

Mexico in Brief

HIGHLIGHTS

Mexico has a number of advantages, that make it an excellent source of long-run opportunities for Canadian exporters.

- A strategic geographical location including a 3,234-kilometre border with the United States, coastlines facing both Europe and Asia as well as a gateway into Latin America.
- Preferred access to the United States, the world's largest market, under the North American Free Trade Agreement (NAFTA).
- A relatively young work-force of more than 30 million people that has proved capable of delivering quality at substantially lower labour costs than in the advanced industrialized economies.
- Plentiful natural resources.
- A rapidly growing domestic market of 92 million people, about half of them under 20 years of age.
- An economic and regulatory climate that is supportive of the private sector.

MEXICO: THE OPPORTUNITY

In spite of the economic crisis brought on by the sharp devaluation of the peso in December 1994, Mexico remains as a source of major opportunities for Canadian exporters. These opportunities have their roots in Mexico's sweeping economic reforms, which began in the late 1980s. The North American



Free Trade Agreement (NAFTA), which came into effect on January 1, 1994 has further reduced the barriers standing in the way of Canadian companies that want to move into Mexico.

Mexico's reforms included a complementary group of policies including trade liberalization, deregulation and privatization. The government also embarked on a massive program to modernize the nation's dilapidated infrastructure, a legacy of decades of protectionism. The result was several years of sustained economic growth and a dramatic drop in the rate of inflation.

Unfortunately, the forces of expansion and modernization also caused some negative effects. Mexico lacked the sophisticated technology needed to bring about this economic revolution on its own. Imports surged as Mexican manufacturers scrambled to modernize their operations so they could compete in international markets. The surge in imports put pressure on the peso. The government of former President Carlos Salinas put off the problem by drawing down its foreign currency reserves to dangerously low levels. The incoming government of President Ernesto Zedillo could not

SUMMARY REPORT

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