

## TRENDS AND OPPORTUNITIES

The steel industry is the most important customer for Canadian minerals. This industry is in a state of transition. Over the past few years, the government has sold all of the state-owned steel producers to the private sector. The newly-privatized companies are facing an unprecedented level of competition. As a result, they are rationalizing their operations, and in many cases looking for new sources of supply.

Although there are some 150 steel companies in Mexico, the industry is dominated by a few large firms. According to the *Cámara Nacional del Hierro y el Acero (CANACERO)*, Mexican Chamber of the Iron and Steel Industry, eight large integrated producers account for 83 percent of national output. The most important trend among these companies has been a rush to form joint ventures with foreign firms:

- *Altos Hornos de México (AHMSA)* is owned by *Grupo Acerero del Norte*. In association with Inland Steel, it has formed *Ryerson de México*. This company will produce steel, non-ferrous metals and industrial plastics.
- *HYLSA* is a subsidiary of the giant conglomerate *Grupo Alfa*. It has formed a joint venture company called *Acerex* in association with Ohio-based *Worthington Industries*. *Acerex* is located in Monterrey and will produce an average of 240,000 tonnes of steel annually. The facility was due to go into production in late 1995.
- *Ispat Mexicana* has formed a joint venture with *WHX Corporation*, a subsidiary of *Wheeling Pittsburgh Steel*. This company will purchase steel slabs from *Ispat's* facilities in Canada (formerly *Sidbec-Dosco*) and will market hot-rolled coils in Mexico.

As in other industries, the devaluation of the peso has sharply cut domestic demand while stimulating exports. According to an executive of *HYLSA*, domestic demand for steel has fallen by as much as a quarter in 1995. *HYLSA* exported 6 percent of its production in 1994, but expected to export 25 percent in 1995.

current mining law came into force in September 1992, and it was followed by new mining regulations in early 1993. The new law creates a much larger role for the private sector. It also provides greater security for holders of exploration and exploitation concessions. The list of strategic minerals reserved for the state has been drastically cut.

**Mexican Steel Producers**  
Production and market shares, 1995

Company	'000s tonnes	Percentage
Altos Hornos de México (AHMSA)	2,490	24.3
HYLSA	2,181	21.3
ACERIAS	2,043	19.9
Siderúrgica Lázaro Cárdenas "Las Truchas" (SICARTSA)	1,761	17.2
IMEXA	1,345	13.1
Tubos de Acero de México (TAMSA)	427	4.2
<b>Total</b>	<b>10,247</b>	<b>100.0</b>

Source: *Cámara Minera de México (CAMIMEX)*, Mexican Mining Chamber, 1995.

## THE REGULATORY ENVIRONMENT

In early 1995, the government of Ernesto Zedillo announced that the *Secretaría de Energía, Minas e Industria Paraestatal (SEMIP)*, Secretariat of Energy, Mines and State-owned Industries, would be dismantled. Mining is now part of the mandate of *Secretaría de Comercio y Fomento Industrial (SECOFI)*, Secretariat of Commerce and Industrial Development. *SECOFI* has set up a new mining division to handle this responsibility. The requirement that all gold and silver sales be handled by the government has been rescinded, and there are currently no non-tariff barriers against mineral imports.

### Mining Law

The Mexican constitution assigns ownership of all subsoil mineral resources to the public. This has been reinterpreted over the years by a series of mining laws. Mexico's

Uranium mining is still regulated, and oil and gas remains exclusively in the hands of *Petróleos Mexicanos (PEMEX)*, the national oil company.

### Foreign Investment Law

The changes to the mining law have been reinforced by a new law to promote Mexican investment and to regulate foreign investment. This law was published in the *Diario Oficial*, Official Gazette, in March, 1993. Article 5 of this law specifies that foreign individuals and corporations can hold up to 49 percent of operations engaged in the exploitation and use of ordinary concessions and 34 percent of special concessions for the exploitation of national mining reserves. These restrictions are overridden by other provisions of the mining law that allow the temporary majority foreign ownership of up to 100 percent of new mining ventures for an initial 12-year period.