

The law allows direct foreign investment, with up to 100 percent ownership for an initial 12-year period. During this time, investors enjoy substantial tax concessions but they must subsequently reduce their ownership to less than 50 percent as required by the 1993 investment law.

"Strategic" minerals, previously reserved for the government, are now open to private exploitation. Regulations that required all gold and silver to be sold to the government were rescinded. The law extends the term of exploitation concessions to 50 years, and grants exploration concessions for a nonrenewable six-year period. Moreover, it allows exploration and mining of the continental shelf. Finally, the law brings greater flexibility to mining management, eliminates excessive regulation, and further stimulates small- and medium-scale mining production.

In December 1994, the administration of President Ernesto Zedillo took the liberalization process even further. The *Secretaría de Energía, Minas e Industria Paraestatal (SEMIP)*, Secretariat of Energy, Mines and State-owned Industries, was dismantled. Energy policy was assigned to a new energy secretariat but mining responsibilities were shifted to the *Secretaría de Comercio y Fomento Industrial (SECOFI)*, Secretariat of Commerce and Industrial Development. The new mining division of *SECOFI* has a mandate to further develop the sector. These moves have been positively received by the international mining community. Some industry observers have projected that US \$6 billion will be invested in the mining sector over the next six years.

Canadian companies were quick to take advantage of these emerging opportunities and are among the leaders in developing partnerships with Mexican firms. According to media reports, the two largest mining developments currently underway involve Canadian Eldorado and Extall Resources. Other large Canadian companies active in Mexico include Cominco, Noranda and Placer Dome. Still, Canadian investment in Mexican mining was only about US \$50 million in 1994, which is very small compared to Canadian involvement in Chile's mining sector.

While a large proportion of the mining industry is still controlled by Mexican companies, many of them are starved for capital and eager to set up technological partnerships with foreign firms. Partly as a result of their rapidly expanding presence, Canadian equipment suppliers are now eroding the traditional market share enjoyed by American companies. Significant opportunities are expected to continue in this sector in the foreseeable future.