

Economic Growth and Industrialization on the 2030 Agenda: Prospects for Mexico

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Abstract:

In 2015, the United Nations approved a new international development agenda, known as the 2030 Agenda, consisting of 17 Sustainable Development Goals and 169 targets. The agenda asserts the need for targeted actions to bolster sustainable economic growth, decent employment, and industrialization in all countries. This international strategic framework is of particular relevance to Mexico in light of its low-growth context, as well as its relative abandonment of active industrialization policies, for more than three decades now. This document provides a retrospective view of growth and industrialization in Mexico, and identifies challenges and obstacles in the current national context when it comes to achieving the targets set forth in Goals 8 and 9 on the 2030 Agenda.

Key Words: Economic growth, industrialization, 2030 Agenda, prospective studies, economic indicators

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Introduction

In 2015, the United Nations Organization (UN) approved a new development agenda. The document, “Transforming Our World: The 2030 Agenda for Sustainable Development,” formalizes an action plan to support international development in the post-2015 era (ONU, 2015). The 2030 Agenda consists of 17 Goals—known as the Sustainable Development Goals (SDGs)—and 169 targets. The precursor to the Post-2015 Development Agenda consisted of the Millennium Development Goals (MDGs), which

covered gender equity, education, childhood, health, and poverty as priority themes in formulating an international development agenda, primarily aimed at the poorest countries, under a scheme of cooperation. The Millennium Declaration became the formal foundation and organizing tool for the proposals and actions undertaken by a broad range of international and, in many cases, domestic development actors. In both discourse and practice, numerous initiatives and activities were carried out to achieve the targets set for the 15-year time period in the framework of the MDGs.

As 2015 approached, a new age of debate emerged about the future of global development programs. The international agenda underwent a sort of re-engineering process, with some of its principal pillars becoming a series of economic development goals—all grounded in the principle of sustainability. This very principle is reflected in Goal 8 of the 2030 Agenda—promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all—and Goal 9—build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation. By setting economic development goals and targets, the new agenda aims to support policies that will boost productive capacity, productivity, employment, and industrial development through better infrastructure and innovation (ONU, 2015).

Unlike the agenda that preceded it, the new agenda makes explicit the need for actions to strengthen national economies, a framework that is crucial for countries like Mexico, given the low-growth context in which it has been for the past 30 years, as well as the fact that the country has essentially moved away from active industrialization policies, weakening the country's productive capacity. Likewise, although unemployment figures appear to be low, they conceal the problems facing the country's labor market, which include: informal employment, under-employment, precariousness, low wages, low productivity, segmentation, and more.

In the twentieth century, Mexico experienced major economic transformations, going from a predominantly agricultural and rural society to an industrial and services-dominated, principally urban, society. The economy in the 1950s experienced the longest and highest period of growth in the country's history as an independent nation. However, despite significant strides forward in areas such as industrialization and growth, a plethora of problems persist, and Mexico continues to lag behind when it comes to development. Rather than conducting a comprehensive analysis of Mexican economic development, the goal of this paper is, on the one hand, to look back on the most problematic features facing the industrialization and growth process in Mexico and, on the other, identify the future challenges and obstacles in this regard. This review is primarily tied to the 2030 International Development Agenda and the actions and commitments the country has pledged to take on to meet its 2030 goals in the framework of implementing structural reforms.

This document begins with a brief overview of development and industrialization models, and the country's path of economic growth. Then, a commentary on the conceptual content of what is known as the economic agenda of the SDGs, *i.e.*, Goals 8 and 9. Subsequently, this paper returns to a series of indicators that are useful in evaluating the degree to which these goals have been fulfilled and serve as the basis for an initial approach to where Mexico stands when it comes to growth and industrialization.

The paper then engages in a brief prospective exploration of the challenges the country will face in light of the 2030 Agenda in the current national context of implementing new structural reforms. Finally, the paper concludes with a comments section.

1. Economic Growth and Industrialization in Mexico from Developmentalism to Neoliberalism

Mexico's national development, industrialization, and economic growth strategies have historically been closely intertwined. In the post-revolutionary era, industrialization was understood to mean the transformation of the economic foundation of the country, the pillar of growth that would urbanize society. According to Haber (1993), a second industrial transition was undertaken that would lend continuity to the incipient industrialization of the nineteenth century, disrupted by the revolutionary armed conflict.

It was in the 1940s that the government began to implement a formal development strategy that, in light of its early results, appeared successful. Import-led substitution was the industrialization method of choice: development inwards with a strong protectionist-nationalist stance. On the international stage, Mexico was still a developing country, but was making encouraging progress in terms of macroeconomic vigor. By way of industrial policy instruments, resources were transferred to specific sectors of the manufacturing industry, which benefitted from tax reductions: credits, preferential interest rates, reimbursements of import duties, and access to import contributions (Norris *et al.*, 1999). This period was characterized by a very active role for the State in the economy, national banking, and funding to support industry (Méndez, 1997).

In the mid-1960s, the *maquiladora* industry—as part of the Border Industrialization Program—gave a major push to regional industrialization by laying the groundwork for industry in numerous cities close to the United States border and creating industrial jobs. These benefits would later benefit cities further inland in Mexico. As such, in the 1940s and 1960s, Mexico lived through an industrial renaissance, with the "Mexican miracle," and its shift to an urban society.

In the 1960s, the industrial sector surpassed agriculture in share of total national added value (see Figure 1). In 1965, agriculture accounted for less than 14% of added value and industry (including mining) reached nearly 27%. In subsequent years, the share of agriculture would gradually decline and industry would continue to advance, although starting in 1988, the Mexican economy took a sharp turn towards services (including commerce and transportation).

Source: Created by the author based on data from the World Bank.

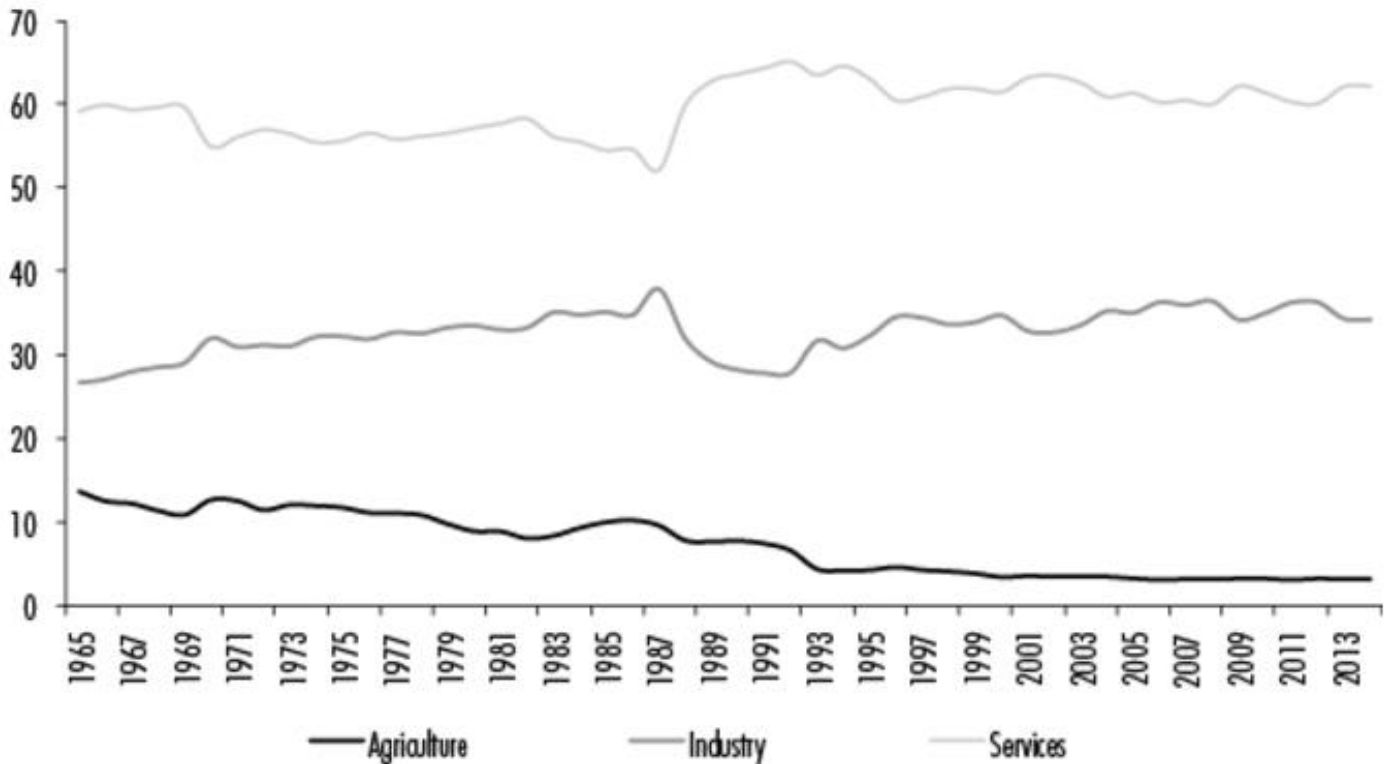


Figure 1. Sectoral Structure of GDP (%)

Already by the end of the 1960s, the country began to show significant signs of structural problems that foretold the weakening of the national development mode. Rising foreign debt (1970-1976) and the oil boom (1978-1981) contributed to a temporary recovery of the growth rates seen in previous decades (Loria, 2009).

The abrupt cutting off, in the early 1980s, of the financing for the foreign debt that Mexico had enjoyed from foreign banks, private lenders, and international financial institutions set off the foreign debt crisis. The re-establishment of credit and changes to the repayment calendar for foreign debt came at the price of a series of structural adjustment measures and a complete deregulation, privatization, and economic liberalization program. This new direction for economic policy and the new industrialization development model, in light of the collapse of import substitution, were both "led" by international creditors to the Mexican government. The government was charged with undertaking the adjustment measures and reformulating economic policy in the midst of instability. The new national strategy prioritized macroeconomic stability—low inflation and a low deficit—the neoliberal recipe for "healthy economic policy."

The 1983-1988 National Development Plan expressly posited the need for structural reforms to boost the exportation of manufactured goods, which would in turn be the motor of national growth (Loría, 2009). In practice, the point of departure for the open economy project was the dismantling of the protectionist apparatus, culminating with Mexico joining the General Agreement on Tariffs and Trade (GATT) in 1986. The same also unleashed the privatization of over 1,000 former state enterprises (Esparza, 2014).

Later on, the economic plan would be targeted at expanding and diversifying the Mexican export base. Starting in 1987, taxes on exports and export controls were eased. The export promotion program included incentives for non-oil exports, the restructuring and simplification of administrative procedures, better access to credit, and the loosening of restrictions on the use of export income. The government abandoned its nationalist vocation and with it, any efforts it was making to limit foreign direct investment.

The industrial policy was gutted (Moreno-Brid and Paunovic, 2009; Ros, 2010) and the State stopped playing its role as promoter of development (Calderón and Sánchez, 2012). The few attempts to push active industrial policies (such as the National Industrial Development and Foreign Trade Program (PRONAFICE) enacted in 1984 and the Comprehensive Export Development Program (PROFIEX) in 1985) failed due to a lack of resources to implement them. Instruments to provide support through public investment, funding, and fiscal stimuli disappeared. It was left to the whims of "market forces" to choose which companies, sectors, and territories would survive the new circumstances (*ibid*).

In the 1990s, structural reforms intensified with additional privatizations, and the country joined the North American Free Trade Agreement (NAFTA), the climax of the trade liberalization strategy. A few indicators are encouraging: international trade grew on average 8.5% annually between 1985 and 2012, and its share in the Gross Domestic Product (GDP) went from 33.7% between 1984 and 1993 to 6.3% between 2010 and 2011. Inflation remained stable and under control, accompanied by a reduction in the government's fiscal deficit as percentage of GDP (Cárdenas, 2015).

Simultaneously, constraints became evident, such as rising foreign dependence, the systematic presence of deficits on the commercial account for goods, ballooning current account deficits, and performance differentiated by company and territory. Mexico became an extremely open and liberal economy, and the stabilizing agreements did efficiently break the vicious cycle of inflation-devaluation-recession, but the country proved less resilient when it came to expanding productive capacity, creating jobs, driving development, and fostering social welfare.

Over the past three and a half decades, the Mexican economy has gone through recurring crises, and has experienced low and unstable growth, which can be referred to as productive stagnation (i.e., a long sequence of poor or negative growth). Although the country saw significant growth in 1996, 1997, 1998, 2000, and 2009, major nosedives preceded those rates, especially in 1995. Over the past two decades, GDP growth came in at an annual average rate of just 2.7% (see Figure 2).

Source: Created by the author based on German-Soto (2015).

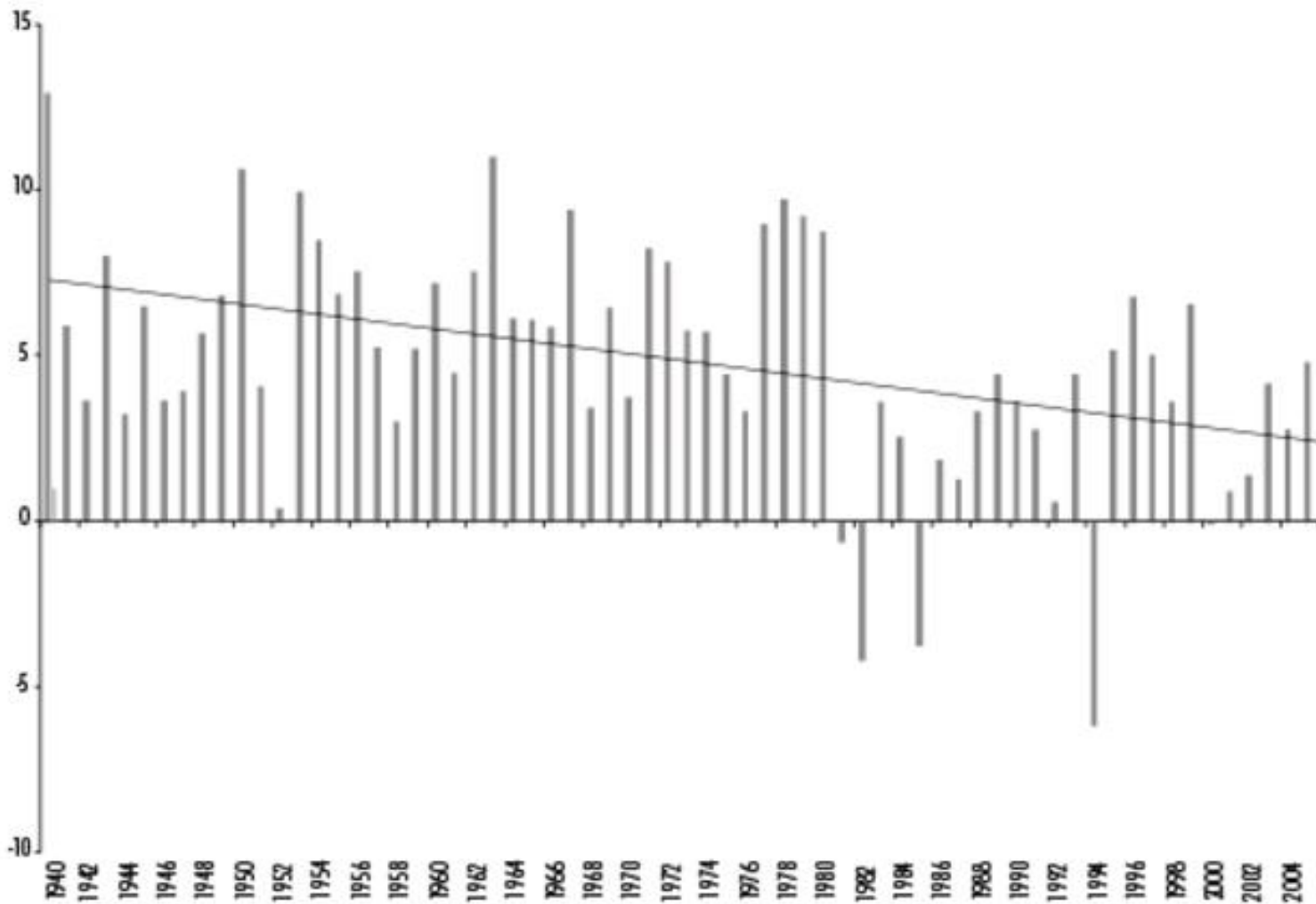


Figure 2. Real GDP Growth Rates (%) and Long-Term Trend Line, 1940-2013

On the other hand, GDP per capita slumped an annual average of 1.8% in real terms in the time period 1982-1987 and picked up only slightly between 1982 and 2013, growing at an annual average of 0.48%, in contrast with the 3.29% annual average from 1940 to 1981 (see Figure 3).

Source: Created by the author based on German-Soto (2015).

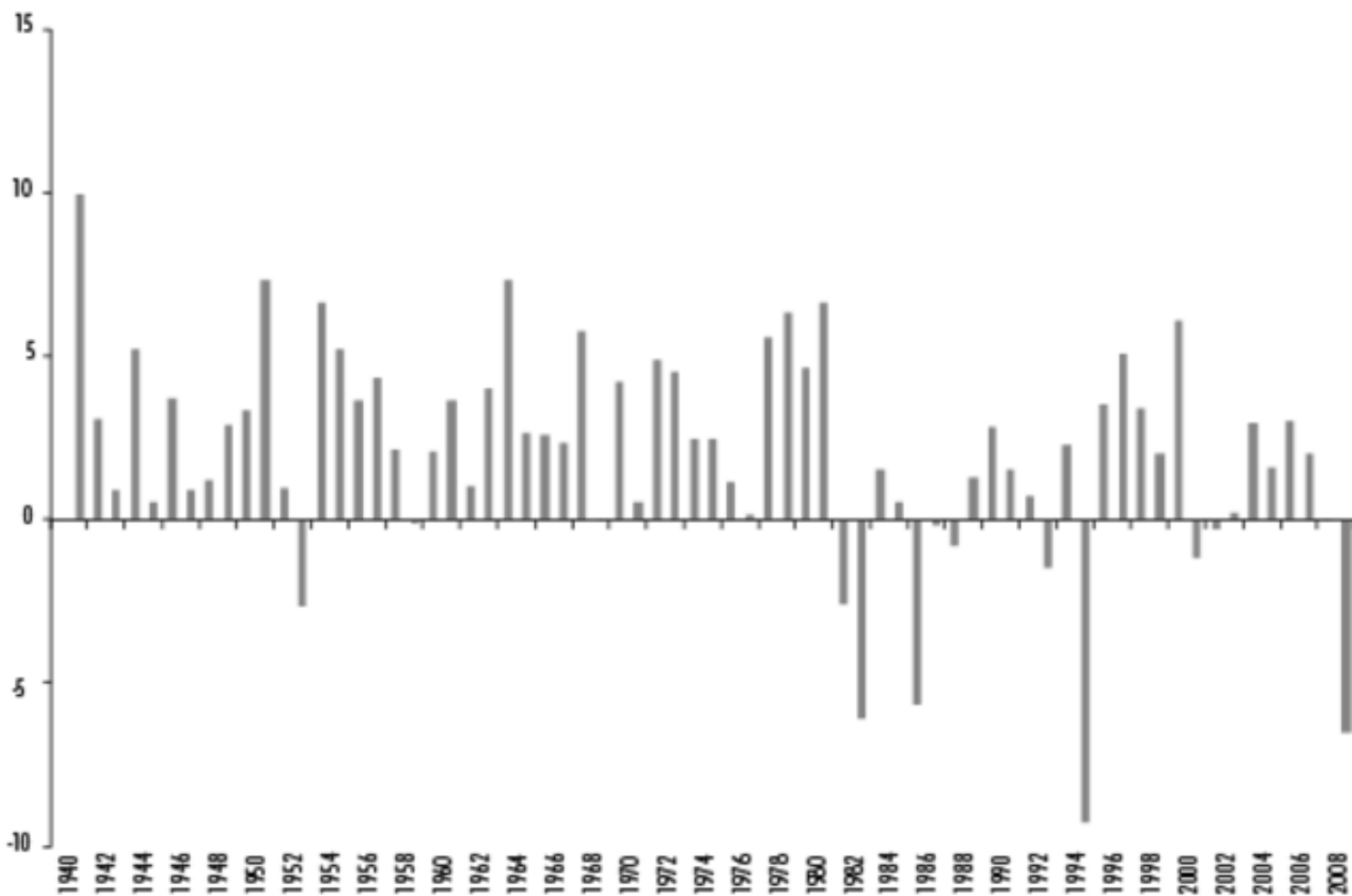


Figure 3. Real Per Capita GDP Growth Rates (%), 1940-2013

The evolution and structure of the Mexican labor market have typically been strongly influenced by the nature of the economic model in place. Fundamental indicators, such as unemployment rates, employment rates, and wages, express the way in which the labor market has responded and adapted to changing economic policies (Cota and Navarro, 2015). Burgeoning jobs and wages between the 1940s and 1960s were on par with the growth of the product, although with a change in the labor structure due to the advancement of industrial jobs to the detriment of primary jobs.

In the beginning of the 1980s, labor practices paved the way for new flexibility, a trend originated in an economic environment of crisis, also due to reforms that ushered in liberalization, privatization, and deregulation (Trejo and Saucedo, 2014). Tied to this new flexibility, the labor market in recent decades has been characterized by a surging informal sector, explained by the increasing precariousness of salaried employment and diminished real wages. As jobs have become more precarious, union management has deteriorated, and there has been no or poor management of industrial policy (Huesca,

2005, cited in Cota and Navarro, 2015), all of which are elements that have undermined absorption capacity and the quality of employment.

Over the past decade, various Western economies have faced scant economic growth and increasing external vulnerability, causing the international concern reflected in this new international development agenda. No stranger to the phenomenon, Mexico has experienced poor growth since the end of the 1970s. Accordingly, the idea is to draw on parts of the agenda to formulate reforms and public policy for the country.

II. An “Economic Agenda” in the Framework of the Sustainable Development Goals

The eradication of poverty was explicitly set forth as the priority challenge facing the international community on the 2015 International Development Agenda. But renewed interest in and concern for productive growth in both developing countries and developed nations rose to the top of the list in the wake of the international economic and financial crises of 2008 and 2009, when it became clear that countless countries were facing significant economic vulnerability and instability as a consequence of the profound interconnectivity of economic and financial entities around the globe. It was at that point in time that possible adjustments that needed to be made internationally, nationally, and locally began to emerge. A certain degree of optimism about global economic growth in the years leading up to the crisis mirrored relatively high growth rates in various developing countries, including in African nations. From 2002 to 2007, consumption rose in developed countries and there was an export and foreign investment boom in emerging countries, led by China. These dynamics boosted confidence and led to an underestimation of the risks of maintaining a global economy buttressed by high credit flows (Verick and Islam, 2010). Figure 4 displays the evolution of global economic growth in major world regions starting in 2000. As can be seen, developed countries experienced low growth rates and difficulties in returning to the pre-2007 rates.

Source: IMF World Economic Outlook Database October 2015.

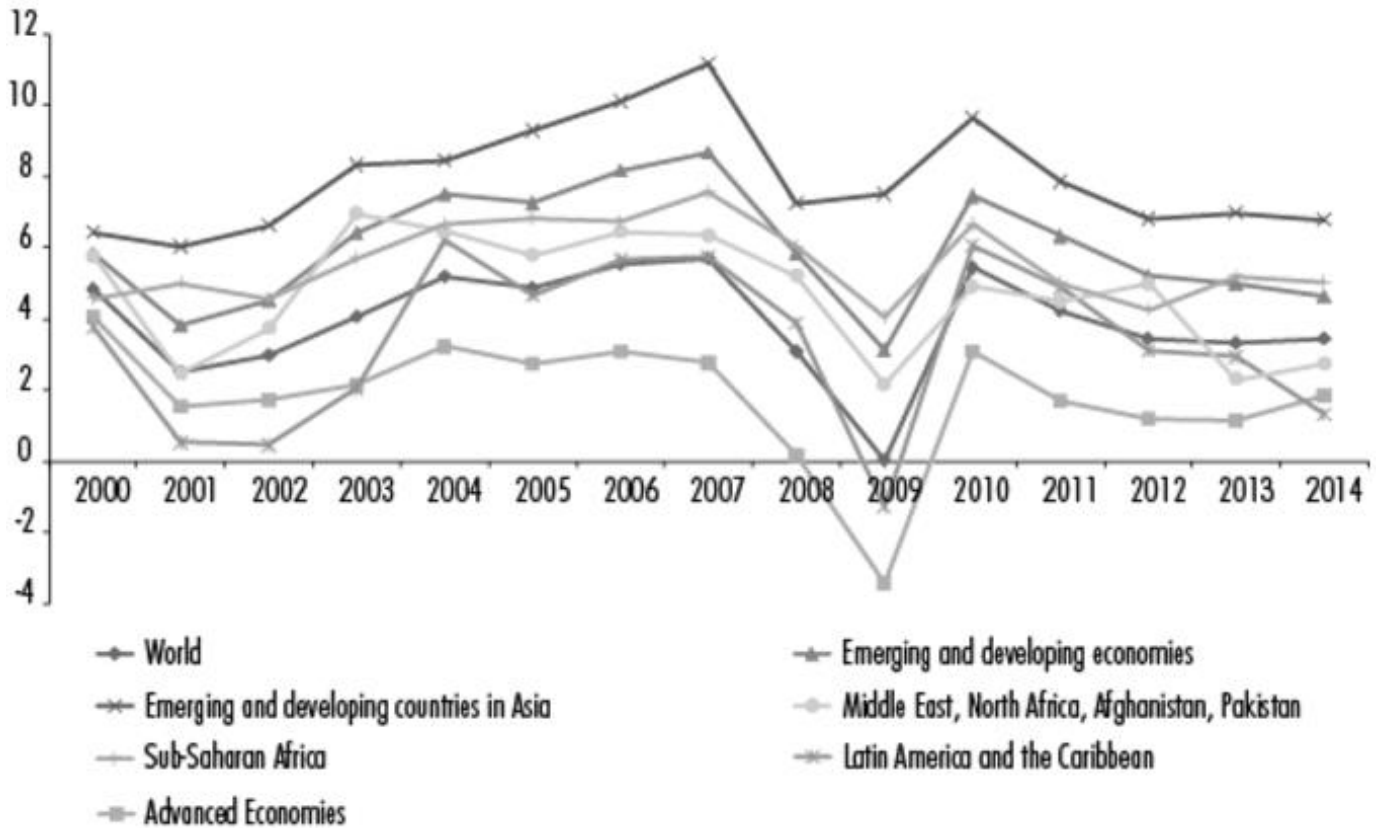


Figure 4. Global and Regional Economic Growth, 2000-2014 (%)

The International Labor Organization (ILO) report on jobs around the world in 2011 estimated that in the aftermath of the crisis, even though it would be necessary to create 80 million jobs in 2012 and 2013 in order to return to the 2007 unemployment rate, the world was only in a position to create around 40 million (IILU, 2011, cited in Trejo and Saucedo, 2013).

According to the 2030 Agenda, economic growth and industrialization—reflected in Goals 8 and 9—are fundamental vectors in the development of nations, under the precept that a prosperous, high-quality, sustainable, and fair way of living is achievable through the transformation of economic structures, increased productivity and jobs, decent work, and innovation and enhanced infrastructure. The formulation of SDGs 8 and 9 moreover posits a qualitative shift in the concept of economic growth, lending it the character of inclusivity and sustainability.²

Industrialization and industrial development, on the other hand, are conceived of not only through the process of sectoral recomposition but also in the development of new technology and production systems, the constant creation of novel rapid-growth activities characterized by high added value, and productivity. Infrastructure arises as a support for growth and industrial development that contributes to enhancing productivity, generating economies of agglomeration, and reducing the costs of doing

business (ONU, 2015). In this vision, growth and industrial expansion include the principle of decent labor for the entire workforce (see Table 1).

Table 1. Goals 8 and 9 on the 2030 Agenda

<i>Goal</i>	<i>Targets</i>
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	1. Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.
	2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.
	3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
	4. Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, with developed countries taking the lead.
	5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

	<p>6. By 2020, substantially reduce the proportion of youth not in employment, education or training.</p>
	<p>7. Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms.</p>
	<p>8. Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p>
	<p>9. By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture' and products.</p>
	<p>10. Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.</p>
	<p>11. Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.</p>
	<p>12. By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labor Organization.</p>

<p>9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>	<p>1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p>
	<p>2. Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.</p>
	<p>3. Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.</p>
	<p>4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>
	<p>5. Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.</p>

	6. Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States.
	7. Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.
	8. Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020.

Source: ONU (2015).

These two goals and their 20 targets are defined as the economic agenda of the SDGs in the discussion below in this paper. Drilling down, Goals 8 and 9 are oriented towards attaining sustained growth, industrialization, full employment, and decent work. The targets establish the means and actions by which this can be done, primarily aimed at productive diversification, technological modernization, and innovation; the strengthening and provision of funding to small and medium-sized enterprises; the development of infrastructure, spending on research and development, and information technology; and decent labor policies, the rationalization of resources, and environmental sustainability.

The targets, besides being numerous, are problematic in their methodological approach. In the majority of cases, it is hard to establish benchmark parameters for both the baseline and assessing progress. The same is true in terms of the public policies to enact when there are contradictions in the world's productive and institutional context. Moore (2015) asserted that in the framework of globalization, economic processes and structures favor cheap employment but not necessarily decent jobs. Experience has shown that the process of structural change associated with industrialization can lead to a loss of jobs in some sectors, which is why both industrial and social policy need to be closely aligned to ensure that the most vulnerable workers are protected.

Similarly, economic growth has historically counterpoised environmental goals with those related to the efficient use of resources. Accordingly, Robert Solow (cited in Stoll, 2008) asserted that continuous economic growth was in jeopardy because it was destructive to the environment and overly dependent on scarce natural resources. One of the central challenges of growth by way of industrialization is how to implement new forms of production that are less energy-intensive and lower-carbon.

Pursuant to Moore (2015), despite their limitations, the SDGs are a significant opportunity for societies and governments to address and achieve specific development goals. They moreover point towards more socially sensible scenarios through changes to the old growth model. The next section discusses the situation of Mexico with respect to the 2030 Agenda, as well as its implications in defining Mexican public policy in matters of economic development.

III. Where Mexico Currently Stands in the Framework of the International Development Agenda

The document “Indicators and Monitoring Framework for the Sustainable Development Goals. Launching a Data Revolution for the SDGs” (Sustainable Development Solutions Network, 2015) proposes indicators to track fulfillment of the SDGs and notes that in each country, evaluation will depend on the existence of internationally comparable information, the indicators that can be built with locally available data, and the progress of a parallel development agenda with new sources of information.

The Mexican government, in partnership with the United Nations Development Program and the Mexican Agency for International Development Cooperation, launched a pilot platform to publish its proposal for indicators to monitor the 2030 Agenda goals and targets. Table 2 shows the Mexican government's proposal of indicators for Goals 8 and 9.

Table 2. Indicators Proposed for Monitoring Goals 8 and 9 in Mexico

<i>Goal 8</i>	<i>Goal 9</i>
» Wage gap	» Number of mobile phone subscribers per 100 inhabitants
» Growth rate of GDP per person employed	» Number of broadband Internet subscribers per 100 inhabitants

- » Index of jobs registered in the IMSS
 - » Rate of informal employment
 - » Net participation rate
 - » Unemployment rate
 - » Child labor rate
 - » GDP per capita
 - » Population that is neither economically active nor attending school
- » Percentage of households with broadband Internet
 - » Internet users

Source: <http://pnud.carto.mx>

Indicators to monitor SDGs, in both Mexico and around the world, are still limited in their ability to capture the nature of several of the targets set for each of the goals. In Mexico's proposal, for example, there is a lack of indicators to monitor some aspects of the eradication of forced labor, the protection of labor rights, safe work environments, the capacity of financial institutions, the expansion of access to financial services, or technological capacity. Moreover, in the majority of cases, there is a dearth of benchmark parameters to evaluate countries' achievements.³ As a result, therefore, the range of indicators needs to be expanded, to evaluate how close they truly are to what has been established in each of the development targets and to set benchmark parameters. Work has begun on this task, but it is limited by the availability and comparability of information among countries. Due to the multiplicity of targets and indicators, beginning with a selection of those considered to be most general and indicative, the idea is to provide a brief overview and diagnosis as a jumping-off point for evaluating future progress in growth, employment, and industrialization in Mexico against the 2030 Agenda.

Economic Growth and Decent Work

The growth rate of GDP per person employed is a measurement of the evolution of labor productivity in a country. Productivity growth in Mexico was depressed (barely above 3% annual average) and volatile in 1996-2014 (see Figure 5). This behavior elucidates the substantial challenges and problems in achieving sustained growth of at least 7% per annum in the 2030 Agenda years, and augurs a necessary revision towards more realistic and achievable goals in these areas pursuant to the real situation facing each country.

Source: World Bank.

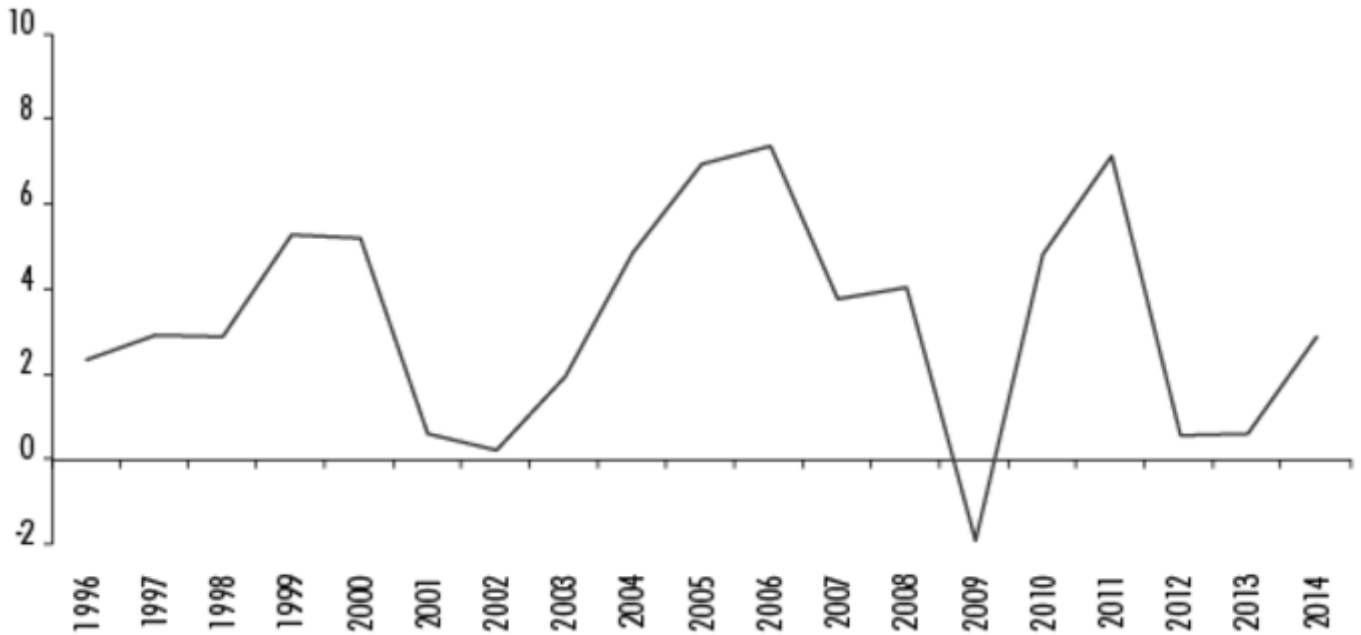


Figure 5. Growth Rate of GDP per Person Employed (%), 1996-2014

Goal 8 also expresses overarching concerns about the implementation of laws and international commitments regarding decent work (fostering productive work, protecting labor rights, attaining adequate wages, social security and protection, and social dialogue). This area also contains another series of challenges in meeting the terms of the international agenda. Although the Mexican government has ratified 78 of the ILO's 185 agreements in various realms of the labor world (employment, wages, labor conditions, social security, female and child labor, union freedoms, labor inspections, tripartite consultations, and social dialogue), and has also ratified six of the eight fundamental agreements of the organization and one of the two related to union freedoms and collective negotiation, Mexico is still in many senses non-compliant (Bensusán, 2009).

In order to evaluate some of the key dimensions of the Mexican labor market, this paper reviewed the data available regarding the unemployment rate, the wage gap, and the child labor rate. The unemployment rate has remained relatively low (oscillating around 5%), indicating that nearly all of the economically active population is employed. The highest unemployment rates were seen in 2009; however, they did not even amount to 7%. The unemployment rate for women tends to be higher (see Figure 6).

Source: Economic Information Database INEGI, <http://www.inegi.org.mx/sistemas/bie/>

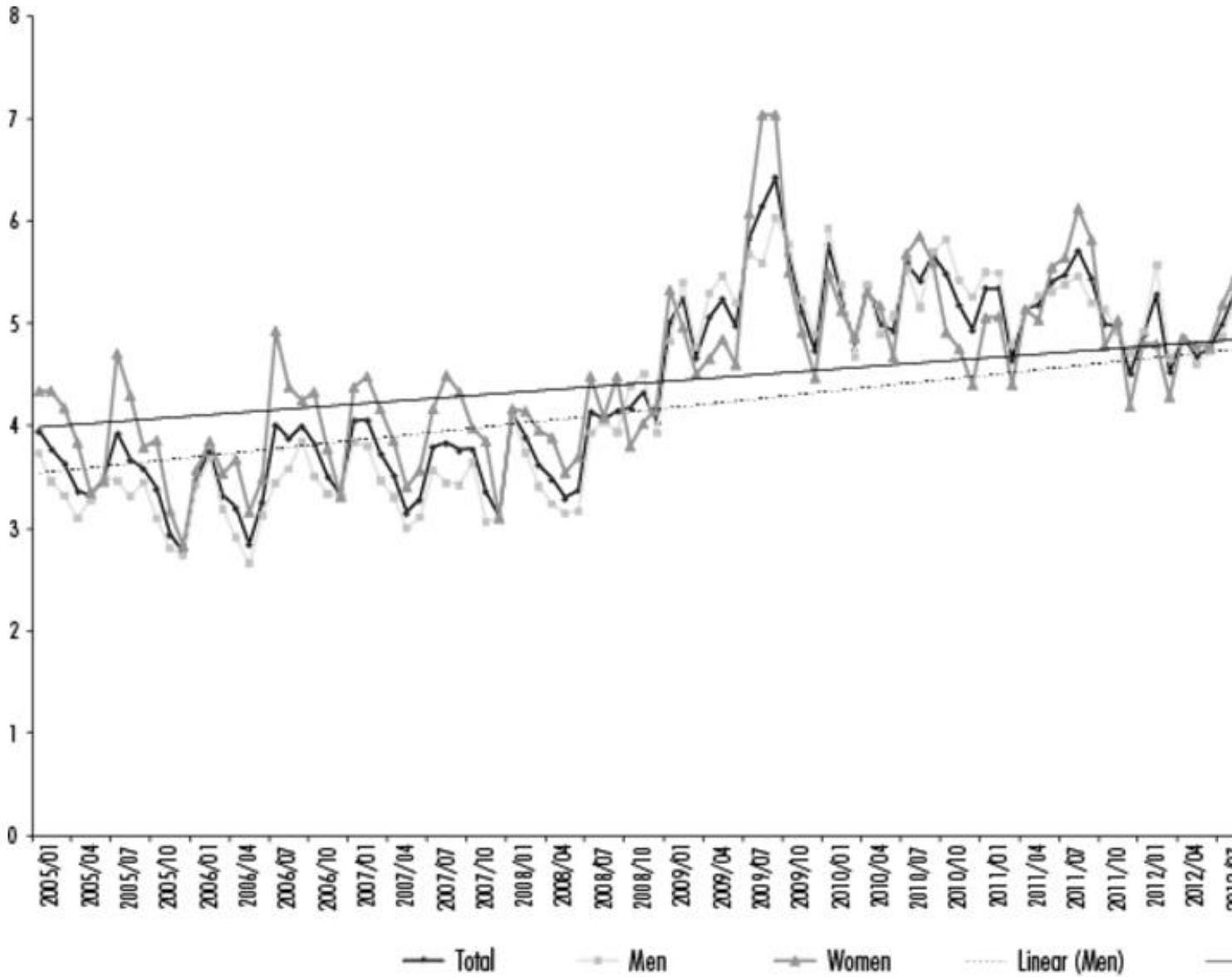


Figure 6. Monthly Unemployment Rate, 1995-2015 (%)

Although the unemployment rate in Mexico is low, the structural problems of the labor market make it hard to achieve the decent work targets. According to Hata (2010), around one quarter of new jobs do not offer social security. The informal sector is on the upswing and is concealing unemployment, while temporary employment and internal adjustments in the amount of work are becoming increasingly widespread practices. Moreover, turnover rates are up and there is high mobility between the formal and

informal sectors. Jobs are becoming increasingly outsourced and precarious, with young workers, those with more education, and women the most affected (Rodríguez Vargas, 2007).

The informal employment rate, defined as the proportion of the employed population in a vulnerable working position, whether due to the nature of the economic unit where they work or a lack of any employment link recognized by their source of labor pursuant to the current legal regulations, is above 60% of the total employed population, although the figure varies significantly from state to state (see Chart 1).

Source: <http://agenda2030.datos.gob.mx>

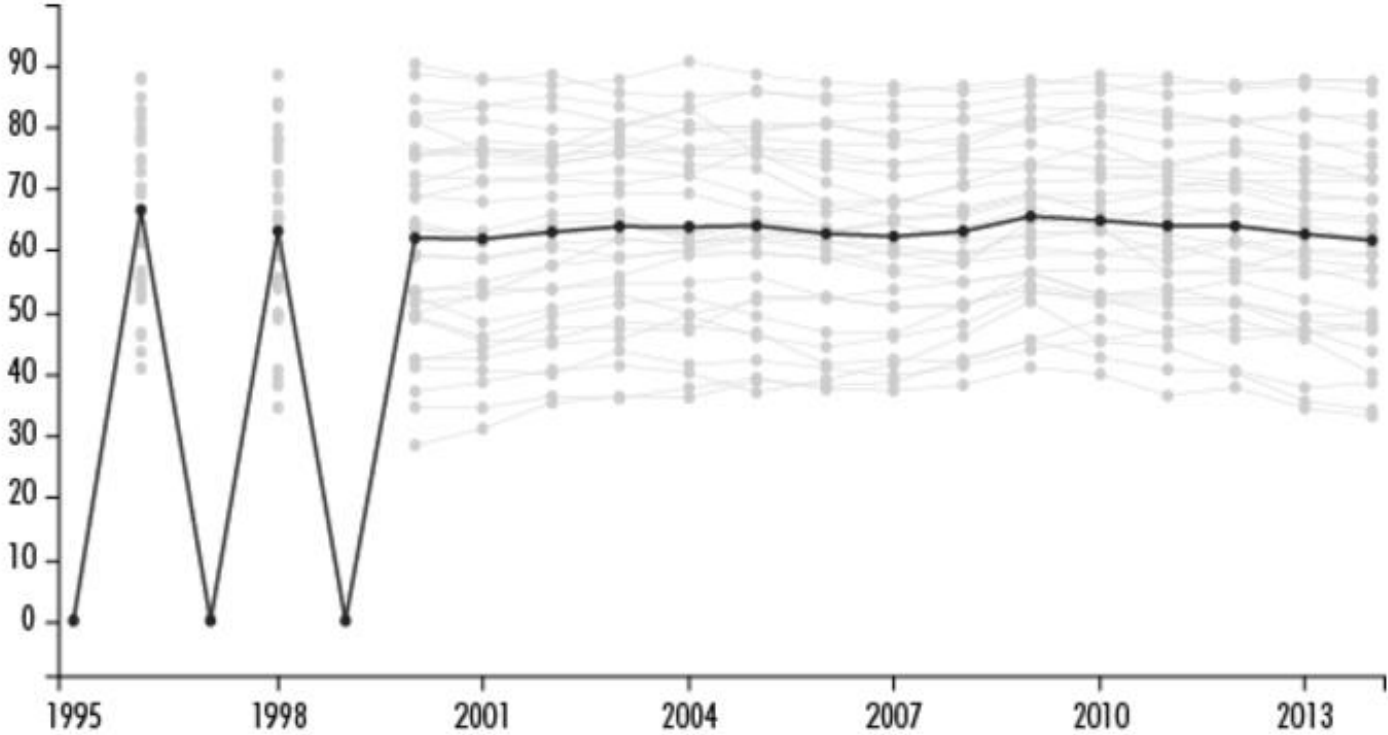


Chart 1. State and Average Informal Employment Rates (%)

The national wage gap, measured as the discrepancy in average wages between men and women, narrowed between 2008 and 2012 (see Chart 2). If this trend keeps up, it will contribute positively to achieving some of the specific targets on the economic agenda and those related to reducing inequalities.

Source: <http://agenda2030.datos.gob.mx>

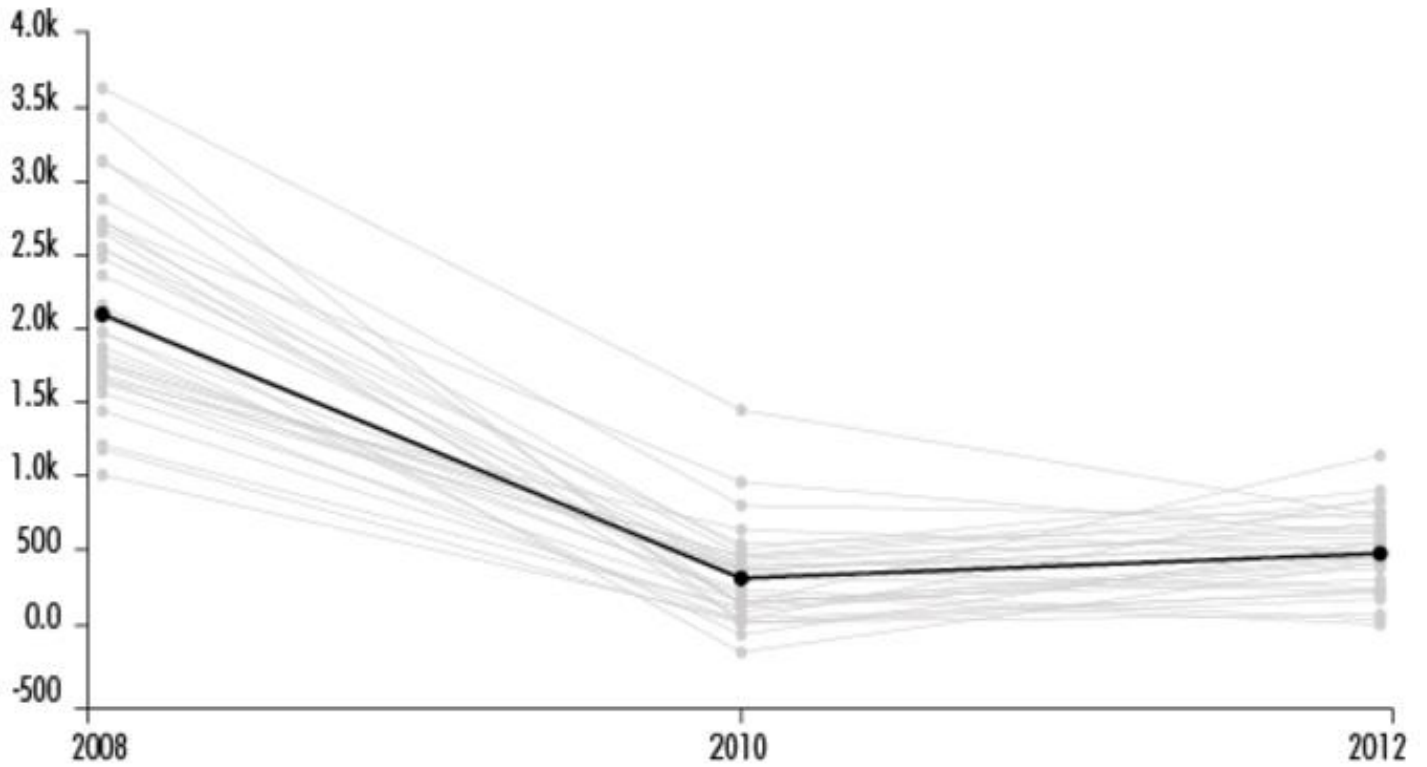


Chart 2. State and National Wage Gap, 2008-2012

According to official figures, the average national child labor rate fell from 13% to 9% between 2007 and 2013 (see Chart 3). Rates vary considerably among Mexican states, though, with Guerrero having one of the highest rates. However, this indicator is also on the downswing, another encouraging sign in terms of fulfilling the SDGs.

Source: <http://agenda2030.datos.gob.mx>

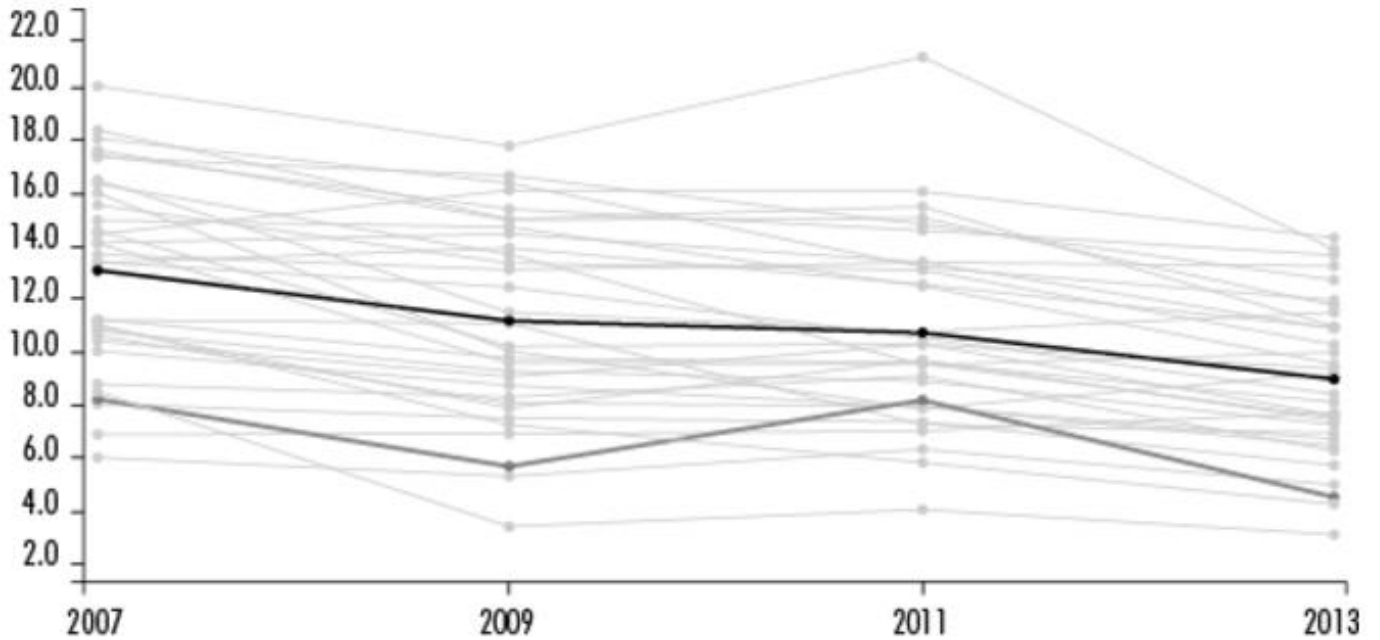


Chart 3. State and National Child Labor Rates, 2007-2013

Industry, Innovation, and Infrastructure

World Bank figures regarding sectoral changes in the Mexican economy signal that between 1988 and 2011, industrial employment as a percentage of total employment reached an average of around 25% and did not vary in any significant way throughout the time period (see Figure 7). It has already been mentioned that the Mexican economy is now primarily oriented towards services and commerce, sectors characterized by low productivity and low use of technology.

Source: World Bank.

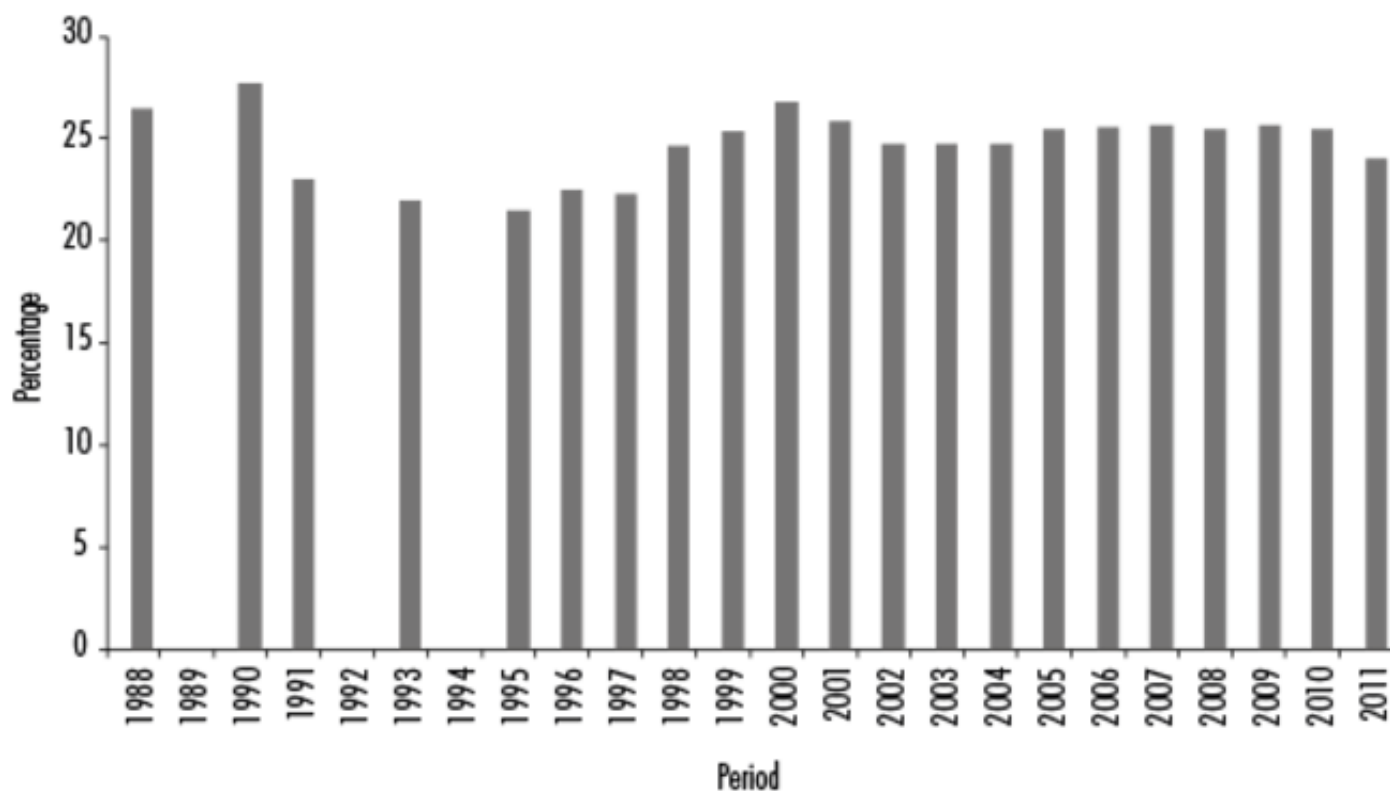


Figure 7. Industrial Employment as a Proportion of Total Employment (%), 1988-2012

On the 2030 Agenda, industrialization entails not only a change in the sectoral composition of the economy but also an industrial transformation spearheaded by technological progress and innovation. In this regard, Mexico is clearly lagging behind, as it allocates insubstantial resources to research and development activities: in 1996, spending in this area accounted for a mere 0.26 percentage points of the GDP. In 2011, spending had risen to no higher than a half percentage point (see Figure 8). As compared to developed countries like Japan (3.5%) and the United States (2.8%) or emerging countries like China (2%) and South Korea (4.2%), Mexico allocated just 0.5% of its GDP to this area in 2015.

Source: World Bank.

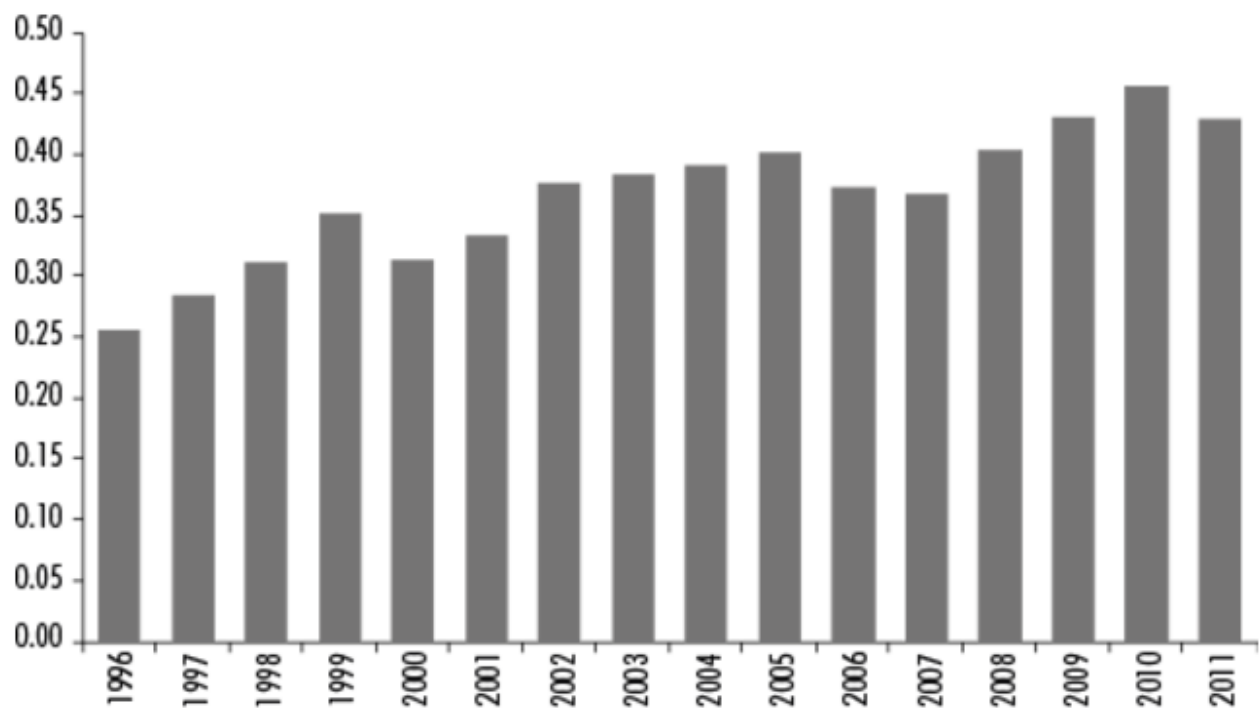


Figure 8. R&D Spending as Percentage of GDP, 1996-2011

When it comes to infrastructure, the indicator proposed on the Mexican platform is percentage of households with broadband connections. Chart 4 shows that this indicator has skyrocketed, going from practically zero in 2000 to surpassing 45% in 2015, although coverage is still underdeveloped.

Source: <http://agenda2030.datos.gob.mx>

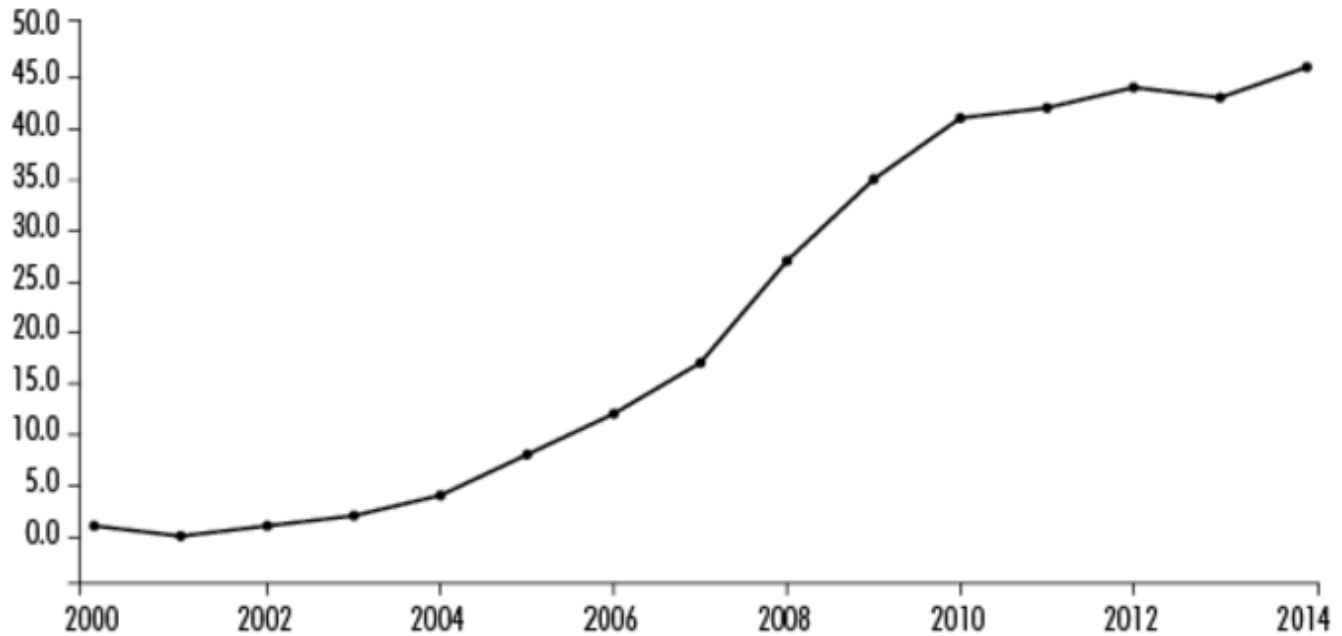


Chart 4. Percentage of Households with Broadband Internet, 2000-2014

The data shed light on some of the national economic development problems related to low productivity growth and structural problems in the labor market—principally, informal employment associated with precarious situations, low wages, instability, and little or no social security and social welfare. A second series of problems is tied to the nature of the sectoral changes the Mexican economy has undergone and the dearth of resources to incentivize technological development and innovative activity. In light of how underdeveloped the system of indicators is, there are still topics to be evaluated, such as that of infrastructure for growth. Likewise, the sheer quantity of targets and dimensions involved in the provisions of the 2030 Agenda implies from the outset that a thorough diagnosis of each of the nations, in this case Mexico, will be complex.

IV. The Scope and Limitations of Economic Development Public Policies in the Framework of the SDGS

The problem of low Mexican economic growth has been the subject of multiple academic and political interpretations and debates. Some of the explanations wielded refer to primarily external factors

(Guillén, 2000; Calva, 2001; Palazuelos, 2001; Esquivel, 2010): the policies derived from the Washington Consensus that were implemented without considering the particularities of the national economy; the dependency of the Mexican economy on the economic cycle of the United States; poor growth of the external sector; a systematic deficit in the current account balance; high dependency on imported intermediate and capital goods; liberalization; and an appreciated real exchange rate.

As told by another set of authors (Perrotini, 2004; Ros, 2008; De María y Campos *et al.*, 2009), low growth is explained predominantly by internal factors: deficient domestic financing; restrictive monetary and fiscal policies; a low capital accumulation rate and low private investment rate; diminished public investment; the dismantling of industrial policy and a lack of bank financing; slack investment; and the absence of appropriate sectoral and regional strategies and policies.

In this regard, what stance has the Mexican government taken in the potential adoption of the 2030 International Development Agenda? In the orthodox diagnosis, the lack of structural reforms and prolonged credit scarcity have created bottlenecks that block higher growth and have caused an export slump (Martínez *et al.*, 2004). Along these lines is the reform proposal first put on the table in 2012, containing five assertions to diagnose the barriers to Mexico's economic growth: 1) incentives for informal employment are the cause behind stagnating productivity; 2) the rigidity of the labor market puts the brakes on job creation; 3) the lack of competition is an obstacle to innovation and competitiveness; 4) human capital is scarce; and 5) institutional defects are abundant.

These factors have shaped several of the structural reforms made in Mexico's recent history. Among these, the most far-reaching in matters of economic development include the labor, education, telecommunications and economic competition, treasury, financial, and energy reforms. They all reinforced the liberal and privatizing spirit of the economic policy pursuant to the precept of achieving market efficiencies. Whether this reformist approach (see Table 3) is compatible with the national policies needed to attain the international development goals is still up for discussion.

Table 3. Structural Reforms, 2012-2018

<i>Reform</i>	<i>Objectives</i>
Labor	<p><i>i)</i> Reduce the cost of hiring and foster formal employment through new modes of hiring, including flexible employment contracts. <i>ii)</i> Provide legal certainty and reduce the costs of employment terminations, through agreements in case of employment lawsuits and compensation limits on unjustified dismissals. <i>iii)</i> Restructure the organization of labor within companies (productivity and job skills taking priority over seniority as the main criteria for filling vacancies).</p>

Education	Bring the quality of education in Mexico up to international standards. Implement a professional system to evaluate, hire, assign, and promote teachers, while at the same time limiting the interference of unions in access to teaching positions and moving a greater portion of the workforce to formal employment.
Telecommunications and Economic Competition	Promote competition in the sector and provide cheaper and broader access to telecommunications services: <i>i</i>) allow foreign companies to participate to a greater extent in certain segments of the sector, including satellite communications; <i>ii</i>) create a new regulatory body to grant and revoke concessions, and oversee spin-offs and the sale of assets to eliminate anti-competitive practices; and <i>iii</i>) rein in illegal practices used to delay administrative resolutions.
Treasury	Expand the income and consumer tax base, simplify tax payments, eliminate special treatment, and boost tax revenue. Set up a new tax regime for forming a company and change the structure of employer contributions. Increase local government tax collecting and transparency in transfers of funds to states and municipalities. Maintain a sustainable public debt level.
Finance	Promote competition in the sector to help financial services reach greater penetration and achieve two main objectives: expand the amount of credit available and make it less expensive. The reform also redefines the mandate of the Development Bank and improves the legal framework for granting and executing guarantees, as well as modifies the process to resolve trade disputes.
Energy	Increase investment in the energy sector. Make it possible to have contracts in the hydrocarbons sector and make mechanisms to partner with the state in the electricity sector more flexible, as well as maintain the existing prohibition on concessions in both sectors. Eliminate the former monopoly in the business of exploring, producing, and refining hydrocarbons by amending Article 28 of the

Some of the most marked contradictions between the Mexican structural reforms and the 2030 Agenda include job flexibility and under-hiring, prompted by the labor reform, and in stark contrast with the principle of decent work. Similarly, the following could be added: the limited reach of the education reform in terms of improving human capital; the limited scope of the financial reform in terms of improving access to credit for production; the lack of proposals for the efficient and responsible use of energy; the absence of environmental and sustainability-related themes; the effective promotion of competition in the telecommunications sector and the effects of the rates reforms for different users; and the scope of the treasury reform in terms of expanding the tax base and drafting sustainable budgets. In various cases, the impact of the reforms on the fulfillment of the 2030 Agenda will be subordinated to their practical implementation, rather than merely illustrative. In the worst-case scenario, the structural reforms will be added to those that have already translated into low growth, rising inequality, and uncertain effects on the eradication of poverty.

Final Comments

The Mexican economic policy of recent history has prioritized stabilization. Its objective has been to eliminate regulations, State monopolies, and tariffs, as well as to place Mexico on the map as a “free market” and globally competitive economy. In matters of productive development, a series of programs have been created to boost foreign direct investment and the *maquiladora* export business through financial or fiscal incentives. Moreover, development schemes have been subsumed by pro-competitiveness programs for regions or sectors, in other words, selective programs. In spite of attempts to reinvigorate the economy, growth has been paltry, economic gaps have not been narrowed, and the labor market has not grown stronger. Nor have living standards for the population improved in any inclusive or sustainable fashion.

Mexican economy policy challenges are numerous and complex; to name a few: strengthening productive chains, developing national suppliers, raising the national content of exports, and facilitating multiplicative effects for the rest of the economy. Moreover, there is a need to strengthen the domestic market. Likewise, in the context of the SDGs, it is time to evaluate and minimize the environmental impact of productive activities, upgrade energy efficiency, foster new energy sources, and implement an inclusive vision oriented towards labor rights and decent work. Although this discussion does not deal

directly with the topic of inequality, the economic outlook is full of profound and significant disparities of a varied nature. Balanced and sustainable development demands a territorial dimension, as well as the transfer of functions to subnational governmental levels.

It will be essential to determine whether recent structural reforms are compatible with support for research and development, technological innovation, commercial bank financing, and the granting of development bank loans. Another central topic will be public investment and public-private partnerships to build infrastructure.

The implementation of a strategic industrial policy in the framework of a wide-ranging economic and social policy could become a springboard to jump-start a public policy agenda to achieve sustainable and inclusive economic goals. It is possible to learn from the reflections and experiences of other countries and in so doing open the door to international cooperation. Several countries that in the 1960s displayed a degree of development similar to that of Mexico are currently many steps ahead in economic and social matters. The Asian “tigers” and China owe a good part of their success to solid and well-devised industrial policies, which brought about an “industrial upgrading” (Méndez, 1997; Brown and Hernández, 2015). In European countries, the United States, Canada, Japan, China, or Brazil, active industrial policies have served to confront crises, bail out sectors, or promote balanced regional development. In many of these cases, innovation and learning have played an important role in the context of a growth-, development-, and progress-oriented approach (Stiglitz and Greenwald, 2015). The theme of sustainability is more complex, due to the aforementioned contradictions.

An industrial policy would have to be drafted to revolve around two main pillars: a development and industrial transformation plan and true structural technological change. Formulating such a strategy would require an exhaustive diagnosis of the current state of national industry, considering: sizes, sectors, ownership of origin, local context, etc. The success of economic development policies calls for adequate governance and institutional reforms, compatibility between policy instruments and the capacities of the public sector, income and resources to subsidize or support research and learning, and a well-performing development bank, for example, to finance and strengthen infrastructure for socioeconomic development in Mexico.

However, some of the factors related to the ineffectiveness of the institutional framework currently in place include fragmented political power, explained by the appearance of new and heterogeneous actors with lots of power, and problems related to a lack of citizenry, governability, rule of law, corruption, and insecurity. As a result, the institutional basis for implementing development instruments, as well as the structure and nature of the incentives facing economic agents, will be a defining component in the progress of the economic agenda. This series of elements will also set the tone for the principal problems that will emerge in other areas of development. The 2030 Agenda is a reminder of the problems, challenges, and outstanding issues related to these matters in Mexico.

¹The nature of inclusivity refers to ensuring that all of the benefits extend to the most vulnerable sectors of society, in terms of income and sustainability, as well as respect for the environmental, social, and economic resources that determine long-term growth possibilities (ICSU-ISSC, 2015).

²One exception is the minimum growth rate criterion of 7% per annum for underdeveloped economies, which is indeed stipulated in Target 1 of Goal 8.

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