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It is an honor and a privilege for Mexico to be chairing the 2004 OECD Ministerial Council Meeting (MCM) as well as to have the opportunity to address this Global Forum.

In a few days time, Mexico will be celebrating the 10th anniversary of its OECD membership. Only ten years have passed and the world has changed dramatically since that year. So has Mexico. In fact, 1994 was a landmark year for Mexico.

1994 was the year in which Mexico experienced some political turmoil caused by a regional uprising in Chiapas, which was in the headlines of every major newspaper in the world. Again, at the end of that year, Mexico was in the frontline on the verge of a financial collapse.

In hindsight, in this ten-year-period, Mexico not only succeeded but reached a higher degree of economic and political maturity. Due to the resilience of the economy, and the effects of the process of structural reform, Mexico returned quite rapidly to the international capital markets in mid-1995 and economic growth resumed at the end of that year, after the worst financial crisis ever. From then on, Mexico's economy enjoyed a steady growth rate until 2000, when the conditions in the international economy began to subside. The year 2000 was also a landmark year, since Mexico elected for the very first time ever a candidate from a political party different to the PRI, which had been in control of government for 70 years. Thus, Mexico entered the new century with a strong and sound economic and political footing.

Mexico currently has a broad and a dynamic international presence. The process of change experienced by the international system has increased financial and commercial ties between countries creating a growing interdependence. As a consequence, Mexico's economic development nowadays depends largely on the income generated by international trade, foreign investment and tourism which in turn depend upon the state of the world economy.

International trade is one of the main engines of Mexico's economic growth. One third of our national product is made up of exports, and a significant proportion of highly paid, high productivity jobs with good working conditions in Mexico are directly and indirectly linked to sales abroad. 1.5 million Mexicans are employed in export related activities.

In the past three years, Mexico's economic growth has receded mostly as a result of a slower world economic activity which in turn, reduced the demand for Mexican exports as well as the pace of foreign direct investment inflows. Fortunately for all of us, the state of the world economy has improved recently as well as expectations on future economic growth.

The world economy is under renewed vigor and in the poise of recovery. What the world economy gained in the second half of last year is being reinforced further this year. As recognized by many international institutions, such as the OECD, there is a strengthening of the global economic recovery, since industrial production and global trade have picked up significantly, and the improved prospects in most regions point to a stronger global growth.

There is solid evidence of a sustained expansion of the US economy supported by strong productivity and high potential growth; Japan is in the path of recovery led by investment in the manufacturing sector, combined with growing Asian markets. The economy of the euro area is

performing moderately. In many emerging markets and developing countries there is a strong performance and the economy in many low-income countries is improving as well.

There is a wide consensus on the positive performance of the world economy in 2004. Nonetheless, perspectives differ as to what to expect in 2005 and onwards. The expected 2004 growth in the US economy and the continuous recovery in Europe and Japan within a context of low inflation and a gradual reduction of unemployment are based upon a scenario of low interest rates, monetary ease and expansionary fiscal measures.

As recently as last week, the Federal Open Market Committee of the US voted to leave its short-term interest-rate target at a 46-year low of 1%, but suggested that interest rates could be raised in the near future "at a pace that is likely to be measured." In other terms, a back up in interest rates can't be ruled out.

Besides affecting highly indebted households all over the world, countries with ample public deficits can also be largely affected by this turning point in the evolution of interest rates.

The persistence of large public deficits and its combination with external imbalances, the so called twin deficits, constitute a potential source of future instability in financial markets. This situation is nowadays present in the US economy and, thus, represents a risk factor for the global economy.

Besides the transition to a higher interest rate environment, with all its consequences, there are some geopolitical uncertainties which deserve special attention. Regional conflicts, international terrorism, and the outbreak of world diseases are indeed potential risks to the health of the world economy.

According to the WTO, a 2.5 per cent increase in global output in 2003 spurred world trade to recover by 4.5 per cent. This year, using the same source, if global GDP growth reaches a rate of 3.7 per cent, world trade could expand to 7.5 per cent, though there are a number of risks, namely the possibility of a slower import growth in the US and a faltering demand in Western Europe.

Trade can provide a strong backbone for sustained world economic growth. Nevertheless, for world trade potential to be fully realized, trade distortions and disguised protectionism should be taken away. At the present time, there is no other alternative than to accomplish a successful Doha Round.

Besides strengthening and deepening macroeconomic and structural policies in both developed and developing countries, open markets are critical for supporting a broad and sustained global economic growth in the years to come.

In this regard, countries should continue their efforts towards a successful Doha Round. A successful completion of the Round is a shared responsibility, important for all countries, particularly for developing countries.

At Cancun, the lack of a general agreement on critical issues such as agriculture, the Singapore issues and cotton subsidies represented an impasse for the Doha Round. This result was unfortunate for developed countries, but even more so for developing countries as one of the most important sources for financing development is the liberalization of trade and the investment flows that follow. Paradoxically some developing countries left Cancun with a sense of triumph, without realizing that the lack of progress in the negotiations would not be beneficial for them.

The advancement of the Doha Round is in every country's interest. Mexico, being an OECD and a developing country, would like to help bridge the differences between developed and

developing countries to further advance the Doha Development Agenda (DDA). Ultimately, countries like Mexico that have undergone significant changes to adapt and face increased competition are reaching the benefits of trade liberalization.

The DDA is the most ambitious and wide-ranging agenda ever carried out in the history of negotiations within the WTO. It incorporates the commitment to address the needs of developing countries throughout the work program. The Special and Differential Treatment mandate is a key element in the agenda.

In this sense, many developing countries are participating in the Doha Round under the understanding that we will achieve a fairer multilateral trading system that would be equitable and favourable to all. This system would increase market access which, in turn, would deliver improved economic and social conditions for poorer countries.

Agriculture, undoubtedly, is the most important issue in the DDA, particularly for developing countries, where negotiations seek to substantially improve market access, and where developing countries seek to eliminate developed countries export subsidies and substantially reduce domestic support that distorts trade.

We must acknowledge the current situation and move forward by accomplishing the following objectives:

- ✓ Finish what was impossible at Cancun.
- ✓ Arrive at political decisions from all members:
- ✓ Exercise leadership from major traders.
- ✓ Balance the influence among different stakeholders in order to offset protectionist lobbyists.

The success of the DDA depends upon the compromise and commitment of all WTO members. There will not be a long lasting and real solution to international trade practices outside the boundaries of the WTO. Mexico is fully committed to multilateralism in international trade negotiations and expects a similar commitment from all WTO members. This is at the core of the health of multilateral cooperation.

The OECD Ministerial Council Meeting is a window of opportunity for our countries to show the world that we can help reach agreements and that we are capable of finding solutions to global problems. Mexico, as chair of the OECD Ministerial Council Meeting will call on all members to bring together the set of specific actions that the OECD can undertake to contribute to these objectives.

Greater trade opportunities, expansion of market access, fairer international trade conditions, all of which we may obtain by advancing the Doha Round, are not going to bring the ultimate results we expect for our nations unless we aggressively pursue our own domestic agendas through good governance.

Good governance includes the creation, protection, and enforcement of property rights, without which the scope for market transactions is limited. It includes the provision of a regulatory regime that works with the market to promote competition. And it also includes the provision of sound macroeconomic policies that create a stable environment for market activity.

Good governance also means the absence of corruption, which can undermine the goals of policy and the legitimacy of public institutions that support markets.

An agenda for reform is also a key element of good governance. We should seriously commit our effort to the appropriate reform agendas, as well as to build consensus within our constituencies. We must make every effort available to us to convince our citizens of the long term benefits of structural and regulatory reforms.

Besides good governance in public institutions, countries also need good corporate governance. As the pioneering work of the OECD has shown, good corporate governance underpins long term growth by maintaining public confidence and financial stability. Good corporate governance requires transparent and reliable disclosure mechanisms about corporate performance. Precisely the MCM will be presented an assessment and review of the Principles of Corporate Governance issued previously in 1999, which are now considered essential for ensuring financial stability.

The last topic I would like to raise is also related to a radical transformation that occurred in Mexico during our ten year period of OECD membership, a challenge also shared by other OECD member countries: changing demographics.

Ten years ago, half of our population was under 18 years of age. Nowadays, that half is under 24 years of age and it is projected to grow older in the years to come. This means that our active labour force will increase less rapidly than in the past but at the same time retirements will continue in the rise. Additional resources will be needed to finance increased pension expenditure, creating a strong pressure on public resources.

Pensions and health financing go hand in hand. The health of our citizens is not only an ethical responsibility but also a central component for the development of human capital to increase productivity and hence economic growth. It has a strategic dimension in terms of social equality, as well.

As long as citizens are healthy so are nations. Governments should make every effort available to them to ensure the attainment of this goal. The 2004 OECD Global Forum is an invaluable occasion to discuss some of the topics associated to the health of our nations, to the health of the world.

In this same sense a full consideration to what is needed to improve economic growth, to make progress in the multilateral trade negotiations, to implement the principles of corporate governance and to advance with pension and health reforms are tasks that the government can only accomplish with the active participation of public opinion, civil society and the private sector.

Public opinion, civil society and private sector are key segments of society to which we shall appeal. Our societies must recognize the window of opportunity that we face; we must attain our reform goals through a clustered ideal: the full development of our peoples, for the health of our citizens.