its major import partner is the United States at 49.7 percent (Central Intelligence Agency 2013). The results show that foreign direct investment is concentrated by region and in the top 500 firms. The investment is concentrated in sectors of the Mexican economy producing mainly exports to the United States market. Foreign direct investment is not correlated with employment opportunities in the sectors that receive the most investment, but it has produced economic growth for Mexico.

**Discussion**

American foreign direct investment in Mexico, from 1990 to 2000, has caused disturbance in the social and economic lives of everyday Mexicans. US-Mexican relations mirrors a North-South relation, in which the United States has been able to influence Mexican politics and gain access to a market of cheap, dependable, and exploitable labor with a surplus value gain through an open border policy. Foreign direct investment (FDI) has been concentrated in the top 500 firms, producing inequality among the recipients and non-recipient firms, firms that do not receive FDI (Hamilton 2011). Foreign direct investment has also been concentrated geographically in north and central Mexico, neglecting the southerners who are unsupported by the Mexican government since the transition to neoliberal policies (Secretaria de Economia 2013). Those who are displaced are then forced to migrate within Mexico and ultimately to the United States where they are exploited due to their legal status producing a surplus value for American industries, approximately 15 percent of Mexico’s labor force transferred to the United States in which Mexican immigrants contribute nine percent to the American labor output (Canales 2013). Ultimately, the unequal distribution of foreign direct investment has allowed the United States to prosper by creating three conditions within the Mexican society. First, neoliberal policies have displaced laborers in the southern and western parts of Mexico, forcing them to migrate north in search of jobs. Second, urban jobs are scarce because industries that have received foreign direct investment have produced little employment and within those firms that did receive investment, the manufacturing sector is the one who has employed the most, particularly southern women. Finally, those laborers who were unable to find jobs in Mexico were then obligated to immigrate north to the United States in which the unequal exchange occurs and the exploitation of Mexican labor takes place.

The liberalization of the Mexican economy under President Raul Salinas during the late 1980s allowed foreign capitalists to exploit the cheap labor within the Mexican society. Foreign direct investment concentrated in the northern and central regions of Mexico brought profits and cheap labor for foreigners who employed displaced laborers in the southern and western regions of Mexico. For instance, “Behind the laissez-faire rhetoric, Mexico’s neoleibals were pursuing a large-scale program of government social engineering aimed at forcing Mexico’s rural population off the land and into the cities, where it could provide cheap labor for the foreign investment that the new open economy would attract” (Faux 2003, 3). The concentration of investment and the end of governmental support for small and medium sized farms alienated laborers of the south forcing them to migrate in search of jobs to sustain themselves and their families.

In 1994, the northern state of Chihuahua received 308.4 million dollars in foreign direct investment, Mexico City received $7.6 billion, and the southern state of Oaxaca, on the other hand, only received $100,000 (Secretaria de Economia 2013). The disproportionate share of foreign investment within Mexico produces instability in the development of the regions forcing laborers to migrate where they can find opportunities to work and survive. As noted by Marx, “...a class of laborers, who live only so long as they find work, and who find work only so long as their labor increases capital” (Marx [1848] 1994,164).

Within Mexico, the working class became mobile in order for the working class to produce cheap labor where needed. The development of the neoliberal economic policies in Mexico has contributed to the exploitation of Mexican laborers by displacing southern workers from their traditional jobs. Women in particular migrated north from the southern state of Oaxaca to work in the maquiladora industries. For example, in the northern region of Mexico the maquiladora industry, part of the manufacturing sector, employed southern women paying them approximately three to five dollars a day (Gaspar de Alba 2003, 4). These women have faced inequality, mistreatment, and exploitation. The number of Mexican women migrants increased to 28 percent during this period to the United States in which they can expect a rise in their wages by 4 dollars (Cerrurtri and Massey, 2001). In many cases these women have to turn to prostitution in order to make ends meet (Gaspar de Alba 2003). The maquiladora industry is responsible for the migration of hundreds of women from the southern states to the north of Mexico in which these women are exploited for their labor. The disproportionate shares of foreign direct investment in Mexico destabilized southern workers who migrated north due to the fact that they must find work in the sectors and regions that allow them to maintain their families and themselves.

The failure of the neoliberal policies by the Mexican government produced a society of unemployment and economic instability for Mexican workers. NAFTA along with many other neoliberal policies of the Mexican government were intended to bring economic stability through job creation and an open door policy. However, it has become clear that these policies failed to reach the masses and only helped to enrich the elites of both nations. As discussed by Faux (2003), neoliberal policies were introduced to Mexico so that the income gap of Mexico's
upper class and lower classes would reduce. The same applied for the income gap of the southern and middle states in Mexico. Yet the opposite occurred, the rich became richer from corrupt banking maneuvers, which occurred after the privatization of Mexico’s banking system (Faux 2003). The neoliberal policies have done the opposite of what most proponents hoped it would do. The Gini Coefficient, which measures poverty levels, in Mexico during the 1990s to 2000 was 51.1 percent in 1992, 48.5 in 1996 and 51.9 in 2000 (The World Bank Group, 2013). The laborers and lower classes did not receive economic stability; the income gap did not close and the exploitation of the masses continued, while the rich elites became richer.

Employment in the sectors receiving foreign investment is poor and defeating the overall purpose of putting Mexicans to work in Mexico and ending immigration. As explained by Nunnenkamp, Alatorre Bremont, and Waldrich (2007), foreign direct investment is heavily concentrated in sectors of the Mexican economy that contribute little to the overall employment. The manufacturing and specifically financial service sectors receive the majority of the direct investment and together these sectors account for 13.7 percent of the formal employment (Nunnenkamp, Alatorre Bremont, and Waldrich 2007). Foreign direct investment has not been able to produce Mexican jobs to sustain Mexican laborers. Neoliberal economic policies for both Mexico and the United States were supposed to help with the ever-growing immigration phenomenon that was creating social hostilities in the United States. As noted by Faux, “If NAFTA were to create more jobs in Mexico, fewer Mexican workers would leave. When people can earn a decent living in their own country, they would generally rather stay put” (Faux 2003, 1). In the end with no governmental support and a poor employment growth by the sectors that received the bulk of the foreign investment, working and lower class Mexicans have to look to the United States for economic support.

The "unequal exchange" between the United States and Mexico occurs once the Mexican immigrant has entered the United States labor market. Once in the labor market, the majority of Mexican immigrants work in either agriculture or construction. Approximately 14 to 18 percent of Mexican immigrants are employed in the agriculture sector and 7 to 8 percent in the construction sector (Giorguli and Gaspar 2008). Only 0.2 to 0.8 percent of Mexican immigrants are employed in executive, professional or technical positions, while sales, administrative assistants, and office jobs makeup 0.5 to 1.7 percent of employment for Mexican immigrants (Giorguli and Gaspar 2008).

The United States receives cheap, dependable and exploitable laborers, while Mexico receives the foreign direct investment that has done little for the nation as a whole. As noted above, foreign direct investment in Mexico has created an unstable society by displacing workers and not creating employment opportunities for the growing Mexican labor force. The contrary occurs in the United States with the arrival of the displaced Mexican immigrants. American capitalists are able to exploit the Mexican laborers through the expropriation of surplus labor value. As noted by Marx, capitalists appropriate surplus value from the laborer when capitalists profit from the costs of labor and sell finished products at a higher price. The worker has no word or control over the capital he has produced and is therefore robbed of his creation (Marx [1848] 1994, 258). The expropriation of surplus value manifests itself in the United States through the jobs and wages Mexican workers receive. The following case study further examines this occurrence.

Historically, the United States has come to depend on the cheap labor of immigrants, especially in agriculture during both of the World Wars. From 1990 to 1994, a family from the state of Michoacán, located in the western region of Mexico, was employed in the agriculture sector in the Central Valley in California. During these four years, they worked in the asparagus, cherry, onion, apricot, and tomato fields. During the cherry season, a workday consisted of 6 hours, they took home $80 working in the cherry fields; the dynamics of the work were a box of 24” x 36” x 10” tall had to be filled to receive $4.50 for the one box. When the box is full it contains about 30 pounds of produce and at the store 1 pound of cherries were sold for 80 cents. Ultimately, this family as well as all of the other 300 workers was appropriated of $19.50 by the capitalists in the cherry fields. The cherry season lasted for 3 weeks in which they worked every day. For three weeks, this family took home $1680; while their cost of living was $600 a month for rent, $400 a month for groceries per month and $200 for other expenses. In the end from the cherry fields, they maintained $480 for themselves and, enough for the capitalist to maintain them as laborers during the working season. In the tomato fields a day for them consisted of 8 hours of labor, they took home $90. The dynamics of the tomato season consists of three months and a half, a pay of 90 cents for two, five gallon tubs. For those three and a half months, they received $9,450 of which they kept $5.850 due to their cost of living. The two, five gallon tubs converted to around 40 pounds of produce and at the store a pound of tomatoes were sold for 50 cents equaling $20 dollars for the capitalists. This family, along with the rest of the Mexican immigrant laborers, were exploited, robbed of their creations that were produced by their under paid labor power.

**Conclusion**

Within Mexico, the failure of the neoliberal policies to create jobs through foreign direct investment forced Mexicans to migrate to the United States, where many are alienated and exploited in low paying jobs that do not match their qualifications. The North-South relations of the United States and Mexico
have contributed to the economic advantage of the United States through the unequal exchange of foreign direct investment for immigrant labor. The United States has benefited from cheap, exploitable, and dependable labor that the Mexicans bring over to the US society creating large sums of capital particularly within the agriculture sector. Even though the Mexican elites benefited from the liberalization of the Mexican economy, the common Mexican laborer faced economic hardship and displacement. Overall, the unequal exchange by the United States with Mexico has created an unstable society for the southern and western Mexicans, while benefiting American capitalists whom appropriate surplus labor value form the cheap, dependable and exploitable Mexican immigrant.

Mexican immigration during 1990 to 2000 has been a result of US economic involvement in Mexico. Through the opening of the Mexican economy, after the 1982 debt crisis that forced Mexican elites to obtain an IMF bailout and agree to the Washington Consensus, governmental support ended for thousands of Mexican workers. The end of governmental support contributed to economic hardship that increased with the introduction of NAFTA and the neoliberal economic policies adopted by the Mexican government. The free trade policy between Mexico and the United States furthered the economic hardships of Mexican workers displacing them from their traditional work sectors, forcing them to emigrate within Mexico in search of new jobs. During this time, foreign direct investment from US multinational corporations entered into the Mexican market, in particular in the central and northern Mexican regions. However, this investment did little to create the sufficient amount of jobs required for the number of displaced workers. Those displaced and who were unable to reenter the work force then looked to the United States, who theoretically does not allow illegal immigration but in practice depends on the cheap, dependable, and exploitable labor that comes with illegal immigration. Analyzing Mexican immigration through a historical structural perspective, the United States has maintained dominance over Mexico through the unequal exchange of monetary benefits, which did little for the Mexican people, for raw labor that produces surplus capital. Furthermore, Mexican immigrants once in the United States are subject to exploitation. Through the examination of Mexican laborers in the agriculture sector of central California, one can get a clear picture of how the expropriation of surplus labor value occurs. Mexican immigration is not a process of individual decision-making; it is a process of external forces exercising their powers over a political process that is occupied with the creation of capital for elites instead of protecting the fundamental foundation of any nation, its workers.

References


