

WELCOMING REMARKS BY ALBERTO BAILLERES ON THE OCASSION OF THE J.P. MORGAN INTERNATIONAL COUNCIL MEETING, HELD IN MEXICO CITY. OCTOBER 2014.

Ladies and gentlemen:

It is my pleasure to welcome you to Mexico and I am glad that the International Council of J.P. Morgan is hosting its annual meeting here.

Mexico is a fascinating country that has a millenary and rich culture. The cultural heritage of ours ancient civilizations is incommensurable: dozens of elaborated languages, citadels, temples, sculptures, crafts, hieroglyphs, paintings, foods, poetry, music and archaeological sites, as well as agricultural, herbal, astronomical and mathematical knowledge.

In the sixteen century, astonished, the world witnessed the meeting of two very distinct civilizations in Mexico: the Mesoamerican Indigenous and the European. It took three centuries for both cultures to merge and they did so with a remarkable mixing of ethnicities. This successful congregation and integration brought the rise of a new nation with a defined territory, an ethnic character, one predominant religion, one language, all nuanced and enriched by the Prehispanic heritage.

The colonial period also left a noteworthy legacy of magnificent architecture to be found in palaces, churches and buildings in cities; but also the adoption of advanced western legal institutions and

remarkably, the prohibition of slavery since the 16<sup>th</sup> century; as well as impressive art both in the religious and secular realm.

Mexico is a unique country that embraced the Western Civilization while accommodating the diverse indigenous cultures and traditions, allowing it to enjoy a social environment relatively free of a “clash of civilizations”.

The emergence of Mexico as a free nation in the early 19<sup>th</sup> century was certainly painful: the country lost half of its territory, suffered two foreign invasions, and a civil war. Fortunately, at the end of the 19<sup>th</sup> century, Mexico benefited from the triumph of the liberals and the adoption of a modern Constitution that gave rise to a secularized and civil society and its economic modernization.

However, during the second decade of the 20<sup>th</sup> century the country suffered a social revolution which was finally settled by a new Constitution that preserved the liberal spirit of the prior one while incorporating land tenure reform and labor rights.

Since 1917, Mexico has lived in peace and progressed significantly.

Mexico’s geopolitical location, between two oceans and a 2 000 miles border with the US, is a valuable asset for the preservation of peace and the expansion of trade. Geography has been benevolent with Mexico; indeed the beauty and diversity of the landscape and coastlines, enriched by our historical heritage, explain why 24 million foreign tourists visit us every year.

Today, Mexico is largely a well-functioning market economy, quite open to foreign trade, foreign investment and international capital markets. The Mexican currency is freely traded and we enjoy an

independent central bank that has been successful in controlling inflation.

Mexico is the 10<sup>th</sup> largest economy measured in terms of GDP adjusted by PPP, and the 15<sup>th</sup>, at market prices. Public finances are strong; public sector debt is below 40% of GDP. The banking sector is capitalized above Basel requirements and private sector indebtedness is below most international standards.

Today, Mexico is a middle income country at nearly \$16 000 of per capita income, if it is adjusted by purchasing power parity. A large and growing middle class has emerged in the last three decades. However, large income disparities are still present and poverty is still prevalent especially in the country side.

The median age of Mexican population is only 26; the dynamics of population growth places Mexico in a demographic transition (having the lowest ratio of dependent to total population) that will allow it to capture the so called “demographic bonus”.

Mexico is a very open economy to international trade, and has become the world’s 15th largest exporter. Mexico is not mainly a commodity exporter; in fact Mexican trade is quite diversified: net petroleum exports only represent 6% of total exports, most exports are manufactured goods: cars, auto parts, electronics, etc.

Infrastructure has improved significantly; there are four lanes highways all over the country, new ports are being built, railroads have improved rapidly and office, housing and factory construction is booming in most cities.

In the last three decades, several reforms have been transforming the economy; the old ghosts of state companies, overregulation, crippling protection and government mismanagement are mostly gone; so far so good.

The current government of President Peña Nieto with great vision and determination is doing a terrific political job by deregulating the energy sector and allowing for the private sector, both domestic and foreign, to invest in oil and gas exploration, extraction and transformation. He also proposed, and the congress passed, new regulations to increase competition in telecommunications, strengthen the antitrust law and financial regulation and is implementing a courageous educational reform. Improving education is a great challenge as well as a great opportunity to advance the social and economic welfare of the country.

In the political arena, Mexico has made significant improvements to consolidate democratic institutions; we have peacefully witnessed the alternation of parties in the presidency, and political competition and division of powers are becoming the norm.

Mexico is suffering the encroachment of organized crime in certain regions of the country as a consequence of drug trafficking to the US. Both, President Calderon and now President Peña Nieto, have made significant improvements in security, but there is still a long way to go.

Ladies and gentlemen:

I have tried to provide you with a very brief history and general overview of Mexico. You may think that I might have been

somewhat biased. You may be right indeed; because I love this country very much. However, I have always had the vision of Mexico as a country called to greatness. I am certain the 21<sup>st</sup> century shall be the Mexican Century. We have the most important ingredients: a young, hardworking, kind and cooperative population, that we have to enlighten through more and better education; we have a big territory, very well geopolitically and economically located, blessed with natural resources; and we have built better economic, political and legal institutions.

I pray for a flame of self-confidence, the will and vision to ignite for faster development in order to soon become a developed and prosperous country, in a just and free society.

Thank you for your attention