Mexico is an object lesson for Africa

Countries are very much on their own when it comes to integrating into the global arena

GLOBALLY SPEAKING
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“MEXICO IS SETTING OUT TO PROVE TO MULTINATIONAL INVESTORS THAT IT CAN ASSIST THEM TO ACHIEVE GLOBAL ADVANTAGE.”

THE harsh reality of modern economic life is that globalisation makes no allowance for the specific circumstances of any company or nation. Business organisations are constantly having to vie for competitive advantage, while being on the lookout for lower cost locations for their sourcing and production activities. This means that individual investors seek out those locations that add value to their businesses.

Competition therefore filters through to nation states, with the successful ones best assisting global investors to reach their competitive potential. While individual nations may broker specially negotiated trade deals with one another, or members of trading agreements adopt best terms, there is no globalisation ombudsman to highlight individual cases for special treatment. The globalisation process makes no allowance for the fact that South Africa endured decades of apartheid, or that a despot has ruled Zimbabwe for nearly 30 years. Despite the existence of institutions such as The World Bank and the International Monetary Fund, both of which have a particular interest in the welfare of emerging economies, countries are very much on their own when it comes to integrating into the global arena.

Globalisation signals a nation’s true competitive spirit within the world, with economic performance being commensurate with a country’s ability and willingness to co-operate with the globalisation process. Countries such as Zimbabwe and Burma that spurn the international community get left behind, with little prospect of enjoying what could well be a high standard of economic prosperity.

One nation that is taking itself seriously in the competitiveness stakes is Mexico. With a population of around 107 million, grouped into 26 million households, Mexico is the 11th most populous country in the world.

According to the Central Intelligence Agency’s online World Factbook, it has a per capita GDP of $10 700, in terms of purchasing power parity. Listed eight places below South Africa on the World Economic Forum’s 2007 – 2008 Global Competitiveness Index, Mexico has taken bold steps to encourage the development of higher value-added capabilities and products — and is busy creating an infrastructure to take itself to a new level of competitive capability.

Despite the fact that its labour costs are higher than in other rapidly developing economies such as India and China, Mexico is still attracting foreign direct investment. Why? Firstly it has a privileged geographical position with the United States, and exploits that as best it can. Yet it also has an abundance of skilled labour and managerial talent, with many years of doing business in the Western hemisphere. It also has a large and healthy domestic market, but perhaps most important of all, it has created an infrastructure that foreign direct investors find attractive. Its government has produced strong financial and social incentives for global investors, and in the process has created what is now being referred to as Mexico’s “sweet spot” in the globalisation landscape. Put succinctly, Mexico is aggressively setting out to prove to multinational investors that it can assist them to achieve global advantage.

Recent developments in South Africa, on the other hand, continue to rub salt into our international wounds, dampening our ability to compete and to be taken seriously by the world’s investment community. The recent burning of a defenceless victim by a xenophobic mob, which appeared on the front pages of many of the world’s news publications, does little to instil confidence in this country as a suitable location for investors or visitors. Modern democracies are not supposed to behave like this. With the 2010 Soccer World Cup just around the corner, let’s hope we can salvage something of the African welcome we repeatedly tell the world to expect.

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