



▶ *Mexico's long-awaited energy reform should, if carefully and deliberately implemented, increase oil and gas production and reverse a nine-year trend of declining output.*

As someone who spent his childhood in Mexico City, I find the growing prominence of Texas' southern neighbor and largest trading partner one of the most gratifying developments of my lifetime. Structural reform in Mexico—handled judiciously, especially as U.S. economic growth accelerates and Europe recovers—can pay off handsomely for its population and those who work and invest there.

Mexico's Congress approved a dozen reform bills that became law in 2013, five requiring constitutional amendments. To put that in perspective, the current government accomplished more in the past year than the three preceding administrations combined. Mexico has revamped its education and telecommunications systems, amended its labor laws and liberalized its financial and energy sectors—including a plan to open up the oil and gas sector to private investment.

Mexico's long-awaited energy reform should, if carefully and deliberately implemented, increase oil and gas production and reverse a nine-year trend of declining output that has constrained Mexican exports, industrial production and gross domestic product and adversely impacted government revenues.

My colleagues and I at the Federal Reserve Bank of Dallas visited with our counterparts at Mexico's central bank, Banco de México, in March. We were impressed by the optimism these reforms have inspired, and we would encourage others to pay close attention as Mexico's oil and gas industry, in particular, is opened to outside investment and expertise. Michael Plante and Jesus Cañas explain in this issue of *Southwest Economy* the potentially far-reaching effects Mexico's energy reform could have on future prosperity.

Unlike many emerging-market nations, Mexico has seized the opportunity to make some tough decisions during a difficult period in the past few years and is more resilient and globally competitive as a result. Macroeconomic stability, openness to trade and a unified commitment to confront rather than run from market forces indicate that the Mexican economy is no longer emerging; it has emerged.

A handwritten signature in black ink that reads "Richard W. Fisher". The signature is fluid and cursive, with a large initial 'R'.

*Richard W. Fisher
President and CEO
Federal Reserve Bank of Dallas*