

FULL SPEED AHEAD

After decades of protectionism and heavy regulation, the Government of Mexico has taken the brakes off the mining sector, and is actively encouraging the exploitation of the nation's mineral resources.

Mexico's mining sector has arguably been the biggest beneficiary of the nation's broad economic reforms. Deregulation has opened up tens of thousands of hectares of mineral reserves to development. Privatization policies have transferred responsibility for mineral exploitation to the private sector. New ownership laws have opened the door to foreign investors, while restrictions on the repatriation of dividends have been eliminated. At the same time, liberalized trade has boosted mineral exports.

The mining industry has been one of the few sectors to benefit from the December 1994 devaluation of the peso. For the most part, sales are in dollars while costs are in pesos. These factors have combined to create a boom in mineral development that has been led by foreign investment.

The international mining community has long been aware of the wealth and variety of Mexico's mineral reserves. But until recently, development opportunities were limited by tight regulation and heavy taxation as well as severe restrictions on foreign ownership and management of mining companies.

The development of the mining sector was one of the first priorities of the administration of President Carlos Salinas, which assumed office in December 1988. In 1989, mining royalties imposed by the government were reduced by 25 percent, and a plan to phase them out entirely was announced.

The following year, a five-year National Program for the Modernization of the Mining Industry was implemented. The key policy tools were an expansion of areas open to mining and a streamlined system for granting concessions. The measures included the reclassification of millions of hectares of federal mining reserve lands. A number of tax changes were especially favourable to small- and medium-sized mining companies. The domestic mining industry responded, through the *Cámara Minera de México (CAMIMEX)*, Mexican Mining Chamber, with announcements of US \$2 billion in new investments between 1990 and 1994.

The biggest change came in September 1992 when a new mining law reinterpreted Article 27 of the Mexican Constitution, which established state ownership of all mineral reserves. The new law created a much larger role for the private sector, setting the stage for wholesale privatization of state-owned mining companies. It further deregulated mining reserves and encouraged both domestic and foreign investment in the mining industry.