

# I. INTRODUCTION

## A. MEXICO: THE MARKET POTENTIAL

Mexico offers Canadian business people a wide variety of exciting new export opportunities. The country is experiencing a rapid economic and political transformation that is opening up this market of 85 million people to international trade. An aggressive program of structural reform is stimulating a powerful demand for foreign goods and services while economic stabilization is creating wealth and stimulating consumer demand.

In August of 1992, senior trade officials from Canada, Mexico and the United States announced the conclusion of negotiations on the North American Free Trade Agreement (NAFTA). Once ratified in 1994, the agreement will enhance commercial relations among the three partners and create the largest free trade area in the world. It will make it easier for Canadians and Mexicans to do business by removing barriers and clarifying the rules of the game.

## B. OVERVIEW

Mexico has made impressive strides in overcoming economic problems that a decade ago seemed ready to overwhelm it. At that time, the country faced soaring foreign debt, accelerating inflation, a deteriorating infrastructure and serious degradation of the environment. In response, the government renegotiated its arrangements with foreign creditors, reduced government spending, checked the decline of the peso and waged a concerted war against inflation. As part of the process of restoring economic health, it secured the support of labour and the private sector in an agreement known as *El Pacto* designed to hold down wage and price increases.

An integral part of Mexico's economic renewal has been extensive deregulation, privatization and public spending restraint, all of which have created a new and more appealing business climate. The National Development Plan aims at modernizing and expanding the country's infrastructure, especially in communications, transportation, housing and education. Finally, the Mexican government is encouraging foreign firms to do business in Mexico and to participate in the country's infrastructural development. In response, foreign companies are beginning to take a stronger interest in the possibilities there. Many of the Canadian firms which have pursued opportunities in Mexico marketplace have already reaped substantial benefits from their involvement.

With a population estimated at 85 million, Mexico is the largest Spanish-speaking country in the world. Despite its great diversity of natural resources and a rapidly growing labour force that now stands at 31 million, Mexico has long been