

U.S.\$579.6 million, an amount equivalent to 1.5 percent of total direct foreign investment in Mexico. Thus, Canada ranks ninth among countries with foreign investment in Mexico. Capital from Canada is distributed among 300 firms. In 110 of these, there is a majority of capital and the rest have minor participation. In the course of the current Mexican administration, Canadian investment increased by U.S.\$256 million, an increase of 79.2 percent over 1988. Canada has become one of the most aggressive foreign investors in recent years.

13. PETROLEUM SECTOR

For 1992, Mexico exported 1.370 million barrels per day of crude petroleum at U.S.\$14.90 per barrel. In 1993, it expects to export 1.372 million barrels per day at \$14.2 per barrel, generating export income of about U.S.\$7.6 billion. In August 1993, Mexican oil was priced at U.S.\$12.62 per barrel.

Major changes and reforms to the organization and management of PEMEX in the fall of 1992 were designed to create a modern, efficient petroleum company capable of competing in the world market. Four separate operating divisions were created, each to operate and compete as an individual profit centre.

14. TRADE LIBERALIZATION

Since 1985, Mexico's trade regime has been liberalized by the gradual elimination of official reference prices, the almost complete elimination of prior import permits (except for a few agricultural products) and the reduction of maximum tariff rates from 50 percent to less than 20 percent. The weighted average trade tariff in Mexico is now less than 10 percent. The cost of import permits is down from 100 percent in 1983 to 13 percent in 1992.

A trade balance deficit of U.S.\$20.6 billion was registered in 1992, as imports increased more than 26 percent. Total exports remained stagnant because of a drop in mineral and agricultural exports, although manufacturing exports showed moderate but positive growth.

In December 1992, Mexico, the United States and Canada signed the NAFTA, which should be implemented on January 1, 1994, following legislative

approval by the three countries. The Canadian parliament has already approved NAFTA. In addition, there will be parallel agreements on environmental and labour issues.

Mexico is Canada's most important trading partner in Latin America. Trade between the two countries was worth more than Cdn\$3.5 billion in 1992 and has grown significantly since the mid-1980s. Exports from Canada to Mexico increased by 37.4 percent in 1992, reaching Cdn\$771 million. In turn, Mexico is an important supplier to the Canadian market, with sales of Cdn\$2.7 billion in 1992. In the first quarter of 1993, exports from Canada to Mexico increased by 16 percent over the same period in 1992, reaching Cdn\$179 million. Imports from Mexico increased 15 percent over the same period, with sales of Cdn\$719 million. Under Canada's General Preferential Tariff Scheme, Mexican manufacturers receive special benefits. More than 80 percent of Canadian imports from Mexico are already on a duty-free basis.

15. AGRICULTURAL SECTOR

In November 1991, the Mexican government prepared a new Agricultural Law to reform and modernize that sector and allow more private investment. The law has been approved and a new regulation was issued allowing foreign investment. However, agricultural output has not been dynamic for many years because of the many productivity problems and the antiquated landholding system of Mexican farms. In 1992, agricultural output fell 4.2 percent. For 1993, only 1.5 percent growth is expected.

16. DEREGULATION OF INDUSTRY

Foreign investment regulations have been liberalized, allowing foreign majority participation in most economic activities. Rules for the transfer of technology from abroad have been simplified and liberalized, and a new law for the protection of intellectual property rights was approved by the Mexican Congress. Deregulation in trucking has eliminated monopolistic structures in road transportation, lowering the costs to users. Petrochemicals have been reclassified, opening new opportunities to private domestic and foreign investors. Regulations in the automotive industry have been revamped to encourage the globalization of the industry. In-bond, or