MILKEN INSTITUTE

GLOBAL INVESTORS' SYMPOSIUM

CLOSING PLENARY | A CONVERSATION WITH MARCELO EBRARD, SECRETARY OF ECONOMY OF MEXICO

Announcer 09:30

Welcome to the session. Please take your seats. The session is about to begin. Up next "A Conversation with Marcelo Ebrard, Secretary of Economy of Mexico," moderated by Mike Piwowar, Executive Vice President, Finance, at the Milken Institute.

Michael Piwowar 11:35

Good afternoon, everyone, and welcome to the closing plenary. My name is Mike Piwowar. I'm the Executive Vice President of Finance at the Milken Institute. I'm so pleased to lead this conversation with c, Secretary of the Economy from Mexico. Secretary. Thank you so much for joining us here.

Marcelo Ebrard 12:05

Thank you for the invitation.

Michael Piwowar 12:06

Yeah, closing our second Global Investors' Symposium here in Mexico. So I can't think of a better way to do it. Throughout the day, we've explored all kinds—a range of issues, from Plan Mexico to USMCA to infrastructure, supply chains and pharmaceuticals, all areas central to your ministry. So let's start with a broad question. Please share with us how you're shaping and leading President Sheinbaum's economic plan, particularly in advancing trade, investment and economic growth.

Marcelo Ebrard 12:36

Well we first of all, thank you very much for the invitation. Everyone, hello. I hope to not to be—it's a great responsibility to have a conclusion remarks on such an important meeting. Thank you, Mike for the questions and the presentation. Well, let me say that President Sheinbaum started to work before taking the office on Inauguration Day. In order to figure out a plan to deal with the new circumstances that we are living on. And so that is Plan Mexico. Plan Mexico has not been designed for this year before the six years. So many, many, many decisions has been taken and the results are going to be—in order to present to the public opinion results in economy, growth or changes in our strategies in the next months and years. Each year, you are going to be results, and result more results, which is the main idea. Okay, we are going to have the necessity to increase the national capabilities, reduce the dependency on Asia in general, but other countries imports. The growth of our deficit, which has been more than maybe 3% only in the past three years, linked with the United States. So as far as the United States is redesigning their relationship with several countries in Asia. Let's see—let's say, more protectionist approach, at least, we need to be on time, meaning that we need to increase our capabilities, reduce dependency, reduce deficit, and be on time to present a new opportunities for integration between United States, Mexico and Canadians. So I think that the Plan Mexico mainly, is the idea and the design. So we are managing this with many tools. Tarrifs are one of them, but it's not the main one. There are many others and several reforms at the same time in order to reach such goals in the next four years.

Michael Piwowar 15:03

Yeah, so let's dive in on Plan Mexico. So it was announced by President Sheinbaum in January of this year, and as you mentioned, it has ambitious goals for development for the next six years through 2030. A few months after she announced it in April, you presented an update on the investment pipeline, the so called portfolio for shared prosperity. And you said already at that time, the portfolio consisted of over 1000 almost 2000 confirmed private sector projects across all 32 federal agencies and entities representing investments of almost $300 billion between now and 2030. Can you give us an update on the on this investment pipeline, and the overall plan?

Marcelo Ebrard 15:48

Yeah, sure. The idea of this pipeline is a portfolio, which means that you, the President Sheinbaum asked us to present to the cabinet. Each Monday, we have a meeting with the economic cabinet, energy included, to see where are we in terms of each investment. So we have something like 1776 projects right now registered by companies, mainly. More than 60% are from abroad. The rest are national investments, and we are all every day, organized in order to follow those investments and try to help them in order to get results the short term. In other words, we need to support them and reduce the regulatory processes procurement that they did. So until now, we don't have less projects, but more projects. We are going to have to reach 2000 I think, 2000 projects in the next month.

Michael Piwowar 16:53

So you said 60% comes from abroad?

Marcelo Ebrard 16:56

Yes, right.

Michael Piwowar 16:56

So we have, at this Symposium, we have a number of investors, not only from Mexico, but from abroad. And some are learning about Plan Mexico for the first time. So for those folks that haven't heard about it or are now intrigued by how can they partner with the government?

Marcelo Ebrard 17:10

If they if they register their projects with us—we are organized for this. We can follow each project in order to support them, facilitate their investment as far as possible. Many times, the President herself asked for meetings with several companies which face different kinds of problems, not only in Mexico, can be charged or yesterday, we have several meetings with car industry representatives, heavy trucks or Japanese facilities in Mexico or American brands. And she is promoting directly the solution of those problems that they are facing. So the intention that—this is working right now, and I think it's extremely positive for the investment.

Michael Piwowar 18:05

Yeah, I think the word that has been used most to describe President Sheinbaum, but this symposium and other places, is pragmatist. She's very hands on and very committed to, you know, what can—what are the frictions in the way, whether they're regulatory or otherwise, to try to get them out of the way and get more foreign direct investment here.

Marcelo Ebrard 18:22

There are two kinds of things. You have many regulations in our country as in the United States or other countries. So you need some support in order to fulfill all the regulations at the same time, to reduce the burden of the regulations compliance. And on the other hand, you need support when you face policy decisions, which are also very important in Mexico or in our relationship mainly with the United States.

Marcelo Ebrard 18:56

Easy. [Laughter]

Michael Piwowar 18:56

Yeah. All right, let's move on to the USMCA. What's that?

Michael Piwowar 18:59

It's an issue. It's kind of a big deal, right?

Marcelo Ebrard 19:06

It's—you can say, yeah.

Michael Piwowar 19:09

It's easy. We, we've heard from a number of—what's that?

Marcelo Ebrard 19:13

She's very happy outside the government. I am you. Well, I am not in the government anymore.

Michael Piwowar 19:22

Well, you are and you're you have a seat at the table here. How do you see you're at the forefront of this process, right? And it's really, I mean, there's going to be negotiations among the three countries that are there, but really, it's about, at the end of the day, improving North American competitiveness, right? We're all in this together. So how, how do you see this playing out over the coming months?

Marcelo Ebrard 19:45

Well, we had worked many, many months. Yesterday, I was in the Senate, and I share with them—we have, we have had something like 85 meetings with the USTR in—

Michael Piwowar 19:59

85? Wow.

Marcelo Ebrard 20:00

In this process has been very intense. So we have mainly basement of trust regarding the data, the propositions and the seriousness of the dialog, which is very important in any negotiation. And secondly, we have a common language about common problems. As far as we have more and more time, and table is more clear that we have more common vision or common interest than difficulties between us. Let's say it's very clear that there are no way to compete with Asia, without a very close coordination between us you need. As you will—as you wish, but it's a necessity. So right now, we are finishing the first stage, which was: what if we put on the table all the concerns that we have, Mexico and United States, in order—that avoid when we start the review next year. To have in the middle many concerns or difficulties between us. Let's start now and try to solve before the review of the USMCA. So when we start the review of the USMCA, we are going to have very clear and precision between us. What are we discussing? What are we looking for? So we are in the 90% of events about this intention. Maybe in the next two weeks, we are going to have some results, important ones, and well, I have an optimistic approach about what can be the outcome of the USMCA negotiations next year. We are—right now in the consultation process. But why I am in this optimistic point of view? Because our expectations were more pessimistic when we started this in January, February, and I think that it's going to be the same thing for the next year. We are going to have more optimistic, more positive results than expected, I think.

Michael Piwowar 22:19

And in terms of the issues that are laying—I mean, hopefully you could tell us some about these, right? So when you think about USMCA for the first time around, right, addressing some of the things in NAFTA, and there was, you know, countries of origin, with things being, you know, intermediate goods here in Mexico, those sorts of things. Are those types of issues that are continue. And then also it added, there was nothing in digital and that was added in USMCA, is there going to be a continuation of those discussions, particularly in light of rapid advances in artificial intelligence and those things?

Marcelo Ebrard 22:50

Good point, I think that you are going to have everyone expecting discussions about several issues that they are going to take place next year, but at the same time, we need to advance the supply chain security and opportunities between us. There are no way to do it. So you see each week, a difference in the items that we are discussing. So you started the first discussion was about fentanyl. Now we are discussing about what are we going to do with advancing manufacturing in North America? Because we have the skills. You are not going to find the same skills in the United States, necessarily. So we are not the discussion where right now, more in the which is going to be our cooperation, our economies in the next five years, than the starting point in January this year.

Michael Piwowar 23:54

Yeah, so let's drill down on that, on the supply chains, right? Another theme of this conference has been the opportunities involved with this, with this right? So you know, you're becoming, fast becoming a regional hub for advanced manufacturing, green energy, digital innovation, home to new semiconductor projects. Some call it nearshoring. Some call it friendshoring. Some call it allyshoring. Whatever it is, it's clearly reshaping global production. So where do you see Mexico's opportunities in this realignment of supply chain?

Marcelo Ebrard 24:25

Well, I see that we are going to have, in the short term, some negative impacts of several decisions that have been taken or are going to be taken in the next months. But at the same time, there are more and more—a clearer space, room to have a common vision with the United States, not only the administration, but the companies and the investors. So which is going to be more important as far as you advance in the time? The second one is going to be more and more important regarding the competitiveness with mainly China, but not only. Which opportunities do we have? Many. Pharmaceuticals, medical devices, advanced manufacturing, robots, drones, many of those things can be done here. Many, many other fields that I see, for instance, petrochemicals, we need to expand petrochemical more than twice in Mexico in the next years. Energy. We need to work on this, because artificial intelligence is going to need more than twice the energy that we have already. Obviously, data centers and the data economy between Mexico and United States is going to work very fastly. As a matter of fact, if you pay attention to the latest investments in Mexico, the most important ones are in this field, not energy only, but mainly data and data centers and intelligent, artificial intelligence in our country. So I see that those fields that I named, mentioned, are growing very fastly right now. Or can be in the next months.

Michael Piwowar 26:24

Yeah. And with with data centers comes also needs in the infrastructure.

Marcelo Ebrard 26:29

The energy and water.

Michael Piwowar 26:30

Energy, water—

Marcelo Ebrard 26:31

Water in less proportion than expected, because they change the technology, so they are using less and less water than it has. But energy, obviously, we need to generate more energy fastly.

Michael Piwowar 26:45

And then—and people, right? And as Mike Milken talks about, the human capital, and you know, the Monterey Institute of Technology here is fast producing large numbers of STEM graduates.

Marcelo Ebrard 26:57

Well, for instance, there are several initiatives in this regard, yesterday, we had a visit from Arizona, because we're working not only with the government of Arizona, which is very important, but also with the university and a system in Mexico of Technical specialization. This is CONALEP, which 315 young people there. So we are going to connect this system mainly with the Arizona University and other several companies in order to expand fastly our capabilities and skills in robotics and semiconductors processes. So this was a issued yesterday, for instance. So I think that there are many, many opportunities right now. The question is, are we going to be on time? So we need to really make an effort to do it as fast as the market needs those answers.

Michael Piwowar 27:57

And as an investment in the future, it's going to take a long time to pay off. Let me, take a work—move to a different topic here. So in addition to the USMCA, Mexico, US and Canada are also joined together as we prepare to co host the World Cup next year. Right?

Marcelo Ebrard 28:20

That's true.

Michael Piwowar 28:21

And so—it's not a sports question, it's an economics question. So in terms of—right? So there's three cities here in Mexico that will host matches, Mexico City, Guadalajara and Monterrey. From an economic standpoint, how important will these events be to the overall economy of Mexico, and in particular, for those cities?

Marcelo Ebrard 28:39

Well, I think that is the most important promotion for those cities and our country that can be in our perspective, in the next year, there are no other way to fulfill the same impact, to be with those activities in the World Cup. But let's see Mexico promote itself in the 60s and 70s, in the first World Cup in Mexico was extraordinarily important for the world generation of people, which has have by then take a picture of Mexico, was the first time in 1970. Then you have another generation in 1986 quite different. You are very young people. But our generation in the 86 happened something similar. I mean, millions of people take account of Mexico through the World Cup of ‘66, ‘86, and now we have the opportunity to send the picture of Mexico for a new generation, complete new generation. Then we compete, here is a great opportunity for us—in order to compete with the narco cartel series, and negative, negative image of Mexico, and suddenly you have a window to present what is going on and which kind of country are we. So, I think that's a great opportunity, not only in terms of immediate economic terms or impacts, but also in terms of your image regarding our country, when you listen Mexico, okay, I remember another thing which is not negative, it's positive. So it's a great opportunity.

Michael Piwowar 30:30

Yeah, I know. I mean, this is exactly what we're trying to do here at this Symposium. Is for a lot of investors haven't heard the story of Mexico, right?

Marcelo Ebrard 30:37

Thank you very much for that. You're welcome to do it many times. I mean, several times.

Michael Piwowar 30:42

You're the 12th largest GDP right in the world, and you need to do attract foreign direct investment, but you have so much more capacity to attract more. So you think the World Cup is actually going to help that?

Marcelo Ebrard 30:54

It is going to be very useful for Mexico, and it's a great opportunity for us, and two—or and so it's a good opportunity to show a North American great event organized between us, United States, Canada and Mexico, at the same time to be to send the message of North American region working together. It's a great and very positive message to send, I think, especially now.

Michael Piwowar 31:22

So let's play it forward. The World Cup matches are happening. You're asked to do a commercial for Mexico to tell the story of the why to invest here. You've got millions of people around the world. What would be, sort of the key highlights that you would you would have in that message?

Marcelo Ebrard 31:38

Well, this is, this is a modern country. This is an open country. This a country, successful country, with the capabilities to organize this and other great events or fulfill great objectives, and working together with the United States and Canada at the same time, this is going to be really important. I think the main highlights. I have another one, but it's not possible to pass through a World Cup unless we won't do okay before let's try to do it.

Michael Piwowar 32:11

Good before we leave the World Cup, any predictions on how well team Mexico is going to?

Marcelo Ebrard 32:16

Very well. Let's ask someone else and a specialist here.

Michael Piwowar 32:23

Good as I mentioned. We do have a lot of investors in the room. We also have folks from other parts of the civil society, nonprofit organizations. What can we do to help you?

Marcelo Ebrard 32:35

Well, I think that exactly what are you doing right now? And we are very open to your initiatives and your ideas right now, we are in the consultation of previous review of the USMCA, we are going to have dialogs with 30 different sectors of our economy for the first time in order to find out what to do better with which kind of things we need to change, modify or innovate in order to be more effective, and what can be proposed to the United States and Canada for the next years for this new economy. Where this review is going to happen In the middle of, maybe, the greatest change in technology and our time this century, which is the arrival the eruption of artificial intelligence. This is going to change the landscape of the economy so well, there are many opportunities, several opportunities to work together with investors, civil society, in order to be as effective as possible. Thinking on the region, United States, Canada, and Mexico for the next years, I think there are a lot of things to do.

Michael Piwowar 33:56

Yeah, we're almost out of time. I want to ask you for any last words you would like to give folks here to the audience before we close up.

Marcelo Ebrard 34:06

Well, first of all, let's be optimistic. It's not a religious thing. It's about, you know, I think that the USMCA is going to survive. We are going to establish security for our supply chain cooperation standards that we don't have right now. So this is going to improve our capabilities and possibilities. This is going to be more and more and more and more important in the dialog with the United States. You regard the starting point in January. Why optimistic? Because it's such the strength of our integration with the United States, our economic integration, that is not possible to even imagine the future between. You know, in our countries, without United States, or without Mexico, without Canada, so despite the immediate pressures and tensions that you can see in the media, we are going to fulfill the main goal, which is survive the USMCA, strength, integration and create, for the first time, a common vision and a program in order to protect our supply chain, in order to organize the advancing manufacturing processes, to protect our minerals strategies, which are not being coordinated the past years, we don't have a common strategy about this, which has been very costly not to have this. And so I am very optimistic about this, and we want you to be part of this process. You are very welcome. Thank you for your interest in Mexico and the future of our relationships. Milken Institute, thank you very much. Mike, thank you very much, and see you soon. Thank you very much, everyone.

Michael Piwowar 36:09

Thank you, so—and Mr. Secretary, thank you. You have such a busy schedule, and I know you have to leave, and I need to do three quick things before we get out of here. First, like everyone, please help me. Thank Mr. Secretary for joining us today, taking time.

Marcelo Ebrard 36:32

Thank you everyone.

Michael Piwowar 36:33

Thank you. Second up on the screen, there should be—in a minute, a list of our upcoming Milken Institute events throughout the world. at the end of 2025, and 2026. I don't know—here we go. We have some of the ones that are up there. Our next event is in São Paulo around COP30. We and—we have our Middle East and Africa Summit in Abu Dhabi. Lots, lots of investors in the Middle East who might be interested in Mexico. And in Washington, DC, in March of next year, we're having our first Future of Finance Event in our newly opened Milken Center for Advancing the American Dream. And in May of next year, we have our Global Conference, and there's some other ones that are listed up there. So fantastic. And then finally, end by saying, please join us downstairs in the courtyard for our closing reception to celebrate the success of our second annual Symposium here in Mexico City. Thank you.

Marcelo Ebrard 37:32

Congrats, Mike.

Michael Piwowar 46:22

Thank you.

Marcelo Ebrard 46:28

Thank you.

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