

**ENERGY SECTOR : QUESTION #2**

What investment opportunities are likely to develop?

**Background:**

In order to meet its own domestic requirements, Mexico will have to undertake substantial reinvestment. Lacking sufficient domestic capital, one alternative for development may be the result will be to solicit investment from abroad, structured to respect Mexico's constitutional provisions.

One possible means to invest in Mexico would be through joint ventures with PEMEX (the national petroleum company), operating facilities, and participating in refinery and pipeline development.

Under the May 1989 Foreign Investment Regulations, the extraction of petroleum and natural gas, the refining of petroleum and the manufacture of basic petrochemicals are activities reserved exclusively for the state. The decree represents a significant non-tariff barrier to access of the Mexican petrochemical markets.

**RESPONSE:**

- FOREIGN OWNERSHIP RULES HAVE BEEN RELAXED IN MEXICO AND WE WOULD ENCOURAGE CONTINUED LIBERALIZATION OF THE MEXICAN ENERGY SECTOR, ESPECIALLY IN PETROCHEMICALS AND FEEDSTOCKS. WHILE WE RECOGNIZE THE SENSITIVITY OF THIS SECTOR FOR MEXICO, THE PRINCIPLE OF NATIONAL TREATMENT SHOULD BE EXTENDED TO CANADA AND THE U.S.
- DUE TO CONCENTRATION OF MEXICO'S ENERGY PRODUCTION FOR THE DOMESTIC MARKET AND THE LIMITATIONS ON FOREIGN INVOLVEMENT IN THE PRIMARY AND SOME SECONDARY PROCESSING LEVELS, THERE EXIST A NEED FOR RENEWED INVESTMENT IN THE MEXICAN ENERGY SECTOR. THE OPPORTUNITIES THAT WILL DEVELOP WILL MOST LIKELY BE IN THE FORM OF FINANCING OF JOINT VENTURES, ADMINISTERED BY THE MEXICAN NATIONAL PETROLEUM COMPANY, PEMEX.
- IT IS TOO EARLY TO DETERMINE THE EXTENT OF INVESTMENT THAT WILL BE PERMITTED IN AREAS THAT ARE PRESENTLY RESTRICTED, HOWEVER, ANY DECISION REGARDING INVESTMENT WILL BE COGNIZANT OF THE NEEDS AND INTERESTS OF THE CANADIAN ENERGY COMMUNITY.