

## **OECD FORUM 2005**

### ***FUELLING THE FUTURE: Security, Stability, Development***

#### **Sharing the Benefits of Globalisation**

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Dear Mr. Philippe Maniere,  
Dear Colleagues,  
Ladies and Gentlemen,

I thank the OECD Forum for inviting me to participate in this prestigious event that has become a fundamental part of every year's Ministerial Council Meeting of the Organization.

Our panel addresses a fundamental topic for the whole international community, whose importance can not be underestimated.

Globalization, the ongoing process of greater economic interdependence among countries, has been largely discussed and is one of the most important concerns in multilateral forums. In Mexico, we hold the view that if the right actions are taken, globalization can benefit national populations in every country.

Globalization is a complex process which brings opportunities and challenges. Precisely because of this complexity, we believe that the OECD can be very helpful in identifying actions and mechanisms to ensure that the benefits of globalization are evenly and broadly distributed among developed and developing economies. Therefore, we are convinced that the topics to be dealt with in this meeting are of great relevance.

Mexico still has a long way to go in the process of development, but we believe that we are in the right track and that our experience could be useful to others.

First, I will make reference to the Mexican economic opening strategy, which has brought positive economic growth. Yet, recognizing that growth does not automatically become development, I will briefly describe some of my country's main strategies to "spread" the benefits of globalization at the domestic level, and then, externally, through international cooperation and strong leadership in trade negotiations.

#### **Trade Strategy**

The strategy of trade liberalization that Mexico initiated in the late 1980's allowed us to increase our exports by more than 400% since 1993. The composition of our exports also

changed. Today, oil represents 12.8% of our total exports, compared to 35% in 1990; while our exports from manufactures represent up to 82.4%, from 68.3% in 1990. Total foreign trade accounts for around 60% of GDP. Mexico's share of the world market has grown from 1.4% in the early 90's to 2.6% in 2004.

Mexico strongly believes in the potential benefits of trade for national development. Based upon this conviction, which has proven its benefits in our country, we have built partnerships with 43 countries through Free Trade Agreements, and we keep deepening these links.

In this regard, we consider that a universal, rule-based, open, non-discriminatory and equitable multilateral trading system, as well as meaningful trade liberalization, is a substantial stimulus for development worldwide.

In terms of Foreign Direct Investment (FDI) Mexico has open new opportunities, increasing certainty and legal protection for domestic and foreign investors. Thanks to this approach, in 2003 Mexico was the third recipient of FDI among developing countries, and the first in Latin America.

The contribution of exports and FDI to employment, as a measure of development, has been noteworthy: Exporting firms generate nearly 1.8 million jobs, and firms with FDI have created 2.1 million. Even more, wages in the exporting firms are on average 37% higher than those in non-exporting firms.

#### Hong Kong and the conclusion of the Doha Round

The best way for trade to serve development and enhancing developing countries' potentials, is through an open, fair and non distorted international market. The Doha Development Agenda (DDA) of the WTO incorporates the commitment to address the needs of developing countries throughout its work program. Therefore it is essential that substantial advances be reached in the next WTO Ministerial Meeting, which will take place in Hong Kong next December.

Mexico shares the general opinion that the Doha Round negotiations should conclude in 2006.

Undoubtedly, agriculture is the most important issue in the DDA for developing countries. Negotiations seek to substantially improve market access, to eliminate export subsidies and to reduce domestic support that distorts trade. We have to achieve more at a faster pace, in order to obtain as much progress in agriculture as we have reached in the liberalization of industrial goods and in the disciplining of industrial subsidies.

The success of the Doha Development Round (DDR) is in every country's interest. Mexico is ready to help bridge the differences between developed and developing countries to further advance the DDA. Countries that have undergone significant changes to adapt and face increased competition are reaching the benefits of trade liberalization. The examples are clear and numerous: China, several economies of the

Asia-Pacific region, some Central European economies, and also some countries in Latin America.

Social policies must accompany economic policies

Mexico is committed with a sound and responsible domestic economic policy, which is an essential requisite for stability and growth, but regardless of its positive effects, trade and investment cannot by themselves fully satisfy the needs of those that have been excluded from the benefits of open markets and cannot resolve all the challenges that the world economy faces. A sensible economic policy, characterized by a market-oriented approach, is a necessary but not a sufficient condition to achieve sustainable development.

In order to foster real sustainable growth, economic policy should be accompanied by a coherent social policy, capable of encouraging the development of human capital, and investment in public goods.

In short, we must recognize that during the last decades, despite the successes of our trade liberalization and stabilization policies, Mexico is still short of solving the poverty and inequalities inherited from the past. After years of inward development policies and the debt excesses that followed during the seventies and early eighties, our problems of exclusion have not been solved.

Mexico's International Co-operation

In the international arena, Mexico is implementing a very active policy with the principle that no country can face globalization's challenges by itself. We believe that international co-operation, solidarity and partnership are essential to allow the benefits of growth and international trade to reach every country, and especially, those in greater need.

Mexico is fully committed to fostering a global partnership for development through an intense activity in international multilateral organizations such as the OECD, World Bank, IMF, and WTO, as well as in the United Nations System.

Mexico has implemented an important program of cooperation with countries with similar or lower level of development. In particular, I would like to underline the Mesoamerican regional cooperation program with Central American nations (Plan Puebla-Panama), and the Regional Energy program for Central America and the Caribbean (San José Agreement).

The Mesoamerican program is an interface, a dialogue mechanism between Governments, Private Sector and Civil Society. Its primary function is to deal with the topics of co-operation, integration and inclusive economic development, by promoting the identification, execution and financing of projects with regional outreach. The program is executed in two simultaneous trends: i) strengthening and enlarging existing free trade

agreements, and ii) helping the region to achieve the Millennium Development Goals, improving the living conditions of the 64 million people in the region.

Through Mexico's voluntary contribution, the OECD is performing a comprehensive review of the Mesoamerican Project. The aim of this territorial review is the identification of key regional socio-demographic factors, to implement adequate public policies to benefit all countries involved in the project.

The regional energy program for Central America and the Caribbean, jointly managed between Mexico and Venezuela, is the first south-south co-operational instrument. Since 1979 it secures the supply of oil to the region. It is embedded with a co-operation component which provides funds for economic development projects.

It is precisely in this context, that Mexico welcomes the fact that Forum 2005 has chosen globalization and development as the main theme of the agenda, which clearly underlines its relevance for OECD members and non members as well.

Finally, I would like to stress the importance of having the participation in this Forum of very important actors in globalization and development matters, such as international organisms, private sector representatives, academics and citizens in general. We are sure that their positions and recommendations will be properly considered by the Forum and by each represented country.

Thank you.