DEREGULATION IN VARIOUS INDUSTRY SECTORS

Automotive: Liberalized regulations opened the domestic market to imports, eased domestic content rules, eliminated controls both on production limits and models manufactured in Mexico, and loosened requirements on foreign currency compensation balances.

Passenger Transportation: To foster competition and improve quality, new regulations eliminated legal and economic barriers for new service providers.

Trucking: Amended regulations effectively doubled trucking capacity by lifting many restrictions. $US1 billion dollar annual reduction in transportation and production costs is foreseen as a result.

Petrochemicals: The products that comprise basic and secondary petrochemicals were reclassified. Both domestic and foreign private sectors were thus encouraged to participate more aggressively in petrochemicals. Deregulation in petrochemicals has also been facilitated by a reduction from 34 to 18 primary products whose production is reserved to the state. The number of secondary petrochemicals, whose production is limited to companies with Mexican majority ownership, has been reduced from 800 to 66. Foreigners can now participate with majority capital through temporary trusts.

Deregulation has made petrochemical production more attractive to private investment by allowing majority foreign ownership. Permits are no longer required for the production of basic refinery derivatives such as special types of paraffins, asphalts, lube oils and industrial greases. Motor oils need only comply with commercial labeling standards.

Mining: A complete overhaul of the tax structure in this sector has eliminated all production taxes and has provided for the regulation of royalty payments. Vast tracts of idle, but potentially productive land, held by the government or private individuals, have been released for mining use, and administrative, legal and concession requirements have been simplified.

Telecommunications: Deregulation of this important sector has included the elimination of connection permits for equipment such as telefaxes, telexes, computer modems and other devices. Regulations aim to stimulate development of a competitive value-added service market. Antitrust provisions now require dominant carriers, like Telmex, formerly a state-owned monopoly, to interconnect with new telephone companies.

Technology Transfer: Private companies wishing to transfer technology have been made solely responsible for the process. Terms for the purchase of technology, technical assistance, trademarks and patents are to be arranged entirely by the companies and their foreign suppliers. This amendment limits the government's authority to set the quality and price of technology. The development of franchises and the protection of industrial property have also been established.

Aquaculture: The farming of shrimp, oysters, lobster and five other species have been opened to private investors, provided the activities are carried out on private holdings. Foreign ownership of up to 49 percent is allowed in such operations. Permits are no longer required and farmers need only comply with sanitary standards.

Financial Services: Foreign investors are permitted to hold minority shares in Mexican insurance, factoring, warehousing, bonding and leasing companies. The new Law of Financial Groups and Credit Institutions gives non-governmental foreign investors the right to participate, through series "C" shares, in up to 30 percent of the equity holding of banking enterprises.

Source: Mexican Investment Board Handbook, 1991.