

INTRODUCTION

Modernization and structural change continue in Mexico and the long-term prospects for increased trade and investment are improving dramatically. Mexico's internal market has been dynamic for the past four years, experiencing an average growth of 4 percent per year. The current focus and preoccupation of the government is to bring inflation down to a single digit in line with that of its North American Free Trade Agreement (NAFTA) partners. Present Mexican economic policy is designed to stimulate growth by encouraging private sector investment and by positioning Mexico as a productive and highly competitive member of the international economic community. Accordingly, a wide range of policy changes have been implemented in recent years to enhance Mexico's competitiveness.

In the past two years, the Mexican government has eliminated the deficit in public finances and set the foundation for the restoration of macroeconomic stability. At the same time, the government has helped the private sector to revitalize and to increase microeconomic efficiency by opening the economy. Positive results have already been observed in the dramatic growth of exports of non-oil manufactures and in increased confidence on the part of domestic and foreign investors and traders. Mexico's economy is rapidly becoming more market-oriented and the country is preparing to compete in the world marketplace. The main hurdles will be to improve investment financing without adding to inflation and to promote efficiency in the productive structure so that the investments made will actually translate into high economic real-growth rates. To achieve this, Mexico will have to rely on continuing economic and political stability, increased domestic savings, a stronger domestic market as wages recover, reduced foreign debt servicing, more foreign investment, higher export levels and more repatriation of Mexican capital.

Mexico must recover real growth after a decade of stagnation and the deterioration of the country's infrastructure. Because of this, there is an urgent need to renovate and to generate new infrastructure and to expand industrial plant capacity. What Mexico is aiming for in the future is to cope with competition and to take advantage of the opportunities that a free trade agreement could bring, thus improving the welfare of its growing population.

In the coming years, meeting these challenges will require intense effort and much capital, but success will provide opportunities for increased trade and investment with Mexico's partners. There are, of course, many other challenges faced by the Mexican government that are related in one way or another to economic growth and stability. There is no doubt that much remains to be done to improve the physical and social infrastructure and to ensure that more Mexicans benefit from the growing economy. Education must be extended to the countryside and gifted children of all economic strata must be offered a higher quality education for more years. An improved and broader distribution of wealth will have to be addressed and the benefits of reform passed on to a greater number of Mexicans. Not the least of the major issues that remain is the political challenge that will face the next and succeeding presidents when an increasingly prosperous population seeks to participate in the political arena with the same force with which they participate in the economic arena.