

Many investors have taken advantage of the simplified regulations. Of the total of 2,000 operations authorized during the first 10 months of 1991, only 10 percent required a ruling by the CNIE.

Certain activities are categorized as "classified" and are reserved for the state or for Mexican nationals. However, trusts may be established for a period of 20 years in activities reserved for Mexican investors or in activities in which foreign investment is limited to a maximum of between 34 and 39 percent. These trusts may be authorized by the CNIE in order to improve the financial or operational condition of a company in a classified activity. In such cases, the foreign investment must take the form of cash or a capitalization of company liabilities. In addition, the trust must provide for the sale of shares to Mexican investors at the end of its term of 20 years. Special trusts may be established by publicly traded companies in order to have access to foreign capital markets through the public placement of certificates representing its shares.

By law, foreigners are not allowed to own land within *restricted zone* areas. *Restricted zones* include all land within 100 kilometres of Mexico's borders and within 50 kilometres of the coastline. Nevertheless, the land may be held in real estate investment trusts which have a life of 30 years. Estate investment trusts may be renewed thereafter for additional periods of 30 years. The investment trusts, whether for industrial, tourism, or residential purposes, may be established through Mexican bank trusts and must be authorized by the CNIE under its 45-day rule.

Where foreign investment exceeds 49 percent, the CNIE imposes additional criteria. It seeks investments that:

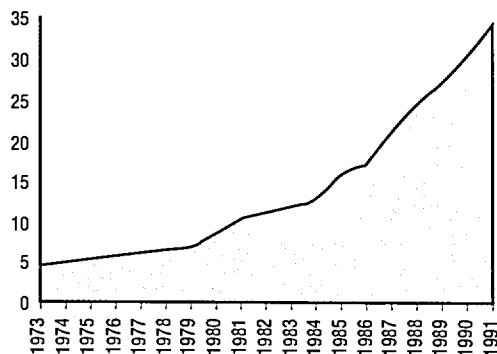
- complement domestic investment;
- show a positive balance of payments and promote exports;
- create jobs and improve employees' earnings;
- contribute to the development of zones or regions where economic improvement has a high priority;
- bring new technology into the country; and
- contribute to local research and development.

## Criteria for Foreign Investors

Authorization of a foreign investment is now automatic upon registration if the project meets the following six criteria:

1. Investment in fixed assets during the pre-operative period does not exceed \$US100 million.
2. The project is funded from abroad.
3. Industrial projects must be located in areas other than Mexico's three largest metropolitan areas – Mexico City, Guadalajara, and Monterrey.
4. The investment creates permanent local employment and establishes worker training and personnel development programs.
5. Technology satisfies current environmental requirements.
6. Accumulated foreign exchange flows are anticipated to be in balance over the project's first three years of operation.

Figure 1.14  
Cumulative Direct Foreign Investment  
(\$US billions)



Source: Dirección General de Inversión Extranjera, SECOFI.