

The rise of Mexico

America needs to look again at its increasingly important neighbour

Nov 24th 2012 | from the print edition



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NEXT week the leaders of North America's two most populous countries are due to meet for a neighbourly chat in Washington, DC. The re-elected Barack Obama and Mexico's president-elect, Enrique Peña Nieto, have plenty to talk about: Mexico is changing in ways that will profoundly affect its big northern neighbour, and unless America rethinks its outdated picture of life across the border, both countries risk forgoing the benefits promised by Mexico's rise.

The White House does not spend much time looking south. During six hours of televised campaign debates this year, neither Mr Obama nor his vice-president mentioned Mexico directly. That is extraordinary. One in ten Mexican citizens lives in the United States. Include their American-born descendants and you have about 33m people (or around a tenth of America's population). And Mexico itself is more than the bloody appendix of American imaginations. In terms

of GDP it ranks just ahead of South Korea. In 2011 the Mexican economy grew faster than Brazil's—and will do so again in 2012.

Yet Americans are gloomy about Mexico, and so is their government: three years ago Pentagon analysts warned that Mexico risked becoming a “failed state”. As our special report in this issue explains, that is wildly wrong. In fact, Mexico's economy and society are doing pretty well. Even the violence, concentrated in a few areas, looks as if it is starting to abate.

Mañana in Mexico

The first place where Americans will notice these changes is in their shopping malls. China (with more than 60 mentions in the presidential debates) is by far the biggest source of America's imports. But wages in Chinese factories have quintupled in the past ten years and the oil price has trebled, inducing manufacturers focused on the American market to set up closer to home. Mexico is already the world's biggest exporter of flat-screen televisions, BlackBerrys and fridge-freezers, and is climbing up the rankings in cars, aerospace and more. On present trends, by 2018 America will import more from Mexico than from any other country. “Made in China” is giving way to “Hecho en México”.

The doorway for those imports is a 2,000-mile border, the world's busiest. Yet some American politicians are doing their best to block it, out of fear of being swamped by immigrants. They could hardly be more wrong. Fewer Mexicans now move to the United States than come back south. America's fragile economy (with an unemployment rate nearly twice as high as Mexico's) has dampened arrivals and hastened departures. Meanwhile, the make-up of Mexican migration is changing. North of the border, legal Mexican residents probably now outnumber undocumented ones. The human tide may turn along with the American economy, but the supply of potential border-hoppers has plunged: whereas in the 1960s the average Mexican woman had seven children, she now has two. Within a decade Mexico's fertility rate will fall below America's.

Undervaluing trade and overestimating immigration has led to bad policies. Since September 11th 2001, crossing the border has taken hours where it once took minutes, raising costs for Mexican

manufacturers (and thus for American consumers). Daytrips have fallen by almost half. More crossing-points and fewer onerous checks would speed things up on the American side; pre-clearance of containers and passengers could be improved if Mexico were less touchy about having American officers on its soil (something which Canada does not mind). After an election in which 70% of Latinos voted for Mr Obama, even America's "wetback"-bashing Republicans should now see the need for immigration-law reform.

No time for a siesta

The least certain part of Mexico's brighter *mañana* concerns security. This year has seen a small drop in murders. Some hotspots, such as Ciudad Juárez, have improved dramatically. A third of Mexico has a lower murder rate than Louisiana, America's most murderous state. Nevertheless, the "cartels" will remain strong while two conditions hold. The first is that America imports drugs—on which its citizens spend billions—which it insists must remain illegal, while continuing to allow the traffickers to buy assault weapons freely. American politicians should heed the words of Felipe Calderón, Mexico's outgoing president, who after six years and 60,000 deaths says it is "impossible" to stop the drug trade.

The second black spot is that Mexican policing remains weak. If Mr Peña is to keep his promise to halve the murder rate, he must be more effective than his predecessor in expanding the federal police and improving their counterparts at state level. That is just one of several issues that will test Mr Peña. He cannot achieve his ambition to raise Mexico's annual growth rate to 6% by relying solely on export manufacturing. Upping the tempo requires liberalising or scrapping state-run energy monopolies, which fail to exploit potentially vast oil and gas reserves. Boosting Mexico's poor productivity means forcing competition on a cosy bunch of private near-monopolies—starting with telecoms, television, cement and food and drink. That means upsetting the tycoons who backed his campaign.

This newspaper gave Mr Peña a lukewarm endorsement before July's election, praising his economic plans but warning that his Institutional Revolutionary Party (PRI), which ran Mexico in an authoritarian and sometimes corrupt manner for most of the 20th century, has not changed much. Facing down interests within his own

party may be Mr Peña's hardest task. The head of the oil workers' union is a PRI senator. The teachers' union, which is friendly with the party, is blocking progress in education. A new labour reform has been diluted by PRI congressmen with union links.

Mr Peña, a good performer on the stump, should appeal beyond the PRI to a broad consensus for change among Mexicans. Time will tell if he measures up to the task. But the changes in Mexico go beyond the new occupant of Los Pinos. The country is poised to become America's new workshop. If the neighbours want to make the most of that, it is time for them to take another look over the border.