FOREIGN INVESTMENT REGULATIONS

The *Ley de Inversión Extranjera*, Foreign Investment Law, of 28 December 1993 greatly expanded opportunities for foreign investors. In most cases, 100 percent foreign investment in chemical operations is allowed. The regulations concerning privatized petrochemical facilities previously owned by *Petróleos Mexicanos (Pemex)*, the national oil company, are in a state of flux, but these plants are likely to be restricted to 49 percent foreign ownership.

BARRIERS TO TRADE

Imports into Mexico are subject to an average tariff rate of about 10 percent, with a maximum rate of 20 percent. The implementation of the North American Free Trade Agreement (NAFTA) immediately eliminated tariffs for many chemicals originating in Canada, while tariffs on other products are being reduced gradually and will be eliminated by 2003.

Basic petrochemicals are subject to a *Pemex* monopoly and face special restrictions. Pharmaceuticals are also subject to regulations as they are in Canada. In March 1996, a complaint was filed against Canada under the NAFTA by the Mexican company *Signa*, of Toluca, which produces fine chemicals and pharmaceutical intermediaries. *Signa* operates a joint venture with the Canadian company, ACIC of Brantford, Ontario, also known as Apotex. According to media reports, the joint venture planned to produce a generic version of the pharmaceutical, Cipro, for sale in Canada, as well as other markets. The complaint alleges that Canada has impeded *Signa's* efforts to enter the Canadian market. *Signa* is seeking compensation totaling C $50 million to make up for lost revenues. *Signa's* lawyer claims that this is the first time an investor has brought a case directly against another government under NAFTA.