

Mexico's Foreign Policy: Leveraging the Domestic Transformation

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Robin Niblett

I'm Robin Niblett, director of the institute. Thank you for joining us this morning. This is a little earlier than one of our usual members' meetings but we really want to take advantage of the opportunity of the visit by Mexican Foreign Minister José Antonio Meade to London, and to try to take advantage of his being here to follow up on the situation both in Mexico and Mexico's position in the world. Given the fact that we had the great honour and pleasure of hosting his president, Enrique Peña Nieto, here in June of last year, being able to keep that connectivity going – we're also undertaking some aspects of research with sister Mexican institutes as well. So to be able to hear a little bit his thoughts about what's taking place in Mexico and also Mexico's foreign policy, it seemed like too good an opportunity to miss.

We're going to run this meeting as a normal members' meeting. We'll hear from the foreign minister then we'll have a chance to take some questions. This meeting is on the record.

I did want to say quickly to the foreign secretary that it's great to have him here because I think he's somebody who is going to be able to talk to the story of Mexico as we think about it today, because this is a Mexico that is really putting its foot down on the accelerator of structural reform. This was very much the theme of the president's speech when he was here and a lot of the media interest and external interest in what is taking place in Mexico. But I think at the same time it would be fair to say we are very much in a G20 world, one in which midsize countries – like the UK or Mexico – are playing an increasingly important role on international affairs as well, and try to pick and select the areas where they can make a difference. So it will be very interesting to hear his remarks.

The foreign secretary is well placed to be able to undertake this kind of a discussion because actually he was trained as an economist and in law at the beginning – I should call him Dr Meade, I think, with a Yale PhD – but has also worked therefore on the economic side, the legal side, in government, but most recently also as a minister for finance. He's worked on the energy side. So he brings a very broad range of experiences to his current position.

José Antonio, it's a pleasure to welcome you to Chatham House. We look forward to your remarks and to engaging in conversation. Welcome to Chatham House.

José Antonio Meade Kuribreña

Thank you. Good morning, it's a real pleasure to be here with you today. Thank you, Robin, for your kind presentation. You said I was trained as an economist. One of those trainings was [indiscernible], he told me I passed Micro. So if I make any mistakes on that topic, you can refer to him at the end of the conference.

Foreign policy is all about dialogue. When dialogue is successful, it can sometimes be translated into a legal framework. If the legal framework is well designed, it will be useful in supporting action – be it a free trade agreement, be it an agreement to foster mobilization of labour or capital, be it an agreement to cooperate on judicial affairs. But in a way, at the end, you basically have, when you're designing your foreign policy, to decide what it is that you want to talk about and who it is that you want to talk about it with.

In a way, you cannot divorce that question from what is going on internally, what you want to do in an administration, what is relevant about the country from which you are designing your foreign policy with.

So if you look at what the country is talking about and who the country is talking with, you will be able to understand a lot about what is going on within that specific country.

Mexico, for structural reasons, has to be part of the global dialogue on many elements. It is very hard to talk about migration without having Mexico at the table. It's very hard to talk about the challenges of organized crime if Mexico is not present. It's very hard to talk about climate change – because of Mexico's biodiversity, because of the fact that Mexico is being affected – if we are not part of that conversation. Hopefully, it would be very hard to talk about soccer if Mexico is also not present.

In the last years, President Peña Nieto has wanted the conversation in Mexico to be about constructing a Mexico that's at peace; a Mexico that is generating conditions for inclusiveness; a Mexico that has a capacity to offer an education of quality to its citizens; a Mexico that has a capacity to generate prosperity in the short, medium and long run; and a Mexico that becomes a more relevant global player. When the president was here, he talked about his reform agenda. He talked about his pillars. He talked about the challenges of making democracy work.

Since that time, we have gotten more than ten constitutional reforms approved, which is relevant if you take into consideration that a constitutional amendment requires two-thirds of Congress and half of local legislatures. We have had also 95 initiatives approved at a secondary level, which requires a simple majority.

But all in all, the structural transformation taking place in Mexico, from a legal perspective it's quite impressive in both the scale and the scope of the issues that Mexico has tackled. Since we last met, we have done energy reform, telecommunications reform. We included the best practices of the OECD at a constitutional level, in terms of antitrust. We did relevant and meaningful fiscal reform which made our fiscal policies more progressive and that will allow government to have better capacity to provide public goods. We did electoral and political reform, transparency reform. So there are very few structural elements of the Mexican reality that have not been transformed, from the perspective of its legal architecture, in the last 18 months.

So one of the things that Mexico talks about now is how to take advantage of those policy reforms and how those reforms change the dialogue that we have in different places. Coming back again to dialogue and the design of foreign policy, one has to take into consideration not just the structural elements of the country – the size of its population, its geographic location, the type of issues and challenges that it has – but one has to take into consideration also where that country belongs to. There are many relevant belongings that a country has to consider when deciding what to talk about and who to talk about it with.

One of them – a very important one, one that conditions your dialogue – has to do with geography. In the case of Mexico's foreign policy, one of the relevant issues is designing what our geographical belongings are and how we can take advantage of that geographical belonging.

A second arena has to do with economic belongings. Not all of our relationships are conditioned by our geography. So from an economic perspective – Robin mentioned it at the beginning – one of our most important economic belongings is the G20, so that is also something we need to take into consideration when looking at Mexico's foreign policy.

Another area of belonging that goes beyond economics and beyond geography has to do with the [indiscernible] and the issues that we defend multilaterally. In some of those cases we are natural partners with some countries where we have not really strong economic ties and not really strong

geographical presence or relationship, but nevertheless we are good dialogue partners because we believe what we are trying to achieve or we face similar problems.

So with that in view, who is Mexico talking to geographically and what are we talking about? Mexico is a Caribbean country. We share with 24 other countries the blue seas and the white sands of the Caribbean. With the Caribbean we have a similar set of challenges, most notably climate change and the opportunity to take advantage and to preserve the Caribbean Sea as an endowment that allows the Caribbean region to prosper and to thrive. We have similar opportunities. We have the opportunity to develop a policy around sustainable tourism. We trade with the Caribbean about \$3.3 billion per year, but we are significant to some of our Caribbean trading partners. For example, the Dominican Republic trades with Mexico every year the equivalent of 2 per cent of their GDP.

So within the Caribbean, Mexico talks about trade, we talk about tourism, we talk about climate change. We talk about how to build resilience to disasters and how to manage disasters better. So that is a prominent role and that is one of the things that Mexico is capable to talk about, taking into consideration that specific geographical belonging.

Mexico is also Central America. We are Central American by ethnicity. We are Central American by proximity. We share with Central America having been a home to the Mayans and the Olmecs; home to maize and to chili. We talk with Central America about integration and we talk with Central America about how to construct a peaceful region, how to construct an inclusive region, and how to construct a prosperous region. We recognize that for Mexico to become an inclusive, prosperous and at peace region, especially in the southern part of Mexico, these conditions have to be there in Central America as well.

The good news is that there is more and more content to the relationship between Mexico and Central America. Central America is home to about 50 million people, which is a little bit less than Mexico's population, and they have been doing well for the past decade. They have countries like Panama that are growing at double digits, and they have been growing at double digits for about a decade. There are countries like Costa Rica that are also exhibiting a high amount of growth. But in general, for the first time in many years, all of the Central American countries are growing. They are all strengthening their own institutions. So that means that today we trade with Central America more than we trade with Spain. We actually trade with Central America more than we trade with the UK, though we're trying to do something about that and get the UK number up.

But that means that Mexico talks about security, which is a challenge that we have in common. We talk about inclusiveness, because we are still a very unequal region. We talk and we do things that can foster prosperity in the region.

Behind Mexico's discourse that we should be more integrated with Central America, we are actually doing something about it. We have created a fund that can actually support infrastructure projects in the region that are helpful for Central America to become better integrated with Mexico.

We are, of course, also Latin American. When one asks a Mexican to define itself in terms of our belongings, most people would define themselves as Latin American. Defining oneself as Latin American means that we believe that Neruda, Garcia Marquez, Vargas Llosa and Octavio Paz are really Latin American and not just Peruvian, Chilean, Colombian or Mexican.

We are part of almost all of the alphabet of integration within the Latin American community. There are many regional integration mechanisms to which Mexico is a party to. We trade with South America about

\$30 billion a year. We invest more in Brazil than China does, and we are a trading partner to Brazil that is amongst the top five trading partners to Brazil. So the only rivalry between Mexico and Brazil is in soccer. Of course, we are going to beat them next week. That will create rivalries at a different level. But few countries have an economic relationship that is as vibrant and as dynamic as Mexico and Brazil have, even though this is not widely recognized.

Mexico is one of the largest investors in South America. We have invested in the last decade around \$85 billion in the region.

We have worked with South American regional integration. The best platform through which we have achieved it is, of course, the Pacific Alliance. We have created a common market of more than 200 million people, with a \$2 trillion GDP economy. It's about 35 per cent of Latin American GDP, more than half of its exports, and 70 per cent of its manufactured exports. It is a mechanism that has generated a lot of interest. We have more than 32 observers.

What we're trying to do with the Pacific Alliance is to further integration inside of its members but also to identify issues that the members can work with, with the observers. So at the end of every meeting of every cycle, you not only have the Pacific Alliance countries better integrated amongst themselves, but you have the Pacific Alliance better integrated with the observers through that process.

Of course, we are part of the Pacific Rim. It is one of the oldest trading routes in the world. You had a Japanese presence in Acapulco more than 400 years ago. That route of trade was very well established, which partly explains why today our second-largest trading partner as a region is the Asia-Pacific, with whom we trade more than \$120 billion every year. We are part of the TPP negotiation and we are working to strengthen our relationships with both China and Japan: Japan today being our main trading partner in Latin America, the main investor from Asia in Latin America; and China being an integral part of Mexico's value chain.

I mentioned at the beginning going beyond geography. Mexico is also a member of the G20. As such, from a foreign policy perspective, it makes a lot of sense for Mexico to review the type of legal framework and the type of relationship that we have with each one of the G20 members. With some we have a very longstanding and important relationship, like the US; with some we have a relationship that is very underdeveloped, as was the case with Turkey and Indonesia. In the case of the UK, of course a G20 country and the first one to recognize independent Mexico, we share a lot of common values: democracy, human rights, rule of law, international cooperation. We have a very high degree of coincidences and therefore we collaborate well in the multilateral scene. We challenged ourselves in 2010 to double our trade by 2015, which is a target we are going to achieve.

Of course, we work a lot with Europe as well. We trade with Europe about \$70 billion. We open up opportunities for Europe in Mexico through the possibility of Europe to invest in Mexico's infrastructure. Mexico just announced a very ambitious and large national infrastructure plan that will require partly investments, to the tune of about £350 billion, for everything from transportation through energy, water, health and even tourism.

Our most important relationship, after having said all of that, is still with North America. With North America we trade \$2 million every minute, amongst the three countries. With the US our border is transited every day by more than 1 million people. Behind that trade and behind those crossings we have been able to construct a shared prosperity. Mexico buys more from the US than China and Japan combined. We buy four times more from the US than Brazil does. We buy more from the US than the UK,

France, Germany, Italy and Spain combined. Last year we invested more in the US than the UK did. That shows the importance of Mexico for the North American region, and the importance and the scope of the North American integration.

There are, as Robin said, a couple of other belongings and a couple of other spaces of dialogue that we want to create. If you look at the G20, there are two sets of countries that are very well defined: the G7 (formerly the G8) and the BRIC countries. So what happens at a G20 meeting is you get the G7 in one part of the room, you get the BRICs in the other part of the room, and the rest of the room is just watching.

So if for no other reason than we have somebody to talk to while we wait, it makes a lot of sense to get the rest of the G20 countries together to talk. If you look at who is left, you have countries like Indonesia, Korea, Turkey, Mexico and Australia. It turns out that it is an interesting grouping of countries. We are large, we are all big democracies. We are all relatively open to trade. We all have similar interests, we all have regional importance – we wish we had global importance but at the very least we have regional importance. If you take all of us together as a grouping, it turns out that we share similar values in the multilateral agenda roughly. So it turns out that these countries have a lot to talk about within that forum. We don't just [indiscernible] bunches up together in an acronym. So constructing an additional space of dialogue through these [indiscernible] countries also makes a lot of sense for Mexico because, again, beyond geography and beyond economic ties, these are countries that face similar challenges to the ones that Mexico does.

Just to end with an example from the multilateral agenda, we have and we should have a more economic and vibrant relationship with Africa. We have African roots within Mexico. Eight of the twenty countries that are growing more in the world today are with Africa. We have not yet developed the legal infrastructure, we have not yet developed the practice of dialogue within the economic framework. But we're very good partners with Africa in terms of designing, debating and shaping the post-2015 development agenda, amongst many others. With Africa we share common challenges and we push forward in many of the same issues.

So I think I managed to go around the world in a little bit less than 80 minutes. Thank you.

Robin Niblett

Thank you very much, Foreign Minister.

I think the way you combined those three senses of belonging – geography, economics, multilateral interests – is a nice architecture actually for the conversation and for our discussion. We've got a good 35 minutes to be able to have conversation in a minute. While people are thinking, could I just take you into one space specifically? I was trying to think which one, because I've got a whole bunch of topics I'd quite like to raise with you – let me start with the obvious one.

You mentioned at the end this idea of the people left in the middle of the room, and there are some quite big multilateral topics that you are taking on. You mentioned the post-MDG goals that might be coming up. But I think I'm right in saying that Mexico has been quite a global leader on the health issue over time as well – trying to think about inclusive global health. I know there have been meetings here in London in the past, where the UK has also sought to play somewhat of a leadership role here. But are there a set of topics that kind of sit in the middle for that group in the middle of the room, that maybe don't get as much attention when either the BRIC group is together or the G7 group is together? What do you think that menu is, broadly? I think you touched on a few of the topics at the end but if you could just lay that out a

little bit more for us. What do you find are points of commonality with those countries that are in the G20 – as you said, a certain weight, a certain global connectivity economically, a diplomatic capability – what's that emerging agenda? You don't have to be a group with an acronym but maybe you're a group with an agenda.

José Antonio Meade Kuribreña

If you look at these countries that are left in the room, they are all interesting countries on many levels. They are countries that don't get talked about as much. When people look at Asia, China is an obvious point of conversation; so is Japan. But then you have countries like Indonesia or Korea. Indonesia is 250 million people – that's a large country, that's a very big number of people. It's the largest Muslim country actually in the world. It's a regional player within the ASEAN community and they are talking about integrating – they're not only talking about it, they are integrating an ASEAN community that would be a very dynamic economic space. If you take all of the ASEAN economies together they are probably larger than India.

So you are talking about a region where you have big players, large populations. They have challenges to make their democracies work. They are trying to integrate communities through trade. They are talking in a very practical fashion, which doesn't happen in every space, about how to harmonize regulation, how to make trade easier, how to solve connectivity issues (which is something that we also have), how to solve their infrastructure challenges. Many of the interesting development challenges in the world actually lie in the middle-income countries. We all know poverty is an issue for the low-income countries but the highest number of poor in the world are actually in the middle-income countries, because we have large populations.

So these are countries that think hard about the value of development aid. These are countries that are working hard at identifying best practices, because they have many of the challenges that you have with poor countries and the challenges that you have with more developed countries. So these are countries that at the same time are discussing about how and where to build electricity lines and generate universal access to electricity. These are countries that in many cases are still constructing drainage but at the same time they're talking about universal health.

This is true of Indonesia, this is true of Turkey. If you look at the numbers for Turkey, there are striking similarities to Mexico. They are smaller – 75 million to our 120 million. Our GDP per capita is almost identical. The structure of our population, in terms of demographics, is identical. We both have the same demographics that the US had 40 years back. Our median age is 27 years, very close to our average age. Turkey sits as a bridge country between Europe and Africa, as Mexico does between North America and Central and Latin America. We all have huge neighbours: Turkey is neighbour to Europe, Mexico is neighbour to the US. South Korea is neighbour to everybody who's big in Asia.

So in general you have very interesting characteristics behind all of these countries that are left in the room. Financially, not to get back to the point of O'Neill, but it is an interesting point: the BRICs have almost nothing in common except for the acronym and the fact that they're going to be big. I think Jim O'Neill did strike on an important point. These are five – four, at least – globally significant economies but they don't share the same values, they don't share the same policies. But the fact that they have been willing to talk for at least ten years has made them an interesting grouping, whereas the MINTs, the MISTs, the MIKDA, the EGOS, the Next Eleven – all of these five countries tend to be within some of these groupings. We have never really started a conversation.

So at this stage, this is nothing more than a space of dialogue. It doesn't pretend to be a grouping. But it does recognize that we have things in common that make it worthwhile to sit around the room once in a while, at least once a year within the G20 framework, and talk about issues and challenges that we have in common.