

The government has introduced policies to modernize and curtail its role in the economy. The financial sector is being restructured to allow commercial banks more autonomy and to allow a free determination of interest rates. Regulation of foreign investment is being loosened. The government is privatizing the banking industry, deregulating the trucking industry and privatizing government owned companies in the telephone, airlines and oil industries.

Mexican authorities have successfully negotiated the extension of the Pact for Economic Stability and Growth with the business, labour and agricultural sectors until January 31, 1991. The pact is a set of austerity measures aimed at reducing inflation by combining tight fiscal and monetary policies with wage, price and exchange rate controls.

Substantial reflows of private capital (estimated at U.S. \$3.4 billion in 1989) are evidence of increased confidence in the economy. Major U.S. and Canadian banks are, however, pessimistic about Mexico's longer-term growth and balance of payment prospects and they were less forthcoming than expected in providing new financial resources under the Brady Plan.

Since joining the GATT in 1986, Mexico has emerged as one of the most constructive LDC players in its attempt to secure better market access to developed country markets.

The economic adjustment program is expected to continue to produce positive results in 1990, assisted by higher than anticipated oil prices and lower international interest rates. Mexico is predicting 25.0% inflation in 1990 and 3.5% growth in GDP, a substantial improvement over performance in the 1980's.

### Foreign Policy

Mexican foreign policy has been guided since the end of the Revolution by three main principles: non-intervention, respect for the self-determination of peoples, and pacific resolution of international conflicts. Based on these principles, Mexico has traditionally played an active role in international diplomacy, especially since the early seventies when President Echeverria made serious efforts to turn Mexico into a moral leader for the Third World. Today, Mexico continues to play a leading role in various international and regional organizations, as well as the Rio Group.

### Canada/Mexico Relations

Canada's relationship with Mexico is broader and more substantial than our relationship with any other nation in Latin America.