



## Mexico on Top

Posted By Clyde Prestowitz ■ Tuesday, October 25, 2011 - 2:19 PM ■ [+](#) Share



Here are some interesting numbers. Mexico's economy is presently growing at 3.2 percent annually or more than twice the 1.3 percent of the U.S. economy. In the past four years, Mexico has increased spending on new infrastructure from 3.3 to about 4.5 percent of GDP. In contrast, U.S. infrastructure spending has been falling as a percent of GDP since 1960 and is now at 2 percent of GDP according to the American Society of Civil Engineers which gives the United States a D on its recent [Infrastructure Report Card](#).

Would you rather talk jobs? Okay, Mexico's current unemployment rate is 5.26 percent versus America's 9.1 percent official rate and closer to 16 percent comprehensive rate (including those too discouraged to look for work, those working part time who would like to work full time, etc.).

That's what I've been seeing and hearing for the past two days here in Queretaro, Mexico where the Mexican leadership elite has gathered for its annual Cumbre de Negocios (Business Summit). Now in its ninth year under the guidance of Miguel Aleman and Smadja & Associates, the Cumbre has become Mexico's, and perhaps the Western Hemisphere's, answer to Switzerland's annual big business-big government-big media-big academia bash in Davos.

I know, I know. As soon as I say Mexico, you're thinking drug cartels, shoot-outs, and illegal immigrants. There is, of course, no denying that those remain big issues, but what has struck me in the discussions here is the contrast between a visibly improving and increasingly confident Mexico and an uncertain America that is still largely in denial about the obvious erosion of its ability to compete in the global economy. With all its problems, Mexico is heading up, and with all its power, resources, and wealth, America is heading down.

The extent of the U.S. decline was highlighted by the release last week of the World Economic Forum's most recent [World Competitiveness Index](#) which showed the United States falling in the rankings (to 5th place) for the third consecutive year while Mexico jumped ahead 8 ranks to number 58. To be sure there is still a great overall difference in favor of the United States, but the directions and rates of movement are very clear.

Furthermore, the high overall U.S. ranking is belied to a significant extent if one looks carefully at the following details of the report:

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2.1: Country/Economy Profiles

The Global Competitiveness Index in detail

INDICATOR RANK/139

1st pillar: Institutions

1.01 Property rights.....	40
1.02 Intellectual property protection .....	24
1.03 Diversion of public funds.....	34
1.04 Public trust of politicians .....	54
1.05 Irregular payments and bribes.....	40
1.06 Judicial independence .....	35
1.07 Favoritism in decisions of government officials .....	55
1.08 Wastefulness of government spending .....	68
1.09 Burden of government regulation .....	49
1.10 Efficiency of legal framework in settling disputes .....	33
1.11 Efficiency of legal framework in challenging regulations .....	35
1.12 Transparency of government policymaking.....	41
1.13 Business costs of terrorism .....	125
1.14 Business costs of crime and violence.....	84
1.15 Organized crime .....	86
1.16 Reliability of police services .....	26
1.17 Ethical behavior of firms.....	30
1.18 Strength of auditing and reporting standards.....	55
1.19 Efficacy of corporate boards .....	28
1.20 Protection of minority shareholders' interests .....	40
1.21 Strength of investor protection* .....	5

2nd pillar: Infrastructure

2.01 Quality of overall infrastructure .....	23
2.02 Quality of roads .....	19
2.03 Quality of railroad infrastructure.....	18
2.04 Quality of port infrastructure .....	22
2.05 Quality of air transport infrastructure .....	32
2.06 Available airline seat kilometers* .....	1
2.07 Quality of electricity supply .....	23
2.08 Fixed telephone lines* .....	16
2.09 Mobile telephone subscriptions* .....	71

3rd pillar: Macroeconomic environment

3.01 Government budget balance* .....	118
3.02 National savings rate* .....	130
3.03 Inflation*.....	15
3.04 Interest rate spread*.....	26
3.05 Government debt* .....	122
3.06 Country credit rating*.....	11

4th pillar: Health and primary education

4.01 Business impact of malaria .....	1
4.02 Malaria incidence*.....	1
4.03 Business impact of tuberculosis .....	53
4.04 Tuberculosis incidence* .....	6
4.05 Business impact of HIV/AIDS.....	80
4.06 HIV prevalence* .....	89
4.07 Infant mortality* .....	41
4.08 Life expectancy* .....	34
4.09 Quality of primary education .....	34
4.10 Primary education enrollment rate* .....	79

5th pillar: Higher education and training

5.01 Secondary education enrollment rate* .....	45
5.02 Tertiary education enrollment rate*.....	6
5.03 Quality of the educational system.....	26
5.04 Quality of math and science education.....	52
5.05 Quality of management schools .....	11
5.06 Internet access in schools.....	14
5.07 Local availability of research and training services.....	10
5.08 Extent of staff training.....	10

INDICATOR RANK/139

6th pillar: Goods market efficiency

6.01 Intensity of local competition .....	16
6.02 Extent of market dominance.....	9
6.03 Effectiveness of anti-monopoly policy .....	17
6.04 Extent and effect of taxation.....	71
6.05 Total tax rate*.....	89
6.06 Number of procedures required to start a business* .....	34
6.07 Time required to start a business*.....	13
6.08 Agricultural policy costs.....	58
6.09 Prevalence of trade barriers .....	67
6.10 Trade tariffs*.....	32
6.11 Prevalence of foreign ownership .....	47

6.12 Business impact of rules on FDI .....	77
6.13 Burden of customs procedures .....	48
6.14 Degree of customer orientation .....	22
6.15 Buyer sophistication .....	13
7th pillar: Labor market efficiency	
7.01 Cooperation in labor-employer relations .....	33
7.02 Flexibility of wage determination .....	34
7.03 Rigidity of employment* .....	1
7.04 Hiring and firing practices .....	6
7.05 Redundancy costs* .....	1
7.06 Pay and productivity .....	9
7.07 Reliance on professional management .....	15
7.08 Brain drain .....	3
7.09 Female participation in labor force* .....	49
8th pillar: Financial market development	
8.01 Availability of financial services .....	15
8.02 Affordability of financial services .....	21
8.03 Financing through local equity market .....	36
8.04 Ease of access to loans .....	34
8.05 Venture capital availability .....	13
8.06 Restriction on capital flows .....	69
8.07 Soundness of banks .....	111
8.08 Regulation of securities exchanges .....	64
8.09 Legal rights index* .....	20
9th pillar: Technological readiness	
9.01 Availability of latest technologies .....	7
9.02 Firm-level technology absorption .....	11
9.03 FDI and technology transfer .....	55
9.04 Internet users* .....	17
9.05 Broadband Internet subscriptions* .....	16
9.06 Internet bandwidth* .....	29
10th pillar: Market size	
10.01 Domestic market size index* .....	1
10.02 Foreign market size index* .....	2
11th pillar: Business sophistication	
11.01 Local supplier quantity .....	11
11.02 Local supplier quality .....	14
11.03 State of cluster development .....	6
11.04 Nature of competitive advantage .....	19
11.05 Value chain breadth .....	15
11.06 Control of international distribution .....	8
11.07 Production process sophistication .....	11
11.08 Extent of marketing .....	1
11.09 Willingness to delegate authority .....	8
12th pillar: Innovation	
12.01 Capacity for innovation .....	6
12.02 Quality of scientific research institutions .....	4
12.03 Company spending on R&D .....	6
12.04 University-industry collaboration in R&D .....	1
12.05 Gov't procurement of advanced tech products .....	5
12.06 Availability of scientists and engineers .....	4
12.07 Utility patents per million population* .....	3

It's clear from the above that the top ten ranking of the United States is due largely to its size and the dominance it has achieved in some key areas by dint of that size and past performance and not to anything it is doing today. So if we ranked America only on current performance, it certainly would not rank among the most competitive countries.

To halt its decline, the United States clearly must address a wide range of issues many having to do purely with domestic matters. But one strong view that has been evolving here at the Cumbre is that the United States as well as Mexico and Canada would benefit enormously from the further integration of the North American economies into a true economic union that would effectively constitute one North American economy. Such an economy would be energy independent, would be the low-cost producer for supplying most manufactured goods to the North American market, would have enormous resources, a large and growing and relatively young population, and a stable political system. This union could also be designed to incorporate new members that might wish to join. Thus, one could envision that perhaps Japan, South Korea, and other Asian or Latin American countries might eventually wish to become part of this system.

Such a system would be the world's richest and most powerful for quite some time.