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“Predict the future by creating it”

Mexico’s transition toward sustainable development has been characterized by an intense change in each one of the three vertexes of sustained development: Economic, Social and Environmental.

Mexico has registered important advances in terms of economics. From the time that the decision was made to globalize the economy at the beginning of the 90’s to the present time, Mexico has established itself as the nation that has signed the greatest number of trade agreements in the world. And, with its strategic location permitting access to a variety of markets, the nation has received important foreign investments, although these have been focused toward products that do not require an intensive use of technology. Hence, Mexico must diversify investment, since the nation is increasingly dependent on petroleum.

Of the slightly more than 344,000 manufacturing companies in Mexico, 99.1% pertain to the classification micro, small and medium-sized companies. In contrast, the remaining 0.9% (large companies) offers employment to 46% of the total personal employed in manufacturing, official figures show. Mexico has become a country of micro, small and medium-sized companies.

In macroeconomic terms, the nation has significant stability, which is reinforced by government statements. The currency is strong and loans flow easily. The construction industry today registers historical growth figures.

However, several very serious social problems threaten Mexico: uncertainty in terms of public safety, unemployment and the lack of a political consensus on the nation’s most important reforms (tax, labor and energy policy.) These are challenges that Mexico must overcome.

In terms of income growth, the macroeconomic advances have not been sufficient to help salaried workers’ purchasing power, and there is a clear tendency toward consumption of inexpensive products. In turn, there is a disturbing increase in informal commerce, a situation that damages the tax base as well as the nation’s productivity.

Insofar as the environment is concerned, Mexico has made clear progress in this important area, such as in the opportunities offered in the change from a corrective to a preventive focus. Self-regulation is a great opportunity, although

it still is necessary to fine tune Mexico's regulatory framework in environmental matters.

New economic instruments are nearly ready to be introduced; such is the case of the Carbon Bonds (Bonos de Carbono) and other market instruments. Together with the newly enacted Corporate Social Responsibility and Environmental Excellence programs, Mexico is expected to surpass the standards established in coactive regulation.

Regarding the natural resources, one of the main problems that Mexico is facing is the water reserves. Although Southern and Southeastern Mexico have significant water reserves, Central and Northern Mexico (where 80% of the population and GDP are located) have a pressing need to make rational use of their water resources, as a result of their particular problems. Consequently, a solution has been sought in the new National Waters Law, which was designed to improve the quality of water, increase treatment of discharges and to stimulate reuse of water when feasible and beneficial as a function of water quality. Likewise, it would be very useful to apply rates according to the degree of water availability, since this would contribute to stopping waste.

Conclusions

Mexico is advancing very rapidly toward sustainable development. We believe that political consensus on the nation's most important topics will be the catalyst for this growth, combined with a unified vision once the nation has passed through this stage of transition toward democracy.

In Mexico's national vision, there are many underlying challenges that must be urgently satisfied, and Mexico must have a political consensus focused toward the future. Integral reforms in terms of energy, labor and taxes seek to transform Mexico into a unique country with comparative advantages that rapidly can become competitive advantages, generating new markets, conserving them and creating new wealth.

The key to sustainable development, basically, is permanence over time without deception; citizens must be committed, adopting visions, values and principles that are congruent with the nation's future.

To combat Mexico's very serious social problems, the nation must stimulate domestic and foreign private sector investment, which will contribute to more solid economic growth, a strengthening of the domestic market and a strategic position in commerce.

Aware that the best way of predicting the future is by creating this future, Mexico has proposed an agenda involving mainstreaming the environment, including this area in the topics that traditionally have been most relevant. This will be decisive in the rational and reasonable use of Mexico's natural

resources. It will be these natural resources that will permit Mexico, in the long term, to be a healthy nation that offers a wide range of opportunities.

Henkel's contribution

For its part, Henkel can make a very significant contribution to the challenge through its responsible and visionary activity. Focusing on shared differentiated responsibilities Henkel can become a factor in the Mexico's transition toward sustainable development by meeting the nation's diverse social and economic needs through its activities.

- Contributing to innovation, transferring knowledge and technology in safe, environmentally friendly products, and making better use of non-renewable resources.
- Offering employees fair working conditions and well being, improving their quality of life and contributing to an improved human capital.
- Continuing with the business ethic that has characterized the company, respecting human rights and having a positive impact, through example, on the communities in which the company is located.
- Creating value and improving the reputation of the firm's trademarks around the world, while at the same time stimulating growth in its communities, becoming more than just a mere inhabitant in these communities, and instead a citizen of these communities.
- Significantly improving the company's performance in terms of the environment throughout the life cycle of its products, promoting at the same time the rational use of the planet's non-renewable resources and integral solutions that are in harmony with global necessities.