

# CAPITAL IN ACTION: INVESTING FOR THE NEXT DECADE

**Announcer 15:12**

Please welcome the panel on “Capital in Action: Investing for the Next Decade,” moderated by Maggie Switek, Senior Director, Research, Milken Institute.

**Maggie Switek 15:43**

So thank you all for joining us for this conversation. So as the name of the panel says, in Capital in Action, we're going to talk about how public and private sector leaders can work together to build a more dynamic investment ecosystem that fuels both sustainable and inclusive growth. So let me just introduce you briefly to our panel. We have Roberto Lazzeri from the CEO of Bancomext; Emilio Cadena Rubio from—the CEO of Prodensa, of Grupo Prodensa; Alejandra Botero, managing—Manager of the Investments and Financial Development in the CAF, which is a regional development bank. And of course, Mario Antunez, the CEO and Founder of Equity Link. So, without further ado, let me jump into our conversation. So we will be talking in this conversation extensively about how to drive more capital into the investment ecosystem in Mexico. But before we do that, I would like to begin with how to deploy the capital that exists, the existing capital. So let me go ahead and start with you, Mario. You have spoken before about the importance of mobilizing existing capital. What do you think are the critical factors that enable an efficient deployment of capital?

**Mario Antunez 17:05**

Well, as we know, private credit in the world is not scarce, but execution is. So, in Mexico, we have a big distribution challenge and opportunity, because we have one bank every 100,000 companies, and the private credit is 34.65% of the GDP. If you compare that to the average in LatAm, it's more than 10, 10% less. If you compare it to Brazil. Brazil is more than double [that] in Mexico. So we have a distribution problem, and that's, of course, also an opportunity, yes.

**Maggie Switek 18:00**

And so let me continue with Emilio. Emilio, you—what is the role of, played by manufacturing and supply chains, and where do you see a clear need to deploy existing capital?

**Emilio Cadena Rubio** 18:16

Well—and, of course, I'm biased on it—but I think you hear every single panel, and I think the largest single opportunity for deploying capital in Mexico is in manufacturing. Then that, of course, triggers many other industry services, as Blanca Treviño was saying. But let me just give you a couple of numbers that I think are impressive. If you put together the manufacturing establishments of Mexico, Canada, and the United States, we are about 600,000, okay? Manufacturing establishments. China has 6 million manufacturing establishments. So I think the fact that Trump came into office with this shift of supply chains creates the greatest single opportunity for Mexico in, I think, in the history, because now we are already a sophisticated industrial environment that can capture some of that possibility. So we only need to capture 10% to double the size of the manufacturing establishments of North America. Some of them is they're going to be perfect in the United States. A lot of them are going to have to be in Mexico, precisely for the things that other panels were talking about. And basically our human capital. The average age of factories in Mexico is 27 years old. In the United States, it's 54 years old. We're going to automate part of it, but not everything. So I think let's take 10% of those 6 million manufacturing establishments. Let's deploy capital so they can be North American manufacturing companies and fortunate—hopefully, some of the Mexican manufacturing companies. So I think that's where the single greatest opportunity in the history for Mexico, for sure, is in manufacturing. And then that creates industrial parks, and that creates other things, but I think we have to deploy capital in the industrial assets in Mexico.

**Maggie Switek** 20:20

Yes, and so going off of what you were talking about, North America—and focusing more on, precisely, regional lessons and development—Alejandra [of] CAF, a large part of your work centers precisely on interreg—interregional integration. So what are the main infrastructure and logistics considerations that enable regional growth that you have seen as coming up in your experience?

**Alejandra Botero** 20:45

Thank you. Well, thank you, Milken Institute for this panel. It's a great opportunity, and also coming after all the conversations that we've had in the other panels, it's a positive outlook to be looking in 10 years, no? And in that sense, responding, and it's great that I'm after Emilio; I would say we need the manufacturing, but we need the infrastructure to actually be able to transport and export all the manufactured goods. In Mexico, there is 109 kilometers per 100,000 inhabitants. And for example, in Argentina, which is also one of the biggest, there's just 189 kilometers for—by 100,000 inhabitants. Uruguay is like 230. So there's a lot to do still in terms of infrastructure, if we're looking in the long term, which I think is very important, and that's something that it—obviously, it has to go hand in hand with the sexier financial investments, et cetera. But we still have to think into those big infrastructure projects that are important to continue to, to link Mexico and the region to the rest of the world, and also in terms of intraregional opportunities. Mexico is a little different because it's so connected to North America. But if it looks and it turns around—you know, you have Central America and you have the rest of Latin America, which have a huge infrastructure gap and very, very important opportunities of regional integration. So I think in the next 10 years, what I would see—would be wonderful to see—[is] a greater intraregional and dependence within the region; obviously, offering services and interacting with the rest of the world. But I think there's a very untapped opportunity in the region.

**Maggie Switek 22:16**

So moving on from infrastructure and manufacturing—a little bit into more, like, innovation—and Roberto, from your perspective, what is the role, precisely, of investing in manufacturing, infrastructure, logistics as compared to investing in diverse and innovative projects in order to support national growth?

**Roberto Lazzeri 22:35**

Well, at the end—and I think we all did our homework and read the study, and you see, what's the impact of innovation in the productivity of a country and the gap that has created, that we haven't tackled that yet. So at the end, I think everything ties together. And I mean, I'm pretty sure it has been mentioned in this forum about “Plan México” and this new policy on reindustrialization of the country, and this is basically building better ecosystems and better productive ecosystems. And at the end, if we're going to do that effort, and from the development side bank, that means open a lot of—open a lot of new markets, and establish the conditions for this, for these businesses to develop, and also a lot of work in the infrastructure aspect, then it makes sense that we go and try to aim to have the highest innovation in these sectors that we're creating. At the end, this is the bet that I guess Emilio is talking about. If we were aiming to get a list of that share that we had lost in the past, then we ought to do it. We don't—we don't have zero cost capital as other countries in the world. So what we need to aim for is innovative financial structures. That's our job. How can we get multiplier effects? That's also our job. We have great guarantees programs that allowed that. How can we as a government, as development banks, how can we do additionality? How can we not fight with the commercial banks, but complement them, and at the end, all these are the elements joined with having the bet on the innovative, innovative projects that we're going to be competitive in the—in a new world where this zero capital competition, it's not going to end soon.

**Emilio Cadena Rubio 24:28**

Yes, can I make a comment, Maggie, on that? Just because you allowed us to do this [panel laughs]. I know, in the rules. But again—and I am super biased on manufacturing—but, for example, today, there is 100 manufact—auto companies in China. 100. There is less than 10 in North America, zero in Mexico, and zero in Canada. In the same time that we signed our USMCA, the Chinese created 100 companies, auto companies, and that can be repeated into many other sectors. And one of the reasons why they were able to do it—because they also make fantastic cars, right?—is because they had the manufacturing facilities. So I think innovation is critical, but we need to have the manufacturing plants also back. I think that's where Donald Trump is absolutely right. It's hard as a Mexican to say it, I agree, but I think he's absolutely right. So if we can deploy capital on bringing the manufacturing facilities back, if we can have the leadership on the, on the capital markets, to make the channels on how to deploy that capital, then we are going to do fantastic on innovation. Because when you go to Mexican plants with Mexican workforce, we tend to be extremely productive; in many cases, more productive than the United States, and in some cases, more productive than China. So I think this is where the opportunity lies.

**Maggie Switek 26:01**

So clearly, we see a need for capital and to deploy it into multiple different sectors. So now let's turn to actually the conversation of how to drive more capital into the private equity ecosystem. One thing that stands out in a recent report that the Milken Institute put out was that in Mexico, the principal investor is still the United States. This distinguishes Mexico from countries such as Brazil, where domestic investment really represents the majority of investment in Brazilian companies. So let's open this up precisely to conversation, and let me start with a question of, what is the role that you view as being played by institutional investors, such as the Fondo de Fondos and the AFORES, in injecting further national capital into Mexican companies? And Roberto, why don't we start with you?

**Roberto Lazzeri** 26:52

Yeah. I mean, at the end of this, all this effort that—it's not new, I want to say that. This effort of rethinking the Mexican economy comes from the last administration, and one of the main aspects that happened before was the pension reform, which then has created a very good trajectory of savings in the Mexican economy, and assets, possibility of assets under management for the pension funds. So all these coupled with another supply side policies that have been development are basically setting the overall basis of what we want to achieve. But also, what I like to highlight from the last months that we have been working in this new administration, is the level of dialogue that we have never had with the business sector, with the banks, with authorities and the—I think the objective of this is we're going through a shift, and we still don't know. I mean, we know what we can do as a country, what's our role, what can be our role in this new economy? We still don't have clarity on what's sort of the play within our closest business partners, specifically the US. But at the end, this is an ongoing dialogue that I have not seen in a lot of time and if we see—let me give one example, that was the publication of the new request for, or the new fast track for energy permits. At the end, that's the government taking one step back. We, we had a change of set of rules in the past. We're now implementing them, but the government is taking a step back, saying, in my planning, this is where I need the energy, in this speed and in these times and in these capacities, this is where I want to go. If you, if you can pair with that, let's just go and do that. At the end, I think, for the aspect of the industrialization and manufacturing, this is the conversation that we need to keep on going, not only among us, but also with the US. What do you need us to do? What are you—if you're looking at risk of having a big pharma dependency on China, or a big pharma dependency on India—what can we do here? Where's our competitive advantage? What can you do there, and how can we complement each other? And then bring the business sector there. So it's basically sort of putting a narrative behind capital. And I like to say that what we're trying to do now in the bank—you know, "Plan México" is to build better business cases. How can we build better business cases? At the end, all of us have to go through committees and convince people to put the money in XYZ-risky project. So what we need to do is build this narrative around it, build that we're creating our market, or at least a market that makes sense, that it has the proper incentive for it to foster and then, then, when we have a clarity on what's the sort of like the planning that we that we want for the manufacturing going into this country, then we can start deploying it. So—but it's, it's right now, it's a really good conversation that has been happening with the private and public sector, but we need a third element, which is the certainty of what's going to be our new role, in terms of what should we be focusing on, because also, capital is scarce.

**Maggie Switek** 30:12

Any other thoughts? Yes, please, Alejandra.

**Alejandra Botero** 30:14

Okay, perfect. No, I would like to compliment Roberto, because I think that one of the key things of development banks—and we see it as a regional development bank, but really, like the stronghold—is the local development banks. Is that de-risking and complementarity and help be—help, like, deepen the capital market. So, for example, the Fondo de Fondos of Mexico—that started, I think, in 2012 if I'm not mistaken?—that we invested in 2012. I mean, those are the typical initiatives that really you need to be able to change a little bit the context of what you were talking about. No? So if I'm not mistaken, the US is the biggest investor, then come the local ones, but it's like 13%, which is much smaller than in Brazil. And also 80% of the investment is in VC, and particularly in Mexico, it's very small companies, right? So what we need to think in the next 10 years is, how do we really make a context where we help those companies grow, we help the mix, and we help that the local financing actually is the one that invests, and we change that asymmetry. In Brazil, they do it because they have a very strong BNDES that sort of like makes these—has—well, a very huge budget and has very interesting de-risking mechanisms, and they are also more flexible with the rules of investing for institutional investors. So I do think there's something that we can learn from there. And then, as development banks, in addition to helping, for example, fund

Fondo de Fondos, then having instruments that help invest or that help structure large projects in manufacturing and infrastructure that will de-risk is something I think that we have to do to see how we can move the whole market forward. So, de-risking lending, trust, and transparency—I would say that is very important.

**Alejandra Botero** 31:57

Yes. Emilio?

**Emilio Cadena Rubio** 31:58

Yeah. I think that we need a couple of things. We're in the middle of raising a manufacturing fund, \$250 million. It's going well, I would say. I have seen—like Robert said—a shift in the last six months on the level of conversations. But I think there's at least three things that we need to make this bigger, right? The first one is, I absolutely think we need leadership. We need leadership in the financial institutions, in the AFORES, to really drive the decisions, especially—specifically, speed, right? I think time is of the essence for these investments. We need to do it, and we need to do it quickly. And that takes me to the second point, is we need the right adjustments on regulation so the financial markets, the AFORES, the banks, et cetera, feel comfortable on deploying capital especially. And we had a breakfast with Rich Ditzio, the CEO of the Milken Institute, in Monterrey, with some of the family offices there. And that takes me to the second thing, which is we need Mexican capital to be deployed in Mexico. I think if we are just waiting for the capital of other parts of the world to be invested in Mexico, without Mexican capital being invested, is a hard sell, because—and Rich told us that, in that group is, Why do you want to convince me to invest in Mexico if you are not investing in Mexico? And I think we have the AFORES—which I continue to hear during all day—let's support the AFORES and incentivize the AFORES to invest the money. But the last thing is, we need projects, and I think that's where as the entrepreneurs—I'll call myself an old entrepreneur—but we need to come up with projects, and we need a different mindset on Mexican businesses to become more public, to get more pulverized, so you can grow. In that, one of the big challenges, of course, is formality. Is how do we have information? It's one challenge. We have a good target that we want to acquire, but we ask for information in the building, for information so we can present it to the different funds. Takes a lot of effort, and when you are late delivering your financials, as Álvaro Rodríguez says, is there's some alchemy going in there to maneuver the financial statements. So we need to work all together. And that's why I think leadership actually is the most important thing.

**Maggie Switek** 34:37

And so when we think, precisely, of institutional investment, the other source—and you're talking about working all together, and the importance of domestic collaboration—the other big source of investment is, of course, public private partnerships. So Alejandra, I know in your perspective from the regional development of Latin America, how have you seen those work out? And what do you think are the key factors to keep in mind for Mexico?

**Alejandra Botero** 35:02

That's a very interesting question, and it's totally true. I mean, I think if we're going to—again, from a development side—close the gaps in financing, that we have to be able to raise the productivity and the growth expectations that we want as a region. We need to work together and to mobilize the private capital. That's where it's going to be. So I think in terms of public-private partnerships, there's like the bread and butter, which are the infrastructure, roads. But I think these types of partnerships can be applied to many other sectors as well. You see them in education, you see them in a security, you see them, and that's something that I think needs to be further developed. And that's where roles like PANCOMEX or like CAF

play a key role. For example, one of the things—guarantees—is one of the instruments that I think have incredible potential in the coming years, because it's really a very proven way to de-risk opportunities for large projects, or maybe for sectors that are not as...that people don't know so much about, where you can really, like, help that, give that additional sort of comfort, and then mobilize private capital where it's going to come. So, for example, for the building of the six line of the Metrô de São Paulo, there was a gap in the financing. And what we did as CAF is we did a guarantee, which wasn't that big. It was 40 million in local reais, and that was—this guarantee was able to extend the financing to 20 years. The market wasn't ready or didn't have enough risk appetite to be able to extend it so long. And with this guarantee, we're able to close the financing gap and actually finance the Metrô. So I think that it's one of those types of deals; we really need to think, what is that specific role that development banks can do to bring in private capital and to, and for the public sector to have a more effective role?

**Maggie Switek 36:51**

Rober—oh, sorry, Mario, go ahead.

**Mario Antunez 36:52**

Yeah. I believe, if you have the stability from the development banks, and also the speed from the private sector, one key part of this is—because the opportunity is already here. Mexico is the first commercial partner with the US, and North America is the largest economy, if you add it up. So you need technology to further develop and deploy the capital, right? So for development banks and big investors nowadays, they need visibility and traceability of their investments in real time. So then the...there's a new generation of financial institutions being created that need to participate and further enhance visibility of each investment, and I believe that enhances trust and that will allow capital to deploy faster and also allow the markets to really participate at a larger scale.

**Maggie Switek 38:05**

So speaking, precisely, of innovation, it wouldn't be a conversation in 2025 if we didn't talk about artificial intelligence. So let me ask you all, what is the role played by emerging technologies—such as, precisely, Fintech and artificial intelligence—in driving real economic activity in countries such as Mexico. And Mario, let me stay with you for a moment.

**Mario Antunez 38:31**

Well, AI is all over right now, right? So there's large amounts of data available that aren't being used to really underwrite credit. So if you take—I mean, the opportunity is here, and we have a once in a generation opportunity to really redesign the financial ecosystem in North America, and the way AI is playing a role is, as I was saying, in the underwriting of this, in the new credits, and also the way to really operate, and also get a real traceability, to take them into the markets, because we have the largest companies invested in Mexico, and so the risk isn't very, very high. We do just need the way to really get the data and take it to the market in the right way to put it in the right hands.

**Maggie Switek 39:43**

And so artificial intelligence is one of the emerging technologies that is definitely driving a lot of the conversation right now. Another big side of emerging technologies that we see as very prevalent in Mexico is Fintech, and actually investment

in Fintech right now represents something like 25% of private capital investment in Mexico. So how do you all of you—and maybe Alejandra, let me start with you, because you bring in the regional perspective, and comparing Mexico with Brazil—how the importance of Fintech has really played a role in enabling business—businesses—and sustainable growth.

**Alejandra Botero** 40:25

Thank you. Maggie, well, we were just talking right before getting here, how I was very surprised and very optimistic about the Milken report, because we always— and especially from the development side—we're like, ah, Latin America, you know, had a lost decade, and our productivity is negative, and we're always trying to, like—we miss the next opportunity. And actually, what the report shows is that no, we are quite a dynamic region, and especially Mexico and Brazil in terms of a private capital investment, that a external...from outside the region come in because they see that we're very prepared in terms of STEM that, especially Mexico, is very interconnected with other international markets. So I think it's a very positive thing. And then you turn around and you see these, like, extreme things, like financial inclusion. You know, Mexico is one of the lowest in the region in terms of financial inclusion. If I'm not mistaken, it's like—I have to look at the dates—but it's like 45% versus 70% in terms of in terms of the average. So that's where you see a huge opportunity, in terms of Fintech, and in terms of AI in general, to be able to close those gaps of productivity so that we can leapfrog into, you know, a sort of a more efficient market and a more efficient ecosystem in general. So the previous panel, which was very interesting, that if you could see like, you know, maybe it's not the traditional banking system, but now that you have these Fintechs and this opportunity, you really have a lot of access into people who never before had a formal access into the financial system. And I see that extending, or AI, helping that extend into many other sectors as well, which I think is extremely positive for the region, because of our preparation, because of our innovation, because we're a young, relatively young region, I think that there's, there's many opportunities there.

**Maggie Switek** 42:11

Yes. And actually, that is one thing that stands out about Mexico and Brazil, right? The proportion of growth of the graduates from the STEM sector is—has been growing a lot over the past years. Not only is it catching up with many of the developed countries—more developed countries—but it's actually increasing at a tremendous rate. So again—open to everybody, and let me start with Emilio—how do you view the importance of the human capital that we have in Mexico?

**Emilio Cadena Rubio** 42:43

Okay, so the human capital—because my answer to Fintech was, I have absolutely no idea [panel laughs]—because it's not my field. So on human capital, if you look at the Future of Jobs report from the World Economic Forum, the core skills that companies are looking for are still very human, right? Resiliency, agility, execution, critical thinking, analytical thinking. I think that's great news, but the fastest growing skill is AI and technological literacy, right? So I think that's where the challenge is. I am not so concerned from that. We've been helping companies to find people. We've recruited over 350,000 people over, you know, 40 years for manufacturing companies. And I think companies have become really good at training. I think the challenge is the educational system is very slow compared to the change of pace of the skills that are required. So I think it's one of the areas where companies are going to have to be really good at it. But one of the most surprising things for me on this conversation today, and on the rest of the panels, is this Brazil-Mexico comparison, because in the world that I live in, Mexico is a much better place to manufacture than Brazil, and Mexico is a much easier place to do business than Brazil, and I think we need to be a little bit more Brazilian on how we sell Mexico. Now, I do believe that Brazilians are investing a lot of money in Brazil, so I think that's where it has to change. But sometimes I think Mexicans, we just...the national sport of complaining of what's going on, on tariffs and all that. I'm not saying I agree with everything. I don't agree with many things, but I think we need to get our act together and have success stories. And I think if we do that—more public companies here, with Maria; better exits for funds and things like that—I think then we can create this

Brazilian synergy where everybody believes that this is the best place in Latin America, although I don't believe we are actually Latin America. I think we are not North America. I think the US is more similar to us than Brazil, for sure. And I think this is where the opportunity is.

**Maggie Switek** 45:08

Roberto, go ahead.

**Roberto Lazzeri** 45:08

I would like to make a couple of comments. In the innovation side, I think it's very sexy to say that, yeah, we should ride that wave and we'll get Mexico to the next age. We need to do some hard thinking and reprofiling of what we're doing. It's not as simple as that. I don't think we want engineers doing the next CRM in Mexico. I don't think that's the way to go. What you want is what everybody has been saying. For that to permeate on the education and actual people from actual communities finding how to apply those, that knowledge into actual real problems that tackle the community. Because at the end, that's—we don't know where these new innovations are gonna get us yet, but we know there's a potential to impact every kind of sector. So, the president has announced a plan. I don't know the plan by hand, but I know it has an education element. I know it has low-hanging fruits like reprofiling dropouts from STEM careers to try to do certifications and get in that sort of, in that sector super fast. There's a regulation aspect of it that we have to change. There's, of course, the digital government; we need to, basically, act by example. And there's an incubation aspect that she has asked us to develop. And that will be basically finding those projects that we can put up some capital to basically try to incubate new entrepreneurship. But we're not there yet. I think we do need to have a hard thinking on how that applies to our sectors, rather than trying to just steal some sort of business line that maybe doesn't make sense, that we can do it here. In the side of the Fintechs—we were having that conversation—fintechs and all non-banking intermediaries, they're our biggest bet but our big risk as well. With every bad case—scamming, and all these non-intermediaries that get into trouble—we have two steps back. And nothing at the end is one of the most active second floor lenders. So what we need the Fintech to evolve is basically corporate governance. We really, really, really would like to see better and stronger and more serious—not saying that they're not, but really good—institutions that we can trust that even though they're innovating in the risk assessments, that they're doing it properly. At the end—I don't know if there are bankers here, but sorry—they were efficient enough to hold them back. And a lot of banks have been taking these innovations by themselves. So when you're preparing a bank that has a parametric risk model that is as good as a Fintech one with all the corporate governance and the capital structure, then it's very hard to lean that way, so they have a lot of work to do—maybe not in the innovation aspect right now, but in the corporate governance and capital structure of their institution.

**Maggie Switek** 48:13

And so, speaking of, precisely, the role played by government in innovation, one of the main objectives of "Plan México" is to strengthen scientific development and technological innovation. And Roberto, let me stay with you for just a second. What is the role played by, precisely, Bancomext and other development—national development—banks in the execution of "Plan México"—"Plan México"?

**Roberto Lazzeri** 48:36

Yeah. I mean, the first thing would be all these development of what we like to say, productive ecosystems. They're going to rely mostly on tier two, three and four companies, which is SMEs, which also are the ones that give the most jobs in



Mexico. That's—there's been a lack of attention to that sector, and it's partially a[n] issue of both the development and the commercial banks. Also, we were discussing that we like to call these big enterprises—the anchor enterprises then come and start building huge plants in Mexico, but if, at the end, they're only cost centers, they're not doing their procurement here, they don't have the corporate offices here, they're doing...they're applying different standards for their procurement that does not fit into what Mexico is doing, and they're not doing long-term contracts, it's really hard to actually get them to leverage the productive change. So—but the role is there. The role would be to tackle those, if we can find these elements and keep this dialogue with the private sector and find these companies and get them to establish the right way so that they can foster additional productive change, then our bet is to basically lend money or potentiate money through guarantees. Our bet is that we are, we're doing one of the biggest programs that has ever done—national Bancomext—trying to potentiate "ciento veinte mil millones de pesos" [120 billion pesos]. That's a lot of money that we're willing to lose. But at the end, it's going to need that, the productive change. Everyone is aligned, that we want to develop those, that the financial intermediaries are there to do it properly, to do the risk assessments like they should. And then we'll be there supporting with our capital. And the other aspect will be entities like Fondo de Fondos or different capital Fondo Emprendedor—entities that we can apply some risk capital, try to leverage that with the private sector, to foster these innovation projects.

**Maggie Switek 50:54**

Yes, so speaking of private sector from the—and let me turn it to Emilio and Mario—from the industry perspective, what do you view as the key factors that are mining, the successful implementation of "Plan México"? Mario?

**Maggie Switek 51:07**

Emilio?

**Mario Antunez 51:07**

Well, of course, as I was saying, you need the stability from the development banks and also the speed from the private sector. At Equity Link, we have over 200 manufacturing plants leveraging our tech to give access to thousands and thousands of small and medium sized companies to capital. So the supply chain needs working capital because these gigantic companies that come to Mexico and invest, because we already have the largest companies in the world invested in Mexico. So for the local suppliers to really get a chance to service a contract of Ford or Honeywell or any of these super big companies, they'll need the working capital to do so. So I believe we all need to work together to pull it off, because this is already a \$220 billion market that Mexico exports to the US, and less than 20% of that is being financed. So if we manage to really add, I don't know, five or 10% of that amount, and keep it in Mexico with companies like the one that Emilio is forming right now and giving the chance to local players to evolve and grow, I think Mexico will be transformed. We have a huge opportunity right now to take that leap, and the only way forward is to do it together.

**Emilio Cadena Rubio 51:30**

I think—I mean, I like "Plan México." I think it has the ingredients of, let me say, a good industrial policy, because it includes infrastructure, it includes talent, it includes the objectives of a regionalization of supply chains. Okay, so I like that. I think we need leadership like the one that Roberto is showing so we have the vertical of capital for "Plan México." "Plan México" without a capital vertical is never going to happen. And I think we need to drill down on the capital vertical of "Plan México." So I think that's one of the most important thing. And we also need to do—have success stories as soon as

possible. If we can show capital deployed in human Mexican manufacturing companies, because that is different. And I think, Roberto, you said it right. We need decisions being made in Mexico, new manufacturing companies in Mexico. If you go to Monterrey, the wealth of Monterrey came from machines and from steel and from other industries, right? But it's—I think we need to fall in love with, with that part of the manufacturing of Mexico again, deploy capital, and have success stories that can generate this China effect or this Brazilian effect in Mexico, and bring more people. So it's all about execution, and that's why I think timing is so important. In all of us rallying around "Plan México" and supporting our president—because we want her to be successful with that, so—but timing is important. If we let "Plan México" to be old and just a PowerPoint presentation, then I think we're going to miss the opportunity, and I think that's where the challenge is.

**Maggie Switek 54:58**

And so, Alejandra, any lessons that the Mexican government could learn from other development plans in the region or anything?

**Alejandra Botero 55:07**

I think it's very interesting what Emilio was saying about the Brazil factor, or...I think I agree with you. I don't think that it's that Brazil is better than Mexico, or that we sell each other more or before, but I do think that there's this, a very strong component or opportunity of having a regional market. So CAF is owned by 25 Latin American countries. We don't have any donor countries. And when all this turmoil has been happening outside, we're like, thank goodness. We're a cooperative of Latin Americans, which has its, you know...you know, might be a little bit more informal, you know, but we are quick, and we know each other's problems, and we can learn from each other. And so, and I think that's something— I would argue—of course, I'm not Mexican—but I think that, you know, you are much closer to the rest of the regions, at least the Spanish-speaking region, than to North America. You have, you know, the same as that. You can look up to North America. You have a whole central America with interesting markets in Guatemala and El Salvador, Dominica, that are doing—Costa Rica—that are doing interesting things that look up to Mexico. I think if we have better integration, better opportunities to have, for example, joint capital markets. There's an effort called nuam to join the different—how do you call it? Now, I'm going—I was, I promised I wasn't going to speak Spanish, so I'm not going to, but the "los mercados de capitales" that are going to be together or regional energy markets. I do think there's an opportunity in looking south for Mexico that we can really capitalize on all the shared bonds, cultures, and opportunities that we have. So don't, don't be closer to North America, be close to the rest of the region.

**Maggie Switek 56:42**

So we have four minutes left. So let me finish this with a lightning round of one minute for each one of the speakers about your key takeaways. If you want the room to take away something from this conversation, what will it be? And Mario, let me put you on the spot.

**Mario Antunez 57:01**

Very happy to share my remarks. I am a true believer that we have this huge opportunity—once in a generation—to make this leap, and we have to act, and we have to act right now, because the world has shifted. It's a multipolar world, and of course, we have a lot to learn from the LatAm regions, because they internalize a bunch of stuff that we don't because we are very near to the United States. So that's a huge opportunity, but we also are more dependent on their capital. I don't

think, I think we have to bet, as Mexicans, more on Mexico and realize that we are very strong player, and the higher value added that we aim for in our companies through financing will transform the country and the economy. So I believe the way to do that is through innovation and through technology. In financing, it's not about who manufactures faster, it's who finances smarter.

**Maggie Switek 58:22**

Alejandra, key takeaways?

**Alejandra Botero 58:26**

Well, I think definitely manufacturing is a very big opportunity. I do think that there is a great opportunity in that, if we sit in, I don't know, two years or five years, the same panel, and we look at the next version of the Milken report, then we can see that not only have we been growing in terms of the size of the capital markets and the opportunities, but also in that shift that it's not foreign capital, but it's local capital. In Mexico, I think there's a huge opportunity there, and that's where we really have to grow, to have the policies and have the mechanisms to make a much more attractive and flexible, the investing, within the region. So I would take that as a takeaway. And the data that I hadn't shown you was that 46% of adults in Mexico have an account, versus 76% in the rest of the region. So I mean, I think that's something that can really switch with Fintechs, with AI, with the opportunity, we would see in two or five years, in three or five years, that number to have changed, and if we, if we ride this, this wave, right?

**Maggie Switek 59:29**

Yeah. Emilio?

**Emilio Cadena Rubio 59:30**

Yeah. I think that first we have to realize that in the last five years, we became the number one market and the number one trading partner for the United States. In this imperfect environment that we Mexicans like to talk about so much every single day, we became the number one market, the number one trading partner for the largest economy of the world. Imagine what we can do if we implement some of the ideas that we have here. So that's why I think it's all about execution. So I think what the Milken Institute does on bringing us together, and bringing the people that are not part of the capital markets like ourselves, to understand what we can do. I think breaking the paradigm of the access to capital is the most important thing to happen in Mexico. A lot of the people that I know still have that paradigm. It took me to go, you know, going to the Milken Institute Global Conference to start thinking, maybe capital is not the paradigm that we have for growth in our company. And it's been a very interesting ride. And the last thing I would say, of course, in support of manufacturing: 100% of the people that work in manufacturing for export in Mexico have a bank account and are formal jobs. So that's why I also believe that that's the path to go. 120 million people in China work in manufacturing; in North America, just 20 million people. We can be 40 million people, no problem if we get the capital deployed in North America.

**Roberto Lazzeri 1:00:55**

Well, first of all, I will say, whatever you guys are doing in the private side to prospect investments and see if they're feasible, please continue to do so. But at the end, there's going to be this channel or this opportunity, this set of sectors

that we want to forcefully, purposefully move forward. At this point in time, probably two people—the president and the minister—are the only ones who know where's the dialogue going, where—what are going to be these sectors that we need to foster.? But at some point, if we keep the dialogue that we can signal where does the money need to go to fulfill this plan, then find the best bets. How can we—where should we put in our money from the private sector to be open-minded, and the energy sector is a good example. Maybe you had a prospective investment somewhere that made all the sense. But maybe here for us makes a little bit more sense, because ties to a bigger narrative. Just be open-minded, analyze it, see if that's feasible, and be creative as well, and add the innovation aspect of it. We cannot expect government to add the innovation aspect to any productive sector, but we can help. But at the end, it's the private sector's responsibility. And then bet national: find Mexican people. Find Mexican technology as much as you can. Find Mexican procurement. What we can do as a government is to foster and do whatever we can, that if you make a venture in certain sectors, that we're purposefully pushing forward, that we can set up the elements so that it's sustainable. So this is going to have an ecosystem so that it can, it can grow. So at the end, this is the bet that we are inviting you to do with us.

**Maggie Switek** 1:02:49

Well, thank you so much. Thank you to all the speakers for this great conversation, and thank you, to you all for listening to us.

**Emilio Cadena Rubio** 1:02:58

Very good.

**Alejandra Botero** 1:02:59

Thank you.

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