

## **BLOOMBERG LATIN AMERICA FORUM**

***The Bloomberg Latin America Forum, hosted by Michael R. Bloomberg, featured the President of Chile Michelle Bachelet, President of Colombia Juan Manuel Santos, the President of Mexico Enrique Pena Nieto and the President of Peru Ollanta Humala. The panel discussion was moderated by Matthew Winkler and Adriana Arai of Bloomberg News and held at Bloomberg's headquarters in New York City on September 22, 2014. Here is a transcript of the discussion.***

JOSE ENRIQUE ARRIOJA: Thank you all for being here. Welcome to Bloomberg Global Headquarters and to our first Bloomberg Latin American Forum. We are thrilled and delighted to have you here.

On behalf of all the Bloomberg family, we are glad that you are able to join us today for this little piece of history. We're being broadcast live around the world on the Bloomberg Professional service (terminal), on our websites, [www.Bloomberg.com](http://www.Bloomberg.com) in English and [www.Bloomberg.com.mx](http://www.Bloomberg.com.mx) in Spanish, live over Bloomberg-El Financiero TV and via more than 50 news organizations in Latin America, alone.

Today's discussion will be moderated by Matthew Winkler, editor-in-chief of Bloomberg News, and our executive editor Adriana Arai.

With that, it is my privilege to welcome Michael R. Bloomberg, founder of Bloomberg LP, and our honored guests of the day: President Michelle Bachelet of Chile, President Juan Manuel Santos Calderon from Colombia, President Enrique Pena Nieto from Mexico, and President Ollanta Humala Tasso from Peru.

MICHAEL R. BLOOMBERG: Good afternoon, or buenos tardes. Bienvenidos. Todos nuestros amigos, Chile, Colombia, Mexico, y Peru, y todo Latinoamerica.

I want to extend a special welcome to our distinguished guests, the president of Chile, President Bachelet; the president of Colombia, President Santos; President Pena Nieto of Mexico, and President Humala of Peru.

It's an honor to have all of you here. And you can see by the turnout, everybody's thrilled that you are going to tell us what's going to happen in the future in Latin America.

I also want to thank all of our business leaders from around the U.S. and Latin America who are with us today. Bloomberg has become more and more focused on Latin America in recent years, and incidentally, so have I. I started by taking Spanish lessons something like a dozen years ago. I am determined to do two things before I die: one is to speak Spanish like a native, the other is to hit a golf ball like a professional. And I can tell you, I will live a very long time.

As mayor (of New York City), I hosted many great Latin American figures in City Hall. When New York hosted the Latin Grammys, I danced the merengue on stage. Seriously, this forum is the first of its kind here at Bloomberg, and I think it marks the first time since the Pacific Alliance was created that the presidents of all four countries have participated together in an event organized by a private company.

So, in addition to making news, we are making history. Today's panel reflects our commitment to covering the people who move markets and who shape the world, and we've had a news presence in the region for more than 20 years, and lately, we've been rapidly expanding it. I'll just give you one example. Earlier this year, in partnership with Mexico's El Financiero, we launched the world's first business news channel with Spanish-language programming. In fact, we're broadcasting live right now, as well as on the Bloomberg Professional service, on [bloomberg.com](http://bloomberg.com) in English and on [www.bloomberg.com.mx](http://www.bloomberg.com.mx) in Spanish.

It's not only Mexico where we're growing; we're growing throughout the region, because the market is growing throughout the region and especially in the Pacific Alliance. Together, these four countries are Latin America's biggest trading block with a \$2.2 trillion economy and home to more than 200 million people, so it really is a very large market.

Last year, the alliance brought in half of Latin America's foreign direct investment. The Pacific Alliance makes up half of the total exports for the region, and those exports have grown about seven percent a year over the last eight years and on par with Asia and outperforming the E.U.

The four presidents that you're going to hear from in a moment are helping to set the pace in driving Latin America's economic progress. And to give you a sense of the financial industry's growth there, I will just note that over the last five years, our core business in Mexico has grown by half, in Chile and Colombia, by nearly 70 percent each and in Peru, by more than 100 percent.

So these are countries where they're becoming much more sophisticated and having many more options for companies and for the government to finance and for people to invest. We've also worked with the Colombia Stock Exchange and government regulators in Bogota to build a platform for banks to report their derivatives trades. Electronic trading in financial markets is essential to being competitive in the global market these days, and it helps make these markets more transparent, which increases liquidity and attracts more investment, so everybody really benefits.

This is a case where Wall Street does better, so does Main Street, and there are Main Streets and Wall Streets all around the world. It helps investors also comply with increasing regulations around the world, and everybody that does business in finance has to be cognizant of what regulations are in other countries they do business, and even in some countries where they don't.

Over the years, I've travelled to Latin America for business many times. Earlier this year, I had the pleasure of attending a climate change conference in Medellin, Colombia, and I was very impressed with the work the city is doing to raise living standards by investing in sustainable development. The old Medellin that people think about is long gone. The new Medellin is safe. It is clean. It really is exciting, and it shows what can be done.

In December, I will head to Lima, Peru where leaders from around the world will come together to begin work on a global climate treaty. And for those of you who are not engaged in this field, let me just mention confronting climate change goes hand in hand with economic growth these days, and I saw that in my days at City Hall, and I know our guests here today will be able to talk to you about that.

Mexico City, which used to be known for air pollution, is now a leader in fighting it, and the benefits can be measured in public health and in economic activity. Santiago, Chile rolled out one of the most ambitious bus rapid transit systems in the world to cut traffic and pollution. That's also helping to attract new investment. Latin American cities are helping to lead the way on these issues, and that's helping to drive more and more investments their way.

Bloomberg is in a great position to help add to that momentum by bringing together people who move markets in the public and private sectors, and today, I think it's a perfect example of that. We're honored to have a chance to hear from some of the leaders who are going to chart the course for the region.

So thank you again to our distinguished guests. Gracias por honrarnos con su presencia, y gracias a todo por venir. So thank you all for coming, enjoy the afternoon, and now I'm going to turn the floor over to our editor in chief for Bloomberg News, Matt Winkler, and to the presidents of Chile, Colombia, Mexico and Peru. Thank you for coming.

**MATTHEW WINKLER: Thank you very much, Mike, and thank you, all of you, for being here. Let's start with the president of Mexico, Enrique Pena PRESIDENT PENA NIETO, because Mexico, this year, holds the presidency of the Pacific Alliance.**

**President Pena Nieto, what are the benefits that the Pacific Alliance brings to the citizens and economies of member states?**

PRESIDENT PENA NIETO: Thank you very much. I would like thank Mr. Michael Bloomberg for this enormous opportunity to meet once again and all the presidents of the founding countries of the Pacific Alliance. The alliance has been built upon government efforts to advance a further integration of the member countries, and also, we're opened up to have more countries being members of this effort.

But we're open to have in this partnership active stakeholders, and those are entrepreneurs, small-size, middle-size entrepreneurs that are part of this -- the board that we have in the Pacific Alliance, and they are the ones, actually, that will take stock of the benefits

of the Pacific Alliance. We're four countries that share the same principles and we are democratic countries.

**WINKLER: I'd like to introduce my co-moderator, Adriana Arai of Bloomberg News, and to follow up your point by addressing President Santos.**

**Adriana Arai: Thank you, Matt. President Santos, if one looks at Latin America, one can see almost two groups of countries that seem to go in separate tracks. On one side, you have the Pacific Alliance and on the other side, we have the Mercosur. Is there a competition between a group of countries that are embracing free market policies and a group of countries that are more interventionist?**

PRESIDENT SANTOS: Thank you, Michael Bloomberg for the invitation. For me, it's very important to be here with you, our colleagues and Presidents. When we started the Pacific Alliance, we did it with the approach that we want some common denominators. One of them was that we all border the Pacific coast and we have economies that are actually above the average in Latin America. We decided to get together, to join and integrate our economies beyond our free trade agreements, and become an investment magnet, worldwide -- without any competition.

We started the Pacific Alliance Latin American integration at the beginning of 1990s. We call it an open integration in which each group of countries has its own rhythm, its own speed, and without excluding each other. What we're trying to do is find communication channels with other countries, with other integration process, where we can create synergy. We welcome that, and in the meantime, we're still going to be advancing and doing our own road, following our own road.

And one of the big attractions to the alliance is its pragmatic approach. Presidents sit down together -- this is a very important aspect. We want to hear the opinions of entrepreneurs and capital owners. This is the way we'll advance faster than any other integration process in Latin American history -- with a practical, realistic approach. And I repeat, we don't have any need to compete with any other country or group of countries.

One of our major accomplishments, I think, is to have the position in the alliance worldwide as an example of successful integration. And we want to continue having that approach with -- with data, with the financial sector. The stock exchanges are also integrating. And now Mexico is adjusting its laws to be part of our financial integration.

Nowadays, a Colombian issuer/company, can issue their papers/their financial instrument, and investors in Chile and Mexico can actually buy those equities, as if they were their own local equities. That's amazing. This opens up and expands the action area of the financial markets.

I was talking to President PRESIDENT PENA NIETO, and Mike Bloomberg and we were asking how many tourists come to New York. Bloomberg say 54 million and we were thinking it would be great if we can do the same in Latin America. And we asked him if he could come to the Pacific Alliance.

So this kind of like a conversation is something that allows us to progress. We have 600 students studying in Mexico and Peru, and we are welcoming all the countries that want to be part of the alliance.

***WINKLER: Mercosur, how would you compare the impact of your economies in joining the Pacific Alliance, and joining the Mercosur as associate members?***

PRESIDENT BACHELET: First of all, I think they are two different organizations and they have different purposes. Mercosur has a commercial purpose, but also a political one. And maybe one of the elements mentioned by one of my colleagues who spoke, the Pacific Alliance has a very particular focus in the whole business sector, everything that's about economic integration, but also infrastructure integration and digital connectivity. And how we're able to interconnect our countries, but also expand into other countries. Expanding the spectrum, expanding the markets among our four countries, as President Humala was saying.

On the contrary, we're not an alliance that sees ourselves as excluding outside mechanisms or regional functions. Rather, we want to work hard to find, for instance, with Mercosur, points of common interest.

Mercosur has a political aspect, too, that we're not after. We have a different forum where we talk about political subjects. I'd say it's been a very good experience for countries with differently sized economies. We also have points in common, although we commonly understand the importance of an open economy.

We understand the importance of the development of our countries, with the need to enter international markets. And we also understand the importance of regional integration. One of the things that in Latin America we have not yet done well enough is, in fact, internal markets in the region. We have expanded to other areas, to other continents, but not intra-regionally yet, and I think that's a large space for us.

And, on the other hand, as I think President Pena Nieto was also saying, we've been entirely pragmatic, which has allowed us to advance, pragmatic in the one sense, but also realists. Not, for instance, in putting in motion a 400 percent plan, but rather pragmatic goals. Commerce, on the one hand and a free flow of people, services and goods. And we've been making progress.

Each country has brought a new subject to the table. For instance, we, Chile, have proposed that in economic investment, we would also include mining. And now we're putting together a mining and social responsibility group.

We believe another essential area to progress when we talk about connectivity is energy. We have different aspects in our different countries, and we can make progress. But what's very central to Chile is that being utmost pushers -- or backers of the Pacific Alliance, we have 32 advisers -- right? -- but we also have other countries outside who are looking at this experience and we'd like it to be a constructive experience with others as well, which will allow this regional group to face our challenges in a great way.

I think very soon, in November, there will be a meeting of delegates in Santiago, Chile, of Pacific Alliance, along with Mercosur, so that we can see in which areas we can tread a common path that hasn't had the right conditions yet. In that way, the Pacific Alliance and Mercosur can develop adequately.

***ARAI: On the same topic of regional integration, you just mentioned -- your colleague just mentioned that the Pacific Alliance is open to whoever wants to join with Mercosur and potentially could be a driver for regional integration. Where do you see the Pacific Alliance 10 years from now?***

PRESIDENT HUMALA: Good afternoon, to all of you. And I think that the presidents who have spoken before me have explained a little bit what the Pacific Alliance means. And I'd like to highlight the fact that we also share values such as democracy in respect to institutions. This enables us to move forward in building trust.

As a result, the Pacific Alliance is one of the regional blocs of the utmost importance in the world, and it generates the inclusion of 32 observer states with a business council that is also a way of integrating the private sector and the entrepreneurs. They bring to the floor the topics they wish to discuss. As an anecdote, the business sector brought the cosmetic industry to the table. I understand that it is of interest to more senior businessmen to discuss about the cosmetic industry, and we have included this in our table of discussions.

Now, we have different processes with countries such as Costa Rica that have been constantly following up on this matter. And I think in the meeting before last that we held in Colombia, we signed an inclusion agreement.

The issue of including observer countries or those countries that show some interest in the Pacific Alliance is a process in which we have to work on the interest of each of those observers. What are their main advantages that they draw from the Pacific Alliance? And based on this, it is up to the founding members to create the appropriate opportunity so that they can join the Pacific Alliance. This will be a short- or medium-term process to include more countries in this bloc.

In addition to all of this, I wish to highlight that the Pacific Alliance intends to look at other markets as well, such as Asia. Almost all the members of the Pacific Alliance here today have joined the Trans-Pacific Partnership or through the APEC forum. And we have some trade offices that we are establishing in a joint manner in areas where typically we would have

overlooked. Now we are joining forces, as the president of Colombia Santos had just mentioned, on the tourism industry. Each of the presidents has also highlighted this.

The Pacific Alliance is moving forward as we can see here. There are new presidents who have been elected. There has been a change in the administrations of the different countries. One was reelected as a matter of fact and some others are quite new. And we continue to implement state policy.

Do you think that Mercosur could join the Pacific Alliance sometime in the future? I'm quite optimistic, as a matter of fact, to the extent that we understand that the Pacific Alliance is not a political alliance. It's just a practical bloc that has two pillars -- the dynamism of our economies. Recognizing that even before the establishment of the Pacific Alliance, our economies, our business sectors already complemented each other. The investments we have with Chile, Mexico and Colombia, speaking for Peru, were quite significant already. So we had to provide to them an institutional framework that would boost the development of the state.

And the other thing is the political willingness that each of the governments is adding to the Pacific Alliance. But here we share a model of open economies. We are quite optimistic that at some point, with Mercosur, we might be able to grow beyond the tariff agreement, which is a characteristic of the Mercosur. And eventually, we can find a level playing field.

The Pacific Alliance is not just based on trade, but it promotes education through scholarship programs. And I think that almost all of us here are observers of Mercosur. So, I hope that at some point in time, we can reach an understanding.

***WINKLER: Actually, I wonder if we turn to trade and the economic outlook. You're seeing growth in China swelling right now. The U.S. economy is rebounding. And that could lead the Federal Reserve to raise interest rates next year at maybe this time. How will the economies of your four countries be affected? How do you prepare for those effects at this point?***

PRESIDENT BACHELET: All the estimates from the International Monetary Fund, CEPAL and other leading organizations for the last two years, say the economy in the region, in our four countries and Argentina -- has seen decelerating growth. The growing rate would be below what we wish and below the estimates. And that's a study by this organization about two years ago. It has to do with international organization, and each country also has its own dynamics that can explain that economic deceleration. But that doesn't mean that your countries are in a recession.

It's actually growing, but at a slower rate. There's a set of factors, and I don't know if this is happening to all four countries, but in the case of Chile, we have identified some subjects that we need to address such as how we lower energy costs. We also have a problem with the low prices of copper and that's what we have been working.

I know that we will have more time to speak about these subjects at the next Pacific Alliance meeting. The question is how can we have a global agenda to face these challenges? At the Pacific Alliance we are talking about economic integration that will help us jumpstart the economy. We need to solve problems like infrastructure and energy issues.

But one important task is how we respond. Some of my colleagues talked briefly about how we solve obstacles like financial, bureaucratic, operative limits that are blocking, slowing all these processes -- in our public sector and in the private sector within our country. So, the way we have to answer these issues, each country have its own particularities.

In the case of Chile, we need to lower the energy cost. We have to improve our export capacity and how we make our internal process to have a better dynamic and allow the foreign investment that wants to reach our country and how we let that happen.

In the case of Chile, we have a very powerful agenda that has to do with energy, and we are working hard toward that approach. And I think each of us is doing the same, and we are all doing this as a group, and we are very optimistic. And that's why as president of the country, I am historically optimistic.

But I want to talk about my colleagues, the other presidents, who I believe we're going to do better next year and in 2016. We're going to have a better growing rate, and I'm very sure that we are all doing the best to make things happen. Yes?

***ARAI: Aspects to each economy. I'd like to invite each president to comment on those questions. Mr. Santos, would you please next?***

PRESIDENT SANTOS: That would be a fantastic achievement in the next 10, 15 years. I see the Pacific Alliance as place where we can engage, where we can deliver more, where companies and our growing industries can come together. All of our countries have important aspects to contribute in biotechnology and biodiversity. We all have rich biodiversity sectors, and there we can join forces in order to bring research and development in biotech -- in the biotechnology sector, which is growing more. So, there's great potential.

Now, our closeness to Asia-Pacific is one of the original objectives of the Pacific Alliance, and it continues to be. We're making pragmatic efforts to join together commercial offices. We already have several commercial offices in different parts of the world where we're connecting Peru-Colombia, Chile-Colombia, so that process is being strengthened more and more.

In the case of the Colombian economy, we've believed and I think we share that -- that criteria with Asia-Pacific. That's what makes us stronger, or relatively stronger, the fact that we share fiscal responsibility with growth.



We have some sound financial growth ideas based in balancing our -- our public financing, and that attracts investment, because that's what in the long term will allow us to -- to grow at greater rates. So, that's an important cornerstone. We share that economic policy, and I think that's what sets the four countries apart from others.

PRESIDENT PENA NIETO: Thank you very much. I would like to say once again that the Alliance is an integration mechanism composed by the countries, but it is not an exclusive group. It is an inclusive group. The spirit that feeds this alliance is our geographic location. We are located in the Pacific, but we share very important principle.

We are open to trade. We based the development of our economies in foreign trade and in the openness to the world is probably the core of what makes us meet at the Pacific Alliance. How do we visualize a future as President Bachelet has rightly put it? Every country does its best to address the challenge of economic development and social inequality.

Those are the two biggest challenges that we face in Latin America. Mexico has done its share. Mexico has pushed structural changes forward, has implemented reforms to grow in the areas of those rights, by building our democratic capacities and to grow economically.

As we have heard from all of the speakers here, we are optimistic. The future is bright. We see more economic growth. And it has happened with other countries. We haven't stopped growing. We have shown positive growth rates. But those are not enough.

Based on the features shown this year, we see more encouraging figures in the case of Mexico. As a member country of the OECD, Mexico is a country that has shown the highest growth in the last quarter of all of the member countries of the OECD.

Our forecast for growth from 2.7 to the end of this year will show an increase, and we'll reach 3.7 percent next year. Previously, we had shown poor growth rate. That is why we have implemented structural reforms to speed up our growth, to address this big challenge.

I believe that all of the member countries here have done their best. And I believe that we are optimistic in the future and in the Pacific Alliance as another integration mechanism to find support for the economic development of our country.

***ARAI: How are you preparing for this outlook, with the Fed possibly raising rates, China growth slowing?***

PRESIDENT HUMALA: Well, actually, what we see in first place, is that we have a promising future. I think this is not only a wish, but this is a wish that is based and a statement based on objective facts.

We have held over the past two years a stable macro-economic framework that instills

trust. We have consolidated an economy in which we are working on diversifying.

This is why we now have a national productivity diversification plan. It is a state policy and the president is spearheading this initiative, as other members of the Pacific Alliance. We have implemented a number of reforms within the state in different fields, such as education, health, the tax administration, the civil service. In other words, the employability, social security, defense, and the stock exchange. This enables us to show so that in the future, we can harvest good results.

We believe that in this complex world that we are presently facing, that the international market for some products is dropping. Therefore, the integration of our four emerging economies is ever more meaningful. This enables us to complement each other. And not only to look out to what China is doing, to what the United States is doing, to see what the European Union is doing, but also to look inside ourselves, so see what we're doing.

We're moving forward in an intraregional trade that is increasing and enables us to consolidate micro and small businesses. This enables us to further strengthen our education as the key mechanism to develop our peoples. And trying to join the production chains of the world.

So, in the case of Peru, we are now implementing a number of projects under co-production mechanisms. So this means that we are including and adding to the world production a number of companies. And, in this way, Peru is a partner to those big companies. In this way, we will depend less on the volatility of the price of commodities, the price of the traditional products, which is what we mainly export.

The four partners of the Pacific Alliance are mainly engaged in the export of commodities. So in this way, we can not only consolidate the alliance, but also become better partners for other groups, other interregional groups, such as the ASEAN group, which are a very powerful group, and be better partners for the United States and the European Union, among others.

I would like to add something else. This year Peru will host the world conference on climate change. We believe that this forum is the utmost importance for the United Nations to devote its effort on this topic. Nowadays, we have a world warming problem. And I strongly believe that development is compatible with the sustainable development and with taking care of our environment.

This is another topic that we are also working on within the Pacific Alliance. Here, we share the Andean region with Chile, Colombia and Mexico. We also have issues of deforestation. This is of a vital importance. We need to combine the industrialization processes, the development processes, with taking care of our environment.

PRESIDENT SANTOS: And I would like to add a very important subject that gets us together and also gives us a special power. In Latin American, generally, but also in other countries, there are inequalities. We have high levels of poverty. President Pena, was talking about the social policy. With all the common denominators that we have in this country, the most important objective is that the case of Colombia and the case of Chile.

There's a very important, additional opportunity because we not only have an economy that is growing above average, but this growth is a healthy and sound growth that can take people out of poverty. And it has the potential that the markets and consumers are seeing -- that the market is growing.

The markets in our countries are growing faster than the other regions in the world, and this is one of the factors that we share. We have this growth, but this growth also comes with equity. And this is attracting investments to our region.

Our productivity is another important subject. Other countries have a lot of productivity. And the way we are integrating ourselves, we are doing it in a way to improve our productivity. That was going to improve our growth in the future.

***ARAI: I would like to ask President Pena PRESIDENT PENA NIETO about Mexico's participation in MILA. You already agreed to join. Now, as you look at the size of the market, Mexico is much bigger than the other securities markets of the other countries. What's the big advantage that you see of Mexico joining MILA? And how do you see that evolving?***

PRESIDENT PENA NIETO: I believe that the benefit of integration is not only for capital goods, but for those four components that we have already described. Its legal framework did prevent Mexico from entering MILA, but the structural reforms that Mexico has pushed forward, in order to increase economic growth, has made it possible.

We're in the process of becoming part of MILA. I believe that in the next couple of months, we will be part of the integrated Latin American market. What Mexico would offer to this integration process and what the other members would offer Mexico -- would be reciprocal. As it happens in every other sector and as part of the Pacific Alliance, the size of our countries and our economic development, shows that we share basic principles.

Politically, we are four democracies with high levels of consolidation. In the economy, most of our economic development is based in trade and openness. And, based upon these principles, I believe that we have been able to make agreements to integrate our countries and create this market.

As I said, more than 230 million potential customers are not for one country alone. This is the number of people that can benefit in all four countries. And I would like to say again, that the Pacific Alliance is an integration mechanism and a true platform that would contribute for the growth and development of our economies for the benefit of our societies.

That is the challenge, and I have said it repeatedly, the challenge that we face as countries is to grow and to have more equal allocation of richness to fight inequality. But in order to fight the roots of poverty, social policies are not enough. It is essential to have higher growth rates in a sustainable fashion. And this is a great platform, the Pacific Alliance that contributes to fulfill this goal.

**WINKLER: Speaking of growth, there have been no initial public offerings this year in Brazil or in the MILA countries. The low volume, the lack of deals has always been a weakness of the MILA plan. So what do you think can be done to change this?**

PRESIDENT SANTOS: From what I understand, today or tomorrow there will be a Colombian bank publishing a press release. I think it's been dealt with six times in Colombia and many other countries, there's a lot coming.

Our spreads are still the lowest in the region of the four countries. And there's a large appetite from international markets for bonds from all of our countries. In fact, we are the ones with the lowest rating, but we have increased two rating levels in the Moody's credit ratings, as well as those of other credit agencies.

So, I think the hunger for -- for what these countries have, the demand for our bonds is still very high. There may possibly be companies and countries facing difficulties in accessing the markets, or generating demand, but that's not what any of our four countries are interested in.

**ARAI: President Bachelet, if you look at the numbers from NELA and if you look at the numbers from the local markets versus, for example, the trading volume of ADRs of the Chilean companies or Mexican companies or Colombian companies or Peruvian companies, a lot of the trading takes place overseas. And if you look at the numbers from NELA (?), the -- the volume has been relatively low. How -- what can the countries do to increase the volume and bring the liquidity to the local markets?**

PRESIDENT BACHELET: Of course, for Mexico to be a part of this is going to help strongly because it's going to help add to the amount of capital, right, in MILA. There's also an amount of initiatives currently that are going to allow an increase as well. Lakewood (?) was mentioned -- regional commerce within our countries. That's going to be an important element. And I think Juan Manuel was also mentioning using point of origin to make investments -- to sell it and make investments elsewhere, too.

These are initiatives that we're going to continue working in because MILO (?) isn't completely consolidated yet. We're waiting for Mexico to join on so that we can keep identifying what our new initiatives must be that we are to carry forth.

I'd like to reiterate something that my colleagues have said, because I think we all understand that we're here because we want economic growth in our four countries. But economic growth isn't the objective in itself. It's also an instrument toward development.

And development as it's been mentioned I think it's happening in our four countries and each one has explained in their own perspective, like President Humala. We have to understand that development isn't synonymous with economic growth. Rather, it has to be environmentally sustainable and it also has to be sustainable on the social level.

And in that sense, in combating inequality, Latin America is the most unequal continent. And that's something to be combated. We're talking with people here and we must ask ourselves if it's about just our country or the Pacific Alliance. It's also important to consider whether we're stable democracies, with clear regulations; that we can express this externally -- to investors that this won't carry risks that could exist elsewhere in the world, for instance.

And within our own judgment, we've always said we have to grow, but grow to include growing -- being inclusive for growth. In one sense, we're going to have to have an ability to produce and give greater value to our products. So this triad, let's say, of economic growth, the combat on inequality, and sustainable environment, that's what development really is. And we want to grow economically, but we also want to develop. And these are all our challenges.

Right now, we're having the World Conference on Population and Development, and at the United Nations, they are saying it's finally an opportunity to lift people's quality of life. And I think that's what the Pacific Alliance wants.

An additional factor is that we have really a short period of time. The Pacific Alliance has only been active for two years -- a long two years, but it's an interesting phenomenon, which is about investment within countries. Every time more Chilean entrepreneurs are investing in Colombia, the Colombians are investing in Peru; the Mexican investment in Colombia is growing faster than the investment from the United States or European.

And this is the base for the next step forward we were talking about with what are the equity bond issues. With a financial integrated market, the next step is that the countries are naturally going to start using the local markets, benefiting our own countries.

For instance, the capitalization of our countries, it's not going to change Peru, Chile and Mexico and Colombia-- the capitalization is more than 500 billion in the volume. It's creating an interesting critical amount allowing local emissions the same way as it happened here in New York City.

PRESIDENT HUMALA: I would like to add and highlight what the president of Chile has just said. The issue when we built the Pacific Alliance originally, was not just thinking of the integration of the stock exchanges. These are just steps we are taking forward. But we wanted to narrow the inequality gaps of Latin America.

Latin America is not the poorest region in the world, but it is the most unequal region in the world. And we believe that we need to come together to narrow those inequality gaps. And this is where the business sector, the private sector needs to play a key role.

In the last 100 years, the world has evolved significantly. Out of the 100 top world economies are not the states or nation-states, but rather corporations. Those corporations have to invest somewhere. And what we are creating is a space, an opportunity where their investments will have profit and they have a guarantee that the law is abided by in whatever the states will be enforced.

In the case of Peru, we have built a development strategy. We have changed the concept of grow to include. What we're doing now is include growth. Why? Because when we talk about growth, when we talk about the macroeconomic policies and the policies that we are implementing, there's not much room for ideology, but rather for being practical.

The ideological issue that characterizes each government is the way you distribute that growth, what you do with that growth. Some of them can accumulate it and keep it in the bank, increasing your reserves. And some don't believe in that. And we invest it in social inclusion, which is the flagship of my administration. This is my main goal.

For this purpose, we have created a new ministry, the Ministry of Development and Social Inclusion. We have developed a set of second-generation social programs, not the traditional ones. We have created a national system for scholarships. We began from zero and now we have over 30,000 beneficiaries, and at the end of the year we hope to reach 50,000 young people who are offered the opportunity of studying. This is a concept we share and we discuss among our partner members within the alliance.

***WINKLER: And I just wondered, Peru's 5 percent capital gains tax on foreigners' stock trades is considered to hinder trading on the Lima Bourse. You've been considering removing this tax for years. Is it going to happen this year?***

PRESIDENT HUMALA: I would like it to be a surprise. What we are doing is discussing with the business sector. One of the key problems that a business person has is how long it takes to create a business. Another big problem that a company has is once you've created the company, how can you get the permits, the licenses from the different sectors. And we have found many permits that are inoffensive or absurd, to put it in some term, that can delay the time the investor takes to go ahead and implement his business.

What else did we find? That in order to get the license, the operations license, we found that the road map was kind of complicated. So what we're doing now is streamlining that road map. We are looking at the bureaucratic bottlenecks where the items that do not require the opinion of this or that other sector. And we are also reviewing everything that is connected to the decision of a bureaucrat. In the decision of a bureaucrat, there might be corruption.

So, we are fighting against this. We are preparing -- reactivating measures that we find will help us work hand in hand with the private sector. You wanted me to let the cat out of the bag, but I'm not.

***ARAI: I'd like to touch on the move onto the topic of energy and mining, which is a very important industry for all the countries here of the Pacific Alliance and important drivers of growth. But the aspect of mining and energy is that it's cyclical, so I'd like to know from all of you what are you doing to avoid the boom and bust of the commodity cycle?***

PRESIDENT SANTOS: In the case of Colombia, we passed a reform to give out concessions much more equally. It used to work differently, but now they're being distributed across the whole country instead of just in certain regions.

And in this area, we're looking at savings from those concessions for moments when they'll be needed fiscally. So we're saving, as I think Chile is doing as well, in fact, to avoid that same -- those abrupt fluctuations that generate so many problems. That's what we're doing in Colombia.

And we have a very longstanding experience with coffee. We have a national coffee fund that in a certain way used to go through the same. We have sort of a buffer stock in order to regulate income and losses so that the price fluctuations wouldn't affect us so much when we were in bad times. That's what we're doing in Colombia.

PRESIDENT BACHELET: Something to help to stop the volatility of prices, but we don't have that much to do.

So what we have been doing since our first station of government and previous presidents, in the sense of what President Santos said, we've been talking about the Bible about the skinny cow and the fat cow times that had to do with the different cycles of the economy.

And in countries like Chile, we depend on the price of the copper, so we never saw the experience of Norway with the sovereign funds, and we were trying to do the same. We develop a sovereign fund to answer situations that had to do with the economic cycles, so they actually respond to those issues.

And so in 2009, that actually allowed us to have enough funds to reactivate the economy. And you see that Chile was one of the countries that came out of a crisis faster, and it really help us to avoid the crisis that was suffered mostly by the poor.

But when it comes to mining and energy, investors know that they cannot only estimate the short-term projections. They also have to see the long-term in that sense that we also try to facilitate the mining sector and how to assure the two companies, which is water and energy. When President Humala was talking, he was saying that the four countries were trying

to facilitate and accelerate the process, it's a subject that for us is the same. We're on the same page, but also internally, it's a response mechanism to the deceleration of the economy.

So also was saying we're taking measures. We're keeping tax policies -- fiscally responsible. The macroeconomic balance that are possible, we have countercyclical policies that allow us to counteract the crisis and be producing more wealth in a country.

We have a large energetic agenda, which we're also taking consideration in which we're trying to change our energy into an area that is more sustainable and cheap. We have a goal of 20 percent. But also, we have to take care of something that happens with our society, growing and ensuring our citizens are empowered. Who wants a cemetery in the backyard, who wants a waste plant in the backyard, who wants a jail in the backyard?

So these are the kind of problems that we have to discuss every time to get together as our communities don't want anything of that. So in our community, we need to do work. We're going to put together all the stakeholders and talk about how we're going to develop as a country. We need energy. We need this and that. We need to take care of this area that we need to preserve.

I know that my colleagues have the same problem. And this is not only about macroeconomic, it's also microeconomic. We have to act so our economy can grow and develop. My country can be better.

PRESIDENT HUMALA: We have very strong potential for natural resources in the mineral industry.

As for the mining industry, we have a potential portfolio of over \$55 billion of which we have already activated \$28 billion in the last three years.

However, there are new projects coming about. Our challenge is for these projects to go hand-in-hand with social peace required by the communities where these projects develop. Protecting water and ensuring that those communities will be the first beneficiaries of such projects.

And it's just not a matter of the private sector making its effort; the state has to provide the roads, the school and health facilities. We need to bring about employment programs with the company and give them opportunities to work and to generate the productive chain around the mining project that develops within the community.

So that's what we're working on.

And as the president of Chile has rightly stated, the externalities and the price variations may take a project in development a longer time than initially predicted and that's beyond our control.



But as a state, we need to implement alternative measures. As you say in theater, the show must go on. In other words, we need to continue creating employment, hoping that our country continues to grow and distribute the revenue.

In the case of energy, Peru had another concept, the concept of energy security. In other words, how can we ensure our energy internally?

But nowadays, with the gas projects, with the big gas reserves that we have in the Cusco area with the building of the second gas pipeline that is already underway, we can go onto another concept of energy solvency. This means that Peru cannot only meet its internal demand for gas, but with cheap gas, one of the cheapest in the world.

But we can also export the industrialized projects from this gas. We can export energy to our neighboring countries in the region that may so require.

For this purpose, we have two very important sources of energy: gas, where we have significant deposits, and hydro power energy, thanks to the Andes. The Andes provide us a very high potential without any precedent.

Therefore, energy coming from gas at the present time is even cheaper than the one coming from hydro power stations. As a result, we can invite a petrochemical facility in the southern coast of the Pacific.

In this project, we have already begun working, and in the energy sector of Peru, I can say that in just a few years, we will begin exporting our energy.

As for the mining area, we have a broad diversity of minerals. We are one of the top producers of gold, silver and copper, among other products in the world.

And we wish to work in mining, as we already are, top-order mining with state-of-the-art technology so that we can have the minimum impact on the environment and that it can be sustainable, and instilling social peace to the communities living around these areas.

PRESIDENT PENA NIETO: In that regard, I would like to say that every country has its own road map for development.

I would like to note what has happened in Mexico. Mexico moved from a closed country with export-based income economy, and now after 30 years, its economy has changed dramatically.

More than 67 percent of its economy depends on its openness to foreign trade, and it's worthwhile noting that amongst all of these exports, 85 percent are manufactured products,

and these are high-value added manufacturing products with a lot of specialized skills involved. And let me share with you a couple of examples to exemplify my statement.

We are the top producer of flat-screens. We're the top exporter of refrigerators.

According to the figures describing the first semester of this year, we have already reached the seventh rank as the top producer of vehicles in the world and the fourth exporter in the world of vehicles.

And in Mexico, the development model that we have used is that of opening up and liberalizing our trade and having highly skilled activities and integration of course, adds to the development of high-value chains. And each country has its own strength. And that adds up and contributes to the development of our economy.

***WINKLER: And since we have only one more question left, I just would like to say, first to all of you, thank you so much for being here, but I also would like to say to everybody here, thank you for being here. And in deference to our guests, if everybody could please remain seated so that they may be able to leave the room in a civilized fashion, if that's agreeable to all.***

***Now, President Pena President Pena Nieto, I want to ask you, since this has been a momentous year for your country and for you as a leader, you won approval of this historic energy legislation not too long ago. When do you see the people in this audience being able to make direct investment in Mexico's energy industry?***

PRESIDENT PENA NIETO: You have rightly made reference to the most relevant reform out of the group of reforms that are boosting the economic development of our country, and that is the energy reform. Moving from a model that exploited our natural resources basically hydrocarbon. Now it changes the model that we have used for more than 60 years. The current model will strengthen the state-owned companies of Mexico. They will become productive companies. And we have opened up to have the participation of the private sector.

And the Mexican state is not going to let go the ownership of our hydrocarbons. But by this, we will exploit better our resources for the benefit of all Mexicans. We are speeding up the execution of all of these reforms. We have already appointed, designed, and approved the advisors that will represent different institutions, different governance bodies that will guide the execution of the reform.

We have already defined in what we have called the zero round, all the reservoirs and all the fields that PMEX will own for the upcoming years. And we have also defined and we have released preliminarily the fields and reservoirs that would be subject to the exploitation by the private sector companies.

We expect to have in the first quarter, as it is set forth in the actual documented reform, we are expecting that this field will be open up for a bit in the first quarter of next year. But during the first round, this round zero, we have let know all of those potential investors to learn about the potential opportunities for investing in our country, in this field, to take advantage of our energy resources. And I believe that in the first quarter of next year, we will have the list of all.

PRESIDENT SANTOS: President Pena Nieto, President Bachelet, President Humala, on behalf -- if someone wants to invest, they can invest in Colombia right now.

***WINKLER: Adriana and I would like to thank you very much for being here, and on behalf of Bloomberg also, thank you so much for joining us and please come again.***

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