After a very restrictive decade of government spending in the 1980s, government departments are again making capital purchases. In most departments, there are pressing needs to modernize systems and information processes.

Liberalized trade and NAFTA have prompted businesses to invest in technology and training in order to be competitive with their northern trading partners. Logistical management, for example, is just beginning to be used.

Government re-privatization of state-owned companies has suddenly forced these companies to be productive and self-sufficient. Two airlines, the telephone company, 18 commercial banks, a steel company, a coal mining complex and some food-processing firms have been let out from under the government's wing. Other government-owned industries, such as CANANEA (copper mining), television stations, movie theatres, and some airports and port services will also be privatized. PEMEX, the national petroleum company, is under strong pressure to be more accountable for results and to increase profits.

Environmental issues are increasing in priority. SEDUE, the Mexican environmental monitoring agency, was merged into a super secretariat (SEDESOL) that will be responsible for a broader mandate of social development. This could give SEDUE more resources and muscle to move from monitoring to enforcing environmental regulations.

SEDESOL handles the environmental impact studies that are now necessary for large development projects. Environmental analysis is also gaining priority. PEMEX has given funds to SEDESOL to monitor impacts on the environment from PEMEX production and refining operations throughout the country. PEMEX, in fact, has invested in a Geographic Information System (GIS) in its SICORO division for the purpose of environmental impact analysis.

2. ECONOMIC ENVIRONMENT

INFLATION

Over the past four years, Mexican economic policy has featured a tough anti-inflation program. The program is involving government, labour unions and business in an economic pact that has combined traditional austerity measures (tight fiscal policy) with unorthodox measures (wage, price and exchange rate controls).

MEXICO IN BRIEF (Jan. 25, 1993)

Exchange Rates:	Cdn $1 = 2.42 New Pesos U.S. $1 = 3.12 New Pesos
Annual Devaluation Rate:	4.8% (against U.S. dollar)
Inter-bank Interest Rate:	22.79% (annual rate)
1992 Inflation:	12% (est.)

The pact, successful in reducing hyper-inflation, was renewed on October 20, 1992, and extended to December 1993. The new phase was renamed Pact for Stabilization, Competitiveness and Employment.

The principal provision in the pact extension was a wider band for the exchange rate: peso-U.S. dollar slippage will be widened from 20 to 40 centavos daily on average, that is, from 2.4 percent to 4.8 percent annual devaluation rate.

The pact also stipulates that monthly increases in the price of energy is to be equivalent to no more than 10 percent annually and a 7 percent increase in the minimum wage (the same as the target inflation rate for 1993). Labour leaders agreed other wage settlements in 1993 would not surpass 10 percent.

Although one important economic goal for 1992 was to bring down the inflation rate to less than 10 percent, the final figure will be closer to 12 percent. In 1991, consumer inflation reached 18.8 percent.

The Mexican government is taking supplementary measures to bring down the inflation rate substantially, even at the cost of lower economic growth, which averaged 3.8 percent real growth in the first three years of the current administration. In 1992, the government reduced the value-added tax from