

measures, complementing the volume and variety of our trade in manufactured goods. Canada is also working to enhance bilateral dialogue at the provincial and state level in order to increase co-operative activities in the area of standards and regulations development.

Finally, Canada will continue to encourage co-operation with the United States in the development and use of voluntary consensus standards for the North American market as a substitute for national regulatory requirements. These standards initiatives will be joined by moves designed to provide appropriate conformity-assessment services.

MEXICO

Overview

With his historic victory in the presidential election of July 2, 2000 President Vicente Fox has advanced a dynamic and energetic vision for a "new" Mexico. President Fox is accelerating the pace of reforms and working to further improve the investment climate in Mexico by introducing more transparent rules and improving security. Attracting foreign investment is a priority for the new administration, along with job creation, fiscal reform and the elimination of the budget deficit, government restructuring, further privatization, further reducing inflation, restoring credit markets, and a more equitable redistribution of wealth.

President Fox inherits a fairly solid economic and trade legacy. Over the last decade, Mexico has undergone the most significant economic reforms since its independence. The most courageous and meaningful has been NAFTA, which has transformed Mexico into a heavily trade-based economy. The United States accounted for over 88 percent of its exports in 1999. The success of NAFTA has been followed by the conclusion of six additional free trade agreements within the western hemisphere⁷ and three outside, namely with the European Union and Israel effective July 1, 2000, and with the European Free Trade Association (EFTA) likely to enter into force in July 2001. Significant market liberalization, structural reforms and privatization

have strengthened the Mexican economy, increased competition, and improved the climate for investment. Consistent and sound monetary and fiscal management characterized the six-year regime of President Zedillo.

These economic and trade initiatives now allow Mexico increasingly to differentiate itself from other Latin American and emerging country markets, to enjoy continued investor confidence and to avoid both external shocks and the economic crisis which traditionally have accompanied the end of a presidential term. Economic performance has been strong. Forecast growth for 2000 could reach 7 percent (versus 3.7 percent in 1999), and President Fox has set a target of 4.5 percent for 2001. Factors driving this growth include high export levels to a strong U.S. economy, better oil prices and increased production, increasing domestic consumption and growth in investment. Inflation had dropped to 9 percent by the end of 2000, with a target of 7 percent for 2001.

Canadian relations with Mexico have expanded in parallel to Mexico's own growth and liberalization. Since NAFTA implementation to the end of 2000, two-way trade has increased by 27 percent. In 2000, total two-way trade was \$14 billion, with Canadian exports to Mexico of \$2 billion, an increase of 27 percent over 1999, and Mexican exports to Canada of \$12 billion, an increase of 27 percent over 1999. (Discrepancies between trade figures from Statistics Canada and those from Mexico's agency, INEGI, are substantial. Research by Statistics Canada and its Mexican and U.S. counterparts point to the tendency to record the United States as the final, instead of intermediate destination, of a large quantity of Canadian exports to Mexico, thereby significantly understating the level of Canadian exports to Mexico.)

On the investment side, Canadian direct investment in Mexico has almost tripled since 1995 and approached \$3 billion in 1999. The primary sectors for this investment are energy, mining, financial services and manufacturing. Mexican investment in Canada reached \$500 million in 1999.

The Canada-Mexico Joint Ministerial Committee (JMC) was established in 1968 and meets every year or two. The JMC is the key bilateral forum for ministerial exchanges, discussion and co-operation

⁷ Group of Three (Mexico, Colombia, Venezuela); Costa Rica; Bolivia; Nicaragua; Chile; Northern Triangle (Honduras, Guatemala and El Salvador)