

economic policy over the past four years, and has been extended throughout 1993 under the name of Pact for Stability, Competitiveness and Employment. It has resulted in a drastic reduction of the inflation rate, from an annual rate of 159% in 1987 to 19.7% in 1989. Inflation rebounded to 29.9% in 1990 but was brought down to 18.8% in 1991 and is expected to be of 11-13% in 1992. At the same time, interest rates have increased again to the present 20%, and the peso-dollar devaluation rate has recently been increased to Mex\$0.40 pesos a day or 4.6% per annum. As of January 1, 1993, the government also passed a monetary reform creating the new peso, equivalent to the previous Mex\$1,000, basically to simplify transactions.

Along with the objective of consolidating the progress made in price stabilization with a 7% inflation goal through tight monetary and fiscal policies, Mexico's macroeconomic policy in 1993 aims to promote employment, reaffirm gradual and sustained economic recuperation with an estimated GDP growth of 2.5%-3%, basically by establishing the necessary conditions to encourage national and foreign investment and by promoting increased efficiency and competitiveness, and to promote social development and the improvement in living standards of the poorest segment of society through direct government action.

Domestic economic activity recovered for the third consecutive year in 1989, after the 1986 recession, with a gross domestic product (GDP) growth rate of 3.3%. In 1990 it grew 4.4% and another 3.6% in 1991 to reach \$280.3 billion. With an 82.8 million population, per capita GDP was estimated at \$3,307 in 1991. Additionally, manufacturing output grew by 5.4% in 1990 and 3.1% in 1991 in real terms, private investment and consumption expanded 13.6% and 5.2% respectively and public investment was up 12.8%. During the 1992-1994 period, the GDP is expected to maintain an average annual growth rate of 4%-5%, although preliminary figures place GDP growth at 2.7% for 1992 pointing towards a reduction in GDP growth in response to reduced economic activity worldwide and the need for inflation control.

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 liberalization process: import permits were eliminated on all but 325 of the total 11,950 tariff items based on the Harmonized System adopted in 1989. Official import prices are no longer applicable, nor the 5% export development tax, and import duties were lowered from a maximum of 100% in 1982 to 20% in January 1988. The weighted average tariff rate is now 10.4%. The automotive and computer industries have also been liberalized, through the elimination of prior import permits, to allow free entry of products in these industries. The approval of the North American Free Trade Agreement will further strengthen trade between Canada, the United States and Mexico.