



Links Between Debt and Immigration

by Sarah Anderson, Institute for Policy Studies

Given a choice, most people would prefer to stay in their home country. And people everywhere are fighting for the right to adequate housing, income, security and other basic needs to allow them that choice. But millions in the developing world are forced to leave in search of better opportunities. They leave for many reasons. But debt is one factor in the inability of impoverished country governments to provide an adequate social safety net and a safe environment. Thus, indebtedness can be seen as part of a cluster of “push factors” driving immigration.

Debt cancellation is one measure that would give impoverished country governments a better chance of providing basic services, like health care and education. Combined with new approaches to trade, investment, and aid, it could help many developing countries reduce the economic pressures that drive migration.

However, the immigration debate has focused on domestic measures, largely ignoring the fact that reducing poverty and joblessness abroad is the only long-term solution to immigration concerns in this country. Yes, immigrants need stronger protections in the United States, but the policy response should also tackle the root causes of migration in their home countries.

MIGRATION TRENDS

The U.S. government grants legal residency to about a million foreigners per year, most of them relatives of U.S. citizens. This leaves millions more who are eager to enter our country in the hope of achieving a better life. It is these immigrants who reflect most vividly the desperation of so many in heavily indebted countries. They are the people who take great risks to come to the United States, often crossing the border in the dead of night, trying their luck on rickety boats, or putting their fates, and often their life savings, in the hands of smugglers.

| Some key countries | Unauthorized U.S. residents (thousands) | | 2005 rank among all countries of origin | Total external debt, 2005 (US\$) |
|--------------------|---|------|---|----------------------------------|
| | 2005 | 2000 | | |
| El Salvador | 470 | 430 | 2 | 7,088,423,000 |
| Honduras | 180 | 160 | 8 | 5,242,461,000 |
| Haiti | n/a | 76 | n/a | 1,323,359,000 |

Sources: Immigration: Department of Homeland Security, Office of Immigration Statistics. Debt: World Bank, World Development Indicators online.

A FEW KEY COUNTRIES

HAITI

Political upheaval and crushing poverty have contributed to extreme pressures for Haitians to attempt to flee to the United States, often risking their lives by attempting to reach the U.S. coastline by boat. The U.S. government estimated the number of unauthorized Haitians living in the country to be about 76,000 in 2000 (the most recent data available). This does not make Haiti one of the very top countries of origin. However, one explanation for that is the brutal U.S. policy towards such refugees. Haitians caught at sea are turned back, while those who reach land (unlike Cuban “boat people”) are detained and most often deported. The U.S. Coast Guard has intercepted 110,913 Haitians since 1982, and more than 900 just in the first six months of 2007.

These harrowing voyages often end tragically. In May 2007, more than 60 would-be immigrants from Haiti drowned after their boat sank near the Turks and Caicos islands. A couple months earlier a sailboat with 103 Haitians ran aground at a beach just north of Miami, and one person died on the beach.

Haiti would be one of the primary beneficiaries of the Jubilee Act (H.R. 2634), which would cancel the multilateral debts of qualified poor countries without onerous conditions. According to Eurodad, the World Bank and IMF are not scheduled to grant debt cancellation to Haiti until at least 2010, and these institutions are requiring reforms that will take even more money away from desperately needed social programs. Haiti owes a total of \$1.3 billion to external creditors. According to Jubilee USA, 45 percent was accumulated under the Duvalier dictatorship.



HONDURAS

Honduras ranks eighth among countries of origin of unauthorized immigrants, with 180,000 living in the United States in 2005. As in Haiti, regional political instability has been a push factor, along with related economic problems. The country of 7 million has a 46 percent unemployment rate and 71 percent live in poverty.

Honduras has received multilateral debt cancellation from the World Bank, IMF, and Inter-American Development Bank. However, the country stands to benefit from provisions in the Jubilee Act designed to protect countries from so-called "vulture funds." These are private investors who buy defaulted (often discounted) bilateral and commercial debts of impoverished nations. Now that some of these countries have received the proceeds of multilateral debt relief, vulture funds are descending on them, suing for the full original value of the debts they own, plus interest. Honduras is one of about a dozen countries currently being pursued by these unscrupulous vulture funds.

EL SALVADOR

In El Salvador, the brutal civil war of the 1980s drove nearly 300,000 people to flee to the United States without authorization. But political and economic problems tend to go hand in hand. After the 1992 peace agreement, El Salvador's heavy debt burden made it difficult to provide adequate services and sustainable livelihoods. The poverty rate remains about 58%. Thus, even though thousands of Salvadorans eventually gained permanent residency in the late 1990s, El Salvador remains the No. 2 country of origin of unauthorized U.S. residents, with an estimated 470,000 living in the United States in 2005, up from 430,000 in 2000.

Like Honduras, El Salvador has already received multilateral debt cancellation. However, El Salvador would likely benefit from provisions in the Jubilee Act that require the GAO to conduct an audit in cases where there is substantial evidence of "questionable" loans to past governments. Specifically, the audit would investigate past multilateral, bilateral and commercial loans to determine whether they contained onerous conditions, whether U.S. or international laws were violated in the contraction of the loans, and whether they were "odious" dictator debts.

El Salvador would likely be one of the countries audited. The United States supported the government of El Salvador during much of the civil war period, despite evidence of links to death squads that orchestrated a campaign of terror against armed and civilian opponents.

Debt cancellation won't automatically halt unauthorized immigration. But it will give impoverished country governments a fair chance to create the economic opportunities needed to allow people to stay home.

Sarah Anderson directs the Global Economy Project of the Institute for Policy Studies and is the author of the report "Debt Boomerang: How Americans Would Benefit from Cancellation of Impoverished Country Debts." IPS is an independent center for research and education founded in Washington, DC, in 1963. Contact: saraha@igc.org or 202 234 9382 x 227.