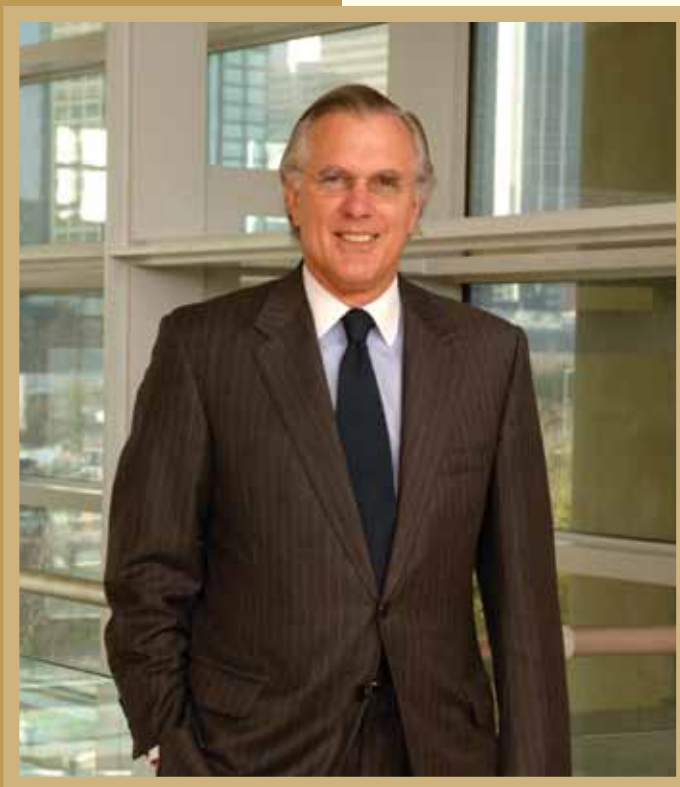


President's Perspective



In an increasingly globalized world, geography still matters, and to keep tabs on the Texas economy, we must study and nurture our ties to Mexico.

I have a special fondness for Mexico and its people. I spent several of my formative years there, learning the nation's history, culture and language. During my career, I have maintained ties to our southern neighbor. From 1997 to 2001, I served as deputy U.S. trade representative, working closely with the Mexican government to help realize the benefits of the North American Free Trade Agreement (NAFTA).

U.S.–Mexico trade surged in the wake of NAFTA, which took effect in January 1994, and much of that growth has benefited Texas. Mexico is Texas' largest trading partner, responsible for 34 percent of the state's exports. Laredo and El Paso handle 57 percent of all U.S.–Mexico land-based trade. In an increasingly globalized world, geography still matters, and to keep tabs on the Texas economy, we must study and nurture our ties to Mexico.

To that end, the Federal Reserve Bank of Dallas has developed and maintained a long-standing relationship with our partners at Banco de México. Through regional meetings, informal exchanges, conferences and shared research interests, we help contribute to the Federal Reserve

System's knowledge of the Mexican economy and to the Dallas Fed's regional perspective. Guillermo Ortiz, former governor of Banco de México and Mexican secretary of finance, serves on the advisory board of the Dallas Fed's Globalization and Monetary Policy Institute.

Earlier this year, we were fortunate to host Banco de México Governor Agustín Carstens to discuss economic growth, trade and monetary policy. In a conversation with Governor Carstens in this issue of *Southwest Economy*, readers will gain a greater understanding of how Mexico's fiscal, monetary and banking reforms helped our neighbor's economy rebound quickly from the recent recession.

Needless to say, Mexico has come a long way since my childhood years in Mexico City. Macroeconomic growth and stability, established after the 1994 peso crisis, have allowed Mexico to pursue reforms essential to improving the lives of its citizens. That we now compare Mexico to other developed economies is a tremendous achievement and reflects the work of diligent and dedicated public servants such as Governor Carstens.



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