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R K E T S U M M A R Y - M E X I C O

Mining Equipment and Services



THE OPPORTUNITY

The Mexican mining sector is expanding rapidly, creating important opportunities for Canadian suppliers of mining equipment and services.

- Mexico has major mineral reserves and is among the world's top ten producers of 15 different minerals.
- The Government of Mexico was the nation's largest mineral producer in 1991. Since then, it has sold all except one of the state-owned production companies to the private sector. These companies are quickly modernizing the antiquated plants they bought from the government.
- The government has dramatically cut the level of regulation of the mining industry, and has opened up millions of hectares of reserves to private development. Foreign companies can own 100 percent of new mining operations for the first 12 years.
- Canadian companies have been prominent among the foreign firms, moving into Mexico to take advantage of these opportunities. Since they are familiar with Canadian-made equipment and service suppliers, they represent a ready market.

FULL SPEED AHEAD

Mexico's mining sector has arguably been the biggest beneficiary of the nation's broad economic reforms. Deregulation has opened up tens of thousands of hectares of mineral reserves to development. Privatization policies have transferred responsibility for mineral exploitation to the private sector. New ownership laws have opened the

doors to foreign investors, while restrictions on the repatriation of dividends have been eliminated. At the same time, liberalized trade has boosted mineral exports.

The mining industry has been one of the few sectors to benefit from the December 1994 devaluation of the peso. For the most part, sales are in dollars while costs are in pesos. These factors have combined to create a boom in mineral development that has been led by foreign investment.

The biggest change came in September 1992, when a new mining law reinterpreted Article 27 of the Mexican constitution, which established state ownership of all mineral reserves. The new law created a much larger role for the private sector. It set the stage for wholesale privatization of state-owned mining companies. It deregulated mining reserves and encouraged both domestic and foreign investment in the mining industry.

The law allows direct foreign investment, with up to 100 percent ownership for an initial 12-year period. During this timeframe investors enjoy substantial tax concessions, but they must subsequently reduce their ownership to

SUMMARY REPORT

In addition to this market summary, the Department of Foreign Affairs and International Trade (DFAIT) has prepared a market profile entitled *Opportunities in Mexico: Mining Equipment and Services*. This market information on the Mexican mining equipment and services market has been produced and published by Prospectus Inc. under contract with DFAIT, along with other market profiles and summaries on business opportunities in Mexico. It is available from:

InfoCentre

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The market profiles are available in electronic form from the IBB and in hard copy at a cost of \$10.00 plus shipping and applicable taxes, from Prospectus Inc. Please contact:

Prospectus Inc. Order Department
Tel.: (613) 231-2727
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