**A tale of two Mexicos**

North and south

**Why can't its stagnant southern states catch up with the rest of Mexico?**

Apr 24th 2008 | cuetzalÁn and oaxaca |[From the print edition](http://www.economist.com/printedition/2008-04-26)

IT IS not a place where misery reveals itself immediately. Fields climb over mountains, green as Ireland. A smattering of attractive hotels cater to tourists visiting the local waterfalls. Bells ring out from the two churches that dominate opposite ends of Cuetzalán, a small town in the northern mountains of the state of Puebla. But the appearance of a pastoral idyll conceals a poverty trap.

Mexico's southern states are more mountainous and rural than the north, with a bigger proportion of Indians. And on almost any socio-economic indicator, these areas lag behind the rest of the country. At the bottom are Chiapas, Oaxaca and Guerrero, but parts of Puebla and Veracruz are little better off. In a human-development index comparing Mexican municipalities, drawn up for the United Nations, 95% of the places in the bottom decile are in the south. In the north, 12% of people in rural areas are extremely poor, against 47% in the south, according to the Woodrow Wilson Centre, a think-tank in Washington, DC.

Although politicians have long been aware of this gap, government efforts to tackle it have accomplished little. A grandiose Plan Puebla-Panama, launched by President Vicente Fox in 2001 to develop the south, stayed largely on paper. The “March towards the South”, a scheme of the same year to attract investment, paid businessmen to create jobs that in some cases never materialised, says Gerardo Esquivel, an economist at Colegio de México, a university in Mexico City.

**In this section**

* **North and south**
* [Fins ain't wot they used to be](http://www.economist.com/node/11089573)
* [Cousin Mario](http://www.economist.com/node/11089566)
* [Once more to the brink](http://www.economist.com/node/11089559)

[Reprints](http://www.economist.com/rights)

**Related items**

* [Olympic games: The ghosts of Mexico 1968](http://www.economist.com/node/11090825)**Apr 24th 2008**

**Related topics**

* [Vicente Fox](http://www.economist.com/topics/vicente-fox)
* [Mexico City](http://www.economist.com/topics/mexico-city)
* [Andres Manuel Lopez Obrador](http://www.economist.com/topics/andres-manuel-lopez-obrador)
* [Felipe Calderon](http://www.economist.com/topics/felipe-calderon)
* [United Mexican States](http://www.economist.com/topics/united-mexican-states)

Felipe Calderón, Mr Fox's successor, also has plans. Reasonably enough, these focus on infrastructure: one of the south's obvious handicaps is that getting products to ports and airports, let alone to the United States, is slow and expensive. The government hopes to mobilise from public and private sources investment in roads totalling $28.7 billion over his six-year term, including $6 billion this year. Some of these will be in the south, including a new highway along the Gulf coast and feeder roads to both coasts. Some critics, such as Mr Esquivel, say this is not enough.

Others question whether roads alone can help. José Antonio Aguilar, an official in Puebla, says that the past four years have seen “a total transformation” of his state's infrastructure “but we haven't been able to turn this into growth in income.”

Perhaps the crux of the problem is that there is little incentive for private investment in the south because the population is too poor and dispersed, says Roberto Newell of the Mexican Institute of Competitiveness, a private think-tank. The paradox, says Eduardo León of the Boston Consulting Group, a management consultancy, is that “we must depend on the government to create non-governmental sources of investment.”

The roots of stagnation are complex. As well as difficult geography, they include ethnic discrimination and poor education. In addition, it is both a cause and consequence of economic torpor that politics in the south remains the province of strongmen. Incompetence, corruption and even violence are common. In Puebla, the governor has been accused of helping to cover up a paedophile ring (he denies it, and the federal Congress dropped an investigation). The city of Oaxaca, once a tourist magnet, is only slowly recovering from seven months of protests in 2006 calling for the ouster of the state governor, in which a score of people were killed. Adalberto Castillo, head of a local chamber of commerce, estimates that the state's economy would be some 20% bigger today had the protests never happened.

A self-styled Zapatista revolutionary army took over parts of Chiapas in 1994. It has not formally called off its rebellion, which involves some 20,000 people. But the federal government now quietly supplies electricity and water to the villages the Zapatistas still control, according to Xavier Abreu, an official at the federal government's agency for indigenous people.

The Zapatista rebellion raised Mexicans' awareness of race discrimination. But this remains a problem. The majority of the population in every one of Mexico's 100 poorest municipalities is of indigenous descent, says Mr Abreu. One policy designed to help the poor Indians is bilingual education. But the flaws of the public education system are magnified in the south. In practice, the teachers' union rather than the government controls teaching appointments; the union sometimes appoints a teacher who speaks a different indigenous language to his pupils, according to Mr Abreu. A typical adult in the south has only six years of schooling; the corresponding figure in northern Mexico is 8.1 and 9.7 in Mexico City. And those years of schooling are not full years: local education officials report that in urban areas in the south an average teacher spends only 110 of the notional 200 days of the academic year actually in the classroom. The record is even worse in rural areas.

Mexicans of indigenous descent face cultural barriers too, some of them self-imposed. Mr Newell argues that Mexican society has not negotiated its way around the difficult question of how to retain respect for Indian traditions while integrating the countryside economically. “It is a cruel choice,” he says, “but you have to give up some differentiation.” Amerindian culture dictates maize as the staple crop; a smallholder farming a few acres with a hoe cannot compete with Iowa combines. Better infrastructure and education in the more urbanised north mean that the benefits of Mexico's membership of the North American Free-Trade Agreement have accrued there, while income in the south stagnates because of low productivity.

Yet not all is gloom in the south. In some places there are signs that local government is becoming more efficient. By updating its property registry, Guerrero's state government has raised its annual revenue from property tax by 38%, which officials hope will result in higher public investment. In Puebla, officials are encouraging farmers to switch from maize and coffee to higher-value crops, such as bamboo and fruit. Such schemes are not helped by the fact that government agricultural subsidies go disproportionately to the richer north. And they are exceptions.

The big wealth gap polarises politics, too. In the north, Mr Calderón won 43% of the vote in the 2006 presidential election, while only 24% went to Andrés Manuel López Obrador, his populist rival. But in the south Mr López Obrador won 40%, and Mr Calderón 27%. This regional divide contributes to political gridlock. The right plays to its electoral strength in the north, and the left to its constituents in the south, squeezing out opportunities for compromise and progress. The latest example concerns a desperately needed reform to liberalise Mexico's declining state-owned oil industry, opposed by Mr López Obrador. The south instinctively favours big government and mistrusts private initiative.

With each passing year, the socio-economic gap widens. Monterrey, Mexico's northern industrial capital, is starting to resemble south Texas. Many parts of the south still look like a northern extension of Guatemala. But unless the government shows a greater ability and willingness to tackle its problems, the south will not just remain stuck in its poverty trap but risks handicapping the country as a whole.

[From the print edition: The Americas](http://www.economist.com/printedition/2008-04-26)