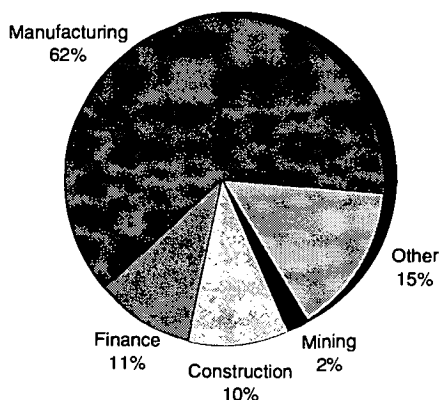


Canadian Investment in Mexico

By Economic Sector



Canada is the eighth-largest investor in Mexico.

Direct foreign investment received in the last few years has concentrated in the following branches of manufacturing: foodstuffs, beverages and tobacco (15.8 percent); textiles, clothing and leather (8.3 percent); chemicals, oil derivatives, coal, rubber and plastics (23.3 percent); and metallic products, machinery and equipment (25.8 percent).

Last April, Bombardier Inc. of Montreal purchased Concaril (Constructora Nacional de Carros de Ferrocarril), Mexico's leading manufacturer of railway rolling stock. In August, the Bank of Nova Scotia acquired 5 percent of a Mexican financial institution formed by Comermex Bank and Inverlat Brokerage House.

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, thereby lowering the cost to users. Petrochemicals have been reclassified, opening new opportunities to private domestic and foreign investors. Automotive industry regulations have been revamped to encourage the globalization of the industry. In-bond, or "maquiladora", industrial regulations have been made more flexible.

TRADE LIBERALIZATION

Since 1985, Mexico's trade regime has been liberalized by the gradual elimination of official reference prices, reducing prior import permits (now practically eliminated except in a few agricultural products) and cutting 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 value of import permits is down from 100 percent in 1983 to 13 percent in 1992.

Mexico is Canada's most important trading partner in Latin America. Trade between the two countries was worth Cdn\$3 billion in 1991 and has grown significantly since the mid-1980s. Exports from Canada to Mexico have increased by more than 86 percent from January to June 1992, in comparison to the same period in 1991. That year, Canadian exports totalled Cdn\$543.6 million.

WHAT CANADA EXPORTS TO MEXICO

January to September, 1991 & 1992 (\$,000 Cdn)

| Exports to Mexico | 1991 | 1992 | % Change |
|-----------------------|----------------|----------------|------------|
| Motor Vehicle Parts | 61,600 | 119,000 | 93% |
| Wheat | 0 | 72,900 | 100% |
| Iron & Steel Products | 29,600 | 69,900 | 136% |
| Telecommunications | 4,900 | 29,000 | 492% |
| Bituminous Coal | 0 | 25,700 | 100% |
| Milk Powder | 6,100 | 24,800 | 306% |
| Meat & Livestock | 12,300 | 23,800 | 93% |
| Newsprint | 22,100 | 22,400 | 1% |
| Aircraft & Parts | 1,300 | 20,800 | 1500% |
| Copper (Raw) | 0 | 12,200 | 100% |
| Others | 137,200 | 126,700 | 8% |
| Total Exports | 275,100 | 547,100 | 98% |

(Text of this chapter was extracted from the December 1992 Review of Mexican Economy (Synopsis) compiled by the Economic and Trade Policy Section of the Canadian Embassy.)