



Public Affairs Council

Public Affairs in Mexico

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By

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Bio



Cesar is currently Director of Public Affairs Latin America and Canada for Zoetis Inc., the leading global animal health care company that was spun out of Pfizer in an IPO transaction. Cesar reports directly to the Senior Vice President of Global Corporate Affairs.

He leads the regional efforts for external engagement, coalition and alliances building, public policy analysis, Issue and risk management, corporate brand and reputation.

He collaborates across multifunctional teams and across different countries such as Colombia, Venezuela, Brazil, Argentina, Mexico, Chile, Canada, Costa Rica and US.

Cesar is a graduate of the University of Monterrey Institute of Technology and Higher Education in Mexico and The University of British Columbia in Canada.

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**BECAUSE THE
WORLD DEPENDS
ON ANIMALS,
THOSE WHO CARE
FOR THEM CAN
DEPEND ON US**

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Zoetis is a world leader in discovering, developing, manufacturing and marketing veterinary medicines and vaccines — as well as complementary diagnostics, genetic tests, and services. We work to help meet a global need: the growing demand for both animal protein and animal companionship. With our singular focus on animal health, we strive to make our products, services and people the most valued by our veterinarian and livestock producer customers around the world.



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ZOETIS AT A GLANCE



CAPABILITIES

We Provide

**MEDICINES
VACCINES
DIAGNOSTICS
GENETIC TESTS
SERVICES**

300+

Product Lines

60+

Years of Experience

120+

Countries in Which Zoetis
Products Are Sold

8



Species Supported by Zoetis

PERFORMANCE

\$4.8

Billion in Annual Revenue



76%

Developed Markets

24%

Emerging Markets



65%

Revenue from Livestock
Products

34%

Revenue from Companion
Animal Products

Chart excludes Ceva Zoetis Partners which
represents approximately 1% of 2014 revenue.

COLLEAGUES

Approximately

10,000

Colleagues Worldwide

Agenda

- Mexico's political situation overview
- Public Affairs in Mexico
 - Challenges of practicing Public Affairs in Mexico
 - Opportunities for Public Affairs in Mexico
- Public Affairs Structures (one size doesn't fit all)
- Final remarks
- Q&A





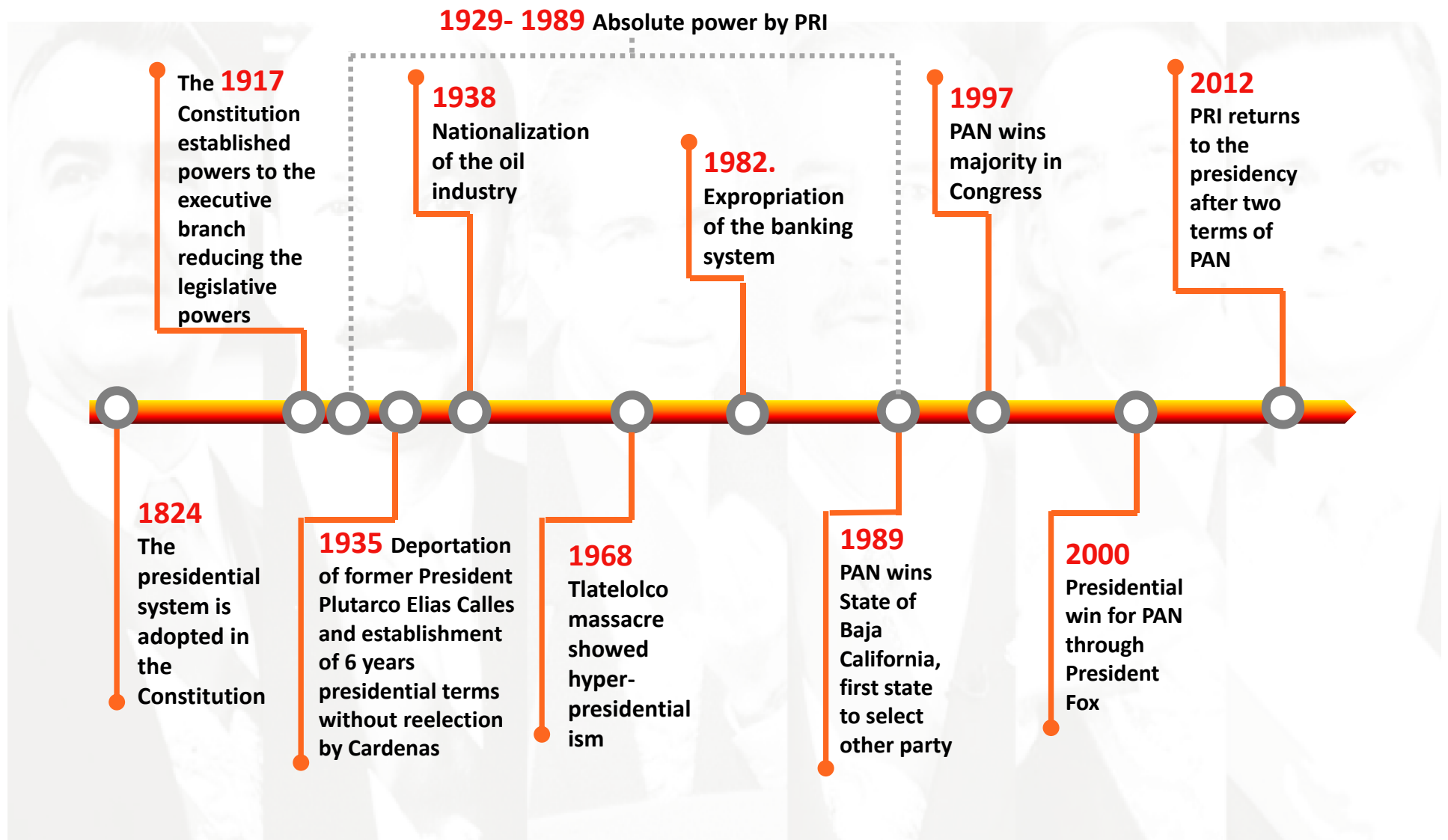
Presidentialism in Mexico



- Lasted 70 years from 1929-1989
- Centralized government
- Successor is appointed
- There was only one party
- Total majority in Congress
- Easy to maintain consistency in policies and direction of the country
- Manipulation of the economy and financial indicators
- Government gets support from farmers, unions and business
- Maximato – Maximun Chief

Presidentialism in Mexico

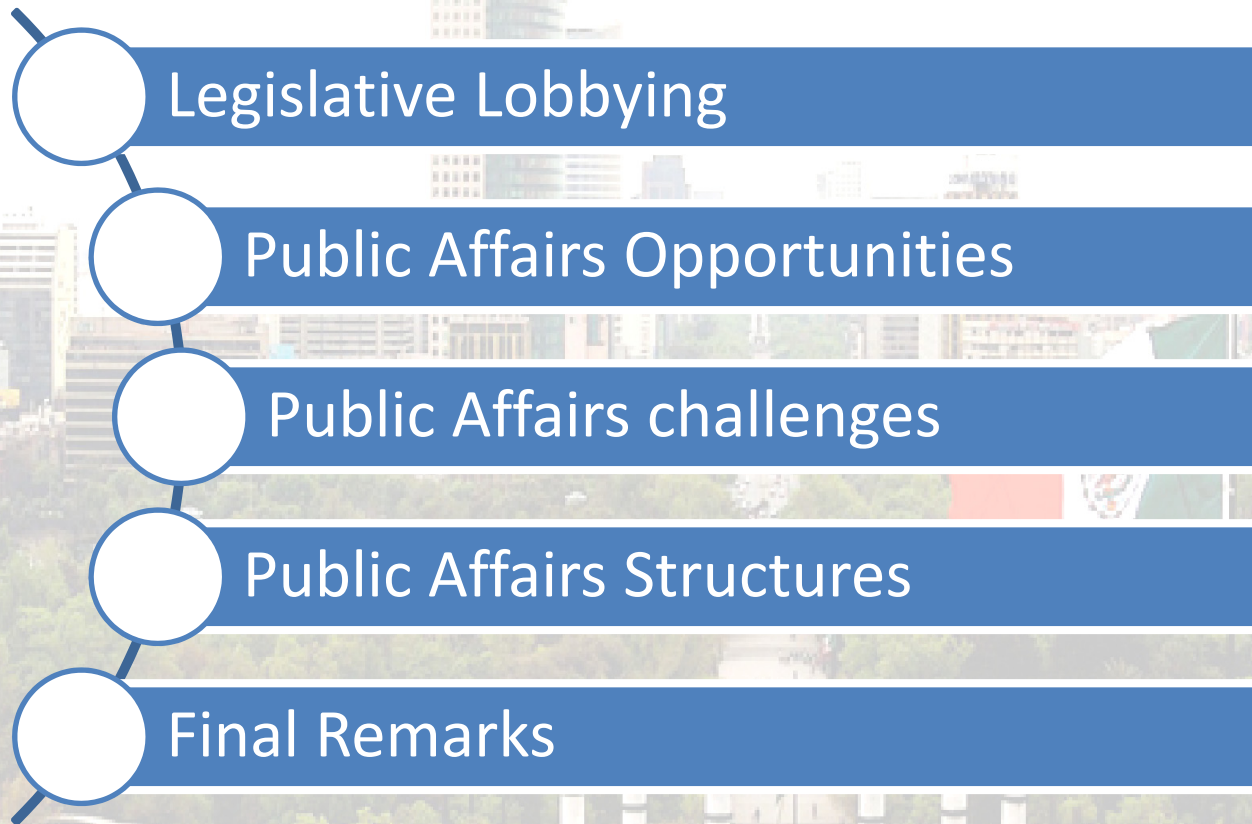
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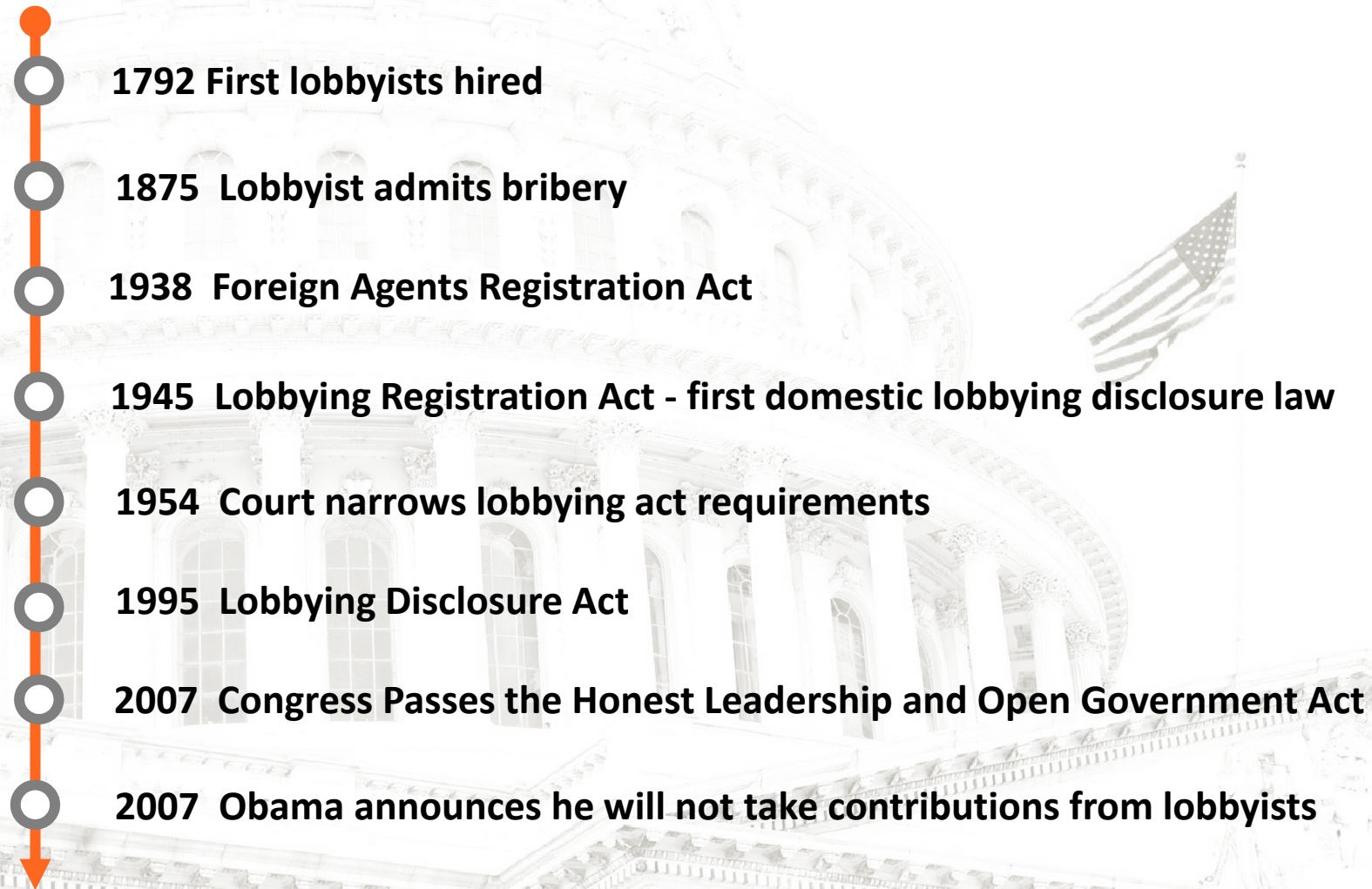
Public Affairs practice in Mexico

Topics to cover



Legislative Lobbying

Context US Lobbying

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- A vertical timeline on the left side of the slide, marked by an orange line with circular nodes. The background of the slide features a faint, grayscale image of the US Capitol building and an American flag.
- 1792 First lobbyists hired
 - 1875 Lobbyist admits bribery
 - 1938 Foreign Agents Registration Act
 - 1945 Lobbying Registration Act - first domestic lobbying disclosure law
 - 1954 Court narrows lobbying act requirements
 - 1995 Lobbying Disclosure Act
 - 2007 Congress Passes the Honest Leadership and Open Government Act
 - 2007 Obama announces he will not take contributions from lobbyists

Legislative Lobbying

Facts about Mexico



258 lobbyist registered in the House of Representatives



Senate does not have a Lobbyist Registry



23 associates to the National Association of Professional Lobbyist (PROCAB)

Lobbying is regulated only in the legislative branch, by the internal Rules of each House

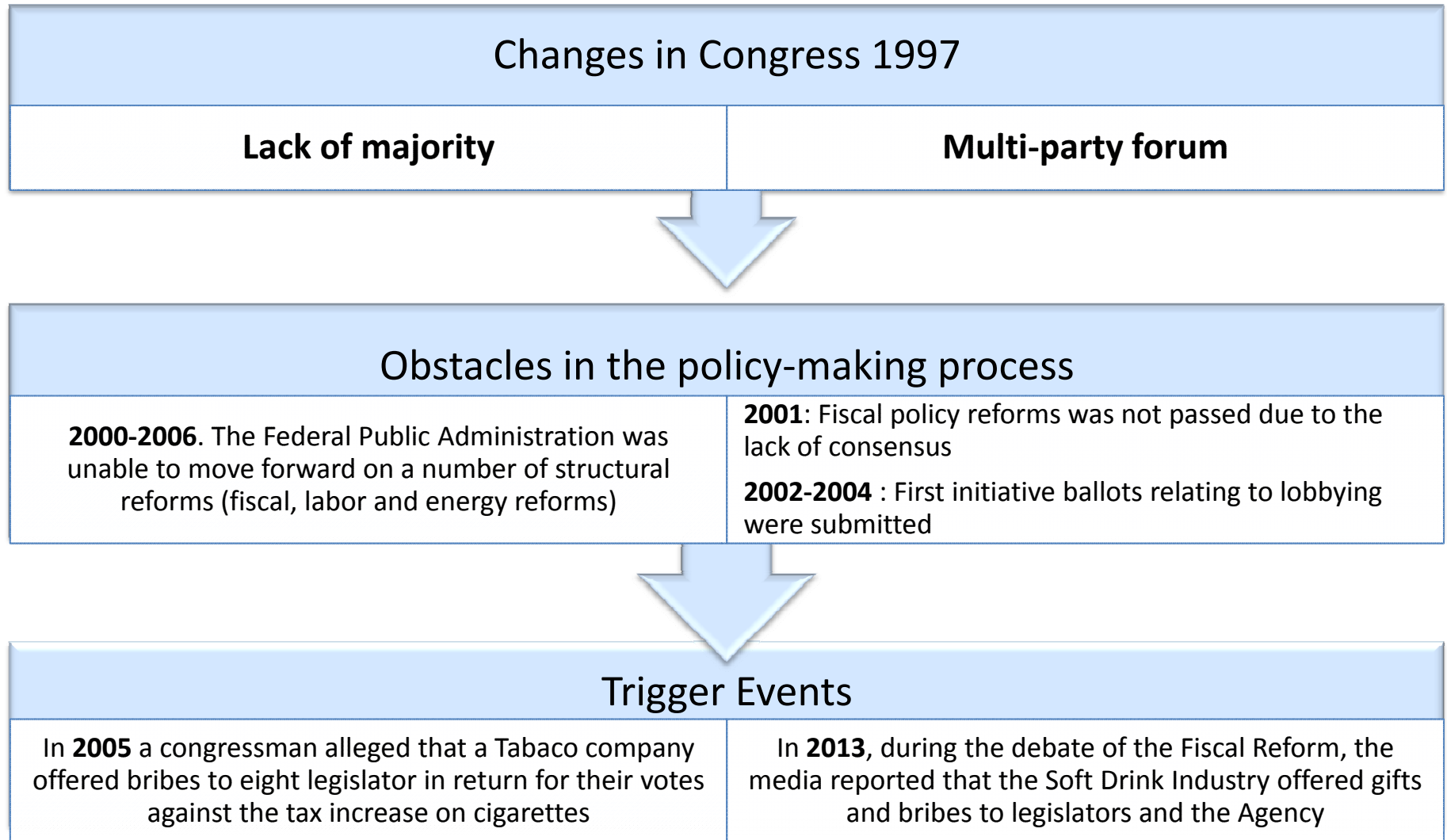
The registry of lobbyist as well as the lobbying activities are controlled by the Board of each House

House of Representatives is regulated since **2011**

House of the Senate is regulated since **2010**

Legislative Lobbying

Background



Legislative Lobbying

Current rules

Rules of the House of Representatives

- Defines Lobbying and Lobbyist
- Requires registration of lobbying firms and individuals(valid during a Legislature period)
- Bans participation of representatives and its close family
- Restricts number of lobbyist working per commission
- Prevents legislators to accept gifts or payments
- Documents regarding lobbying activity should be stored and published for public consultation. Requisites for lobbyist registration
- The Board can revoke lobbyist registration in case of providing false information to Legislators

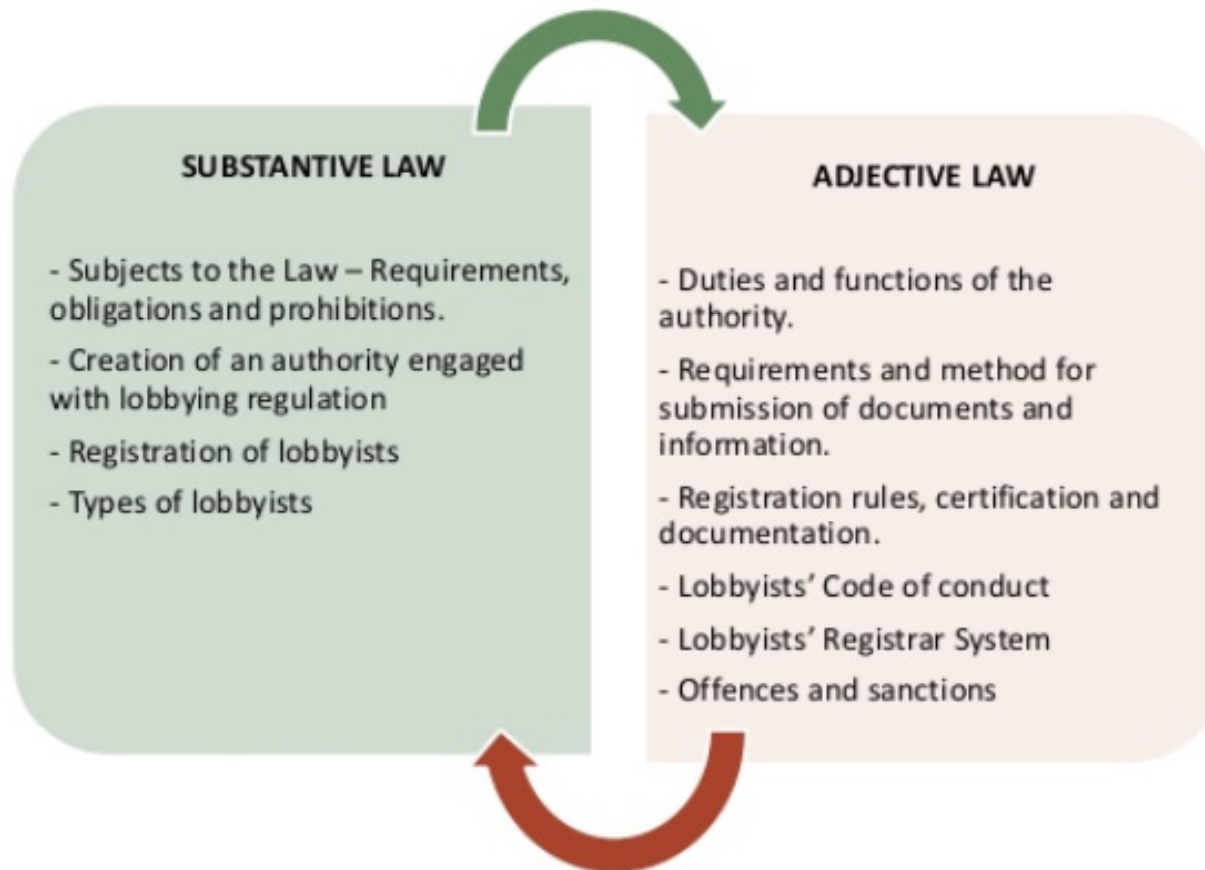
Rules of the House of the Senate

- Defines Lobbying and Lobbyist
- Legislators report lobbying activity to the Senate Board
- Senators can't accepts gifts or payments from lobbyist. Sanctions apply



Federal Lobbying

Draft Law for lobbying in Mexico



Public Affairs Opportunities

- Focus efforts on a centralized government (Federal/legislative)
- States are not a big player in policy development
- Company operations can be improved by creating a relationship with state/municipal government
- Companies can engage both individually and through an Association
- US-Mexico close relationship (Washington partnership, RCC)
- Government agencies open to develop a working relationship with companies (Ministry of Health, Agriculture, etc.)
- Industry Associations and business Associations have a significant impact on the policy development
- Media plays a critical role in the perception of the legislative agenda
- There is no majority in Congress allowing different points of view for policy development



Public Affairs Challenges

- Corruption at different levels of the government and its agencies
- Companies that offer benefits to government officials to support specific policies outside the law
- States are not a big player in policy development
- Divided Congress given the amount of parties
- Divisions within the parties in legislative policies, some internal groups do not recognize the agreements
- Grassroots efforts are not as effective, most policies are driven top to bottom
- Lobbying regulations are still not as developed as in other countries, creating grey areas
- Limited amount of lobbyist in parliamentary committees
- Executive has now a bigger role in the policy development through political negotiation
- Continuous and ever-changing alliances between parties



Public Affairs in Mexico

Case Studies



Product release times

Imports from Europe to Mexico

Issue: Import delays and complications at Mexico Airport customs

Objective: Reduce the release times and increase response from Customs agency

Relationship to develop: General Director of Phytosanitary Inspection and SAGARPA's Airport and Ports inspection Director



Outcome:

- A pilot test took place, the product release time was reduced by about 100 days, it took 20 days compared to the average 124 days for that same point of entry in 2014 (Mexico City Airport).
- This pilot test reduced by 80% the product release time in this particular
- Reduced the storage cost by 40%, due to extra time in customs in specialized storage
- Reduction of back orders
- Reduce problems related to the product's expiration date and minimize potential write-offs impact
- Overall since the interactions with the authorities the import times have been reduced by 40% across the different entry points.

Improvac[®] Acceptance

Acceptance of Immunocastration technology

Issue: Slaughterhouses did not accept the technology due to regulatory arguments

Objective: Seek official document from the Federal Government to validate use and introduce the technology to Ministry of Agriculture

Relationship to develop: Director of Establishment of Federal inspection Type (TIF) and others.



Outcome:

- Through meetings with different government officials from SENASICA, visibility of the product and technology was provided.
- The company participated in the annual TIF Slaughterhouses inspectors training from the SENASICA, so that the inspectors could better understand and get familiar with the technology
- An official document “Circular” was obtained by SENASICA as a communication to all TIF slaughterhouses to accept Improvac pigs
- In order to implement the strategy a pilot test took place in the top 10 slaughterhouses in Mexico, as result 7 of the 10 slaughterhouses now accept the Improvac pigs. Sales are estimated to increase by 25% and increase product penetration
- An education campaign with different stakeholders took place to boost demand in the value chain of the industry

Government Investment grants

Issue: The company has never applied for government grants for investments in the country

Objective: Seek government grants at Federal and State level while developing local community programs

Relationship to develop: Municipal, state, federal, PROMEXICO, Universities among others.



Outcome:

- The company established negotiations with different states and conversations with the Federal government
- The company received different offers from the states to be analyzed by the finance and manufacturing team
- The company received government grants that represented a significant percentage of the total invest related to a manufacturing site
- A program with the local university and the municipal authorities was established to build and hire local talent.
- A pilot program with another University to develop packaging materials was established
- A government grants programs was established internally for future investments

Shortage of Inputs

TIF slaughterhouses development

Issue: importing meat as raw material instead of buying domestically, due to the limited amount of TIF slaughterhouses. Increasing manufacturing costs to produce Pet food

Objective: Partner with SAGARPA authorities at Federal and state level to increase the amount of TIF certified slaughterhouses



Outcome:

- After identifying the right government officials at federal and state level to share the issue; a pilot program was developed where Federal and State government, through different agencies, would invest resources to help slaughterhouses to become certified as TIF
- The company agreed to buy the production from this newly TIF certified slaughterhouses for a number of years
- This program was extended to other locations and costs of production was reduced as less raw materials were imported and overtime, it reduced the cost of production and helped the company position itself as partner with the government

Public Affairs Structures in Mexico

Are you active in legislative policy? Are you focus on CRS? Do you have the internal expertise?

Do you have the buy in from the business? Do you have the budget?

Is there enough critical mass of work? How big is the impact of the issue(s)?

Do you already have a network? Do you belong to an industry association?

Is some one currently doing similar work? How relevant is Mexico for your business?

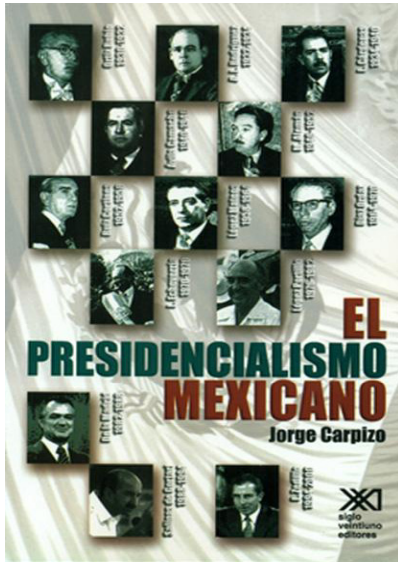
- Public Affairs structures vary across companies and industries but its important to adapt the structure to the environment and find the right external partners-



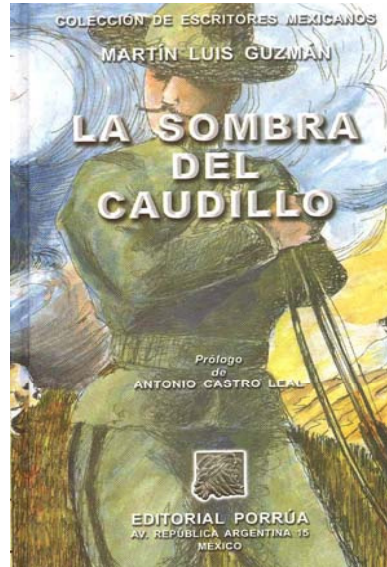
Final Remarks

- Mexico's political one party centralized system has been dismantled but some components still remain
- Mexico is still many years behind in lobbying regulation compared to the US, but draft regulation is in the works
- The Public Affairs practice in Mexico is a growing area that still needs to establishing itself
- Legislative lobbying will become harder as more parties are created and more divisions within parties increase
- Compared to other key Latin America countries, Mexico present a great opportunity for Public Affairs practice
- For US companies in Mexico, leveraging the relationship between the two countries can be a valuable asset
- Corruption and rule of law will continue to hold back progress in Public Affairs Practice and public policy

Recommended books



**The Mexican
Presidentialism**
by Jorge Carpizo
Siglo Veintiuno
Editores Hardback



**The Shadow of the
“Caudillo”**
by Martín Luis Guzmán
Editorial Castalia



**The Mexican Political
System**
by Daniel Cosío Villegas
Editorial J. Mortiz,
México



Thank you

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