

## NEWS BRIEFS



NOTIMEX PHOTO/AGENCIA PETROBRAS

**MEXICO CITY** : Director general of the Mexican Petroleum Institute (IMP), Ernesto Rios Patron is seeking to boost membrane technology in order to benefit the oil industry. The technology has various applications in the process of gases and liquids in the oil, food and pharmaceutical industries, among others.

The drive to share and improve membrane technology was announced during the 50th anniversary of the IMP.

THE NEWS

**SAO PAULO** : Brazil's government says unemployment continues to rise.

The country's IBGE statistics bureau said Thursday that the jobless rate in May was 6.7 percent, against 6.4 percent in April and 4.9 percent in May of last year.

IBGE said it was the highest May unemployment rate since the 7.5 percent posted in 2010.

Unemployment has been rising as a result of a contracting economy that has led to layoffs in the manufacturing and service sectors.

**NEW YORK** : Tinder and match.com are looking for a mutual Wall Street hookup as their parent group prepares to establish them as a separate, publicly traded company.

IAC/InteractiveCorp, which is controlled by billionaire Barry Diller, has approved a proposal for an initial public offering.

Diller said Thursday that it's "healthy" to give companies "independence from a mother church."

THE ASSOCIATED PRESS

# Reform benefits slow but steady

## Positive effects will take time to be fully realized



AP PHOTO/TOERIC RISBERG

Managing partner of ZIMMA Corporate Finance, Arseny Lepiavka, is positive about the long-term impact of the recent reforms

BY J.E. COLLINSON  
The News

The project of structural reform initiated in April 2014 by President Enrique Peña Nieto was met with wide applause from both his own and opposition parties. They promised a liberalization of the market, which Mexican citizens were assured would lead directly to more jobs and improved economic conditions. However, more than a year later, some people have been disappointed by the pace of change.

The News spoke to Arseny Lepiavka, business expert and managing partner of ZIMMA Corporate Finance, to discuss his opinions on the recent structural changes and what they mean for the future of business, the economy, and the labor market in Mexico.

"I get the feeling that people had too large expectations in regard to the impact that these reforms were going to have in the immediate future, and I think that maybe the government didn't manage those expectations properly," he said.

Comparing the energy reforms to the trade agreements that enabled the growth of the automobile industry – in particular 1994's North American Free Trade Agreement (NAFTA) – he said, "It has taken us 20 years to develop

a solid infrastructure in the automobile sector. Today, there are hundreds of different companies based around the automobile sector, but we have to remember that 30 years ago there were only two or three plants working in Mexico. So it takes time for reforms."

"The way I see it is the very large companies will come to Mexico – I'm talking Exxon, Shell, Mobil, or whichever – and they are going to make multibillion dollar investments, but which are going to benefit very few people directly.

"Only then you will start seeing little by little suppliers of products and services for these very large companies being established, either by starting their own companies or by buying a small company that is already in the market and making grow it very rapidly.

"The energy reforms only took place last year, and we have just gone through phase one of the investment process, so the big investments will only really start coming next year of the year after. Then, over the following five years, you will start seeing many companies developing around that big investment. That is when the benefit for a lot of people will start being present, but it is not today."

"I feel that we are going to find that the benefits of these reforms for

people will actually be felt either by the end of this presidential regime, or at the beginning of the following one," he concluded.

The process of modernization then is slow, and while change can be effected at the top rapidly, it takes time for the gains to trickle down to the populous. Addressing the concern that the reforms might be either reversed or rescinded before their benefits were fully realized, he said, "I don't think you can go against what everybody is doing worldwide.

"There was a recent article in the paper by someone that I felt was pretty smart. Someone in government suggested they legislate to try to stop Uber, the transportation company, for the benefit of the taxi drivers. In response, somebody else said 'Yes Mr. Governor, if you are going to do that, you should also stop the Internet, so that people continue to send letters and the mailmen get their jobs back.' You can't stop it.

"Mexico is one of last countries to allow private sector investment into these fields. We all feel that this is going to be good for the country, so I don't think there is any reason whatsoever to have concerns that the reforms will be rolled back, paused or deeply modified in any negative manner."

When asked if there were any

changes he would have liked to have seen, he replied, "Not really. I think the implementation is going to be a matter of trial and error. Obviously, the private sector might want certain things to be changed which are not necessarily good for the country, so there will be a dialogue, and I hope that the government is smart enough to listen to what the private sector is saying, but be able to accommodate it to the best benefit of Mexico."

Regarding the possibility that the reforms would be sufficient to raise Mexico out of its current economic sluggishness, however, Lepiavka was doubtful.

"I don't know what is happening in the government, but I think there is a general consensus that the contracts the government is granting to private sector companies are both smaller in number and smaller in size than would be expected. I don't know the reason for this to happen: on the one hand, the government says it is fully spending its budget, but on the other, if you talk to 100 different entrepreneurs or CEOs, I think 90 out of 100 will say the same about the contracts, and that is what is – I think, unfortunately – slowing the economy," he said.

"I think that in Mexico, there is a general culture on the side of the government to say that everything – absolutely everything – is going perfectly, and we all know that in life, not everything goes perfectly. Things happen, but I think there is a culture that says, if you accept that something went wrong, you are showing weakness and showing that you are not a good governor, and by all means you should try to hide what went wrong. And I think that's a mistake, because people are not fools.

"People see what is happening and you sometimes have government figures being released that are absolutely negative, and somebody should come up and explain it. Somebody should say what [the government is] doing to modify it, but yes, we all have great expectations of the future of Mexico.

"In this administration, what we can see so far is that the president – who we all respect – believes that everybody in his team is doing an excellent job, and there is no way anyone could do a better job, when probably this is a mistake."

With the recent implementation of the reforms, and the necessary slowness of progress, many entrepreneurs wonder if now is a good time to invest in Mexico now, or whether they should wait until the reforms have been fully realized.

"I don't think you can make a blanket statement, to wait or do it today," he said. "I think there are very good opportunities today in certain sectors – in certain companies within sectors – and I think it has more to do with if you want to be in Mexico, or if you want to expand your presence in Mexico.

"Mexico I can guarantee you will be here for 100 years more, so the question is do you want to go into Latin America. If the answer is yes, then I think now is as good a time as any."