



REMARKS OF
J. CARTER BEESE, JR., COMMISSIONER*
U.S. SECURITIES AND EXCHANGE COMMISSION

THE COMISION NACIONAL DE VALORES
MEXICO CITY, MEXICO

JUNE 3, 1992

* The views expressed herein are those of Commissioner Beese and do not necessarily represent those of the Commission, other Commissioners, or the staff.

U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

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Thank you. President Moreno and distinguished guests, I'm delighted to be here, and it's a special privilege to address members of the Comision Nacional de Valores and the Bolsa, many of whom I had the pleasure of meeting a year and a half ago, when I accompanied Chairman Breeden, Commissioner Schapiro and others in my capacity as a member of the SEC's Emerging Markets Advisory Committee. It is also a pleasure to see old acquaintances from my last government post as a Director of the Overseas Private Investment Corporation.

As you know, Chairman Breeden had hoped to be here to deliver this address. Unfortunately, duty calls in Washington where he is testifying before a Senate committee today. I can assure you that he would rather be here. I would also like to take a moment to acknowledge Commissioner Schapiro's efforts in setting up this conference.

Today you will be hearing from the SEC, the New York Stock Exchange, the National Association of Securities Dealers, and the Chicago Mercantile Exchange. We have all come together to continue our dialogue, sharing knowledge and experiences in operating and overseeing securities markets. Although the U.S. markets are over 200 years old, they are still evolving, and we have significant experiences to share from that process.

In the United States, we have seen first hand that the creation of an immense and highly efficient securities market can start from very modest beginnings. Many are familiar with the story of how organized securities markets began in the late eighteenth century in the United States: in the shade of a buttonwood tree on Wall Street. The tree is

gone but the securities markets have flourished. A few weeks ago, I attended the NYSE's 200th anniversary celebration. As part of the celebration, the NYSE planted a new buttonwood tree. I am sure you will hear more from Bill Donaldson later this morning about the NYSE's colorful 200-year history, and more importantly, about its exciting future.

Today, I am proud to say that our markets have emerged as the premier markets in the world. I think we've come a long way and, in the process, learned a great deal about how markets work and about how to oversee markets effectively.

That is experience we would like to share. Many of you are familiar with, and perhaps have even attended, the SEC's International Institute for Securities Market Development. Two years ago, Chairman Breeden created the Institute in response to the growth of emerging securities markets around the world. The Institute is part of the SEC's effort to share our knowledge and experience with securities regulators from emerging markets. It's also a place where regulators can share their own experiences, and learn and cooperate with one another. I

know that the CNV has sent representatives to take part in the program, and your contributions to the Institute are very much appreciated.

The U.S. markets today have the reputation as some of the fairest and cleanest securities markets in the world. Investors are secure knowing that, because of SEC oversight, the financial information provided to them by U.S. companies is complete and accurate. Investors also know that, because of SEC enforcement, prices will be set by market forces, rather than manipulation or insider trading. This faith in the integrity of our markets has created the broadest public participation of any securities market in the world.

Confidence from the public is critical to vigorous markets and proper regulation is the way to earn investor trust. There are four fundamental protections that inspire that confidence. The first is disclosure -- ensuring that companies reveal accurately to investors their business, their finances, and their history -- both in good times and bad.

The second is fairness. Regulators play a vital role in maintaining honest markets, ensuring that brokers and dealers treat customers fairly.

The third: enforcement of securities regulations in an international arena. In our global village of investors, it's difficult for securities regulators of one nation to enforce its securities laws without the cooperation of regulators of other nations. Indeed, roughly 20% of all insider trading cases the SEC brought last year involved foreign participants. Unless we have ways of obtaining information about foreign bank accounts and brokerages, people will attempt to defraud investors by hiding behind foreign borders. Combatting these kinds of abuses will require regulators around the world to be vigilant and to cooperate with one another to rid our markets of those who abuse them.

Fourth, we must also keep in mind that regulating the markets involves trial and error, fine-tuning and improving upon what's been done in the past. In every market, a balance must be drawn between too much regulation, and not enough. Too much regulation and

bureaucracy can strangle dynamic markets. On the other hand, fraud or manipulation can undercut the public's confidence. Each market has to find the right balance, and learn to be flexible as it confronts new problems. Certainly, in the United States, we have not finished revising and improving upon our own system. You may have heard, for example, of the SEC's recent announcement of its Small Business Initiative. The Initiative is a set of proposals that are designed to eliminate unnecessary burdens on the ability of small companies to raise capital.

From my point of view as a participant in the markets for 14 years, the competitive spirit that characterizes our markets is perhaps most important of all. Regulation is not an excuse for protectionism; it should foster competition, with an eye toward global competition. In fact, I would argue that healthy competition is what keeps the U.S. markets vital. Competition encourages creativity and challenges market participants to perform at their utmost. Competitively vibrant markets attract greater capital.

You will be hearing from three markets this morning that

represent the best results of that free competition. The NYSE, NASD, and CME are among the largest and most liquid markets in the world. And I think that they will agree that that is due largely to their ability to compete freely.

Mexico has increasingly embraced these notions and has become a model and symbol for those emerging markets who hope to follow the path of progress and prosperity. And no country admires your accomplishments more than your neighbor to the north. The United States has a vital interest in your economic progress because our economies, indeed our destinies, are so closely linked.

You've transformed a closed, inward-looking economy into one of the most open and vibrant in the world. A decade ago, all imported goods to Mexico were subject to license requirements. Today, fewer than two percent are. Mexico has dismantled bureaucratic controls by targeting 70 percent of its state-owned companies for privatization. In fact, privatization has helped reduce government spending and has boosted Mexico's cash reserves. The results have been so remarkable that, in his State of the Nation report, President Salinas was able to

announce that for the first time in history, Mexico has a fiscal surplus.

To encourage savings and investment, the Mexican government has simplified the tax system and cut the top tax rate from 60 percent to 35 percent. Mexico has streamlined or eliminated regulations that barred companies from expansion. You've wrestled inflation down to its lowest level in 16 years. And after years of stagnation and negative growth, Mexico's new market-driven economy is now ticking along at a healthy rate of nearly four percent a year -- a record envied by many of us in the United States.

The optimism for Mexico's future drove prices on the Mexico Stock Exchange up over 100 percent in U.S. dollar terms in 1991 -- fifth highest in world stock market performance. Your success has nurtured a new breed of entrepreneurs and opened the door of economic opportunity for a young, ambitious generation.

In fact, today, in every continent, we are seeing a resurgence of economic as well as political freedom. From Latin America, to Eastern Europe to Southeast Asia, nations are choosing private ownership over

state-run companies, low taxes over exorbitantly high tax rates, and streamlined regulations over strangling red-tape. Indeed, after generations of debate -- the world has come to a consensus. We know what works. Freedom works. So do free enterprise and free markets.

The last decade also has been marked by something else, less sweeping perhaps, but its consequences almost as far reaching.

Experience in the last several years has shown that equity, not bank debt, is the road to development and economic prosperity. Developing nations have come to realize that they cannot invest in the future if that future includes being strapped for cash to pay off past debts. So instead of borrowing, many countries are now choosing to go directly to the securities markets. As Mexico has proven, strong and stable securities markets can turn the people's savings into the working capital of a country. They can also be the impetus for the repatriation of capital that had been invested off-shore.

Securities markets provide the capital that companies need to

develop products, to build plants, to build homes, to hire workers, to create prosperity. Securities markets also provide a way for investors -- average citizens -- to participate in their nation's economic growth. Last year, over 1000 companies from the twenty major emerging markets raised more than \$18 billion through offerings in their domestic markets.

Securities markets are also a way for companies to tap the world markets for capital. We've had at least a dozen Mexican companies who have offered securities in the United States, in addition to their offerings of securities in Mexico. Indeed, the International Finance Corporation called the Telemex offering "the deal of the year." It brought in \$2.4 billion in U.S. dollars from investors here in Mexico, as well as the United States, Europe and Asia. It was the largest Mexican offering and the largest international equity offering from an emerging market.

Telemex's success developed into a series of stock offerings including sales of state-held shares in 10 banks for \$9.4 billion. By the end of last year, there were two Mexican stocks listed on the New

York Stock Exchange, one on the American Stock Exchange, one on NASDAQ, nine on the NASD's PORTAL System through Rule 144A offerings, and nine traded over-the-counter.

In a visit to the United States last year, President Salinas spoke of the hopes and dreams of the Mexican people: He said "Mexicans are demanding services, jobs, a clean environment and opportunities to develop their capabilities. They want to have all those things, and to have them in Mexico, not beyond its borders."

That's why I and many other Americans welcome a North American Free Trade agreement. A free trade agreement would be a precious opportunity for the United States, Mexico and Canada to realize our dream of a prosperous and thriving region for all our citizens.

A free trade agreement will link the economies of all three North American nations into a powerful economic alliance uniting 360 million consumers with a total output of \$6 trillion. It will sharpen the competitive edge of our industries, lower prices, and make our goods

more affordable, and more readily available, to all our citizens.

And it will mean more jobs, higher wages, higher standards of living and greater opportunity for the people of Mexico.

In recent weeks our countries have made great progress toward reaching an accord. Although we have made significant progress so far, we have further to go. If we are going to succeed, we must find the will to eliminate unnecessary barriers to competition. Competition is what makes markets healthy. Competition is what makes markets soar. And that includes foreign competition. As our experience shows, the greater the number of participants in a market, the more competitive, and thus efficient, the market. I strongly encourage you to consider the benefits of free and open markets that do not unduly impose restrictions on foreign participants.

The United States and Mexico share a culture and heritage that's as deep as it is enduring. Our ties still remain. Indeed, we are bound today by what has bound us for centuries: the same traditions, loyalties and beliefs. We are also bound by reality. The strength of our economies is vital to the progress and prosperity of our peoples. Together, as sister states in the American family of nations, we can work as equal partners to meet the challenges of the future, committed to free enterprise, free trade, and free markets.

Thank you.

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