

Stabilization

Several political factors will contribute to an improved business climate during 1996. The Zedillo administration has embarked on an ambitious program of legislative reforms and is committed to eliminating electoral corruption. The president is promoting a "new federalism" which will decentralize the government and give more power to the states. The opposition parties are already playing a larger role, after some 70 years of domination of the *Partido Revolucionario Institucional (PRI)*, Institutional Revolutionary Party. The 1994 election was the most honest in the history of the country, and the recent orderly elections in the states of Jalisco, Guanajuato and Yucatán have contributed to an increasingly positive political mood. The government has signed a peace accord as a first step towards a resolution to the conflict in Chiapas.

New Roles for the Private Sector

The Zedillo government continued to streamline the bureaucracy. The sweeping privatization program launched by the previous government has been aggressively pursued. By 1994, the government had already sold more than one thousand public enterprises to the private sector. Recent announcements include privatization plans for telecommunications, ports and airports, and the secondary petrochemical industry. Parts of the *Ferrocarriles Nacionales de México (FNM)*, Mexican National Railway, and the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, will also be opened to private sector activity. Several major projects have been put up for tender under build-operate-transfer (BOT) and build-lease-transfer (BLT) financing arrangements. The Zedillo administration is also pressing ahead with major reforms to the nation's antiquated land tenure system.

Because of an increasingly open attitude towards foreign investment, Mexico had, by 1994, ranked among the world's top ten recipients of foreign capital. Moreover, the economic crisis has made Mexican companies especially receptive to joint ventures and other forms of Canadian investment and it has lowered the dollar cost of acquiring physical assets. On the other hand, some foreign investment regulations are still pending and certain areas of the law are not clear.

Technology Transfer

Obstacles to the importation of specific technologies and services have also been removed. For example, in 1991, the government rescinded the decrees which made imports of computers and related products subject to an import permit system. Although this system applied only to hardware, it had a chilling effect on the market for technological services. Another example is the strengthening of intellectual property laws, which have improved prospects for exporting computer software and biotechnology products, among others. Beginning in 1990, Mexico's franchising laws were reformed to recognize this form of technology transfer for the first time.