

B. THE CANADA/MEXICO ENVIRONMENT

Dynamic developments on the Mexican economic scene have claimed considerable attention in Canada and have served to stimulate a new business interest and activity. Discoveries of major reserves of oil and gas, the sixth largest in the world, have made Mexico one of the most attractive markets in the world. With the actual and potential revenue from oil and gas exports, the Mexican Government is setting in train ambitious development programs designed to solve various economic and social problems and to stimulate economic growth. Oil production and exports are strictly controlled to maximize industrial development and to avoid the possible negative impact on the economy of unmanageable inflows of foreign exchange.

Recognizing the importance of these developments to Canada's trade and economic interest with Mexico, efforts were begun at the third meeting of the Canada-Mexico Joint Ministerial Committee in November 1977 to strengthen the bilateral relationship. The Mexican government responded to Canadian initiatives a few months later by selecting Canada as one of five countries with which special efforts would be made to strengthen ties. As part of this initiative, project identification missions were exchanged in 1978 and the Mexican government suggested an Industrial Cooperation Agreement as a central element of the new relationship. Such an agreement, expanded to include bilateral energy interests, was signed during the visit of President Lopez Portillo to Canada in May 1980. This visit was immediately followed by a Canadian mission to Mexico led by the Minister of State for Trade. A return Mexican mission led by the Secretary of Natural Resources and Industrial Development visited Canada October 20-24, 1980.

In January 1981 the fourth meeting of the Joint Ministerial Committee was held in Mexico City at which time the first meetings of the proposed Industrial and Energy Cooperation Committee took place. A series of missions under the Agreement will be exchanged during the next 18 months.

The political aspect of the bilateral relationship between Canada and Mexico is vital to doing business in that country. The Mexican Presidency is the central institution in terms of major policy decisions which could affect projects of interest to Canada. President Lopez Portillo is mid-way through his term of office which ends in December 1982 and his successor will be chosen from six months to a year earlier from the ranks of the current administration. Traditionally, outgoing