Topolobampo and the Pacific Basin

*Arturo Retamoza G.**

A modern deep-water port

Topolobampo, 24 km from the city of Los Mochis in northern Sinaloa, became Mexico's second largest deep-water port last year, as result of decisive action and huge investments by both federal and state governments.

These sums far exceeded the amount needed for the port itself (with its two 225-meter long, 12-meter deep piers). They also financed an extension of the Chihuahua-Pacific railroad, linking Los Mochis to Topolobampo, and a four-lane highway, as well as creating a new industrial zone.

These features not only made Topolobampo a deep-water port, but the most efficient route between East Asia and the south central US. Using Topolobampo, as opposed to other ports on the West Coast, means a 30% reduction in necessary road transport.

Topolobampo is, therefore, a port offering magnificent shelter and navigational conditions, able to handle ships of up to 50,000 deadweight tons and provide an alternative site for in-bond plants and other export facilities.

Limitations on the establishment of in-bond industries

There are serious obstacles to the establishment of this type of plant. The in-bond industry started up after 1985, as a result of the boom in international trade and changes in Mexican economic policy that lowered trade barriers and provided guarantees for foreign capital.

The in-bond industry developed in what is now known as the Pacific Basin, the world's economically largest industrial area. It is a vast region accounting for over 45% of the world's exports and 40% of its imports, enjoying access to the US market, the largest in the world.

Mexico's presence in the Pacific Basin is due to the growth of its in-bond industry, whose main aim has been to export to the US. This market alone has drawn huge amounts of foreign capital, mostly Japanese, to the in-bond sector.

Thus, Mexico's proximity to the world's largest market has made it almost exclusively a springboard for exports.

As a result, the in-bond industry has tended to concentrate almost solely on assembly, producing little added value, and divorcing it almost totally from the nation's manufacturing industry, by virtue of the fact that it is labor-intensive. Hence the steep rise in Mexico's imports since 1985.

Topolobampo is a key element of the Mexican port system.

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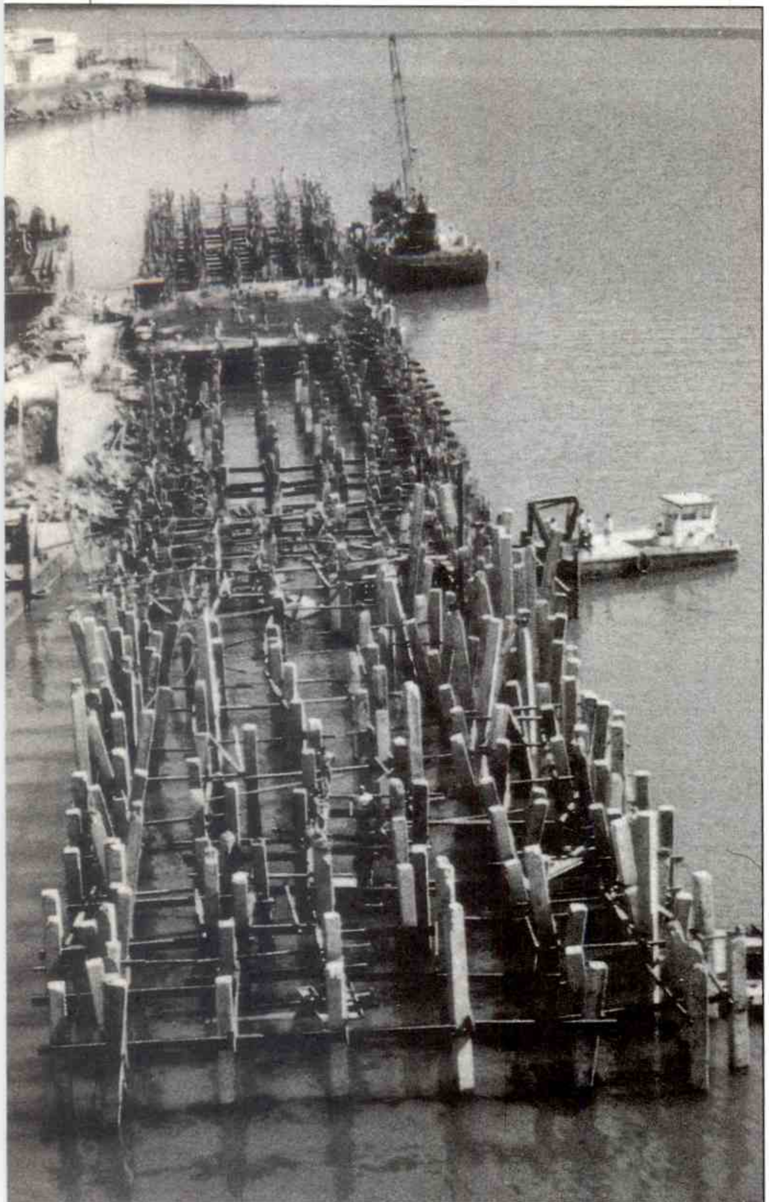

Infrastructure to receive general cargo ships, container ships and those specialized in agricultural and mineral bulk products.

A further disadvantage of this process, in countries like Mexico, is that it develops specific regions without involving the rest of the economy. A prime example of this is the impressive economic growth along Mexico's northern border over the past few years.

Although in-bond industries have created jobs and earned foreign exchange, the federal government's contention that their proliferation would encourage the transfer of technology to the bulk of the country's manufacturing industry has not proved accurate and is unlikely to do so in the future, since these industries tend to operate on a global rather than a domestic level.

In this respect, industry spokesmen themselves have said that their only interest in Mexico is its border with the US, which explains Topolobampo's great difficulties in attracting in-bond plants.

A new proposal

A proposal, offering a high probability of success, has been put forward in the in-bond industry sector advocating the installation of factories that would relate differently to domestic industry.

Their main purpose would be to use Mexican raw materials, as well as labor, thus providing greater links with domestic manufacturing industry, and supplying both the Japanese and American markets.

They would be traditional industries, on the grounds that this would reduce the cost of raw materials, as in Sinaloa which produces and exports tomato paste and other dehydrated products.

The export industries discussed here would be foreign-owned, though they would probably become associated with Mexican private capital. However, the signing of a Free Trade Agreement between Mexico, the US and Canada and the proximity of their markets might encourage entrepreneurs from all three countries to invest in this type of industry.

Sinaloa's abundant and varied natural and agricultural resources make it an ideal site for such export industries.

The huge sums invested to make Topolobampo a modern, efficient port should not be devoted solely to serving in-bond industries.

Instead, efforts should be made to stimulate and support the creation of private Mexican manufacturing industry, the only kind that might guarantee a national outlook on industrialization. In other words, the growth of a vigorous, forward-looking Mexican entrepreneurial class should be encouraged.

Countries such as Taiwan and South Korea, regarded as "economic successes" had a 6.2% share of the world's economy in 1978, and a 10.2% share a decade later. They did not depend on in-bond industries, but relied on domestic private capital to diversify exports.

Conversely, the greater integration of Mexico's economy into the world market, represented by manufactured goods for export, owes far more to the efforts of foreign private capital (the in-bond industry), than it does to Mexican private capital.

On the other hand, thanks to freer trade policies, the integration of imports has been spectacular, since they have grown and diversified more quickly than exports. The value of imports in 1989 was twice what it was for 1987, while exports grew only 10% over the same period.

It is, therefore, important to link Topolobampo's future to exports and trade developed by Mexican businessmen. Otherwise, Mexico's future and, in this case, Sinaloa's prospects, will be largely dependent on the relationship between the United States and Japan

Hispanics and poverty in the United States

*Elaine Levine**

Even though the United States continues to be the world's richest country in terms of total output, it hasn't been able to overcome poverty. In 1990, according to offical statistics, there were 33.6 million extremely poor persons in the US, 13.5% of the total population.

A particularly outstanding feature is the disproportionate poverty rates among ethnic and racial minorities. The percentage of persons living in poverty is over three times higher for blacks than for whites —31.9% and 10.7% respectively in 1990— and almost three times higher for Hispanics, whose poverty rate was 28.1%.[1]

Many recent studies suggest that the poverty rate for Hispanics in the US, and particularly for those of Mexican origin living in the Southwest, is increasing more rapidly than for any other sector, even more so than the rapid growth of the Hispanic population itself. If these tendencies continue, by the beginning of the next century there will not only be proportionally more Hispanics in the US but many more poor Hispanics.

Furthermore, one of the most striking results of economic policy over the past twelve years has been greater inequality in the income distribution and a relative as well as an absolute increase in poverty. However, it is also interesting to note that while blacks still have a poverty rate higher than that of any other ethnic or racial minority, it has been fairly stable over the past two decades —oscillating with the ups and downs of the economy— while the situation of Hispanics has deteriorated. Their average rate of poverty for the 70's was 23%, increasing to 28% in the 80s.[2]

Another disconcerting fact is that while the poverty rate for the elderly has declined systematically since the 1960s, even during the Reagan and Bush years, they are the only group that has had such luck. On the other hand there has been a marked increase in poverty among children. From a low point of 14.4% in 1973, the poverty rate for those under 18 has grown to 20.6% in 1990. Here as well, there is a strong racial and ethnic bias. In 1990, fifteen out of every hundred white children were living in poverty compared with 38 out of every hundred Hispanic and 44 out of every hundred black children.[3]

Statistics show that there is a disproportionate number of children living in poverty and even more so for minority children. Those under 18 years old make up 40% of the nation's poor and only 26% of the overall population.[4] Twenty-one percent of all poor children are of Hispanic origin while Hispanics represent only 11% of all children in the US. Furthermore, about 48% of all Hispanics living in poverty are under 18.[5] These figures plainly show that Hispanic children start out life in the US with enormous disadvantages.

The United States was among the last of the industrialized countries to establish nationwide social programs. It took the nation-wide depression of the 1930s to modify existing concepts about the role of the state. Franklin D. Roosevelt's election as president opened the way for more active federal government participation in certain aspects of economic life that had previously been the domain of state and local governments.

The social spending system that exists today is based primarily on the Social Security Act of 1935. This legislation established a pension plan administered by the federal government called social security. At the same time mechanisms were created to motivate and oblige state governments to set up their own systems for unemployment

[1] *Economic Report of the Presidente, 1991*, Washington, D.C., US Government Printing Ofice, 1991, p. 320.

[2] Committee on Ways and Means, US House of Representatives, *1991 Green Book*, Washington, D.C., USGPO, 1991, p. 1138.

[3] *Ibid.* and US Department of Commerce, Bureau of the Census, *Poverty in the United States: 1990*, Current Population Reports, Serie P-60, No. 175, Washington, D.C., USGPO, 1991, p. 15.

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[4] US Department of Commerce, Bureau of the Census, *Op. cit.* CPR, Serie P-60, No. 175, p. 1, 16 and 18.

[5] US Department of Commerce, Bureau of the Census, *The Hispanic Population of the United States: March 1990*, CPR, Serie P-20, No. 449, Washington, D.C., USGPO, 1991, p. 5.