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In Mexico, an energized economy raises hopes

By Chris Hawley, USA TODAY

IXMIQUILPAN, Mexico — As Mexicans risk their lives to illegally emigrate to the USA and shootouts among drug lords continue to dominate the news, it's understandable why Mexico might be perceived as a place with little hope.

Yet in places such as this tourist town that caters to the burgeoning middle class outside Mexico City, many Mexicans say their future looks brighter than it has in generations.

On weekends, a line of Chevrolet hatchbacks and other inexpensive new cars snakes into parking lots at the town's water-slide parks. There, tourists munch on \$2 corn dogs, snap pictures with digital cameras and spend some of their modest incomes. Every year, their numbers grow, the town's tourism department says. And every year, they have a little more to spend.

"The last five or six years have been good for Mexico," says Crescenciano Montiel, 34, manager of the Valle Paraiso water park. "Little by little, things have improved."

Such stories abound, involving Mexicans of all income levels. The economy is growing steadily, and poverty rates are declining significantly. Crime is down, public health and education levels are improving, and Mexico's democracy is more robust than at any time in its history.

"The country is stronger than ever," says Leon Krauze, a political author and television host in Mexico. "We have managed to overcome many of the political and economic tempests that used to threaten us."

As the debate over illegal immigration percolates in the USA, there are hopes on both sides of the border that Mexico's improving economy eventually will provide enough jobs to encourage significant numbers of Mexicans to stay and prosper in their country.

There are signs that's starting to happen.

The brighter economic outlook in Mexico is one reason the number of migrants caught by U.S. border agents has declined 20% during the past year or so, although tighter border enforcement and the slowing U.S. economy also are factors, says Wayne Cornelius, a University of California, San Diego, specialist in Mexican migration.

Continued improvements in Mexico would be good for the U.S. economy, says Eduardo Loría, an economist at the National Autonomous University of Mexico. Mexico bought \$126 billion in U.S. goods between January and November last year, up 25% since 2004. Mexico likely would continue to buy more if its economy continued to improve, he says.

Reduced Mexican emigration and an increasingly stable government here also could ease turmoil along the U.S.-Mexican border, Krauze says. Immigrant smugglers have brought violence to the U.S. side, engaging in shootouts in the Arizona desert, attacking Border Patrol agents and kidnapping each other's clients on U.S. soil.

"In terms of the tensions that are very evident as far as migration and the turmoil along the border, I would hope that, in a decade, if Mexico continues along this path and begins to see these microeconomic benefits, the United States would see a reduction in those areas," Krauze says.

For now, though, problems remain.

Corruption and a feeble legal system are constraints on growth here, and there is still an acute shortage of well-paying jobs. And Mexico's dependence on the United States for exports and cash remittances could leave it especially vulnerable to a U.S. recession.

Even so, Mexicans such as Montiel cite increasing examples of how their country is undergoing a slow but dramatic transformation.

Born into a farming family of 14 siblings in Ixmiquilpan, 70 miles north of Mexico City, Montiel says he could have headed to the USA like many of his relatives and neighbors.

Instead he went to college with a small scholarship, got a business degree and worked at a bank and insurance company. Montiel and his wife have one child, a 2-year-old daughter, a reflection of how Mexican families have become smaller in recent years, thanks in part to better planning. The fertility rate is 2.1 children per woman, on par with the U.S. rate and just enough to keep population levels stable.

In 2003, Montiel persuaded his family to build a water park on a corner of their 25-acre farm, using water from a thermal spring formerly used for irrigation. The park has five swimming pools, three water slides, a restaurant and a nine-room inn, and is visited by 800-1,500 people a month.

"We've been subsidizing it with our crops, but I think this year we're going to break even," Montiel says as he supervises installation of a faux-rock fountain topped with a fiberglass dolphin. "This is going to be the new family business."

A stabilizing economy

Such displays of entrepreneurship and optimism were uncommon a decade ago, when Mexico was reeling from an economic meltdown and an armed uprising in the southern state of Chiapas. Banks collapsed nationwide under a mountain of unpaid loans.

Politically, Mexico was monopolized by the Institutional Revolutionary Party (PRI), which had used payoffs, intimidation and election fraud to rule the nation under a virtual one-party system since 1929.

But change was in the air.

The 1994 North American Free Trade Agreement opened a huge market for Mexican-made goods, spurring the construction of factories along the U.S. border.

Meanwhile, a new generation of government technocrats, many of them Ivy League graduates, began to tame the runaway public spending and inflation that had locked the Mexican economy in bust-and-boom cycles for generations.

In 2000, the conservative Vicente Fox became the first president from outside the PRI in seven decades. Under Fox and his successor, Felipe Calderón, inflation has averaged about 4% a year with no major financial meltdowns.

"The stability of the past decade-plus has allowed financial markets and banks to grow up. Mortgages exist now. People can get loans. There has been a birth of a middle class in Mexico," says Gray Newman, head economist for Latin America at Morgan Stanley investment bank in New York.

Economic growth has been modest, averaging about 3% per year, but the greatest improvement in living standards among Mexico's 103 million people has been seen among those of humble means — surprising, perhaps, given the historic gap between rich and poor.

"All of the international indicators show improvement," Loría says. "And it's not just improvement in poverty. There's improvement in equality as well."

Mexico's economy created roughly 950,000 jobs last year, according to the government.

That is a major improvement from a decade ago, when job growth was nearly flat, but still not quite enough to absorb the 1.1 million Mexicans who entered the workforce in 2007.

That disparity, plus the fact U.S. jobs often pay five times as much as those in Mexico, is a major reason why migrants continue crossing into the USA, Newman says.

However, if Mexico's economy keeps growing at similar or slightly better rates, and if population growth continues to level out, then within a generation there might not be enough

working-age people to fill its labor force, says Leonardo Martinez-Diaz, a Mexico specialist at the Brookings Institution, a Washington-based think tank.

Mexico "could go over the next 20 years from being an exporter of people to an importer of people," Martinez-Diaz says. "That would be a pretty remarkable change."

The emerging suburbs

Perhaps nothing is more emblematic of Mexico's transformation than the rows of identical, low-cost houses growing like corn on the dusty plain in places such as Zumpango and Tecamac, north of Mexico City.

At the 7,000-home Paseos de San Juan subdivision, construction workers move in waves across the ground, seemingly unable to meet demand fast enough — one team pouring concrete, others applying stucco, running cable and installing windows.

At the sales office, former schoolteacher Manuel Navarro waited to pick up the keys to his new retirement home.

Navarro built his first house the traditional Mexican way: He saved a little money, bought some blocks and mortar and built it himself, one room at a time, over 15 years. Mexican cities are full of such half-finished homes.

Navarro's new home — a two-bedroom, two-story concrete town house — cost him \$41,200 with financing through a housing fund for government employees. "Who wants to wait 15 years for a house anymore?" he says.

In all, 1.2 million homes were purchased using mortgages in 2007, up from 476,788 in 2000. Most of the mortgages were arranged through Infonavit, a government-backed fund that has doubled its lending in seven years.

Navarro credits Mexico's move to a multiparty democracy for the change.

"When the PRI was in power, you could get housing credit from the government, but only if you were a party member or from a PRI town," he says. "Things are more transparent now, more open to everybody."

After decades in which big-ticket items had to be purchased with cash, credit is available for other purchases at terms more typical of developed countries.

At Abamex Chevrolet in Mexico City, supermarket clerk David Galvez, 20, and girlfriend Priscilla Torres were shopping for their first new car.

"I've pretty much decided on that one," he says, pointing to a burgundy hatchback called the C2, which sells for \$7,300.

Chevrolet was offering interest-free, 30-month financing to any buyer who supplied a 35% down payment.

A rapid transformation

At places such as Las Americas shopping mall, which opened two years ago on the site of an old chemical factory in the suburb of Ecatepec, many of the shoppers are a generation or two removed from peasants who lived the same way for centuries.

Its movie theater buzzes with people lining up to see the latest Will Smith flick, families shop for puppies at the pet store, and the food court is full of shoppers eating McDonald's and Chinese fast food.

The transformation has been so rapid that some people — particularly those who lived through economic meltdowns in 1982 and 1994 — fear the prosperity could vanish just as quickly.

"People have houses and cars and things, but they're in debt," says Susana Hernández, 34, between bites of an ice cream cone in the food court of the mall.

"I'm afraid a lot of people are going to be out on the street because they don't know how to manage credit," she says.

Some Mexicans are cynical about progress because of their country's long history of high hopes followed by devastating crises, Krauze says.

"We are a country that loves its historical scars," Krauze says. "People don't listen to the good side of the story."

Crime may be an example of how public perceptions have yet to catch up with reality.

The nationwide crime rate has been dropping steadily since 2001, according to the independent Citizens' Institute for Studies on Insecurity. The murder rate has fallen 23% during the past decade.

Such good news, though, has been overshadowed by the drug war in cities along the U.S. border.

Beheadings, shootouts in daylight and a wave of police killings have convinced many Mexicans their country is not safe.

"The middle class has grown, and the political situation is a little better," says César Sumano, whose wife was carjacked outside a grocery store last year.

"But it's still a hard country to live in. We've got a long way to go."

*Hawley is Latin America correspondent for The Arizona Republic and USA TODAY.
Contributing: Brian Winter in McLean, Va.*