

North America's Forgotten Agenda: Getting Development Back on Track

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North America's Poverty Issue

If one remembers, or is told for the first time, that 40 million Mexicans' income falls below the poverty level, it might sound as if Mexico has a significant poverty issue. Seen another way, it is actually *North America* that has a significant poverty issue - one out of ten North Americans are poor!

North America can scarcely rise with the "tide" if Mexico remains impoverished. And in light of climate change and its tendency to affect the global South more directly than industrialized nations, we may have indeed been somewhat "lucky" that only a half million Mexicans immigrate without correct documentation to the United States annually.

What *happened* to the conversation about developing the poorest parts of Mexico (the central and southern states)? Where is the policy discussion, or the public debate, and how do the two overlap and interact? During the next U.S. presidential administration, how might these two discussions come together in positive ways to jump-start the productive intersection of competitiveness and quality of life in North America?

NAFTA'S Promise vs. the Reality

NAFTA, while a limited document, seemed to promise or hold the hope of much more than mere tariff removal. Some claim a modest success. For example, as recently as January 2008 the Economist stated:

“Since 1994 Mexico’s non-oil exports have grown four-fold while the stock of foreign direct investment has expanded by 14 times. Even the country’s farm exports to its NAFTA partners have risen threefold.”

Others might argue that the industrialized north and other maquiladora sectors paid the price of the development by creating jobs and employing some skilled labor but the return revenues generated that flowed to the federal coffers back to local development lagged. Many on the border cite the negative cost of NAFTA traffic, congested ports of entry, and their associated air and water pollution loads.

The wide and still diverging wage differential, rather than unemployment, is the force that continues to drive Mexican immigration to the United States. Mexico continues to have one of the most unequal distributions of wealth within Latin America, wage convergence has not occurred and so have tax coffers do not have the funds necessary to finance many of the basic infrastructure needs. Those who track progress on meta-indicators such as Kuznet’s curve and the General Inequality Index (GINI) state a lack of progress over the decade and a half since NAFTA took effect.

The reality is even worse for other measures. NAFTA was passed on the swing votes of a handful of Texas legislators who were promised a North American Development Bank (NADBank) and the loans and grants necessary to

finance it. The U.S. committed to a Border Environmental Infrastructure Investment Fund (BEIF) of \$100M per year. Funding for the BEIF has declined steadily since its initial promise under NAFTA and dropped precipitously under the Bush Administration. This is converse to what many expected when the Texas governor with good relations with Mexico became president.

The impact of not funding Mexico's needed development is significant. A recent report by the Border Environment Cooperation Commission identifies funding inadequate to address even 5% of the documented infrastructure deficit in the border region.

While infrastructure needs assessments vary widely, especially when used as propaganda or to motivate change, they can be used to get a sense of progress of made or failed promises. A meta-analysis by author Van Schoik in 2001 tried to determine the environmental infrastructure needs for just water, wastewater, solid and municipal waste. "Estimates of current need reached by this method ranged from around \$US6 billion to over \$US10 billion, with a mean of \$US8.5 billion and standard deviation of \$US1.8 billion" and an anticipated additional deficit of the same amount by 2020 (due to population increase).

Perceptions Versus The Reality of U.S Development Aide

A survey by the Program on International Policy Attitudes and others polled U.S. citizens about U.S Development aide. It showed that regardless of the survey, the question or the constituent being asked, survey respondents consistently think:

- Foreign assistance is a significant portion of the overall budget (as high as 20% with a median of 15%, and
- Foreign aid should be higher (as high as 10%) than it actually is (less than 1%)

Respondents also indicated their personal willingness to pay from their own pockets for such foreign development. A full 75% would pay an additional \$50 if they knew it was going to foreign assistance.

U.S. foreign aid is stingy at best. The Congressional Research Service of the Library of Congress shows that the U.S. ranks last of the 22 developed nation donors and has since 1993. Aide has averaged around \$20B for the last dozen years (Iraq reconstruction excluded) or about 0.13% of Gross National Income (GNI), 0.2% of Gross Domestic Product, and 0.9% of budget outlays. Canada gave \$2.01B or 0.28% of Gross National Income in 2002.

Mexico, our closest neighbor to the south and long-time partner, is traditionally not even in the top 20 nations for foreign aid. Most Americans do not even appreciate that most of our aid goes to just two nations (Israel and Egypt), that the larger Middle East dominates the top ten, Africa populates the next ten, and that assistance to fastest developing or second world nations is found in the middle of the list.

However, one recent and significant investment in Mexico has been the Mérida Initiative; a new paradigm for security cooperation. Under it Mexico promises \$2.5B annually to seven security and safety agencies, a 24% increase over the previous Administration's 2006 levels prompted by a "grant" of \$500M

from the U.S. government. Foreign aid is foreign aid no matter the focus, and this assistance, while aimed at drug traffic and cross-border crime will be used to bolster basic infrastructure including justice, police and anti-corruption investigations.

The Mérida Initiative funds are too selectively related to transnational security, drugs, and crime to benefit infrastructure and other social development. While the \$500M would be welcomed by Mexico some suspect its underlying intent and intended effect. Ambassador Sarukhan very diplomatically recasts the situation, stating “Our strategies for expanded cooperation are based upon full respect for the sovereignty, territorial jurisdiction, and legal frameworks for each country, and are guided by principles of mutual trust, shared responsibility, and reciprocity.”

The Post-Bush Conversation on Development in North America

The lack of a clear purpose and therefore leadership in the continental relationship allows and even encourages these unhelpful methods of non-communication to fester and for the North American development agenda to languish. A new U.S. administration allows us an opportunity to pause and ask ourselves if our current methods of research and action, cut off from a larger public anxious about the globalized future, is the most productive way forward.

Conventional wisdom holds that comprehensive immigration reform efforts will be restarted following the upcoming presidential elections (but not prior, despite the fact that the pressure emanating from states such as Arizona is ratcheting up almost daily). Might a new Congress and Executive Branch be

inclined to take a more holistic approach to the topic of immigration in a way that takes development in Mexico into account in a more intelligent and comprehensive manner?

Congress and the Executive Branch could start by heeding the key initial recommendations for the three nations that emerged from the recent North American Center for Transborder Studies' recent Cross Talk between academics and government officials:

- Implement a common North American security perimeter.
- Include civil society involvement in the Security and Prosperity Partnership.
- Improve the north-south transportation infrastructure in North America.
- Implement trilateral customs teams.
- Implement trilateral, multi-agency risk assessment.
- Find support for a North American Investment Fund at the level of \$20B per year for 10 years as proposed by Robert Pastor of American University.

It's not all about government.

In addition, citizens and the private sector can begin working to overcome tension starting "from the bottom up" by seeking new and stronger connections on the personal level. Neither increased funding nor increased federal government involvement is the answer, but rather civil society, including the private sector, must play a leadership role and *then* decide how to bring

government into the process. Government officials tend not to think about the private sector until long after its involvement would have been most effective.

And finally, it will be difficult to build consensus on North American development without the full engagement of the continent's universities, which need to inform both policymakers and the public more effectively. University-based expertise, when deployed effectively and thoughtfully, can enrich practitioners' existing institutional knowledge, build important new institutional and civil society linkages and deepen existing linkages. Academic institutions need to be challenged to develop more robust teaching and "policy-transfer" models in order to more effectively and comprehensively inform public debates and educate key constituencies.