

The voice of business

INTERVIEW WITH ALEJANDRO RAMÍREZ MAGAÑA

CHAIR, B20 SUMMIT 2012 AND CEO, CINÉPOLIS



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holds a BA in Economics from Harvard University, an MSc in Development Economics from the University of Oxford and an MBA from Harvard Business School. In addition to chairing the B20 Summit 2012, he is the CEO of Cinépolis, the largest film exhibition company in Latin America, with a presence in Mexico, Brazil, Colombia, Peru, Central America, India and the United States. He has worked for the World Bank and UNDP as well as serving as Mexico's Deputy Permanent Representative to the OECD in Paris.

What unique perspectives does the Mexican business community bring to its Presidency of the B20?

There are a number of issues that the G20 is focusing on where the Mexican business community can make an important contribution. Take an issue like food security, for example, which is one of the priorities on Mexico's agenda: we have Bimbo, the world's largest bakery company, which is able to look at the issue of food security from both a developed country perspective and that of a developing country. Then there is the area of trade and investment: Mexico has the moral authority to make recommendations to the G20 leaders to reject protectionism because Mexico is one of the most open economies in the world. We currently have 44 Free Trade Agreements (FTAs); the next country in Latin America is Chile, which has only 23. The US has 16. And by comparison, Brazil only has three. We have created a diversified export economy: look at the composition of our exports: it used to be 60 per cent oil; today oil only accounts for 18 per cent of our foreign trade. We make up 60 per cent of all manufactured exports in Latin America. On a per capita basis, Mexico exports more than China. So, Mexico has the moral authority to say to the G20 leaders, "please lead by example and resist the temptations of protectionism at this difficult time." We are also asking the G20 leaders to press for more rapid approval of specific items in the trade agenda, such as the Doha Development Round. We know that red tape accounts for anywhere between 10-14 per cent of the cost of trade: with a multi-lateral facilitation trade agreement that figure can be reduced to close to zero. To conclude, in almost every one of the priorities on the G20 agenda, Mexico's business community has something to offer.

As a Mexican entrepreneur, you're somewhat unusual in that you have moved outside the traditional comfort zone of Latin America to take your company, Cinépolis, into India. How have your own experiences informed your chairmanship of the B20?

The experience of transforming Cinépolis from a Mexican company to a multinational has been hugely positive and beneficial. As you say, we have entered the Asian market, in India, and also the US. We've already opened multiplexes in Southern California and

Florida. That experience of expanding and having a presence in 11 territories informs the vision that I have of the international marketplace. I know what it takes to open a business in India and Brazil, and in Peru, and the US: I have experienced first hand the problems that multinational companies go through when they're investing in new markets. I know about protectionism, because it costs me twice as much to install a new cinema in Brazil as it does in Mexico. I have to pay almost 100 per cent duty on the cinema equipment I take there. I have to come to terms with paying those duties if I want to enter the Brazilian market, which is much more protected than Mexico's. The same applies to India as well. We have had to learn to do business in different environments and I think that has brought something extra to my chairmanship of the B20.

What made you decide to take the 'leap of faith' and enter those markets?

The reason we went into India was because we saw that there was great market potential in a country that has such a deeply-rooted movie culture. They love cinema; they produce more films than any other country in the world. And at the same time they did not have modern multiplexes or enough screens in their existing cinemas to satisfy the demand from the growing Indian middle classes. We thought it was the ideal environment to invest in, even with all the things that we envisioned we would have to overcome. And to be honest, it's taken much longer than we expected. You have to be patient and learn that things move at a different pace there. But they do move and eventually they become good businesses.

How would you characterise the relationship between the B20 and the Mexican government?

President Calderón is a very open person who has made it clear he wants to hear what the business community has to say. The space that he's opened in the G20 for the B20 is unprecedented: we've met with him already a number of times. We've also met with all the ministers – the President has created a space for the B20 to present its recommendations to the G20 via all the relevant ministerial meetings – Labour has listened to our employment recommendations; the Trade Ministry our proposals on tariff reduction and treaties; the high level group on anti-corruption

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represented the anti-corruption recommendations; the development working group represented food security and green growth, and so on. President Calderón understands what the business community contributes to the overall economic development of a nation. And he also realises that governments by themselves, even G20 governments, cannot solve the challenges that the global economy is facing at the moment unless business and government work together. The proximity between the B20 and the G20 during the Mexican Presidency has been a positive development.

How successful has the B20 been in shaping the overall G20 agenda?

We have mirrored some of the topics the G20 has. We decided to include food security and green growth because those were two items that Mexico was putting on the G20 agenda. But the main track of the G20 is a financial one, so within that we decided to focus on financial inclusion because that's one of the things that Mexico also put on the agenda. We also asked for financial inclusion, which is now on the agenda, and we put forward the question of facilitating trade finance. We think that trade finance is very important, because it is relatively low-risk lending, but it has been impacted by all the new regulations that have been put in place to avoid or reduce risks. Banks have new capital and liquidity requirements that are affecting their ability to lend for trade finance. The International Chamber of Commerce did a very in-depth study of over 11 million

trade credits and of those, only 3,000 were in default. So the default rate is miniscule compared to mortgages and other type of finance. It's probably the lowest-risk type of finance. We are afraid that trade finance will be suffocated. We also put employment on the agenda: it was not one of the main five topics that the G20 was going to be focusing on, but at the end of the day everything is to try to create more jobs. So we decided to have a specific task force on employment. We think it should be a permanent item on the G20 agenda.

What other mechanisms have you recommended to help boost employment?

We're talking about inclusion of SMEs and finding ways for SMEs to get more credit. One of the things that could help SMEs to get access to credit is to have more data on SMEs' credit guarantees, also by getting national agencies to focus specifically on the SME segment: SMEs create more jobs than any other sector in the economy. There's two other things regarding employment that are very important. One is to scale-up internships and apprenticeships to tackle youth unemployment, which is a huge problem in all economies. We need to start helping the young to be able to enter the labour market and internships and apprenticeships are one way to do that. Another thing that we think is very important is to remove rigidities from labour markets. This is something that applies to many European economies: if you look within the EU, the countries



Alejandro Ramírez presents the B20's recommendations to President Felipe Calderón

that have low unemployment tend to have less rigid labour regulations. Of course there is always tension between guaranteeing social protection and creating new jobs. When companies see uncertainty on the horizon and they don't know whether they're going to be in business in 12 months 'time, of course they're not going to hire new people, especially when labour laws make it hard to fire people.

One of the criticisms of the G20 has been that it is too big and unwieldy to enable meaningful interaction between members over a 48 hour period. How has the B20 sought to address this issue?

Our meetings have been very efficient. We only formed the different task forces in December. We convened for the first time on January 27th at the Annual Meeting of the World Economic Forum in Davos. We worked very hard in order to produce recommendations by mid-April, because one of our main goals this year was to issue recommendations at least two months prior to the G20. So, we managed to issue recommendations by April, and after that we focused on getting those recommendations over to the relevant ministers in the different G20 tracks. In addition, we have streamlined the working groups. Instead of having 12 like last year we only had seven. We have also set up a task force on advocacy and impact. It's an innovation of the Mexican B20 and its purpose is to make a rigorous assessment of past B20 recommendations and the ones we're issuing this year. We want to see follow-up mechanisms to assess whether the B20 is actually having an impact on G20 policies.

One of the other perceived problems of the G20 is its lack of a centre, or a secretariat, so every host country reinvents the wheel and there's a lack of continuity. Have you come up with a means of circumventing this problem in time for the next Leaders' Summit?

That is precisely why we created this new task force. And in that task force we have the troika countries: Korea, the last-but one host, France, last year's, and Mexico, and we're adding Russia – the next host – as soon as we find out who will chair next year's B20. We also have some business chambers already involved: the US Chamber of Commerce, BDI from Germany, Medev from France. We have some multi-lateral organisations like the OECD, which is a permanent member of that task force. We have the World Economic Forum and the International Chamber of Commerce as well. And we also have McKinsey as knowledge partner and they're co-chairing this task force. So, all of that makes it easier for the transition to next year's B20 because the Russians will not have to worry about reinventing the wheel.

They will want to leave their stamp on the Presidency though.

They probably will with the G20, but not with the B20 so much. I think businessmen are very pragmatic and they will try to build upon the previous year. Of course if the Russian B20 presidency does not think that we did a good job maybe they'll start from scratch. But I hope that we will have left them something that they can utilise to get working quickly and can follow-up on what we're doing. Also don't forget, our work doesn't finish after the summit itself. We're going to continue to work until December. We have a number of meetings after Los Cabos with the different task forces and with the advocacy task force to make sure that whatever comes out of Los Cabos can continue to be carried forward to the Russian Presidency. So, I think in the B20 we're starting to have very good follow-up mechanisms.


It sounds like you almost have an embryonic secretariat in the making.

Exactly. The advocacy and impact task force could eventually become a secretariat. But that really is up to the future chairs, whether they want to keep it, because right now the B20 is an ad hoc group of the G20. And it depends on the will of the chair of that particular year.

The problem with the troika system is that it's only as effective as the cooperation with the next host. Presumably you've started already putting out feelers for the Russian Presidency, how is that process progressing?

We have established very good relationships so far with the Russian government, with the Russian Sherpa of the G20, and the Russian Embassy here. But the Russian government has not yet decided who is going to chair the B20. So we have a number of Russian businessmen in the different task forces and a Russian Business Chamber.

How will you judge the success and effectiveness of your efforts, both in terms of your achievements within the B20 group and its impact on the Leaders' Summit?

For me, success will mean the implementation of any of the priority recommendations we have put forward: if some make it to either the G20 final declaration or some of their agreements, if there's actually follow-up to those agreements and if there is compliance with the commitments of the G20. For me it is important to have a productive dialogue between the B20 and the G20 leaders in Los Cabos. And finally, whether the B20 recommendations actually help to push the growth agenda worldwide and if we, the private sector, can help to find a way out of this period of uncertainty, so that we can renew growth faster and start creating jobs and expanding trade. That is the ultimate goal. 

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