

# LEAVING HOME

## How Debt and International Economic Policies Impact Migration

Jubilee USA Network  
March 2010



Every year millions of people make the difficult decision to leave their home countries. The U.S. alone receives an estimated 1.8 million immigrants each year.<sup>1</sup> While the immigration debate has focused largely on domestic border and immigration policy, there can be no sustainable, comprehensive immigration reform without addressing the root causes of migration, i.e., the so-called “push factors” that cause people to leave their homes.

Migrants leave for many reasons, including but not limited to poverty, political instability, violence, and environmental degradation. Migration is a complex, multi-faceted issue with no single cause, though the high external debt burdens of many poor countries exacerbate these “push factors.” Countries with high external debts are forced to focus their budgets around debt service instead of poverty alleviation and creating and maintaining proper social safety nets.<sup>2</sup> Economic conditions placed on loans and debt relief by the International Monetary Fund (IMF) and the World Bank have also undermined assistance to the poor in many cases.

Debt cancellation is an important element of a comprehensive immigration strategy, along with just trading relationships, increased foreign assistance, and humane domestic immigration policies. **The Jubilee Act for Responsible Lending and Expanded Debt Cancellation (HR 4405) is a critical tool to address some of migration’s root causes.**

### Migration to the U.S. from Heavily Indebted Countries

Heavily indebted countries send more undocumented immigrants to the U.S. than countries with lower debt burdens.<sup>3</sup> The top ten countries of origin for undocumented immigrants residing in the U.S. are all highly indebted countries (see Chart 1).<sup>4</sup> Mexico sends the greatest number of unauthorized immigrants to the United States and holds an external debt of \$200.4 billion or 38.5% of its GDP.<sup>5</sup>

In El Salvador a brutal civil war in the 1980s drove nearly 300,000 people to flee to the United States without authorization, making it the second-largest

country of origin for undocumented immigrants. El Salvador’s debt as a percentage of GDP is 44.7%, and 30.7% of the population lives below the poverty line.<sup>6</sup> Even after the 1992 peace agreement, El Salvador’s heavy debt burden makes it difficult to provide sustainable livelihoods.

In the 1980s only 3% of Nicaraguans lived outside the country despite their civil war. Post-civil war, economic conditions imposed by the IMF and World Bank worsened already desperate conditions. Now, 12% of Nicaraguans live outside the country.<sup>7</sup> Debt and other economic factors exacerbate push factors, especially in cases of political upheaval and violence.

### Debt Exacerbates Poverty and Reduces Economic Opportunities

Poverty and lack of economic opportunity are two of the major contributing push factors for migration, causing movement from rural to urban areas within countries and from poor countries to wealthy countries.

High debt burdens mean that governments pay debt service at the expense of investing in poverty alleviation strategies. The African continent, for example, pays out more in debt service payments to wealthy countries than the continent receives in aid to fight poverty.<sup>8</sup> More money leaves the country to pay external creditors than remains to fund social service investment. Kenya, a country that is not currently eligible under the Heavily Indebted Poor Countries Initiative, pays as much debt servicing as it spends on water, health, agriculture, roads, transport, and the finance ministry combined.<sup>9</sup>

The global economic crisis has most impacted the world's poorest. The financial crisis will push an estimated 90 million more people into extreme poverty by 2011.<sup>10</sup> At least 33 countries in the developing world face the possibility of social unrest due to lack of access to basic necessities and the IMF estimated that up to three dozen countries are in moderate to high debt distress due to the crisis.<sup>11</sup> Debt cancellation can provide some relief to this growing crisis.



### Economic Conditions and Structural Adjustment Increase Desperation

In addition to high debt burdens, economic programs prescribed by the IMF and World Bank on countries seeking loans or debt relief have historically impeded the ability of developing countries to alleviate poverty. These conditions, originally mandated under the institution's "Structural Adjustment Programs," and now through the current Heavily Indebted Poor Countries Initiative have forced countries to prioritize debt payments over investments in human capital or country infrastructure. In the past, harsh conditions included privatizing human services, lowering trade barriers, and cutting jobs and services. Its legacy has exacerbated poverty in Africa and Latin America, influencing migration. Today, conditions are less harsh, but continue to be restrictive, leaving countries with little room to spend even during a recession.<sup>12</sup> This causes continuing disinvestment in the health and education sectors, and results in job loss.

For Nicaragua, Structural Adjustment Programs meant major cuts in the education budget. Public schools were forced to charge monthly fees, and for school materials, repairs, and exams.<sup>13</sup> As a result over one million children, half of the school aged population, were unable to attend school in 2006.<sup>14</sup> In Mexico, 800,000 workers lost their jobs from IMF imposed mass privatization between 1982 and 1986.<sup>15</sup> The program eliminated national subsidies which resulted in the collapse of small businesses. The IMF and World Bank's economic conditions resulted in job losses, a decrease in credit for small and medium scale farmers, reduced spending on healthcare and education, and a reduction of protective tariffs and government subsidies.<sup>16</sup> These push factors increase poverty and force displaced rural workers to migrate.

In 2006, Malawi suffered from a severe drought which led to famine and endured an ongoing HIV/AIDS crisis. The IMF demanded Malawi to "contain expenditures" and punished perceived overspending.<sup>16</sup>

Even as the UN called for massive donor assistance, the IMF forced Malawi to cut healthcare expenditures, despite the country's ongoing epidemic. Between the IMF-enforced budget cuts and its general lack of resources, Malawi was unable to pay its doctors, forcing many to relocate to the U.K.<sup>18</sup> Malawi now has only 1 doctor per 88,000 people, compared to 1 doctor per every 600 people in the U.K.<sup>19</sup> In these instances the IMF exacerbated push factors by preventing a country from

**Chart 1. Top 5 Countries of Origin of Unauthorized Residents in the U.S.**

| Country     | Unauthorized U.S. Residents in Billions (2008) | External Debt in Billions (2007) | Debt Percentage of GDP (2008) | Population Percentage Below Poverty line |
|-------------|--|----------------------------------|-------------------------------|--|
| Mexico      | 7,030,000                                      | \$200.4                          | 38.5                          | 40                                       |
| El Salvador | 570,000  | \$9.574                          | 44.7                          | 30.7                                     |
| Guatemala   | 430,000  | \$5.908                          | 25.7                          | 56.2                                     |
| Phillipines | 300,000  | \$61.78                          | 56.9                          | 30                                       |
| Honduras    | 300,000  | \$3.411                          | 20.4                          | 50.7                                     |

Source: Office of Immigration Statistics, Department of Homeland Security.

adequately addressing poverty related issues such as hunger and access to healthcare.<sup>20</sup>

## The Jubilee Act: Effective Foreign Assistance to Ease Migration's Push Factors

The Jubilee Act for Responsible Lending and Expanded Debt Cancellation (HR4405) would ease push factors by enabling countries to refocus their budgets toward poverty alleviation. According to the World Bank, countries that have received debt cancellation see a 75% increase in spending on social services such as healthcare and education.<sup>21</sup> Debt cancellation also has a direct impact on lowering infant mortality rates.<sup>22</sup> Debt cancellation has been shown to improve progress towards achieving universal primary education. After debt cancellation, drop-out rates for primary school students in countries that received relief decreased significantly.<sup>23</sup>

Nicaragua finally received debt cancellation in 2007-2008 and used its savings to increase investments in health by \$54.3 million and in education by \$121 million.<sup>24</sup> Debt relief helped Ghana reduce its poverty rate from 40% to 29% between 1999 and 2006.<sup>25</sup> Debt cancellation enabled Tanzania to increase its funding for poverty alleviation by 130% over the past six years.<sup>26</sup>

The Jubilee Act calls for the removal of harmful conditionalities attached to debt cancellation, addressing the economic policies that have negatively impacted the poor and pushed them to leave their homes. The Jubilee Act recognizes the past mistakes of unsustainable lending and harmful economic conditions and will create a framework to avoid another debt crisis. The Act also requires responsible lending practices from the IMF, World Bank and other creditors to prevent future unsustainable debts and calls for audits of countries' loans which are suspected to be illegitimate or odious, such as debts accrued during civil wars.

**Finally, the Jubilee Act (H.R. 4405) would give 22 additional countries the chance to qualify for debt cancellation, thus creating a new opportunity for developing countries to address the push factors that force people from their homes.**

**JUBILEE USA NETWORK** is an alliance of 75 religious



denominations and faith communities, human rights, environmental, labor, and community groups working for the definitive cancellation of crushing debts to fight poverty and injustice in Asia, Africa, and Latin America.

To learn more, visit [www.jubileeusa.org](http://www.jubileeusa.org).

Written by: Carly Pildis and Melinda St. Louis  
Edited & Design: Hayley Hathaway

## Endnotes

1 "Annual Immigration to the United States: The Real Numbers." Migration Policy Institute, May 2007.

2 "Debt Boomerang: How Americans Would Benefit from the Cancellation of Poor Country Debts." Sarah Anderson. Global Economic Task Force of the Institute For Policy Studies. March 2006.

3 Ibid

4 "Estimates of Unauthorized Immigrant Population Residing in the United States: January 2008." Michel Hoefer, Nancy Rytina, and Bryan C. Baker. Population Estimates: February 2009. Office of Immigration Statistics, Department of Homeland Security.

5 Ibid

6 Ibid

7 "Forced From Home: U.S. Trade Policy and Immigration." Witness for Peace. October 2007.

8 "Why Drop the Debt?" Jubilee USA Network Education and Action Packet

9 "Jubilee: A Sabbath from Suffering" Christina Cobourn Herman. Sojourners Magazine. August 2007.

10 "Crisis update: 90 Million to be Pushed into Poverty by 2011." Department for International Development. March 23 2009.

11 "World Bank President calls for a plan to fight hunger in pre-spring meeting address." World Bank. April 2008 and "Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI)—Status of Implementation" International Development Association and International Monetary Fund. September 15 2009.

12 "IMF Supported Macroeconomic Policies and the World Recession: A Look at Forty One Borrowing Countries" Mark Weisbrot, Rebecca Ray, Jake Johnston, Jose Antonio Cordero and Juan Antonio Montecino. Center for Economic Policy

Research. October 2009.

13 "Forced From Home: U.S. Trade Policy and Immigration." Witness for Peace. October 2007.

14 Perez, Arlen. "Un millón fuera de aulas," La Prensa, 31 January 2006.

15 "Forced From Home: U.S. Trade Policy and Immigration." Witness for Peace. October 2007.

16 Ibid

17 "Cut The Strings! Why the UK Government must take action now on the harmful conditions attached to debt cancellation." Caroline Pearce. Jubilee Debt Campaign. September 2006.

18 Ibid

19 Ibid

20 Ibid

21 "Drop the Debt, "Reality Check: the need for deeper debt cancellation and the fight against HIV/AIDS," April 2001, Drop the Debt.

22 Juan Pedro Schmid, "Is Debt Relief Good for the Poor? The Effects of the HIPC Initiative on Infant Mortality," Economic Policy and Debt Department. World Bank.

23 Jesus Crespo Cuaresma and Gallina Andronova Vincelette, "Debt Relief and Education in HIPCs," "Debt Relief and Beyond," World Bank. October 2008.

24 Statement by Secretary of State for International Development, House of Lords, UK, May 21, 2008.

25 "HIPC Funded Projects (2002-2005). What IMPACT? An Assessment of the Impact of the First Generation (2002-2005) HIPC Funded Projects in Ghana." SEND Foundation, September 2007. P. 11, Annex Tables 2, 4, and 5, ps. 27-28.

26 "Summary of Primary Education Development Plan (PEDP) Achievements in Tanzania, 2002-2003" Letter from the President of Tanzania's Office. The United Republic of Tanzania, February 17, 2004. <http://www.jubileeeresearch.org/news/tanzania040304.htm>