

**ENERGY SECTOR : QUESTION #6**

Considering the barriers in the petrochemical industry in Mexico, what areas will be affected under a NAFTA?

**Background:**

**Issue-**

Considerable barriers still remain in the Mexican petrochemical sector as in oil and gas extraction and also in the production of 20 basic petrochemicals, despite recent reforms in the liberalization of investment practices and regulatory regime. In addition, the Mexican two tiered pricing system remains a significant barrier to trade.

**Canada-**

There would appear to be little short term interest of Canadian trade in this sector. The areas of greatest interest will most likely be in the sale of technology and related services for maintenance and modernization of Mexican production.

**RESPONSE:**

- THE LIBERALIZATION OF MEXICAN INVESTMENT AND IMPORT OF PRIMARY PETROLEUM PRODUCT REGULATIONS CONTINUE TO POSE A BARRIER TO FULL INTEGRATION OF THE MEXICAN MARKET ON A CONTINENTAL BASIS. OUR EFFORTS AT FURTHER LIBERALIZATION WILL TAKE INTO ACCOUNT THE LEGITIMATE POLITICAL, SOVEREIGNTY INTERESTS OF MEXICO.
- IN THE SHORT TERM, CANADIAN INTERESTS IN TERMS OF EXPORTS OF PRIMARY AND SECONDARY PRODUCTS ARE LIMITED. THE MAIN INTEREST WILL BE IN THE SALE OF PETROLEUM EXTRACTION EQUIPMENT TO THE STATE PETROLEUM COMPANY OF MEXICO, PEMEX. SIGNIFICANT EXPORT OPPORTUNITIES WILL DEVELOP FOR THE IMPLEMENTATION OF CANADIAN TECHNOLOGY IN THE MODERNIZATION OF THE MEXICAN EXTRACTION AND TREATMENT INDUSTRIES.
- MOREOVER, CANADA IS ALSO INTERESTED IN THE REDUCTION OF MEXICAN PROTECTIVE MEASURES ON THE PRODUCTION OF PETROCHEMICALS AND THE REMOVAL OF FEEDSTOCK SUBSIDIZATION.