

At present Mexico is the number one world producer of silver, bismuth and celestite; the second largest producer of barite, fluorite, sodium sulphate and graphite; the third producer of antimony; the fourth producer of arsenic and mercury; and the fifth leading producer of cadmium, lead, molybdenum and zinc; in addition to gold, copper, coal, iron and other minerals. The potential for growth in the exploitation of these resources is great since it is estimated that only one percent is presently exploited.

2. ECONOMIC ENVIRONMENT

With the objective of reducing the inflation rate, the Mexican authorities implemented a stabilization program, called the Economic Solidarity Pact, which features traditional austerity measures, entailing tight fiscal and monetary policies and other unorthodox measures, such as price, wage and exchange rate controls. This program has been the cornerstone of Mexico's economic policy over the past three years and has resulted in a drastic reduction of the inflation rate, from an annual rate of 159% in 1987 to 52% in 1988 and 19.7% in 1989. An 18% inflation rate was projected in 1990, but it is likely that up to 25% inflation will be experienced. Along with the objective of consolidating the progress made in price stabilization, Mexico's macroeconomic policy in 1990 aims to reaffirm gradual and sustained economic recuperation, basically by establishing the necessary conditions to encourage national and foreign investment. In 1991, the Mexican authorities plan to reach an inflation rate equivalent to international levels and to relax price controls.

Mexico's gross domestic product (GDP), after increasing 3.7% and 2.7% during 1984 and 1985 respectively, diminished by 3.5% in 1986. In 1987, it increased a moderate 1.5% and an additional 1.1% in 1988. The Gross Domestic Product continued to grow for the third consecutive year in 1989 recording a growth rate of 2.9% to reach \$200 billion (1). With an 84.5 million population, per capita GDP is estimated at Cdn\$2,550. During the 1990-1994 period GDP is expected to maintain an average annual growth rate of 2%-3%. In disaggregated terms, this represents an annual growth rate of 5.3% in the manufacturing sector, 2.3% in the services sector and only 0.6% in the agricultural sector. After several years of stagnation, public investment will grow 5% and private investment will also rise 5%.

In an effort to revitalize and open the Mexican economy, the Mexican Government undertook a series of structural changes, including the accession to the General Agreement on Tariffs and Trade (GATT) on August 24, 1986 leading to an extensive trade

1. Note: All values in this report, unless otherwise stated (Mexican pesos, Mex\$, Canadian dollars, Cdn\$, etc) are quoted in United States dollar equivalents.