

PARASTATE SECTOR

The Mexican government has continued to streamline the parastate sector by liquidating, merging, transferring and selling companies, and reducing subsidies. Of 1,155 parastate companies in existence in 1983, three-quarters have been divested, leaving only 221 in existence in September 1992; only 117 of these are firms. In 1991, 156 were sold. All 18 banks and the state steel industry complex have been sold, leaving very few state companies at the end of 1992. Most of those were service institutions and a few important government firms in oil and petrochemicals, electricity and railways. Even in those sectors, private and foreign investment is partially allowed.

The Mexican government has already privatized airlines, the telephone company and portions of CONASUPO, in the food sector. The government has also completed privatization of Micare, a coal mining complex, and has publicized its intention to privatize government-owned mining companies, including CANANEA, a large copper firm. Some airports and port services will be privatized, as well as government-owned television channels, movie theatres and the *El Nacional* newspaper.

FOREIGN INVESTMENT

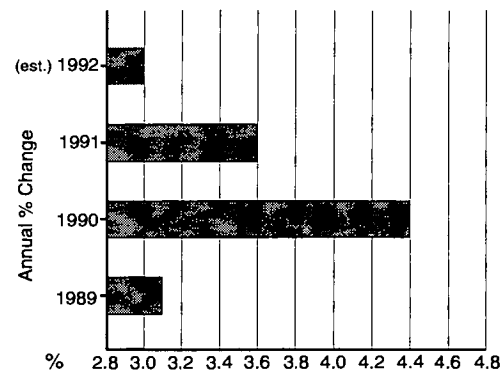
Foreign direct investment flows in the balance of payments totalled U.S. \$2.6 billion in 1990, down 13.3 percent from the previous year. In 1991, however, direct foreign investment flow increased by U.S.\$4.8 billion. In the first half of 1992, foreign direct investment flows reached U.S.\$3,044 million. Foreign inflows to the Mexican stock market in 1990 were U.S.\$2 billion, four times the amount that was invested in 1989. This trend intensified in 1991 when investment increased to U.S.\$7.5 billion.

In the first half of 1992 portfolio investment increased by U.S.\$6,244 million. It is estimated that about 60 percent of foreign investment goes into portfolio investment, which can be quite volatile. In fact, the stock market plunged in June 1992 but the Mexican government raised T-Bill interest rates to retain capital.

At the end of June 1992, accumulated foreign investment in Mexico amounted to U.S.\$47,395 million, of which U.S.\$36,040 million was accumulated direct foreign investment and U.S.\$11,355 million was portfolio investment.

Real GDP Growth

Mexico (1989-1992)



Economic growth in Mexico has been fuelled by foreign investment.

Up to July 1992, the amount of accumulated Canadian investment¹ in Mexico reached U.S.\$553 million, equivalent to 1.5 percent of total direct foreign investment in Mexico. Thus Canada ranks eighth among countries with foreign investment in Mexico. Capital from Canada is distributed among 265 firms; in 98 of these, there is a majority of capital and the rest have minor participation.

Canadian capital is invested mainly in the industrial sector, financial services, community enterprises and construction. In the manufacturing industry, 93 enterprises are registered with a total investment of U.S.\$340.6 million (61.6 percent of Canadian capital), in financial services, 22 firms with U.S.\$63.2 million (11.4 percent), 57 community enterprises with U.S. \$64.6 million (11.7 percent), and in construction, seven companies with U.S.\$58 million invested (10.5 percent).

In smaller amounts, Canadian capital has been invested in 47 companies in the mining sector with U.S.\$9.2 million (1.7 percent), 36 commercial societies with U.S.\$17.4 million (4.4 percent), and three remaining companies in the agricultural, transport and communications sectors.

From January 1989 to July 1992, direct foreign investment from Canada reached U.S.\$229.6 million, representing an increase of 71 percent over the total accumulated by the end of 1988. Canada ranked eighth among the main countries investing in Mexico during this period.

1. Does not include investment in the Mexican stock market nor foreign capital derived from authorization granted by the National Commission of Foreign Investment to companies listed on the Mexican stock market.