

Canadian companies will need help to make contact with potential customers and partners, and to identify market opportunities. An information booth will be operated at The PowerGen trade show in Monterrey in October 1996. Targetted market research will also be conducted to identify business opportunities and to create a buyer profile directory.

Oil and Gas Equipment and Services

Energy is the most important sector of the Mexican economy. The nation holds about 5 percent of the world's oil reserves and about 1 percent of its natural gas reserves. It accounts for 4.5 percent of world petroleum production. A few of Mexico's oil fields are as prolific as any in the world.

Ninety-five percent of Mexico's primary energy production of 7.8 quadrillion BTUs is in the form of oil and gas. Petroleum alone makes up more than three-quarters of the total, although the government has announced a new policy to exploit natural gas.

Petróleos Mexicanós (PEMEX), the national oil company, is the only producer of oil and gas in Mexico. Under Article 27 of the Mexican constitution, it has exclusive authority for all exploration and production of petroleum products.

Until recently, regulated prices and protectionist procurement policies have discouraged the achievement of world levels of efficiency. This has begun to change as a more liberal commercial environment has evolved. *PEMEX* has launched a massive modernization program, much of it based on imported technology. In particular, the natural gas industry, including distribution, storage and transportation, is already opening up.

Opportunities

Mexico's efforts to simultaneously modernize, expand and clean up the energy sector will create substantial demands for imported equipment, supplies and services.

Mexico's petroleum industry has traditionally been considered one of the least efficient in the world. At one point, labour requirements per barrel of output were four times as high as those in Venezuela. A modernization program ordered by the government in 1992 has drastically cut labour requirements without reducing production. Reportedly, the work force was cut from 215,000 to less than 110,000 over the last three years.

Production and exports were boosted in early 1995 as part of the effort to stabilize the economy following the devaluation of the peso. But further expansion will be needed to keep pace with Mexico's rapidly growing population. By some estimates, Mexico will have to double its refining capacity.

The devaluation has had the effect of accelerating plans to further expand the role of the private sector. So far, the government has announced that 61 existing secondary petrochemical plants will be sold, and that transmission, distribution and storage of natural gas will also be privatized and opened up to foreign investment.