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# 1. Foreign Investment Law

Mexico enacted a new Foreign Investment Law (FIL), effective December 28, 1993. The FIL repealed the old foreign investment law of 1973 and dramatically changed the regulatory framework of foreign investments in Mexico. The reforms embodied in the FIL largely follow those imposed by the NAFTA, although the NAFTA affords greater benefits in certain areas to American and Canadian investors.

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## 1.1 No restrictions on most investments

As a general rule, the FIL allows foreign investors and Mexican companies controlled by foreign investors, without prior approval, to:

- own up to 100 percent of the equity of Mexican companies;
- purchase fixed assets from Mexican persons;
- engage in new activities or produce new products;
- open and operate establishments; and
- expand or relocate existing establishments.

The only exceptions to that general rule are those expressly established in the FIL itself (discussed in 1.2 below) or, in the case of the financial sector, in the legislation covering that sector. This new regulatory framework replaces the restrictions of the old foreign investment law, which generally limited foreign investment in Mexican companies to 49 percent or less.

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## 1.2 Restricted activities under the FIL

The FIL lists certain economic activities that are:

- reserved to the Mexican State;
- reserved to Mexican nationals or Mexican companies without foreign equity participation;
- subject to quantitative foreign investment limitations; and
- subject to prior approval if the foreign investor wishes to own more than 49 percent of a company engaged in those activities.