

Imagining a New Future for Mexico

[suggested title]

By Art DeFehr

*Two men looked through prison bars,
One saw mud, the other stars ...*

Unattributed

The world can be seen as a combination of immutable realities and the vision to transform them. Many of the barriers are real – but the world we choose to see is limited only by human imagination.

For those involved in the business of transportation, the Americas might be construed as one of the world's great barriers – a continuous land mass between two of the world's great oceans and the societies, civilizations and economies that occupy their shores. The continents, and the barriers they create to global transportation, are indisputably real, but imagination, blood and capital have combined to create canals, railroads, ports, sea lanes and, more recently, air and electronic corridors that together have greatly enhanced transportation from one hemisphere to another. Yet the continental barrier remains, making one wonder, could the barrier become a connector? And could Mexico, the first and once Europe's greatest western outpost, be the key to a new era in global transportation?

Mexico not only occupies the center of the Americas, but lies in its most benign climate zone. Yet none of the great trans-ocean links pass through Mexico. This essay speaks to that question and asks why. Further, it asks “Why not”? Will the world's emerging global economy and evolving technologies allow Mexico another opportunity to take a central role on the world's stage and move the Americas from barrier to connector?

The world's two largest container ports are presently located in Singapore and Hong Kong; yet neither produces more than a minute fraction of the freight needed to fill those containers. However, examples abound of countries or regions that built on their geography, as well as their imagination to become, for a time, important global nexuses. Take England, for example. Geography created the separation from Europe that allowed it to remain independent and gave it the impetus to develop a maritime strategy that permitted it to dominate the world. Or consider the Silk Road. Linking Europe and the Orient, the lands at the western end of the Mediterranean dominated global transportation for centuries. The relentless efforts of Prince Henry the Navigator, the fifteenth-century Portuguese internationalist, eventually led to an ocean route to Asia and sent the Middle East, together with Venice and other centers of trade into permanent decline. When the Panama Canal opened, it destroyed the dreams of my own City of Winnipeg to serve as a bridge across the continent.

In Mexico, conquistadors slowed only briefly as they hit the eastern shores. Within decades, they had built new ships on the western shore and begun to conquer lands in all directions. For them, Mexico was a bridge to other possibilities.

Imagination is crucial in all this. The expression, "all roads lead to Rome", has come to imply the inevitable. However, during its long tenure as the dominant Western power, Rome was at no particular sea or land advantage, but was rather the product of its ability to leverage its Hellenic heritage and the possibilities available to anyone who looked upon or traveled the Mediterranean.

Singapore is a city-state of superlatives, yet is surrounded by hundreds of Indonesian islands, each with an equal geographic opportunity, which play no economic role whatsoever. The difference is not location but people, governance and imagination.

Take your atlas, or better, your globe off the shelf and have a close look at the world and the location of Mexico. The emergence of air travel has connected the world in a manner that significantly ignores the traditional barriers imposed by oceans, mountains and distance. Politics and other factors drive the major corridors of air travel and they can easily be adjusted to reflect changes in technology, economics and politics.

Despite this, the vast bulk of merchandise still moves in a traditional way across the oceans. These traffic patterns must skirt the land masses, navigate the straits and, in a few limited situations, take shortcuts created by human engineering. The Panama and Suez Canals are two outstanding examples of how human intervention has altered problems of geography and, in their place, created opportunities. These geographic interventions resulted in some regions taking on a greater economic role and others relegated, if not to permanent irrelevance, then to a long struggle to survive.

The advent of the container – a relatively recent phenomenon barely fifty years old – has changed the way geography and trade interact. If freight can be broken into manageable and standard units – it offers new possibilities. Today, merchandise travels both by sea and land more easily. More containerized freight originating in Asia and destined for Eastern North America travels by rail (or by road if time is of the essence) than uses the less expensive sea route through the Panama Canal.

The sea lanes have unlimited capacity given reasonable time to build the right ships, but a great variety of constraints emerge when a ship meets land. The history of labor strife and its impact on cost and reliability fills volumes. All rails from West to East in Canada, the United States and Mexico cross mountains, are impacted by climate and have limited physical capacity caused by the difficult terrain. Labor rigidities only amplify these problems. Ports seem to be invariably located where the physical limitations, not to mention birds, scenery and local congestion impact their ability to grow and operate.

Jared Diamond in his ground-breaking book, *Guns, Germs and Steel*, offers an explanation as to why societies developed the way they did and gives geography much of the credit, or blame, for the political and economic shape of our world. Think of the nature of the Mediterranean world without the passage through Gibraltar. Or imagine Britain if the English Channel was dry land? Consider the difference in the development of the Americas allowed by its isolation from Eurasia.

A parallel argument can be made about the role of culture in shaping the world. *Culture Matters: How Values Shape Human Progress*, edited by Lawrence Harrison and Samuel Huntington, speaks eloquently of the role played by the nature of different

societies in their developmental outcome. In *The Labrynth of Solitude*, Octavio Paz addresses this question from the Mexican perspective. And Thomas Friedman in his recent book, *The World is Flat*, speaks of the impact of technology in reducing and largely eliminating the role that geography has always played in sculpting civilizations.

The ability to speak English in Bangalore, combined with an educational tradition and reasonable governance, has allowed an isolated backwater to emerge as an epicenter of the digital world. But geography has not left the scene. It still takes time for the human body to travel from point A to point B. Political and immigration barriers determine who can go where and how they will get there. Raw materials are still found in the inconvenient places that nature has chosen. The products used in industry and our daily lives still have physical properties that require an increasing flood of containers to travel the ocean lanes of Columbus and Magellan.

Satellites and fiber-optics will alter very significant parts of our lives and create new geographic realities. However, the dynamics of trade will remain an important element in creating opportunities for those who occupy strategic places on our globe. More important, the range of available technologies creates new and alternative strategies that sometimes allow geography to play its role in a new way. Many of our important economic and financial centers do occupy strategic nodes, but their success is increasingly determined by leadership and imagination. Singapore occupies a strategic point on the sea lanes between Asia and Europe, but its rise as a financial and organizational center has more to do with leadership than the inevitable product of its location. Hong Kong was given a great start with its colonial heritage, but today it is a rock with no industry or natural resources. It survives because it provides services that are superior to its competitors.

Winnipeg, my home city, emerged in the late nineteenth century as the central location on the new trans-continental rail link across the northern half of the continent. It was considered the "Chicago of the North" and real estate prices were among the highest in the world. Monumental buildings were constructed. Then the Panama Canal opened and the city's bright economic future evaporated.

Not long ago, I stood in the desert of Eastern Morocco at the point where the great caravans of the Sahara met the trading highway that once connected them to Europe. Today these places and many others with romantic names like Samarkand and Timbuktu are crumbling ruins and distant memories. When trade routes are altered they create and destroy. I recently spent a vacation in San Cristobal de las Casas – one of the great centers of power during the colonial period. Today, its beautiful physical heritage exists only because the stones are too durable to collapse. However, San Cristobal de las Casas also lies very close to one of the best crossing points between the tigers of Asia, and the great economic centers of the North Atlantic. Its current status is not a failure of geography but of imagination.

Geography does not change, or perhaps more correctly, changes very slowly, but technology can radically alter its impact. The Suez and Panama Canals altered the prospects of many places on the globe. Technology such as the steamship, the aeroplane and electronic communications damaged or destroyed the importance of some countries and cities and created enormous opportunities for others.

Generations of travelers, adventurers, politicians and the military studied the American barrier and devised a variety of solutions. Few became reality, and as

technology changed most of those were destined to obscurity. Sometimes being early creates a "first-mover" advantage. At other times, it results in infrastructure and commitments that prevent change to another, better solution.

If the "American Barrier" was an empty page with no pre-existing infrastructure or political limitations, how would engineers propose to cross it today? Even allowing that populations exist where they actually do, and that the economic differences between regions are real, within those parameters – what would they propose?

They would need to solve several different problems. The first, the competition for the long-range movement of people, belongs to aeroplanes. The locations of hubs and services might be altered somewhat with a fresh start, but let's assume that the pattern would be more or less as we find it today. Within North America, however, traffic patterns might be quite different. Our road and highways systems are incredibly important for the movement of people and goods. However, the movement of products over long distances, whether in bulk or by container, is dominated by the rail system. Rail systems in North America were developed at a time when vehicle technology did not exist and a major goal was to reach and exploit the West. In the case of Canada, the rail literally created a country by linking the East with the incredibly remote West Coast, in large part to prevent its absorption by the United States.

Mexico was a world to itself during the nineteenth century and built rails for largely internal purposes, or sometimes to connect with its northern neighbor. Given different politics, and a different era, a North-South orientation – including a route from Canada to Chile – might have been taken more seriously. In the same way, for the British Empire, the un-built Cairo to Capetown railway was an unrealized dream, a figment of the imagination that might have radically altered the development of Africa.

The oceans are more formidable barriers. Trade routes existed for millennia, but they were long and dangerous and, by the nineteenth century created security concerns for the United States, for they passed through waters controlled by others. The solution was the Panama Canal and the extraordinary sovereignty outcome of the Canal Zone. Nicaragua was an alternative that is still being promoted, but the Isthmus of Mexico was a very realistic and possibly best alternative. However, the politics of the time resulted in the choice of Panama over its competitors.

Just imagine. If the canal had been built across the Isthmus of Mexico, what would the economy of Mexico, the region, or for that matter the world, look like? How would Mexico have developed if its most productive connection to the world was at its southern end? How would it have grown if that point was one of the premier links of global trade? How would this have shaped the relationships between Mexico and its powerful northern neighbor?

Life is filled with questions of "What if?". And we can ask the same question looking into the future. What if we took everything we know about technology and trade and used them to create a different future? Technology, specifically the technology of the container, allows alternatives that did not exist when the Panama Canal was built. The most important and increasingly determinative international flow of containers is from Asia to either Europe or the Americas. Certainly there are large regional flows in both hemispheres, but they do not affect this discussion. The important destinations for containers in the United States and Canada lie, by virtue of population, in the eastern half of the continent. However, geography determines that containers arrive from the West

Coast. The passage around Singapore and through the Suez exists, but largely because it is longer, it is the less preferred alternative. The Panama Canal is certainly effective, but requires more time than the combined land and rail journey that greets containers landing on the West Coast. And increasingly, the size of the canal limits the ships that can transit it to about half of the current larger container ships and only one-third of the emerging container giants. This requires the larger ships to transit the Pacific and unload at West Coast ports; Los Angeles/Long Beach is the primary destination, supported by the smaller ports of Oakland, Seattle and Vancouver.

Given the growth in trade and the limitations caused by local geography, labor history, as well as environmental concerns in each of these ports, there is an ongoing search for alternatives. The Panama Canal is to be enlarged to accommodate larger ships, Nicaragua is again making noises and every large port on the Pacific is struggling with the practical issues of accommodating more cargo. Even Mexico is increasingly part of the conversation. Li Ka Shing of Hong Kong, chairman of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited, is one of the world's richest men and owner of the largest port-management company. He has purchased the terminal at Lazaro Cardenas, intending to unload at a smaller, less-congested port and transit by rail to southern Texas and onward to the rest of the US, thus bypassing the limitations and problems of Los Angeles. This investment may also reflect the view by the mostly non-American port operators that the US is not a friendly environment for their investments, particularly given the Dubai Ports fiasco last spring. All of this may create new opportunities for Mexico.

To return to the story of container travel, once unloaded on the West Coast, most cargo is still far from its destination. Ahead are long rail corridors that may involve negotiating difficult mountain transits or unfriendly local neighborhoods. Viewed in combination, the multiple opportunities for systems failure actually assure that failure regularly occurs and shippers experience the frustration, uncertainty and the cost of this congested and marginally reliable system.

If the engineers could make a fresh start, would they consider an alternative? I propose that a better option, based on the possibilities of the Isthmus of Mexico, exists and that it be given serious consideration. The congestion and costs of the current system create a unique opportunity for Mexico to re-write history and become the connection between East and West that it might have been a century ago.

When a package is shipped by air between any two points in North America, it can almost be guaranteed to pass through either Memphis, Tennessee or Louisville, Kentucky, the respective hubs of FedEx or UPS. These companies have determined that the advantages of a simple but reliable centralized system outweigh the extra distance involved. The same opportunity exists for container travel. The largest container ports of Asia are actually trans-shipment ports, which accept loads from various smaller cities and countries, often Chinese River ports, and combine them into more efficient flows across the oceans of the world.

There is, however, a second critical aspect to container transport. As container ships become larger they need to visit more ports at the loading end to fill the ship for a limited number of destinations. In the same vein they need to make additional stops to get rid of the volume of containers. Every stop adds time, port costs and complexity to the shipping process. Time is particularly of the essence. A primary reason for the popularity

of Los Angeles is not its location or level of service, but rather that it is the only port large enough, which handles enough traffic, to permit many ships to make a single call in North America, even if they have made a number of stops in Asia to create the load.

My proposal is to build the container equivalent of the Memphis FedEx terminal at Mexico's Isthmus of Tehuantepec. New ports, with the most advanced technology, designed precisely for the container ships of today and tomorrow would be built on each side of the 200 Km. Isthmus. An existing rail link could be enhanced to deal effectively with whatever level of traffic is required. The ships on the Pacific side would have the opportunity to travel between single or limited originating ports and be sized accordingly. On the Atlantic side ships could again be sized to travel to different ports more directly; at times much smaller ships, offering quicker service and a simpler schedule, would be more economic. Destinations could include ports in the Caribbean, South America and selected destinations across the Atlantic. On the return trip, all the empty containers – currently between sixty and eighty per cent of all containers return to Asia empty – would be in one location, allowing shipping companies greater flexibility as to where to direct them.

A container scramble at the Isthmus of Mexico could be organized to create two separate, but related, shipping systems on the two sides of the Isthmus. Such a system could be run by a single large operator of ships, or several companies could work on one side or the other as a consortium. This would also allow specialized carriers to serve remote or smaller ports.

The result should be a very competitive shipping service, making the Isthmus a cosmopolitan place where other activities can take place. These might include warehousing, assembly, consolidation of various products and many other kinds of economic activity. After all, once the container stops, anything can happen to it.

The argument for a southern Mexican container port is given additional impetus because of today's global security concerns. The possibility of further terrorist attacks on the US makes the idea of containers entering the North American system through southern Mexico even more appealing. Offloading goods at a relatively remote location not only offers less chance of a terrorist attack, but presents an opportunity to implement integral inspection regimens as containers move from ships to trains and trucks.

Today, rail access exists from the Isthmus to all parts of Mexico and the central US, permitting the equivalent of the current Los Angeles service. However, unlike the LA Port situation, the decision to switch from a sea route to rail or road could be made when the container arrives at the Isthmus, allowing much greater flexibility in scheduling.

From the Mexican perspective, this should generate very significant economic activity. Even more important, it would connect Mexico, and especially southern Mexico, to the world. Consider the opportunities. Many of the containers that transit the world would pass over land across the Isthmus. Southern Mexico and its immediate neighbors to the south represent more than fifty million people who today are essentially disconnected from the world. This would place them at the very center of economic possibilities. Since the region represents the lowest labor costs on the continent, the opportunities to participate in the global economy are almost limitless. And clearly these opportunities should raise the value of both their labor and their products.

In terms of climate, the Isthmus region is semi-tropical, allowing it to create superior year-round sea service to the coldest and most densely populated portions of the continent, and beyond. And this, in turn, permits interesting agricultural possibilities.

A new connection to the world at the south, the existing connection to the United States to the north and the strength of Mexico at the center would create a much more balanced national political and economic dynamic.

Creating and managing a container hub of this kind would require the kind of energy and imagination in evidence today among the Asian tigers. However, countries as varied as Estonia, Ireland and even India have suddenly emerged as examples of economic success by adjusting their policies and encouraging their people to meet the changing global environment. The opportunity for Mexico is more than economic; a combination of the change in world trade patterns, new transport technologies and the limitations of other trade routes have created a unique opportunity to transform the very nature of Mexico. The physical reality of Mexico will remain the same, but its geography will be completely different.

Bold ideas, such as this one, give rise to questions. What is the investment required? Does Mexico have the political will, or the ability, to create and maintain an environment that will be attractive to the world? These are all important, but like any journey, this one begins with imagination. Travel to Asia today and marvel at bridges and towers that did not exist on your previous visit. Then listen to the peoples' dreams of the future. One can only wonder at the region's audacity, yet today's transformation is convincing evidence that many of these plans will become a reality.

The world is changing and evolving in a revolutionary manner. Timid steps do not leave their mark. Mexico is a country in a location that offers possibilities beyond its current performance. Its people are as capable as any in the world. Imagination and political will are required to place Mexico at the center of the evolving global economy and give the nation's population a reason to see their personal futures within its borders.

Look up and see the stars.