



Transforming Mexico

INTERVIEW WITH H.E. ENRIQUE PEÑA NIETO

PRESIDENT OF THE UNITED MEXICAN STATES

Her Majesty the Queen extends only two invitations per year to the most highly-regarded foreign leaders to make State Visits to the United Kingdom, yet yours will be the second by a Mexican President in just six years. To what do you attribute the evidently high priority which Britain places on its relations with Mexico, and to what extent is this reciprocated?

It is indeed an honour to accept this invitation from Her Majesty The Queen.

This State Visit aims to achieve two specific objectives: First, to commemorate the UK-Mexico 'Dual Year' – which I will come back to in a moment – and second, to explore new areas for cooperation arising from the implementation of Mexico's structural reform programme.

Mexico is undergoing a period of great transformation; in the coming months we will implement 11 crucial structural reforms. Six of these have an economic purpose, namely: to increase Mexico's productivity and competitiveness.

Of these, the Energy Reform will enable the energy sector to reclaim its position as an engine of economic growth. The Economic Competition Reform, together with the Telecom Reform, will encourage competition. With the implementation of the Financial Reform, banks are now starting to give more credit at lower interest rates. The Fiscal Reform aims to increase tax revenue by an additional 2.5 per cent of GDP by the end of my administration; while we are shifting from a regressive to a more progressive tax system. And the Labour Reform, which has added flexibility to the job market, is stimulating the formal economy and improving job conditions for women and young people.

Another five reforms aim to strengthen social and political rights in Mexico: The Education Reform updates the curricula and modernises school infrastructure, while also establishing a new professional teaching service. The new criminal procedures and legal protection laws will also improve our justice system. The Transparency Reform will allow us to set standards for open government. And finally, a Political and Electoral Reform will help us to further consolidate our democratic regime.

All these reforms are generating increased confidence in our country's stability and consolidating its position among the world's most attractive markets for foreign direct investment.

These transformations explain the increasing

relevance that Mexico is acquiring in the world, including countries with strong economies such as the United Kingdom. Mexico is prepared to correspond in good will, in order to usher in a new era in our already extensive cooperation with the UK, as part of our long-standing bilateral relationship.

How did the 'Dual Year' of Mexico in the UK and the UK in Mexico come about? What do you regard as the most important elements of the programme, and by what benchmarks will you judge its success?

At the outset, the Dual Year was conceived purely as a cultural initiative. But fortunately, its scope has been expanded to include other areas of exchange, including trade, investment, tourism, education, science and innovation.

The Year of Mexico in the United Kingdom and the Year of the United Kingdom in Mexico will strengthen the level of cooperation between both governments and our countries' private sectors, as well as in the academic, scientific and artistic fields, which will support innovative projects and initiatives.

The Dual Year 2015 programme spans more than 100 separate exhibitions, concerts, festivals, academic workshops and artistic residencies.

These include: The Mayas: Revelation of an Endless Time; a Mexican Día de los Muertos (Day of the Dead) Festival at the South Bank Centre in November; and exhibitions at the Tate Liverpool, Turner Contemporary in Margate and Modern Art museum in Oxford. The celebrated Mexican conductor Alondra de la Parra will also conduct the London Philharmonic Orchestra at the Royal Festival Hall, and Mexico will feature as a guest country at the London Book Fair, together with an 18-month literary programme and a strong creative presence in leading British film schools and film festivals, among others.

Regarding tourism, 2015 will feature Mexico as a partner country at the World Travel Market (WTM) in November. A spectacular traveling exhibition Encuéstrate con México (Meet Mexico) will be installed in London and other major cities.

Now one of the UK's most conspicuous food trends, modern Mexican cuisine will be on the menu of pop-up restaurants featuring top Mexican chefs, who will partner with fifty of the UK's best restaurants throughout the year.

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Trade and investment activities will include business seminars and trade missions from both countries, including the inaugural Mexico Day event at Mansion House. Business relationships will be further strengthened by the formation of a high-level economic group comprising top CEOs from Mexican and UK businesses and industries.

The benchmarks by which the success of the Dual Year may be judged will be the attendance of the general public at all of these events, the numbers of British visitors to Mexico and Mexicans to the UK and, most importantly, the extent to which Mexico is better understood in the UK and the UK is better understood in Mexico.

What are the primary objectives of your visit to the UK in March, and where do you see the greatest opportunities for advancing bilateral ties and cooperation in international fora?

The main objective is to promote new cooperation opportunities that will emerge with the implementation of structural reforms in my country, particularly in the energy, telecommunications and infrastructure sectors. We want also to reinforce the image of Mexico as a nation with increasing global responsibility and an attractive destination for trade, investment, tourism and academic exchange.

This visit affords us the perfect opportunity to strengthen the strategic association that Mexico maintains with the United Kingdom. New bilateral instruments will be instituted in order to strengthen our cooperation in the education, energy, tourism, health and security fields.

During the visit we will also establish the Mexico-UK High Level Economic Group. This will be an ideal platform through which to identify new opportunities to increase the volume of our trade and to encourage investments in both directions.

We are also prepared to deepen our interaction and cooperation in international fora, such as the G8+5, the OECD and the G20. I foresee new opportunities for fruitful cooperation in new frameworks, such as the European Union-CELAC Dialogue and through the participation of the UK as observer of the Pacific Alliance, of which Mexico is a member State. And, of course, there is great potential for cooperation regarding the negotiation process of an updated Free Trade Agreement with the European Union.

You and David Cameron are the youngest leaders of your respective countries in decades – over a century in the Prime Minister’s case. How would you describe your relationship, and what common goals and approaches do you share?

Prime Minister David Cameron is a young, experienced and skilled politician, highly respected

and admired worldwide. I was honoured to be invited by him to attend the G8 Summit in Lough Erne, on 17 June 2013, just 7 months after assuming my position as Mexico’s President. As part of these discussions we agreed on the importance of supporting their ‘3Ts’ agenda regarding tax, trade and transparency.

Advancing trade, ensuring tax compliance and promoting greater transparency are necessary and critical conditions for promoting growth, prosperity and global economic development.

Fiscal discipline is another important area in which we share points of view. Prime Minister Cameron and the Chancellor of the Exchequer, George Osborne, have undertaken responsible measures to control public debt, which are essential to maintain macroeconomic stability.

We both believe in free trade as a tool of growth, as well as transparency, accountability and open government.

Our last meeting took place in New York on September 2014, as a part of the 69th Session of the United Nations General Assembly, where we both highlighted the importance of the dual celebration, in 2015, of the Year of Mexico in the United Kingdom, and the Year of the United Kingdom in Mexico, and emphasised our commitment to carry out a programme of activities that will help strengthen political dialogue and identify new opportunities for collaboration in areas of mutual interest.

We believe in the importance of taking joint measures to fight corruption and promoting measures to ensure transparency, and have also held discussions on shaping the United Nations’ post-2015 Development Agenda and the importance of fighting poverty.

Last but not least, we talked about Mexico’s structural reform programme and exchanged points of view, in particular, on the Energy Reform and its positive impact on climate change. In short, our relationship is frank, open and respectful.

You have come to be seen as the new face of Mexico: a country that has enjoyed sustained growth, a rapidly-growing middle class and strong macro-economic fundamentals – due, in large part, to the stability created by NAFTA, now in its third decade. Where do you feel that Mexico is now headed, and how do you see the country’s place and role in the world changing over the next 10-20 years?

I see a Mexico with great potential, as a country that is transforming itself to provide growth, opportunities and welfare to its entire population.

The potential of our country’s economy will be bolstered through the reform programme’s effect on productivity and investment. We believe the set of structural reforms implemented by my administration can increase economic growth from around 3 per

cent to 5 per cent in the medium term. It is estimated that this growth could translate into the creation of an additional 300 thousand-plus formal jobs per year, reaching over one million new jobs on an annual basis.

Furthermore, the reforms will improve the investment climate, with better regulation that provides legal certainty to private investment in the energy and telecommunications fields, in particular.

The 'Holy Grail' of energy reform is one that has eluded successive governments over the last 20 years, yet it took the return to power of the PRI – which originally nationalised the industry in 1938 – to achieve what the Fox and Calderón administrations could not. It must be frustrating, to say the least, that this huge achievement has coincided with a collapse in oil prices that threatens to reshape large parts of the petroleum industry worldwide. Are you confident that Mexico will still be able to attract the necessary technical know-how and capital to develop its vast potential at a time when many companies are retrenching and scaling back investment?

Undoubtedly, the present conditions of the oil industry should be taken into account. However, this reform is far-reaching; its benefits and results are planned to be achieved in the long run.

In fact, when you think about it, we were very fortunate to have been able to complete the Energy Reform before the fall in oil prices, because as a result Mexico will have increased flexibility to face any challenges that may arise in the coming years.

The risks posed for the implementation of this reform will also be moderate. A significant part of the areas included in the first bidding round will involve shallow-water and onshore fields. These are characterised by extraction costs significantly below current and projected international oil prices. Accordingly, these areas will continue to attract investors.

The second tranche of blocks consists of deep-water fields. While extraction costs in these are higher than in shallow-water and onshore fields, the planning horizons for these fields are considerably longer, typically involving several years. As a consequence, their attractiveness is not as sensitive to what may be perceived as transitory fluctuations in oil prices.

The final group is

made up of shale gas and oil fields. In this case planning horizons are shorter, and extraction costs are higher than in the two previous groups. Hence, this is the only group where an effect could be expected. However, oil prices may be very different by then. Let us not forget that these prices started falling less than six months ago.

The scale and ambition of the government's reform programme is such that even your most loyal supporters admit privately that it may not be possible to complete in a single 'sexenio' (six-year presidential term). What are your key priorities for the remainder of your tenure, and what more can you do to lay the necessary foundations for your successor?

What follows is to implement the reforms. The priority is to translate the amendments to our Constitution and Laws into concrete benefits for all Mexicans: at the school level, at the level of small and medium-sized enterprises, at the household level and in the pockets of Mexican families. My priority is then to consolidate the reforms and complete the infrastructure projects in the established deadline for the benefit of my country.

If Mexico wants to have different and better results, it also has to do things differently



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It's a truism that one can't make an omelette without breaking a few eggs, but even the boldest leader needs to carry the people with him (or her). To what extent do day-to-day opinion polls impact on your determination to 'do the right thing', as you see it?

Obviously, every leader would like to have the highest possible approval ratings. Nevertheless, in government doing the right thing usually brings with it a certain degree of unpopularity in the short term. Change is not easy, or even comfortable. However, if Mexico wants to have different and better results, it also has to do things differently. That is why I am committed to pushing ahead with the transformation process, to make sure that the reforms will be implemented with the required effectiveness, and that this will raise living standards for all Mexicans.

When you assumed office you made a point of reorienting the government's approach to tackling organised crime away from targeting the heads of criminal organisations in favour of improving security for the population, yet the murder of 43 students in Iguala, in Guerrero State, by the criminal gang Guerreros Unidos, with the apparent collusion of the police, has shocked Mexicans and people around the world perhaps more than any other. What is the government doing to reassure the population, as well as tourists and investors that it is getting to grips with this issue?

The duty of my government is to ensure that justice is done, and to prosecute those responsible for these terrible crimes, and that is precisely the course of action that we are following.

We already have enough evidence to convict more than 100 detained persons that have either direct responsibility or acted as accomplices to this horrifying crime. This includes the leader of the criminal gang, the Municipal President of Iguala, his wife, the local policemen who handed over the students to the criminals, and also the material murderers, who have confessed key details.

Now, the duty of the Mexican justice is to make sure that all these alleged criminals are punished according to our laws.

In addition, three months ago, I proposed a set of ten measures to improve Security, Justice and the Rule of Law in Mexico. These measures include a reform to prevent the infiltration of municipal authorities by organised crime groups, a bill that will redefine the jurisdictional system in criminal law, and the creation of state police corps instead of thousands of poorly-equipped municipal police.

Moreover, I have proposed a unique emergency response telephone number, actions to enhance the protection of human rights, governmental support to the creation of a National System against Corruption,

the adoption of Open Government standards in the Federal Public Administration, and a continued effort in the process towards the creation of a Unique Identity Code for every citizen. Lastly, a special police operation in the region known as "Tierra Caliente", which includes the municipality where these crimes were committed, has been set in motion.

You have described your mission as "transforming" Mexico, rather than simply "managing" it. You made spectacular legislative progress in your first 12 months in office, but as we enter the year that will mark the half-way point of your Administration, what do you say to Mexicans who feel that they have yet to see the benefits of these changes in their daily lives?

Since last year, we have already achieved some important results. Today, the country is known for its low inflation rate, well-controlled levels of public debt, low interest rates, a highly capitalised banking system and one of the OECD's lowest unemployment rates – less than 4.5 per cent.

Along with that, this year we are witnessing the first positive effects of our transformative reform programme. For example, at the beginning of this year, the electric power tariffs decreased across the entire country, both for households and industrial consumers. This is possible, for the first time, thanks to the Energy Reform.

Also, due to the Fiscal Reform, for the first time in five years, in 2015 there will be no more monthly increases to petrol, diesel and LPG prices.

As a result of the Telecommunications Reform, for the first time, all long-distance national calls are now charged as local calls. With this measure, telephone companies will stop charging Mexicans more than 20 billion pesos (around £870 million) per year.

Another benefit of the Telecommunications Reform is that there will be a smooth and fast transition to digital television. To achieve this, more than 10 million low-income families will receive a free digital TV set in the upcoming months.

Furthermore, we have implemented a special programme aimed at supporting young Mexican entrepreneurs: "Mi primer crédito" (My first credit). Thanks to the Financial Reform, we can now give a first push to people aged between 18 and 30 to start their own business.

Lastly, I recently presented measures aimed at accelerating the building of affordable housing, so more families will be able to have a home of their own. This includes a package of fiscal and financial measures to foster the development of the country's housing stock, which will also give a boost to economic growth.