

A catalyst for business

By **MARTIN BROUGHTON**

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MARTIN BROUGHTON became Chairman of British Airways in July 2004, having joined the board of British Airways in 2000 as a non-executive director and been appointed deputy chairman in October 2003. He was also previously Chairman of the British Horseracing Board. Mr Broughton was elected as President of the Confederation of British Industry (CBI) on 1 January 2007. He was formerly Chairman of British American Tobacco plc, a role he took on in 1998, having previously been Group Chief Executive and Deputy Chairman since 1993.

I am delighted to welcome the President of Mexico, HE Felipe Calderón, to the UK, particularly on this prestigious occasion of his State Visit. It is also good to welcome his supporting Ministerial team and leading figures from the Mexican private sector.

Mexico's position of being in both North America and Latin America makes it a key regional player. But its deserved position on the global stage is not simply because of geography. Mexico's outward looking philosophy, its engagement in global institutions and its democratic credentials all demonstrate its important role.

The United Kingdom and Mexico have a significant trade and investment relationship. The UK's exports of goods and services were worth some £1.1 billion in 2007 and at the end of 2007 UK foreign direct investment in Mexico was over £3.7 billion. The UK's imports of goods and services from Mexico were worth £942 million. Obviously trade and investment flows are being affected by the current global economic downturn and Mexico will be particularly hit by slowing demand from the United States but this makes it even more important that Governments around the world resist protectionist siren voices and also strive to complete the World Trade Organisation Doha Development Agenda (WTO DDA).

The increased level of global trade that results from open markets has been a key driver of growth and development, from which both UK and Mexico have benefited. Since 1945, world exports have increased 27-fold as barriers have fallen and global income has risen by a factor of eight. Foreign direct investment flows have played an important part in fostering growth as well. Over the past 15 years, growth has accounted for 80 per cent of poverty reduction and it has lifted over 500 million people out of poverty around the world.

We need therefore to be vigilant as the looming spectre of protectionism – a knee jerk response that was a fundamental cause of the Great Depression of the 1930s – creeps back into policy-makers' consciousness. I am pleased therefore that in this time of global financial uncertainty the outward looking trading nation of Mexico will be playing a rightful role at the G20 talks in London.

Mexico is also an important member of the World Trade Organisation. At the Washington leaders' meeting, there was a commitment to "strive to reach agreement (in 2008) on modalities that lead to a successful conclusion to the WTO DDA with an ambitious and balanced outcome." This failed to be converted into enough progress by the year-end to allow for a Ministerial meeting to be convened. However, the DDA, which would deliver benefits of US\$150 billion annually to the global economy, must be completed rapidly. It can build on the basis of what has been achieved so far rather than starting again or changing the methodology for the negotiations. The deal is there to be had; the benefits for all World Trade Organisation members will be worth having. Indeed, there is an enhanced value of bringing greater certainty into international trade and reducing the risks of, for example, countries being able to raise tariffs from their applied rate to the maximum allowed or bound rate. I am pleased that the UK and Mexico can work together to seek to make the WTO DDA negotiations a reality, for the benefit of all.

The fundamentals are in place to strengthen the UK and Mexico's business relationship. The UK has a bilateral investment agreement – the UK-Mexico Investment Promotion and Protection Agreement (IPPA) and under the EU-Mexico Free Trade Agreement there is full tariff liberalisation for Mexican industrial goods entering the UK and for United Kingdom industrial goods entering Mexico. Mexico is also a member of NAFTA and has numerous other free trade agreements and, with a population of 105 million people, it is an important market in its own right with significant business opportunities.

I am pleased as President of the Confederation of British Industry and as Chairman of British Airways to be associated with this visit and that the CBI is playing its part in facilitating meetings with Chairmen and Chief Executive of leading companies. It is also co-hosting a business conference for the wider business audience. The President and his team's visit to the UK comes at important time. I hope that this visit will be a catalyst in helping UK and Mexico to work together in tackling global issues and also in energising the growing links between our two countries.