

# The Social Dimension of North American Integration A View from Mexico

Carlos Heredia Zubieta\*



Gustavo Benítez/Presidencia/Cuartoscuro

Presidents George Bush and Vicente Fox and Prime Minister Stephen Harper during the Second Meeting of the Security and Prosperity Partnership of North America in Quintana Roo, Mexico.

North America is often perceived as the world's largest trade bloc. For practical purposes, the accumulated volumes of trade and investment in our region speak to an integrated economy. However, the growing economic and social polarization between Canada

and the United States on the one hand and Mexico on the other, as well as the internal polarization in all three countries, are a common challenge. It is true that even during years of modest economic growth, there has been relative prosperity, but it has been so skewed that both income and wealth have been concentrated in the hands of conspicuous elites. The case of Mexico is illustrative given that the country faces the task of catapulting a large part of its population from the poverty that plagues it

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\* Economist, member of the Mexican Council on Foreign Relations (Comexi) and advisor to the government of the state of Michoacán. [carlosherediaz@yahoo.com](mailto:carlosherediaz@yahoo.com)

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today to the threshold of the middle class. A new focus is needed to deal with the persistence—and even the deepening—of poverty and inequality in North America. That is, a strategy is needed that can tackle the development gap and spark the construction of a healthy, prepared and inclusive society in each of the three countries.<sup>1</sup>

#### CLOSING THE DEVELOPMENT GAP

In Mexico, globalization has caused big imbalances in the distribution of wealth and income. The results of the July 2, 2006 presidential election made it clear that, in addition to the gap in income between a handful of Mexicans and the majority of the population, the country is profoundly divided between North and South, between an economy tied to the dollar and the economy based on the peso. Per capita income in Chiapas, Guerrero and Oaxaca is only 18 percent that of the levels in the states of the North and Mexico City. The richest 10 percent of the population concentrates 43 percent of national income, while the poorest 10 percent receive only one percent of national income: this means that the richest Mexicans are 43 times richer than their compatriots who live in extreme poverty. The sharp concentration of income and the high degree of monopolization of strategic areas (basic and cellular telephone service, television, the banks, cement

manufacturing and land transportation) inhibit possible new investments and undermine economic growth.

Mexico urgently needs a vision of how to close the deep wound separating the country's North and South, as well as a strategy to narrow the growing gap among social classes. For example, for decades the National Autonomous University of Mexico (UNAM) was a space where social classes mixed; it represented access to upward social mobility. This no longer happens: the elites now send their children to private schools from kindergarten to graduate school, while the vast majority of students must content themselves with schools with low indicators of quality and even lower levels of financing. A dearth of incentives makes things worse since many of Mexico's best minds opt to migrate to carve out their professional careers in the United States.

The Mexican government and Mexicans in general want our neighbor to the north to recognize that it needs Mexican labor, whose net contribution to the U.S. economy we consider significant and very positive. Mexico would like the two countries to come to a migratory agreement that would pay for work performed, give visas to workers and their families, respect human rights and offer a route that would allow undocumented workers in the United States who so desire to get U.S. citizenship. In addition, President Vicente Fox Quesada has called

on the Canadian government several times to accept a higher number of temporary Mexican workers in its work force. The Mexican government would like to broaden out the Mexico-Canada Temporary Agricultural Workers Program and extend its application to a greater number of Canadian provinces since it offers Mexican migrants (120,000 over the last 30 years) considerably better working conditions than in the United States, even though problems still exist.

By early 2008, all tariffs on corn, bean and powdered milk imports from the U.S. and Canada into Mexico will be eliminated. Some people fear that doing away with this protection will spur greater migration toward the northern countries since the U.S. government has refused to implement the World Trade Organization (WTO) commitment to reduce domestic support and abolish government subsidies to its agricultural exporters.

While all this is going on, the United States is strengthening its borders and making it increasingly difficult to get into the country. In recent months, two different focuses about U.S. immigration law reform have been debated. The proposal supported by the House of Representatives emphasizes border control and the application of immigration laws. On the other hand, the proposal backed by the Bush administration and approved by the Senate is more inclusive in that it deals with

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the enforcement of immigration laws both along the border and in the work place at the same time that it recognizes the need for ordered flows of workers and legal status for the undocumented in the United States. The latter is the preferable option, but both proposals have serious limitations. An integrated labor market in North America will only come about if the following conditions are met: a comprehensive reform combining border security with the enforcement of immigration laws in work places, giving migrant workers a legal status that allows them to become U.S. citizens and makes it possible for the flow of legal workers to be regulated by both governments.

The U.S. and Canadian governments believe that Mexico has not done enough to control northward migration, either among its own citizens or among non-Mexican migrants who enter Mexico through its southern border to get to the two countries north of the Rio Grande. Neither Ottawa nor Washington is prepared to finance a development fund to create new economic opportunities in Mexican migrant workers' regions of origin; both governments say that this effort should be begun by Mexico.

U.S. and Canadian workers also face many challenges in terms of their family income, wages, poverty and regional inequalities. Low-waged U.S. workers must very often face racial and ethnic discrimination, biased enforcement of wage norms and erroneous

classification of their jobs by labor officials. At the same time, technical tasks are being outsourced to India and other Asian countries. Other social challenges for the three countries are meager investment in training and education; the deterioration of urban areas; precarious social security benefits; and the weakness of the health system serving the low-income population.

#### NEW MARKETS, SHARED WEALTH

The construction of the North American economic system has been a process led to a great extent by the region's large corporations. Under no circumstances can we suppose that regional integration will automatically bring with it benefits for all. While collaboration and complementariness among the countries has reached unprecedented levels, it is imperative to develop an analysis of all of North America oriented to directing public policy initiatives toward improving the living conditions of the majority of the population.

In 2005, Mexico received more than U.S.\$22 billion in remittances sent by migrant workers from the United States, where there are at least 650 hometown clubs and associations, whose members see themselves as bi-national communities, that have supported more than 1,500 social development projects in their places of origin over the last 10 years. A growing number of gov-

ernment officials, businessmen and experts are expressing their agreement with the fact that the long-term solution to Mexican migration to the U.S. is closing North America's development gap by supporting Mexico's construction and consolidation of a middle class.

Migration and labor mobility cannot, and must not, be divorced from trade and investment; the expansion of the latter two will not bring prosperity if they do not include labor norms and mobility and migration. What is needed is a strategy to prevent the potential benefits of globalization from being concentrated in a few hands.

How, then, can we deal with the social dimensions of integration? An effort is required that will incorporate the excluded into the market and the country's economic activity. The challenge lies in finding ways to generate new opportunities for the poorest, so that they can move toward a middle income. Mexico's poor population must have access to training programs that will place them in a better position to get decent jobs. Mexico needs to replace "crony capitalism" with a productive culture based on the development of talents and skills at the bottom of the social pyramid, making prosperity possible based on the merits of people's work and not political connections or influence peddling.

The basic message is that businesses can only prosper in societies whose members prosper, and, at the end of the

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day, this must include everyone. New markets, shared wealth: that is the challenge that the three NAFTA partners face. Today, the name of the game is the construction of opportunities for the majority of the population. In the end, equity in the economy is the backbone of political stability.

The multilateral banks, governments and international experts are all analyzing the way in which the low or lagging income of large parts of the population feeds what some see as a populist wave throughout Latin America. Mexico is no exception to this trend: the number of political leaders and candidates who promise to expand social spending and to give transfers, subsidies and monetary support to the poor and vulnerable groups if they are elected is growing. On the other hand, those who formulate economic policy from a more orthodox perspective favor other kinds of programs oriented to creating human capital and institutional development; the latter, together with macro-economic stability and an effective policy for economic competition will probably have more profound positive effects in the long run.

The Interamerican Development Bank (IDB), for example, wants to change

its focus to gradually get away from large loans for mega-projects, orienting its credit program toward more modest proposals that include better working and living conditions for the majority of the population. It proposes supporting projects that:

- foster small and medium-sized companies;
- promote financing for low-cost housing;
- distribute the benefits of the digital revolution;
- provide safe water and sanitation services to communities; and
- improve the quality of education and productivity.

The construction of a knowledge-based society is critically important for North America. The United States and Mexico, and to a lesser extent, Canada, are significantly behind China, South Korea and Japan in recent Organization for Economic Cooperation and Development evaluations of secondary school students' knowledge of mathematics, science and reading skills. It is no surprise that productivity in Mexico has increased by half a percentage point a year on the average during the

last six-year presidential term, five times less than in the United States and one-eighth the increase in productivity in Korea and Ireland.

The three countries need a vision of the government and the economy that will create jobs, invest in people, in infrastructure and in the environment. It is essential to multiply and diversify educational and cultural exchange among students, professors and researchers from the three countries as a way of improving mutual knowledge among neighbors. This would also foster a more generous understanding of regional integration, like that practiced by the cross-border networks now being built by civil society organizations, municipal and state governments.

This focus directed at improving physical, human and institutional infrastructure in North America will not prosper unless it is nurtured by the three countries. Canada, the United States and Mexico must build logistical corridors, improve our children's education and update national and North American institutions if they want to fulfill the promise of security and prosperity for all as the ultimate aim of an inclusive, democratic integration process. **NMM**

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<sup>1</sup> The author presented a version of this text at the seminar "Multilateralismo: retos de México en la ONU y la OEA", held at the Center for Research on North America, in Mexico City, August 29, 2006.

