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Comment to the Document

“The Differential Competitiveness of Latin American Regions:  
Opportunities and Constraints”

by Ann Markusen and Clélio Campolina Diniz

In Latin America, the regions with the most competitive advantage are the only regions that benefit from the integration process into the world economy, as the authors of this study correctly point out.

This is because global firms establish themselves in cities that offer the best facilities, such as specialized financial services, a qualified labor force, proximity to suppliers, competitors and clients, and low transport costs among other factors.

At the same time, this situation puts pressure on Latin American governments to develop infrastructure to benefit these firms, reinforcing the position of the so-called “world cities,” to the detriment of less-developed regions.

This is the main factor lacking in the globalization process: the capacity for spreading economic benefits and social inclusion has been very limited.

Only export-oriented sectors and firms are benefiting, as well as some medium-sized cities close to traditional metropoli and external markets.

Exclusion is very strong, and this generates a polarization process that is markedly regressive in terms of income distribution.

Growing social imbalances are being generated, and translate into migration on a large scale towards cities that offer more opportunities for employment and higher standards of living.

And so the gaps grow along with the deficit in urban development, because the government cannot always fulfill the responsibility of providing more housing and better public services to the public that demands them.

It is for this reason that I believe that the question posed by Doctor Markusen is fundamental, in that it asks what we should do so that globalization will offer new and real alternatives to local economies.

As the authors of this study have asserted, the case of Mexico could be considered as a great experiment, after the signing of the North American Free Trade Agreement.

In our country, this rapid process of global market integration has reinforced the concentration of economic activity in traditional urban centers such as Mexico City, Guadalajara and Monterrey.

Other new centers of accelerated economic growth have also emerged such as Toluca, Puebla, Querétaro, León, San Luis Potosí and Aguascalientes in the center of the country; or Ciudad Juárez and Tijuana on the northern border.

But it is a fact that not all regions and cities in Mexico participate in the structural changes and economic transformations that have resulted from the North American Free Trade Agreement.

On the one hand we have a modern prosperous Mexico, that competes and takes advantage of free trade, but at the same time we have the other Mexico—poor, marginalized and without an option to get ahead.

In this country we have no compensatory policies that help to diminish the disparities between regions.

However, some governors have taken the initiative to promote our own economic growth by building on our own potential. This is why I want to briefly refer to the experience in my own state of Sinaloa.

Sinaloa is located in the northeast of Mexico. Our state covers 650 kilometers of coast stretching along the Pacific Ocean, nearly 800,000 irrigated hectares used for agricultural activity, and intense activity in agriculture, fishing and tourism—the pillars of our state economy.

The trade opening and economic reforms that Mexico carried out during the 1980s affected us in a very negative way.

Our agriculture lost its profitability. Imports caused the bankruptcy of diverse branches of our agroindustry. The new rules of the game that came along with the free trade treaty affected the Sinaloan economy.

Our growth rate was below the national average during the past decade.

Based on these conditions, over the past four years the business sector and the government of Sinaloa together have developed diverse actions to dynamize our productive growth.

We are beginning to get ahead through intensive public works programs, measures to strengthen the internal market, active policies that favor employment, micro and small enterprises, and by promoting private investment.

In Sinaloa we have decided to promote a new economic model to diversify our productive structure and generate new employment.

We have paved 1,800 kilometers and this is generating a system of local economies throughout our state.

In order to make Sinaloan cities more competitive, we are developing an aggressive investment program in urban equipment and construction of new roads.

Today Sinaloa leads the nation in road and home building.

At a local level we are making a great effort to finance micro and small enterprises, which are actions that we complement with permanent job-training programs.

We have had very interesting and successful experiences with the restoration of our regional productive chains, which is different from the experience in the rest of the country.

In a very short time, Sinaloa became one of the states that offered the best conditions for private investment.

The combination of these actions to promote the state economy has been recognized by the most important business organizations in our country, and by prestigious foreign experts who specialize in business.

However, the positive results and notable progress that Sinaloans have attained is what is most important.

We are capturing greater private, national and foreign investment flows, in new areas of the economy.

We are talking about the textile industry, food industry, automotive parts, high-level tourism, and world class commercial chains that are establishing themselves in the north, center and southern parts of the state.

Sinaloa is one of the states of the Mexican Republic that has been able to deal with adversity and national economic uncertainty.

While throughout the country jobs disappear daily, in Sinaloa every day we are creating more jobs.

These are facts and the results that we are attaining, but at the same time we as Sinaloans are open to the world, and we want to put into practice any experiences that work in the international realm.

This is why I wish to reiterate my gratitude for this opportunity to comment on this excellent research study.

I congratulate the authors for their valuable contribution on behalf of the nations that comprise Latin America.

There is no doubt that we face huge challenges and opportunities, and we have a long way to go to insure that the benefits of globalization reach our regions.

In Latin America we must admit that for many years the macroeconomic balance has been prioritized while ignoring productive priorities in terms of regional development.

We have paid great attention to the big numbers, to financial stability, which of course is of benefit to us as a country, but we have neglected the real economy and the needs of productive sectors.

As in other countries, in Mexico we have a macroeconomic map that lacks content, and regional and sectoral policy instruments.

This is why today we need to recover a perspective that makes solid and stable economic growth compatible with a policy designed to address the huge social and regional inequities.

In the state of Sinaloa we have already made great progress, and this is the main political task that we must undertake and that we must fulfill to start a new era in Mexico and Latin America.

Thank you, very much.