



# JUAN GALLARDO

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## Jim HOAGLAND

One of Mexico's most prominent businessmen, Juan Gallardo will now take the floor *in absentia*.

## Juan GALLARDO

Thank you very much. It is indeed a great privilege to share the floor with such a distinguished panel. As it has already been mentioned, the timing is impeccable though the transition is still in process. Many of the things that we can comment about at this point have already been said. These might be called educated conjecture. Over the next 60 days, we will gain much more clarity. To understand North America, I would like to make three comments.

1. The state of Mexico.
2. The border and how it is operational – walls or fence?
3. Finally, more importantly, the very significant element of the North American Free Trade Association (NAFTA) and its future.

In the case of the Mexico update, very briefly, Mexico has undergone massive transformation in the last few years. Reforms that we have been searching for and fighting for over the last 25 years have all now been put in place. Opening up of energy, change in labour law, a new education bill, telecommunications and so on. There has been a massive legal and structural change within the country. It will of course take time for things to work themselves through the system, to transform. However, they are already setting the stage for the future, aligned with what all of us are interested in.

A very interesting part of this system is in the next couple of weeks when the final bids on deep sea drilling will be opened. We will have a sense of just how much interest we are able to attract, and growth in a reasonable balanced budget despite significant obstacles. Mexico has gone from being an economy with 50% debt down to 14% and that was achieved in terms of balance by a new reform which included a lot of cost saving. Basically, it is good news on the financial side, good solid news.

What are the challenges? We have a great battle undergoing right now with major legal challenges in terms of corruption. We continue to have cartel battles, in terms of the drug wars. There is political positioning over to 2018 elections and of course the big challenge: the transition in the US.

In terms of the border situation, I am sure many of you logistically have a sense of its size. One million people cross that border every day and more than 300,000 vehicles. There are also more Mexicans coming back to Mexico than going to the US now for at least two to three years running. The idea of having a well-controlled and properly monitored border has been alive and working strongly. I have a list of 15 very specific initiatives that are already occurring with the agreement of Homeland Security and that have been underway for a couple of years. We are heading in the same direction; we all want an efficient border. We are thinking about what we call strategic alliances



and obviously a lot to do with custom harmonisation. There are solutions beyond the wall or fence. There is a clear understanding that we will be sure that we have an original, efficient border.

Now, in terms of immigration, we will have a very strong brand in terms of things being done in a humane way. The figures have been dropping in terms of how many may/may not be deported. The focus seems to be on individuals who have a criminal record, which sounds perfectly justifiable. As long as things are done in a very humane way, I think we will be able to work our way through the famous wall.

We are very much aligned in the interests that we share. Both sides are comfortable with what needs to be done. We will see this as the different appointments occur in the next few weeks. We will see how much needs to be done, beyond what is already underway.

Now, the NAFTA question, I think it is important just to mention the fact that three-way trade between Canada, the US and Mexico is more than USD 1 trillion a year. USD 1 trillion dollars a year. 30 of the 53 states of the United States have Mexico as their number one or two trading partner. More than six million jobs in the US are directly attributed to trade with Mexico. There is USD 250 billion dollars of US investment in Mexico. Mexico buys more than USD 250 billion dollars of US products every year and more than 40% value assets of products leaving Mexico for the markets incorporate 40% of US value.

When we first discussed NAFTA, 20 plus years ago, we were dealing with promises and today we are dealing with reality. I think that it is extremely important not to ignore the level of integration between the three countries.

As you know, there is a clause. When the clause was discussed years ago that there is a clause for exit. That clause was called at the time the 'nuclear solution', the reason being you could give six months' notice and step out of NAFTA. It is all or nothing. The reason for the all or nothing was that you should not want to generate a sort of trickle-down affect, little by little of undoing but rather make sure that all of those who have invested, integrated and benefitted were on the same line. That is where we stand right now.

I think that as we look at NAFTA, as you look at any document you re-read after 25 years, there are many clear efforts that we can do to improve, modernise, deepen, expand, and so on what was in the original agreement. Related things such as the dispute settlement system can be clearly strengthened, environment and worker rights clearly strengthened, in fact already contemplated in the Trans-Pacific Partnership (TPP).

Everything that has to do with simplification, such as the kind of paperwork that is required to establish the rules of origin is outrageously slow. It can be clearly simplified. E-commerce was not in the original NAFTA as e-commerce did not even exist. This is obviously an enhancement. There is plenty of room to discuss constructively a more efficient NAFTA. We certainly look forward to doing that with the new administration.

I think that what would be very sad is if the TPP were to be lost on the highway. Particularly over the last two or three years, there has been an enormous community effort from the countries involved in TPP. I think that momentum as I understood at the APEC meeting in Lima, three or four days ago clearly everyone would like to see that can be maintained with or without the participation of the United State at this point. We will see what happens there.

However, I think in the case of North America it is all about North American competitiveness. Although we have been able to integrate to such a degree precisely because of that, we certainly feel there is room for constructive discussion with whoever comes into those positions in the next transition.

I share the concerns that have been voiced before. Hopefully, the rhetoric that occurred during the electoral process changes to a more pragmatic and constructive discussions. Time will tell. We are ready. Thank you very much.



**Jim HOAGLAND**

Mr Gallardo thank you. I am struck again by the very pragmatic tone of your remarks and willingness to find a way through problems that have been raised mostly on this side of the border.