THE MEXICAN ECONOMY: A SYNOPSIS

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THE MEXICAN ECONOMY: A SYNOPSIS

Department of Foreign Affairs
and International Trade

Canadian Embassy
Mexico
August 1993

(Disponible également en français)

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   ____

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INTRODUCTION

Modernization and structural change continue in Mexico and the long-term prospects for increased trade and investment are improving dramatically. Mexico's internal market has been dynamic for the past four years, experiencing an average growth of 4 percent per year. The current focus and preoccupation of the government is to bring inflation down to a single digit in line with that of its North American Free Trade Agreement (NAFTA) partners. Present Mexican economic policy is designed to stimulate growth by encouraging private sector investment and by positioning Mexico as a productive and highly competitive member of the international economic community. Accordingly, a wide range of policy changes have been implemented in recent years to enhance Mexico's competitiveness.

In the past two years, the Mexican government has eliminated the deficit in public finances and set the foundation for the restoration of macroeconomic stability. At the same time, the government has helped the private sector to revitalize and to increase microeconomic efficiency by opening the economy. Positive results have already been observed in the dramatic growth of exports of non-oil manufactures and in increased confidence on the part of domestic and foreign investors and traders. Mexico's economy is rapidly becoming more market-oriented and the country is preparing to compete in the world marketplace. The main hurdles will be to improve investment financing without adding to inflation and to promote efficiency in the productive structure so that the investments made will actually translate into high economic real-growth rates. To achieve this, Mexico will have to rely on continuing economic and political stability, increased domestic savings, a stronger domestic market as wages recover, reduced foreign debt servicing, more foreign investment, higher export levels and more repatriation of Mexican capital.

Mexico must recover real growth after a decade of stagnation and the deterioration of the country's infrastructure. Because of this, there is an urgent need to renovate and to generate new infrastructure and to expand industrial plant capacity. What Mexico is aiming for in the future is to cope with competition and to take advantage of the opportunities that a free trade agreement could bring, thus improving the welfare of its growing population.

In the coming years, meeting these challenges will require intense effort and much capital, but success will provide opportunities for increased trade and investment with Mexico's partners. There are, of course, many other challenges faced by the Mexican government that are related in one way or another to economic growth and stability. There is no doubt that much remains to be done to improve the physical and social infrastructure and to ensure that more Mexicans benefit from the growing economy. Education must be extended to the countryside and gifted children of all economic strata must be offered a higher quality education for more years. An improved and broader distribution of wealth will have to be addressed and the benefits of reform passed on to a greater number of Mexicans. Not the least of the major issues that remain is the political challenge that will face the next and succeeding presidents when an increasingly prosperous population seeks to participate in the political arena with the same force with which they participate in the economic arena.

1. ECONOMIC POLICY

Over the past four years, Mexican economic policy has featured a tough anti-inflation program involving government, labour unions and business in an economic pact that has combined traditional austerity measures (tight fiscal policy) and unorthodox measures (wage, price and exchange rate controls). This policy has been combined with a broad liberalization of the economy, replacing government controls and interference with market forces and foreign competition.

The Economic Pact, in place since 1988 among government, labour and business, has been an important model for the government in its campaign to reduce inflation. The new phase (called Pact for Stabilization, Competitiveness and Employment) has been extended to December 1993 and its principal provision creates a wider band for exchange rate fluctuations. Thus peso devaluations against the U.S.$ will increase from 20 to 40 centavos daily, or 4.8 percent annually. Other provisions in the Pact are monthly increases in the price of energy equivalent to no more than 10 percent annually and a 7 percent increase in the minimum wage (the same as the inflation target for 1993). Labour leaders agreed that other wage settlements in 1993 will not surpass 10 percent.

Although one important economic goal for 1992 was to reduce inflation to less than 10 percent, the final figure was 11.9 percent, compared with 18.8 percent in 1991. The Mexican government is taking extraordinary measures to reduce inflation further, even at the cost of lower economic growth (2.6 percent in 1992 and an estimated 2 percent for 1993). In 1992, the government reduced the value-added tax by five percentage points. The government has also been enforcing price controls and price reduction agreements with the private sector in many goods and services as well as vigilantly collecting income taxes.

In 1992, Mexico experienced a serious deficit of U.S.$22.8 billion in its current account of balance of payments, compared with U.S.$13.8 billion in 1991. In 1992, capital inflows covered this deficit and increased monetary reserves to a record high of U.S.$18.5 billion. In 1992, the pace of foreign capital inflows decreased slightly and the stock market began to fall in the second half of the year. As a result, the government had to increase interest rates to protect against capital flight. The challenge for 1993 will be to continue to keep sufficient flows of foreign capital while maintaining high reserves without choking the domestic economy.

Although the economic goals in 1992 of reduced inflation and sustained economic growth were not fully realized, public finances achieved the targeted surplus and exchange rate parity stability was maintained. The government has also been successful in improving the living standards of the poorest segments of society by means of the government's Solidarity Program.

In November, the 1993 government budget was presented to the Mexican Congress. The budget defined the year's economic policy goals, the most important of which is to achieve single-digit inflation through a continuation of strong austerity measures.

2. EXTERNAL DEBT

New authorized public debt for 1993 will be U.S.$3.5 billion.

Although, in May 1992, the Mexican government announced the repurchase of U.S.$7 billion of old debt, total external debt outstanding at the end of 1992 was U.S.$98.9 billion, close to the debt outstanding in October 1982 when Mexico suspended interest payments to banks. External debt has increased mainly because of private sector return to international money markets. However, the debt repurchase will save Mexico U.S.$400 million annually in interest payments.

In February 1990, the Mexican government signed an agreement (the Brady Plan) for debt reduction and for new money from commercial banks. The Institute of International Finances estimates that Mexico paid U.S.$14.2 billion for its external debt service in 1992: U.S.$7.8 billion in principal and U.S.$6.4 billion in interest payments. Although down from 40 percent, this debt reservicing still represents 30.1 percent of Mexico's foreign exchange income from goods and services. The successful negotiation continues to bring confidence to the country and provides psychological reinforcement for capital repatriation and new foreign investment.

3. PRODUCTION AND EMPLOYMENT

For 1993, the Mexican government projected that GDP growth will achieve a 2.5 percent real increase. Some private sector projections expect no more than 2 percent (GDP growth in the first quarter was 2.4 percent). Despite the restructuring of the economy, overall employment did not increase in 1992, although some sectors showed increases, particularly construction and manufacturing. Employment was not very dynamic and in fact decreased 1.5 percent overall. In 1992, minimum wages decreased by about 2 percent but other wages gained 6.8 percent.

Mexican official statistics cannot be relied upon to give an accurate assessment of the extent of unemployment and underemployment. Some private institutes suggest that the former is probably about 8 percent of the available workforce and the latter could run as high as 20 percent of the entire population. In rural areas, particularly in the southern part of the country, underemployment is endemic.

4. PUBLIC FINANCES AND FISCAL POLICY

Fiscal discipline continued through 1992. The financial deficit came down from 5.5 percent of GDP in 1989 to a surplus of 0.5 percent in 1992. If this performance continues, the financial surplus could be as high as 1.7 percent of GDP in 1993.

In 1993, the government is using an export price for oil of U.S.$14.20 per barrel for budgeting purposes, indicating that the government does not expect any change in the amount of revenue from its principal source of taxes and dividends.

5. INFLATION

The official target for 1993 is a 7 percent annual inflation rate. The Canadian estimate of Mexican inflation is higher at 10 percent. Although last year's inflation fell to 11.9 percent, considerably lower than the 18.8 percent of 1991, and the government's monetary and fiscal policies are dedicated to reducing inflation below 10 percent, there is much scepticism that this can be achieved. In the first half of 1993, inflation had already accumulated 4.4 percent.

6. WAGES

The minimum wage was increased by 7 percent in 1993, as was agreed in the November 1992 Economic Pact. In 1992, the loss in real minimum wages continued but wages in the manufacturing sector gained 6.8 percent in real terms. By mid-1993, most unions had accepted wage increases of no more than 10 percent.

In 1992, Mexico created a compulsory pension fund scheme, known as SAR, to be managed by the commercial banks. SAR obliges employers to pay 2 percent of wages and salaries into the personal pension funds.

7. MONETARY AND FINANCIAL POLICIES

In 1992, money supply growth rates began to decline as the government "sterilized" the continuing foreign capital inflows. In January 1993, the Mexican Congress approved a monetary reform with a new peso equivalent to 1,000 old pesos. Throughout 1993, prices will be expressed both in old and new pesos but, in 1994, only new pesos will be used.

After debt negotiation, domestic interest rates for short-term Treasury Bills declined from an annual yield of 40 percent in 1989 to 15.7 percent at the end of 1992. Although interest rates rebounded to 18 percent in the first quarter of 1993, they had declined to almost 13 percent in July 1993. The anti-inflation policy, especially the increase in interest rates, has created problems for the economy; credit to the private sector has been reduced lately [this report was produced in August 1993] and is expected to increase only at half the rate of last year.

Privatization of all 18 of the national commercial banks brought the government some U.S.$18 billion in additional revenue between 1991 and 1992. These funds were directed to reducing Mexico's national debt.

Legislation has been approved to grant Banco de Mexico, the Central Bank, partial autonomy from the government.

8. FINANCIAL MARKETS

Government borrowing decreased in real terms during 1992 because of a perceived surplus in public finances. The private sector borrowed 23 percent more in real terms in 1992 than in 1991. Real domestic commercial bank credit to the private sector is estimated to grow by no more than 12 percent in 1993 due to very high real interest rates and a deceleration of economic growth. During 1992, the stock market index grew 23 percent, compared to 128 percent in 1991, mainly because of negative speculation regarding the fate and timing of the NAFTA negotiations. In the first seven months of 1993, the stock market gained only 0.6 percent because of economic deceleration as a result of very poor results for company earnings and continuing apprehensions about the commitment of the Clinton Administration to NAFTA.

9. EXCHANGE RATE

On October 20, 1992, the slide of the peso-U.S.$ rate was increased from 20 to 40 old centavos daily, a policy that will continue until the end of 1993. The elimination of the three zeros (a new peso is equivalent to 1,000 old pesos) on January 1, 1993, reduced the psychological impact of the increased slippage. Nevertheless, the annual rate of devaluation increases from 2.4 percent to 4.8 percent. Actual appreciation of the peso against the U.S.$ will reach 25 percent. The peso, however, is stronger as much foreign capital continues to flow into the country, attracted by high real interest rates. Although relatively small daily devaluation has caused appreciation of the peso, the Central Bank officials do not view this with alarm. Rather, they consider that the appreciation will reduce the impact of imported inflation and thus contribute to the Central Bank's principal goal of reducing inflation to a single digit in 1993.

10. BALANCE OF PAYMENTS

The current account deficit for 1992 was U.S.$22.8 billion and the official estimate for 1993 is U.S.$22.5 billion, although private projections are more around U.S.$25 billion. There are significant and worrying increases in the deficit, but total foreign reserves were estimated to be U.S.$18.5 billion at the end of 1992, providing some comfort and cover. Substantial inflows of capital into the money and stock markets have supported the current account deficit and created the large increases in foreign exchange reserves. Domestic interest rates were raised in 1992 to attract new capital and to prevent further capital flight.

11. PARASTATAL SECTOR

The Mexican government has continued to streamline the parastatal sector by liquidating, merging, transferring and selling companies, and reducing subsidies. Of the 1,155 parastatal companies in existence in 1983, three-quarters have been divested. All 18 banks and the State steel industry complex have been sold. Those remaining are mostly service industries, but a few are important government firms such as PEMEX, the Federal Power Authority and the National Railroad. Even in these sectors, however, private and even foreign investment is partially allowed.

Last December, the Mexican Congress passed legislation allowing private sector investment in the electricity and water industries under renewable long-term concessions. The Mexican government has already privatized airlines, the telephone company and portions of CONASUPO, the food distribution company. Some government-owned television channels and state-owned movie theatres were recently sold. About 60 petrochemical plants belonging to PEMEX and some airports and port services will also be sold.

12. FOREIGN INVESTMENT

A new Law to Promote Investment will be sent soon to the Mexican Congress for approval. Foreign direct investment flows amounted to U.S.$5.4 billion in 1992. Last year portfolio investment increased by around U.S.$13.6 billion. Of this, new investment to the stock market reached U.S.$4.8 billion while U.S.$ 8.8 billion was invested in Treasury Bills. Foreign investment in the stock market has reached U.S.$28.6 billion, or one fifth of total stock market value. At the end of 1992, there was about U.S.$37.5 billion in accumulated direct foreign investment in Mexico.

Up to December 1992, the amount of Canadian investment accumulated in Mexico reached

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 *maquiladora*, industrial regulations have been made more flexible.

17. DYNAMICS OF THE MEXICAN MARKET

Although per capita income is still low, compared to the United States or Canada, it has increased in the last years and domestic demand for a number of products has improved. Automobile sales, for example, increased around 40 percent annually between 1988 and 1991, although in 1992 growth slowed to 10 percent. Sales of a wide range of consumer goods also increased nearly 20 percent annually in real terms between 1990 and 1992. The opening of the economy has made a larger variety of products available to Mexican consumers as imports increased more than 25 percent in recent years.

The Mexican government estimates that imports will increase by 11 percent in 1993, but the private sector estimates this figure could be larger. In fact, because the Mexican trade deficit almost doubled in 1992 compared to 1991, the authorities decided to decelerate economic growth in the short-term and to increase peso-dollar devaluation to help curb imports and support exports. In the first half of 1993, the government measures had the desired impact of diminishing the trade deficit.

Table 1: Domestic Economy

	1990	1991	1992
Population, year-end, millions	81.1	82.8	84.5
Population growth rate, annual %	2.1	2.1	2.1
GDP, current U.S.$ billions	234.4	280.3	320.4
GDP, per capita, current U.S.$	2,874	3,307	3,792
Real GDP growth, annual % change	4.4	3.6	2.6
Real GDP per capita growth, annual % change	2.3	1.5	0.5
Consumer price index, annual % change	29.9	18.8	11.9
Money supply growth, annual % change	60.3	122.2	17.3

Table 2: Production and Employment

	1990	1991	1992
Labour force, year-end, millions	26.2	26.6	26.2
Open unemployment, % of work force	2.8	3.0	2.9
Industrial production, annual % change	5.4	3.1	2.8
Fixed investment, % of GDP	18.7	20.5	21.7
Government balance, % of GDP	-3.5	-1.5	0.4

Table 3: External Accounts (U.S.$)

	1990	1991	1992
Total income (goods & services)	45.0	42.7	60.8
Total expenditures (goods & services)	50.3	70.9	83.6
Current account balance	-7.1	-13.3	-22.8
Exports	26.8	27.1	27.5
Imports	31.4	38.2	48.2
Trade balance	-4.6	-11.1	-20.6
In-bond income (*maquiladoras*)	3.6	4.1	4.8
Border transactions, income	1.9	1.9	2.1
Border transactions, expenditures	3.4	3.6	4.0
Border transactions, balance	-1.5	-1.7	-1.9
Tourist income	3.4	3.5	3.8
Mexican tourism abroad	1.9	2.2	2.1
Tourism net balance	1.5	1.3	1.7
Total foreign investment at year-end[1]	30.3	33.9	37.5
Foreign direct investment flows[2]	2.6	4.8	5.4
Foreign portfolio flows (Mexican stock market)	2.0	7.5	13.5
Capital account	8.8	20.2	26.0
Errors and omissions	-0.4	-1.1	-2.0
Change in foreign reserves	3.4	7.2	1.1
Foreign exchange reserves	10.3	17.5	18.5
Foreign debt	101.7	103.8	98.9
Average debt/total income of goods & services	2.5	1.8	1.6
Average debt/GDP	0.43	0.36	0.31
Interest/total income of goods & services	0.20	0.18	0.13
Average exchange rate (pesos per U.S.$)	2,838	3,105	3,179

1. *Figures from SECOFI, Mexican Ministry of Trade and Industrial Promotion.*
2. *Figures from Banxico, Mexico's central bank.*

Table 4: Canada-Mexico Trade (Cdn$ millions)

	1990	1991	1992
Mexican exports to Canada	1,730	2,574	2,751
Canadian exports to Mexico	594	525	771
Trade balance	-1,136	-2,049	-1,980
Canadian share of Mexican exports (%)	0.7	0.4	0.3
Canadian share of Mexican imports (%)	2.0	2.0	2.2

Source: Canadian figures

Table 5: U.S.-Mexico Trade

(U.S.$ billions)

	1990	1991	1992
U.S. exports to Mexico (FAS)	28.4	33.3	40.6
U.S. imports from Mexico (CUS)	30.2	31.2	35.2
Trade balance	-1.8	2.1	5.4
U.S. share of Mexican exports (%), Mexican figures	70.0	7.6	68.7
U.S. share of Mexican imports (%), Mexican figures	64.4	65.6	63.1

FAS = *Freight Along Ship*
CUS = *Customs*
Source: *U.S. figures*

Table 6: Mexico's Trade, Main Countries

	1991 (U.S. $ millions)	1991 %	1992 (U.S. $ millions)	1992 %	Variation %
Exports					
United States	18,345	67.6	18,911	68.7	3.0
Spain	1,150	4.2	1,217	4.4	5.8
Japan	1,240	4.6	879	3.3	-29.1
Canada	1,125	4.1	780	2.8	-31.7
France	580	2.1	550	2.0	5.2
Germany	529	1.9	489	1.8	-7.6
Belgium-Luxembourg	321	1.2	282	1.0	-12.2
United Kingdom	219	0.8	240	0.9	9.6
Total	**27,120**	**100.0**	**27,531**	**100.0**	**1.5**
Imports					
United States	25,032	65.6	30,365	63.1	21.3
Japan	1,783	4.7	3,025	6.3	69.7
Germany	2,328	6.1	2,464	5.1	5.8
France	967	2.5	1,298	2.7	34.2
Brazil	803	2.1	1,103	2.3	37.4
Canada	670	1.8	1,041	2.2	55.4
Italy	623	1.6	975	2.0	56.5
Spain	575	1.8	869	1.8	51.1
Total	**38,814**	**100.0**	**48,138**	**100.0**	**26.0**

Note: *Canadian figures are different for exports and imports.*
Source: *Bancomext*

Table 7: Canadian Exports to Mexico

(Cdn$ thousands)

	1990	1991	1992
Motor vehicle parts (incl. engine parts)	109,400	127,100	157,600
Wheat	8,400	25,000	108,700
Iron & steel products	67,700	46,300	87,800
Telecommunications and related equipment and parts	40,000	21,800	61,000
Meat & livestock	23,600	31,600	49,900
Bituminous coal	0	2,200	32,100
Newsprint	15,900	34,900	28,300
Milk powder	72,500	13,400	24,900
Aircraft & parts	39,100	17,300	20,800
Wood pulp	27,700	21,200	20,200
Rape or colza seeds	0	0	13,000
Asbestos	13,400	16,000	12,700
Copper (raw)	0	0	12,200
Filtering/purifying machinery	16,400	2,200	10,700
Barley, oats & canary seed	700	5,100	9,400
Sulphur	28,800	19,800	7,500
Electrical boards & panels	600	100	7,200
Furniture & furnishings	900	2,400	7,000
Petroleum oils	5,100	16,100	6,900
Sub-total	470,400	402,400	677,800
Others	172,900	158,300	92,800
Total	**643,400**	**560,700**	**770,600**

Source: *Statistics Canada, Merchandise Trade Statistics*

Table 8: Mexican Exports to Canada

(Cdn$ thousands)

	1991	1992
Automotive parts, material & accessories	538,200	688,400
Automotive vehicles	716,200	602,100
Radio, telephone, audio, equipment & parts	143,500	199,400
Petroleum oils	97,600	188,400
Engines & engine parts	224,900	139,400
Ignition wiring sets	105,000	118,800
Data processing machines & parts	127,800	105,700
Air conditioners, fans, equipment & parts	57,000	73,100
Filtering/purifying machinery & parts	26,900	66,400
Fruits & nuts	56,800	55,500
Vegetables (not prepared)	48,600	43,100
Electrical lighting & signalling equipment	27,500	34,100
Fabrics, carpets & yarn	30,200	31,700
Beer, wine & spirits	15,500	17,700
Furniture & furnishings	21,200	14,900
Springs (iron or steel)	15,400	14,300
Articles of clothing	11,500	13,500
Sub-total	2,263,500	2,406,300
Other	316,300	344,800
Total	**2,579,800**	**2,751,100**

Source: *Statistics Canada, Merchandise Trade Statistics*

Table 9: Direct Foreign Investment in Mexico, by Country
(U.S.$ millions)

	1991	1992	% Increase	Absolute Increase
United States	21,466	23,118	7.7	1,652
Great Britain	1,988	2,415	21.5	427
Germany	2,041	2,125	4.1	84
Switzerland	1,415	1,730	22.3	315
Japan	1,529	1,616	5.7	87
France	1,447	1,515	4.7	68
Spain	736	773	5.0	37
Netherlands	513	596	16.2	83
Canada	491	580	18.1	89
Total	**33,875**	**37,474**	**10.6**	**3,599**

Table 10: Direct Foreign Investment in Mexico, % Participation by Country, in 1992

	Accumulated	New
United States	61.7	45.9
Great Britain	6.4	11.9
Germany	5.7	2.3
Switzerland	4.6	8.8
Japan	4.3	2.4
France	4.0	1.9
Spain	2.1	1.0
Netherlands	1.6	2.3
Canada	1.5	2.5
Total	**100.0**	**100.0**

Source: *SECOFI*

Table 11: Evolution of Aggregate Supply and Demand, 1987-1993 (% real growth rate)

	1987	1988	1989	1990	1991	Official Projections 1992	1993
Overall supply	2.3	3.7	4.9	5.9	5.2	4.0	3.9
GDP	1.7	1.2	3.3	4.4	3.6	2.7	2.5-3
Imports	10.9	36.7	21.3	18.8	16.6	12.3	9.1
Total demand	2.3	3.7	4.9	5.9	5.2	4.0	3.9
Consumption	-0.3	1.5	5.3	5.2	4.7	3.2	2.7
Public	-1.2	-0.5	-0.4	2.3	2.7	1.7	0.3
Private	-0.1	1.8	6.3	5.8	5.0	3.4	3.1
Investment	-0.1	5.8	6.3	13.2	8.5	8.5	7.9
Public	-12.3	-4.2	3.6	12.8	-6.7	-2.4	-3.6
Private	6.4	10.2	7.4	13.4	14.2	11.8	11.0
Exports	9.8	5.8	2.5	3.5	5.1	2.2	4.6

Source: *Economic Policy Goals, Ministry of Finance.*

Appendix A – MEXICO'S MAIN ECONOMIC INDICATORS

INTRODUCTION

The following tables and figures were prepared by the Economic and Trade Policy Section of the Commercial Division of the Department of Foreign Affairs and International Trade. They constitute a statistical compilation of Mexico's main economic indicators.

Mexico's main economic indicators will be updated on a regular basis. Please send any comments and/or suggestions to:

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Apartado postal 105-05
11580 Mexico, Mexico

Table A1: Mexico's Trade (U.S.$ millions)

	1991 (U.S.$ millions)	1991 (%)	1992 (U.S.$ millions)	1992 (%)	% Change Between 91/92
Exports					
United States	18,345	67.6	18,911	68.7	0.3
Spain	1,150	4.2	1,217	4.4	5.8
Japan	1,240	4.6	879	3.3	-29.1
Canada	1,125	4.0	780	2.8	-31.7
France	580	2.1	550	2.0	-5.2
Germany	529	1.9	489	1.8	-7.6
Belgium-Luxembourg	321	1.2	282	1.0	-12.2
United Kingdom	219	0.8	240	0.9	9.6
Total	**27,120**	**100.0**	**27,531**	**100.0**	**1.5**
Imports					
United States	25,032	65.6	30,365	63.1	21.3
Japan	1,783	4.7	3,025	6.3	69.7
Germany	2,328	6.1	2,464	5.1	5.8
France	967	2.5	1,298	2.7	34.2
Brazil	803	2.1	1,103	2.3	37.4
Canada	670	1.8	1,041	2.2	55.4
Italy	623	1.6	975	2.0	56.5
Spain	575	1.8	869	1.8	51.1
Total	**38,184**	**100.0**	**48,138**	**100.0**	**26.0**

Source : Bancomext

Table A2: Mexico's Trade Balance With the United States
(U.S.$ millions)

	Exports	Imports	Balance
1983	12,988	5,454	7,534
1984	14,134	7,416	6,718
1985	13,388	8,970	4,418
1986	10,675	7,426	3,249
1987	13,757	7,902	5,855
1988	13,626	12,617	1,009
1989	15,787	15,817	-30
1990	18,553	19,364	-811
1991	18,345	25,032	-6,687
1992	18,911	30,365	-11,454

Table A3: Trade Balance

	1991 (U.S.$ millions)	1992 (U.S.$ millions)	% Growth
Trade deficit	-11,694	-20,607	—
Oil exports	8,166	8,306	2.0
Crude	7,265	7,419	2.1
Other	902	887	-1.7
Total exports	27,120	27,531	1.5
Total imports	38,184	48,138	26.0
Non-oil exports	18,954	19,225	1.4
Agricultural	2,372	2,112	-11.0
Minerals	547	356	-34.9
Manufacturing	16,035	16,757	4.5
Manufacturing imports	32,545	40,394	24.1
Industrial inputs	24,074	28,838	19.8
Capital goods	8,588	11,156	34.6
Consumption imports	5,834	7,744	32.7

Table A4: Imports (%)

	1991	1992
Consumption	14.8	16.1
Industrial inputs	63.0	59.9
Capital goods	22.2	24.0
Total	**100.0**	**100.0**

Table A5: Trade Balance by Sector, 1992

	Imports	Exports	Balance
Manufacturing	44,535	17,474	-27,061
Agriculture and forestry	2,379	1,714	-665
Livestock and fishery	449	882	433
Oil and mining	539	7,784	7,245

Table A6: Terms of Trade Price Index

Year	% Change*
1982	-12.0
1983	-5.8
1984	-2.0
1985	-6.2
1986	-23.7
1987	-0.9
1988	-2.6
1989	-4.8
1990	-8.0
1991	-6.5
1992	-0.4

** Over previous year*

Table A7: Proportion Of Imports Subject To Permits

Year	Percent
1983	100.0
1984	83.4
1985	35.1
1986	27.8
1987	26.8
1988	21.2
1989	18.4
1990	13.7
1991	13.1

Table A8: Tariff Structure

	1982	1986	1990	1991
Number of items	8,008	8,206	11,826	11,826
Average tariff (%)	27	22.6	13.1	13.1
Weighted average tariff (%)	16.4	13.1	10.4	10.8
Number of rates	16	11	5	5

Forecast of Imports by Mexico

(U.S.$ millions)

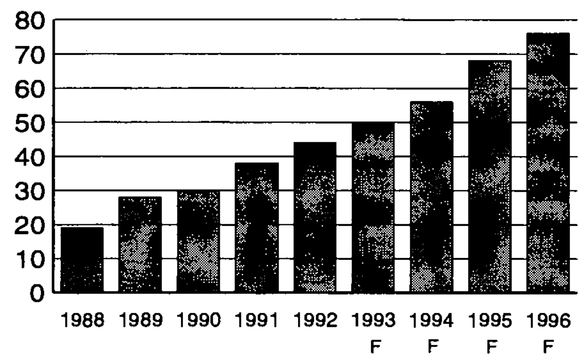


Table A9: Canada-Mexico Trade Export/Import Statistics

(Cdn$ thousands)

	Total 1991	Total 1992	Growth %
Imports	2,579,800	2,751,100	7.03
Exports	560,700	770,600	7.0
Balance	-2,019,100	-1,980,500	—

Source: Statistics Canada, Merchandise Trade Division

Table A10: Top Ten Canadian Imports From Mexico (Cdn$ thousands)

Product	Total 1992
Motor vehicles and parts	1,290,400
Radio, telephone, audio equipment and parts	199,400
Petroleum oils	188,400
Engines and parts (including ignition sets)	139,400
Ignition wiring sets	118,800
Data processing machines and parts	105,700
Air conditioners, fans, equipment and parts	73,100
Filtering/purifying machinery and parts	66,400
Fruits and nuts	55,500
Vegetables, not prepared	43,100

Source: Statistics Canada, Merchandise Trade Division

Table A11: Top Ten Canadian Exports to Mexico (Cdn$ thousands)

Product	Total 1992
Motor vehicles and parts	157,600
Wheat	108,700
Iron and steel products	87,800
Telecommunications and related equipment and parts	61,000
Meat and livestock	49,900
Bituminous coal	32,100
Newsprint	28,300
Milk powder	24,900
Aircraft and parts	20,800
Wood pulp	20,200

Table A12: Canada-Mexico Trade Balance, 1980-1992 (Cdn$ thousands)

	MEXICAN	CANADIAN	
Year	Exports	Exports	Balance
1980	345	483	138
1981	974	715	-259
1982	998	440	-558
1983	1,000	375	-625
1984	1,437	350	-1,087
1985	1,331	391	-940
1986	1,175	397	-778
1987	1,169	522	-647
1988	1,319	486	-833
1989	1,698	603	-1,095
1990	1,730	594	-1,136
1991	2,580	561	-2,019
1992	2,751	771	-1,980

Canadian Trade With Mexico

(Cdn.$ millions)

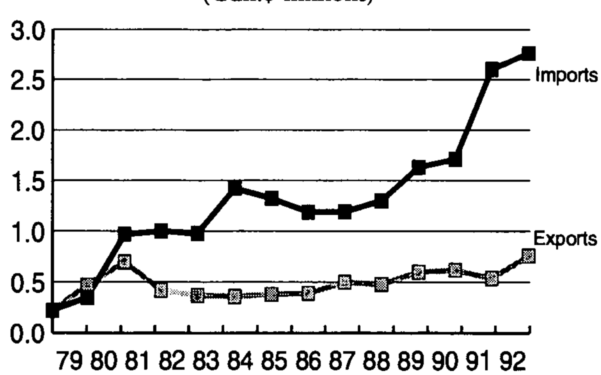


Table A13: Investment in 1992

	% Growth over 1991
Fixed gross investment	9.1
Purchases of machinery and equipment	
Domestic	-2.5
Imported	34.0

Note: In 1992, government investment decreased by 6.6 percent in real terms, discounting inflation. Current expenditure increased by early 2.2 percent.

Table A14: New Direct Foreign Investment (U.S.$ millions)

	1991	1992
By quarter		
I	1,858	1,300
II	683	1,744
III	1,010	1,468
IV	1,211	854

Source: Banxico

Table A15: Foreign Investment in Mexico (U.S.$ millions)

	1991 (est.)	1992	Increase	Increase %
United States	21,466	23,178	1,525	7.7
Great Britain	1,988	2,415	427	21.5
Germany	2,041	2,125	84	4.1
Switzerland	1,415	1,730	315	22.3
Japan	1,529	1,616	87	5.7
France	1,447	1,515	68	4.7
Spain	736	773	37	5.0
Netherlands	513	596	83	16.2
Canada	491	580	89	18.1
Total	33,875	37,474	3,599	10.6

Source: SECOFI

Table A16: Foreign Investment, % of Participation by Country, 1992

	Accumulated	New Investment
United States	61.7	45.9
Great Britain	6.4	11.9
Germany	5.7	2.3
Switzerland	4.6	8.8
Japan	4.3	2.4
France	4.0	1.9
Spain	2.1	1.0
Netherlands	1.6	2.3
Canada	1.5	2.5
Total	100.0	100.0

Table A17 Foreign Investment by Sector in 1992

	Accumulated		New Investment	
	U.S.$ millions	% Share	U.S.$ millions	% Share
Industry	21,782.8	50.6	1,562.7	27.4
Services	17,242.1	40.1	3,283.6	57.6
Commerce	3,307.0	7.7	810.9	14.2
Mining	523.6	1.2	8.6	0.2
Agriculture /fisheries	174.3	0.4	39.3	0.6
Total	**43,029.8**	**100.0**	**5,705.1**	**100.0**

Source : *SECOFI*

Table A18: 1992 Gross Domestic Product

GDP (U.S.$ millions)	320,400
GDP per capita (U.S.$)	3,792
GDP growth rate (%)	2.6
GDP growth rate 1991 (%)	3.6
GDP 1993 (first quarter) (%)	2.4

Table A19: Composition of GDP (%)

Agriculture, livestock, forestry and fishery	7.6
Mining	3.6
Manufacturing	23.1
Construction	5.2
Electricity, gas and water	1.5
Commerce, restaurants, hotels	25.3
Transportation and communications	6.7
Financial services	10.8
Other services	17.6
Correction for banking services	-1.4
Total	**100.0**

Table A20: GDP Growth by Sector (%)

Construction	7.8
Transportation and communications	7.6
Manufacturing	1.8
Electricity	4:4
Commerce, restaurants, hotels	2.8
Agriculture	1.5
Mining	1.3
Financial services	2.3
Other services	3.1

Table A21: GDP Growth by Sector and By Quarter, 1992 (%)

	Jan-Mar	Apr-June	July-Sept	Oct-Dec	Average
General	3.9	1.8	3.1	1.9	2.6
Agriculture	3.8	-2.7	1.3	-2.7	1.5
Industrial	3.8	1.2	4.7	1.4	2.8
Manufacturing	3.4	8.7	7.6	5.2	1.8
Construction	4.8	5.0	15.1	6.6	7.8
Mining	4.4	-2.0	2.8	0.4	1.3
Electricity	5.0	2.0	5.4	5.0	4.4
Commerce, restaurants, hotels	5.7	2.7	2.4	2.5	3.3
Transportation, communications	9.9	6.7	7.8	6.2	7.6
Financial services	3.0	2.5	1.8	2.1	2.3
Other services	2.8	1.4	0.5	2.0	1.7

Table A22: Manufacturing Sector Growth in 1992 (%)

	Jan-Mar	Apr-June	July-Sept	Oct-Dec	Average
Food, beverages, tobacco	-0.2	1.9	6.2	7.5	3.7
Textiles, clothing	4.4	-1.8	-9.2	-12.0	5.0
Wood, wood products	-6.8	-4.4	2.0	2.0	-2.0
Paper, printing	-5.3	-2.0	2.5	-1.3	-1.6
Chemical, rubber, plastics	6.1	-1.4	3.8	0.7	2.2
Non-metallic minerals	5.0	6.9	9.9	6.0	7.0
Basic metals	-5.8	-10.3	7.7	7.7	-0.4
Metal products, machinery	11.2	3.7	-0.7	-7.1	1.4
Total	**3.4**	**0.9**	**2.7**	**0.2**	**1.8**

Table A23: GDP Growth in First Quarter of 1993

	Percent
Agriculture	0.7
Industry	2.3
Mining	-1.6
Construction	7.6
Electricity, gas, water	3.1
Services sector	2.6
Commerce, restaurants, hotels	2.3
Transportation and communications	4.4
Financial, insurance	3.4
Community, social and personal services	1.7
Total	**2.4**

Table A24: Inflation, 1992-1993

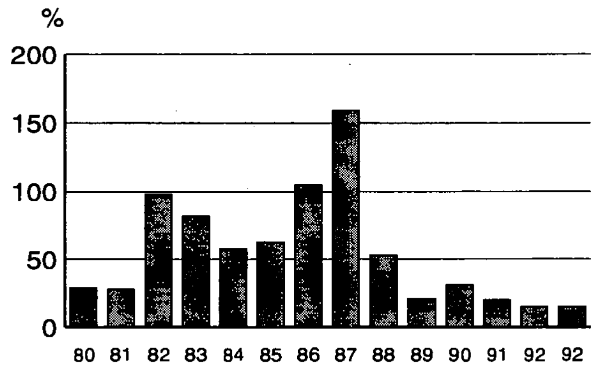
Year	Month	Monthly %	Aggregate	
1992	—	—	11.9	
1993	January	1.3	11.4	(Jan 93/Jan 92)
	February	0.8	10.8	(Feb 93/Feb 92)
	March	0.6	10.4	(March 93/March 92)
	April	0.6	10.1	(April 93/April 92)
	May	0.6	10.1	(May 93/May 92)
	June	0.6	9.9	(June 93/June 92)

Note: *Mexican government target for 1993, 7.0 percent. Canadian Embassy in Mexico estimate for 1993, 9.5 percent.*

Table A25: % Growth in 1992

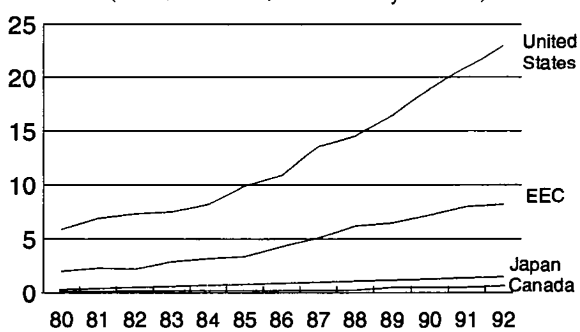
	Percent
Producer	10.6
Controlled	8.1
Uncontrolled	14.1
Public enterprises	8.9
Private enterprises	10.6

Mexico Annual Inflation Rate

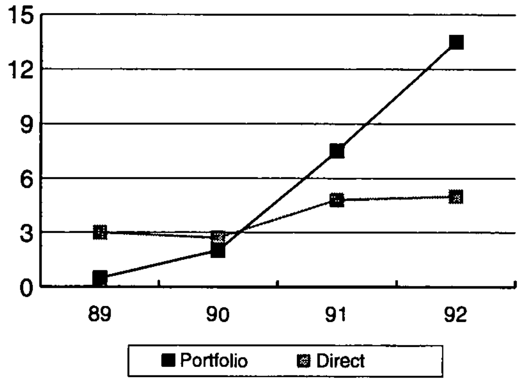


Accumulated Foreign Investment in Mexico

(U.S.$ millions, balance at year-end)



Foreign Investment in Mexico, 1989-1992 (U.S.$ millions)



Mexico Inflation Forecast, Annual Percentage Change

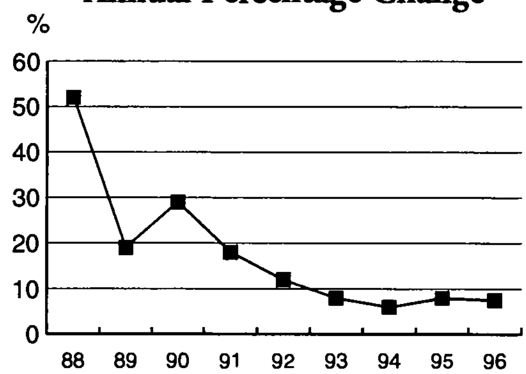


Table A26: Mexico State Enterprises

Year	Number	Divested	In Process of Sale	New
1983	1,155	75	32	10
1984	1,058	32	7	18
1985	1,039	89	23	7
1986	932	132	75	7
1987	732	86	49	15
1988	612	76	89	2
1989	618	69	170	2
1990	556	139	138	8
1991	257	156	120	—
1992	217[1]	47	34	8

1. *Of the 217 total, 83 are state institutional services and 100 are firms. Eight institutions were created in 1992: the National Commission of Human Rights, the National Institute for Fiscal Training, the Agricultural Attorney and the Centre for Research and Technological Development of Electrochemicals, and four that are the result of the PEMEX split.*

Table A27: Monetary and Financial Indicators

Year	Month	Money Supply (M1) (percent)
1989	December	40.7
1990	December	62.6
1991	December	122.2
1992	December	17.3
1993	January	17.6
	February	18.5
	March	19.6
	April	18.1
	May	16.9
	June	17.4

NOTES:

Cost of money for banks (Mexican base interest rate), 17.36 % (July 1993).

Treasury certificates yield, 13.37 % (July 1993).

Exchange rate (new pesos per dollar), Cdn$2.4764 (June 1993) and U.S.$3.2700 (June 1993).

Monetary reserves in December 1991 were U.S.$17.5 billion and in December 1992 were U.S.$18.5 billion.

External debt in December 1992 was U.S.$98.9 billion.

Debt service in 1992 was U.S.$12 billion with U.S.$4.2 billion in principal payments and U.S.$7.7 billion in interest payments.

Foreign investment accumulated by 1992 was U.S. $37.5 billion, direct foreign investment was U.S.$5.4 billion and portfolio investment was U.S.$13.6 billion (figures from Bank of Mexico).

Real financing to private sector (annual percentage increase):

Year	*Percent*
1990	*28.4*
1991	*29.0*
1992	*23.0*
1993	*12.3 (projected)*

Financial savings as percentage of GDP:

Year	*Percent*
1982	*32.1*
1983	*30.3*
1984	*31.5*
1985	*29.7*
1986	*37.4*
1987	*39.9*
1988	*30.6*
1989	*37.3*
1990	*40.5*
1991	*41.3*
1992	*38.8*

Table A28: Financial And Primary Balance of the Public Finance as Percentage of GDP

	1991	1992	1993 (projected)
Financial balance	-1.5	0.4	1.7
Total interest	5.7	4.0	3.1
Primary surplus	5.6	5.6	4.8
Budget income	26.2	26.2	25.4
Oil	9.0	8.6	8.5
Non-oil	17.3	17.6	16.9
Expenditure (programmed)	17.5	17.9	18.1

Mexico Inflation Forecast, Annual Percentage Change

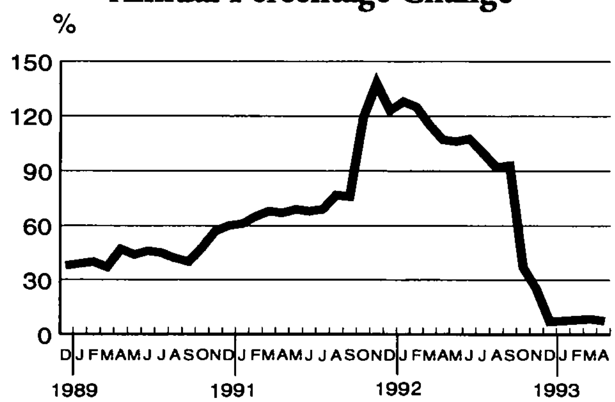


Table A29: Public Expenditure by Sector

	1991	1992	Increase Nominal	Increase Real
Total expenditure	146,938	171,242	16.5	4.3
Rural development	6,996	9,377	34.0	20.0
Fishery	208	225	8.4	-2.9
Social development	66,916	88,048	31.6	17.8
Education	25,695	36,139	40.6	25.9
Health and labour	30,411	37,556	23.5	10.6
Solidarity program	5,117	6,800	32.9	19.0
Urban development water and ecology	3,893	4,991	28.2	14.8
Communications and transport	9,146	10,040	9.8	-1.7
Commerce and distribution	6,040	5,818	-3.7	-13.8
Tourism	273	330	20.7	8.1
Energy	38,212	41,655	9.0	-2.4
Industry	5,725	3,627	-36.6	-43.3
Justice and Security	6,264	7,463	19.1	6.7
Administration	7,155	4,655	-34.9	-41.8
Social supply program	1,798	2,562	42.5	27.5

Table A30: Public Sector Domestic Debt

Total for 1991	170,314 trillion of new pesos (Cdn$65 billion)	
Total for 1992	133,403 trillion of new pesos 59,338 trillion of new pesos in *cetes* 36,871 trillion in bonds 36,271 trillion in *ajustabonos* 923 trillion in *tesobonos*	
Breakdown of domestic debt	Private sector and government institutions	77.8 %
	Banco de Mexico	22.6 %

Table A31: Debt Balance as of December 1992 (U.S.$ millions)

Public sector	75,755
Commercial banks	10,779
Other creditors	64,976
Mexican banks	6,044
Private sector	11,159
Commercial banks	8,661
Other	2,498
Other creditors	572
Ficorca	23
Bilateral sources	109
Other	440
IMF (Banco de Mexico)	5,957
Total	98,915

Note: *Debt payments in 1992, U.S.$12 billion; principal payments, U.S.$4.2 billion; interest payments, U.S.$7.7 billion*

Source: *Mexican Ministry of Finance*

Table A32: Total External Debt

Year	Percent
1982	49.1
1983	61.0
1984	54.2
1985	52.6
1986	76.6
1987	73.6
1988	59.1
1989	48.6
1990	40.9
1991	33.6
1992	30.3
1993*	29.0

* *Projected*

Table A33: Estimates and Projections of *The Institute of International Finance* on Mexico's External Debt

(U.S.$ millions)

	1989	1990	1991	1992[e]	1993[p]
Total external debt	97,556	106,563	116,704	122,751	129,352
% of GDP	76.4	57.9	48.5	44.0	39.7
% of exports of goods and services	358.7	315.3	271.4	245.0	246.9
Debt with International institutions	16,165	21,216	22,662	21,600	20,820
Bilateral credits, official institutions	10,663	12,431	13,359	14,018	15,901
Commercial banks	67,779	66,284	66,886	67,326	67,580
Private sector debt	2,979	6,633	13,978	19,807	25,051
Monetary reserves	6,329	10,300	17,500	18,500	18,426
Debt service total	15,639	15,199	14,630	14,230	15,083
% of income from goods and services	43.4	36.5	33.6	30.3	29.0
Interest payments	9,278	9,195	8,388	7,840	8,530
Principal payments	6,362	6,005	6,242	6,391	6,553

e = estimated
p = projected

Table A34: Balance of Payments Current Account U.S.$ millions

Revenues	60,855[1]
Export of goods (+8.0%)1	46,196
Non-factor services	9,104
Tourism	3,868
Border transactions	2,129
Other services	3,107
Factor services	3,151
Interest received	2,509
Other income	643
Transfers	2,404
Expenditures	83,664
Import of goods (+24%)[1]	62,129
Non-factor services	11,488
Transportation and insurance	2,084
Tourism abroad	2,079
Border transactions	4,028
Other services	3,297
Factor services	10,027
Interest payments	7,743
Other	2,284
Transfers	19

1. Includes in-bond plants (maquiladoras)

Table A35: Balance of Payments Capital Account

	U.S.$ millions
Capital account balance	25,955
Liabilities	22,289
Indebtedness	3,370
Development banks	1,730
Commercial banks	804
Central Bank	-460
Non-banking sector	
Public	-3,709
Private	5,005
Foreign Investment	18,919
Direct foreign investment	5,366
Foreign portfolio	13,553
Stock market	4,783
Treasury Bills	8,770
Assets	
Foreign banks	3,666
Credit to foreigners	2,191
Errors and omissions	-1,973
Central Bank	
Monetary reserves change	1,161
Purchases/sales of gold and silver and adjustments for valuation	-12
Current account balance	-22,809
Trade balance	-15,933
Capital account balance	25,955

Table A36: Stock Market

	Index	% Increase
December 1989	417	
December 1990	628	
Increase 1990 over 1989		50
December 1991	1,431	
Increase 1991 over 1990		128
December 1992	1,759	
Increase 1992 over 1991		22.9
July 1993	1,769	
Increase July 1993 over December 1992		0.6

Foreign Investment in Mexico Stock Market

Balance (end of 1990)	U.S.$ 4.1 billion
Balance (end of 1991)	U.S.$18.5 billion
Balance (end of 1992)	U.S.$28.7 billion

Table A37: Maquiladora Average Earnings in 1993

	U.S.$ per hour
Unskilled workers	
Wages	1.15
Benefits	0.34
Total	1.49
Blue collar	
Wages	3.11
Benefits	0.93
Total	4.04
White collar	
Wages	4.93
Benefits	1.47
Total	6.40

Note : *Minimum wage per 8-hour shift in August 1993 was 1,427 new pesos (Cdn$4.40). The previous increase in January 1993 was of 7 percent.*

Table A38: Evolution of Minimum Wages

Year	Daily	U.S.$ per hour	Free exchange rate (annual average)
1980	6.13	0.76	22.95
1981	6.21	0.77	24.51
1982	5.42	0.67	57.18
1983	4.32	0.54	150.29
1984	4.25	0.53	185.19
1985	4.00	0.50	310.28
1986	3.94	0.49	405.81
1987	3.97	0.49	405.81
1988	3.24	0.40	2,289.58
1989	3.22	0.40	2,474.80
1990	3.63	0.45	2,807.30
1991	4.45	0.56	2,994.00
1992	4.25	0.53	3,127.00

Table A39: Energy

Average oil export price

1990	U.S.$19.12/barrel[1]
1991	U.S.$14.40/barrel
1992	U.S.$14.90/barrel

1992

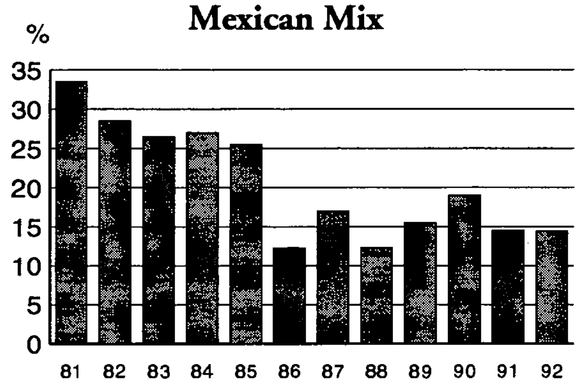
Gasoline demand increase	1.0%
Gasoline and petrochemical imports	U.S.$688 million
Combustoleum imports	U.S.$306 million

Employees in the oil, gas and petrochemical industry

1988	170,766
1989	164,744
1990	167,952
1991	171,652
1992	125,000

1. *In 1992, the Mexican government estimated that Mexican oil would sell at $14/barrel.*

Mexico Oil Exports Prices, Mexican Mix



Appendix B – WHERE TO GO FOR ASSISTANCE*

CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN CANADA

DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE (Ottawa)

Department of Foreign Affairs and International Trade (DFAIT) is the Canadian federal government department most directly responsible for trade development. The **InfoEx Centre** is the first contact point for advice on how to start exporting; it provides information on export-related programs and services; helps find fast answers to export problems; acts as the entry point to DFAIT's trade information network; and provides interested companies with copies of specialized export publications.

InfoEx Centre
Tel.: 1-800-267-8376 or (613) 944-4000
Fax: (613) 996-9709

Latin America and Caribbean Trade Division promotes trade with Mexico. There are several trade commissioners at the Embassy of Canada in Mexico City and there is a satellite office in Monterrey. Trade commissioners can provide a range of services, including introducing Canadian companies to potential customers in Mexico, advising on marketing channels, assisting those wishing to participate in trade fairs, helping identify suitable Mexican firms to act as agents, and compiling credit and business information on potential foreign customers.

Latin America and Caribbean Trade Division (LGT)
Department of Foreign Affairs and International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Fax: (613) 943-8806

* Source: *Canada-Mexico: Partnering for Success*
Reproduced by permission of Prospectus Inc., Ottawa, Ontario.

INTERNATIONAL TRADE CENTRES

International Trade Centres have been established across the country as a first point of contact to support the exporting efforts of Canadian firms. Co-located with the regional offices of Industry Canada, the centres operate under the guidance of DFAIT and all have resident trade commissioners. They help companies determine whether or not they are ready to export, assist firms with marketing research and market planning, provide access to government programs designed to promote exports, and arrange for assistance from the Trade Development Division in Ottawa and trade officers abroad. Contact the International Trade Centre nearest you:

British Columbia
Scotia Tower
900-650 West Georgia Street
P.O. Box 11610
Vancouver, British Columbia
V6B 5H8
Tel: (604) 666-0434
Fax: (604) 666-0617

Yukon
Room 210
300 Main Street
Whitehorse, Yukon
Y1A 2B5
Tel: (403) 667-3921
Fax: (403) 668-5003

Alberta
Canada Place
Suite 540
9700 Jasper Avenue
Edmonton, Alberta
T5J 4C3
Tel: (403) 495-4782
Fax: (403) 495-4507

11th Floor
510-5th Street S.W.
Calgary, Alberta
T5P 3S2
Tel: (403) 292-6660
Fax: (403) 292-4578

Northwest Territories
Precambrian Building
10th Floor
P.O. Box 6100
Yellowknife, Northwest Territories
X1A 2R3
Tel: (403) 920-8578
Fax: (403) 873-6228

Saskatchewan
Suite 401
119-4th Avenue South
Saskatoon, Saskatchewan
S7K 5X2
Tel: (306) 975-4400
Fax: (306) 975-5334

4th Floor
1955 Smith Street
Regina, Saskatchewan
S4P 2N8
Tel: (306) 780-7520
Fax: (306) 780-6679

Manitoba
7th Floor
330 Portage Avenue
P.O. Box 981
Winnipeg, Manitoba
R3C 2V2
Tel: (204) 983-4090
Fax: (204) 983-2187

Ontario
Dominion Public Building
4th Floor
1 Front Street West
Toronto, Ontario
M5J 1A4
Tel: (416) 973-5000
Fax: (416) 973-8714

Quebec
Stock Exchange Tower
Suite 3800
800 Victoria Square
P.O. Box 247
Montréal, Québec
H4Z 1E8
Tel: (514) 283-7907
Fax: (514) 283-8794

New Brunswick
Assumption Place
770 Main Street
P.O. Box 1210
Moncton, New Brunswick
E1C 8P9
Tel: (506) 857-4782
Fax: (506) 851-6429

Prince Edward Island
Confederation Court Mall
Suite 400
134 Kent Street
P.O. Box 1115
Charlottetown, Prince Edward Island
C1A 7M8
Tel: (902) 566-7400
Fax: (902) 566-7450

Nova Scotia
Central Guarantee Trust Tower
5th Floor
1801 Hollis Street
P.O. Box 940, Station "M"
Halifax, Nova Scotia
B3J 2V9
Tel: (902) 426-4782
Fax: (902) 426-2624

Newfoundland
Atlantic Place
Suite 504
215 Water Street
P.O. Box 8950
St. John's, Newfoundland
A1B 3R9
Tel: (709) 772-4782
Fax: (709) 772-5093

World Information Network for Exports

The World Information Network for Exports (WIN Exports) is a computer-based information system designed by DFAIT to help Canada's trade development officers abroad match foreign needs to Canadian capabilities. It provides users with information on the capabilities, experience and interests of more than 30,000 Canadian exporters.

To be registered on WIN Exports, call: (613) 996-5701.

Program for Export Market Development (PEMD)

This program seeks to increase export sales by sharing the costs of industry-initiated activities aimed at developing export markets. PEMD is administered by Industry Canada regional offices and funded by DFAIT. Activities eligible for PEMD financial support (up to 50 percent of the costs) include:

- Participation in recognized foreign trade fairs outside of Canada;
- Trips to identify export markets and visits by foreign buyers to Canada;
- Project bidding or proposal preparation at the precontractual stage for projects outside Canada;
- Establishment of permanent sales offices abroad in order to undertake sustained marketing efforts; and
- Special activities for non-profit, non-sales food, agriculture and fish organizations, marketing boards and agencies, trade fairs, technical trials and product demonstrations (for example).

Support is also provided for certain types of government-planned activities, such as outgoing trade missions of Canadian business representatives and incoming missions to Canada of foreign business and government officials who can influence export sales.

For information, call: (613) 954-2858.

International Financing

DFAIT helps Canadian exporters interested in pursuing multilateral business opportunities financed by international financing institutions (IFI). Canadian exporters and trade associations can access market data, obtain a better understanding of the competition, and determine if an IFI-funded market opportunity is practical and worth pursuing. DFAIT can provide information and advice on the availability of Canadian government-funded assistance programs and can assist companies in developing effective export marketing.

For further information, contact:

International Finance Division
Department of Foreign Affairs and International Trade
Tel: (613) 995-7251
Fax: (613) 943-1100

Technology Inflow Program

Managed by DFAIT and delivered domestically by the National Research Council, this program is designed to help Canadian companies locate, acquire and adopt foreign technologies by promoting international collaboration. Industry Canada also helps in program promotion. The program officers respond to requests to identify technology sources and opportunities for co-operation between Canadian and foreign firms. The program will also help Canadian firms make exploratory visits abroad to identify and gain first-hand knowledge of relevant foreign technologies as well as to negotiate to acquire them.

Investment Development Program

This program helps Canadian companies find the investment they need. It actively promotes investments that take the form of new plants and equipment, joint ventures or strategic partnerships. It is especially interested in attracting investment that introduces new technology into Canada, a key to creating new jobs and economic opportunities. Investment officers make contact with foreign investors and bring them together with Canadian companies.

For information, call: (613) 996-8625.

Industry Canada

Industry Canada was created with a broad mandate to improve the competitiveness of Canadian industry. In the area of small business, it has been given specific responsibility to:

- Develop, implement and promote national policies to foster the international competitiveness of industry, the enhancement of industrial, scientific and technological development, and the improvement in the productivity and efficiency of industry;

- Promote the mobility of goods, services and factors of production within Canada;
- Develop and implement national policies to foster entrepreneurship and the start-up, growth and expansion of small businesses;
- Develop and implement national policies and programs respecting industrial benefits from procurement of goods and services by the government of Canada;
- Promote and provide support services for the marketing of Canadian goods, services and technology; and
- Promote investment in Canadian industry, science and technology.

Industry Canada Regional Offices

The regional offices work directly with Canadian companies to promote industrial, scientific and technological development. They help clients recognize opportunities in a competitive international marketplace by providing services in the areas of business intelligence and information, technology and industrial development, and trade and market development. They also promote and manage a portfolio of programs and services.

The following are areas in which Industry Canada regional offices have special competence:

- Access to trade and technology intelligence and expertise;
- Entry points to national and international networks;
- Industry sector knowledge base;
- Co-location with International Trade Centres connected to DFAIT and Canadian posts abroad;
- Client focus on emerging and threshold firms; and
- Industry Canada Business Intelligence.

The Business Opportunities Sourcing System (BOSS)

BOSS is a computerized databank that profiles over 26,000 Canadian companies. It lists basic information on products, services and operations that are useful to potential customers. The system was established in 1980 by Industry Canada in co-operation with participating provincial governments. BOSS was originally established so that trade commissioners posted around the world by DFAIT could find Canadian companies that might be able to take advantage of foreign market opportunities. Today, more than 11,000 domestic and international subscribers use the system not only to locate Canadian suppliers but also to obtain market intelligence and identify market opportunities. The majority of subscribers are Canadian companies.

For information, call: (613) 954-5031.

Market Intelligence Service

This service provides Canadian business with detailed market information on a product specific basis. The service assists Canadian companies in the exploitation of domestic, export, technology transfer and new manufacturing investment opportunities. The intelligence is used by Canadian business in decisions regarding manufacturing, product development, marketing and market expansion. The information includes values, volume and unit price of imports, characteristics of specific imports (e.g., material, grade, price range, etc.), names of importers, major countries of export, identification of foreign exporters to Canada, Canadian production, Canadian exports and U.S. imports. Two-thirds of the clientele for this service are small businesses.

For information, call: (613) 954-4970.

Canadian International Development Agency

An important possible source of financing for Canadian ventures in Mexico is the special fund available through the Canadian International Development Agency (CIDA) under the Industrial Co-operation Program or CIDA/INC. CIDA's Industrial Co-operation Program provides financial contributions to stimulate Canadian private-sector involvement in developing countries by supporting long-term business relationships such as joint ventures and licensing arrangements. INC supports the development of linkages with the private sector in Mexico, encouraging Canadian enterprises to share their skills and experiences with partners in Mexico and other countries. A series of INC mechanisms help enterprises to establish mutually beneficial collaborative arrangements for the transfer of technology and the creation of employment in Mexico. There are five INC mechanisms that help eligible Canadian firms to conduct studies and provide professional guidance and advice to potential clients. Where a project involves environmental improvement, technology transfer, developmental assistance to women, job training or job creation, early contact with CIDA's Industrial Co-operation Division is suggested.

An important CIDA criterion is that the project creates jobs in Mexico without threatening jobs in Canada. In fact, most CIDA-assisted projects have produced net increases in Canadian jobs.

Industrial Co-operation Division
Canadian International Development Agency
200, Promenade du Portage
Hull, Québec
K1A 0G4
Tel: (819) 997-7905/7906
Fax: (819) 953-5024

Atlantic Canada Opportunities Agency

Atlantic Canada companies seeking to develop exports to Mexico may be eligible for assistance from the Atlantic Canada Opportunities Agency (ACOA). The agency works in partnership with entrepreneurs from the Atlantic region to promote self-sustaining economic activity in Atlantic Canada.

The ACOA Action Program provides support to businesses as they look to expand existing markets through the development of marketing plans. Efforts include monitoring trade opportunities arising from global economic change, communications efforts to promote the region, trade missions and associated activities, as well as better co-ordination with federal and provincial bodies that influence trade and investment opportunities.

ACOA Head Office
Blue Cross Centre
644 Main Street
P.O. Box 6051
Moncton, New Brunswick
E1C 9J8
Toll free: 1-800-561-7862
Fax: (506) 851-7403

Newfoundland and Labrador
Suite 801, Atlantic Place
215 Water Street
P.O. Box 1060, Station C
St. John's, Newfoundland
A1C 5M5
Tel: (709) 772-2751
Toll free: 1-800-563-5766
Fax: (709) 772-2712

Nova Scotia
Suite 600
1801 Hollis Street
P.O. Box 2284, Station M
Halifax, Nova Scotia
B3J 3M5
Tel: (902) 426-8361
Toll free: 1-800-565-1228
Fax: (902) 426-2054

Prince Edward Island
75 Fitzroy Street
3rd Floor
Charlottetown, Prince Edward Island
C1A 1R6
Tel: (902) 566-7492
Toll free: 1-800-565-0228
Fax: (902) 566-7098

New Brunswick
570 Queen Street
P.O. Box 578
Fredericton, New Brunswick
E3B 5A6
Tel: (506) 452-3184
Toll free: 1-800-561-4030
Fax: (506) 452-3285

Western Economic Diversification Canada

Western Canadian companies interested in Mexico may be able to secure assistance from Western Economic Diversification Canada (WD). This agency provides financial assistance for projects that contribute to the diversification of the western economy. It acts as a pathfinder to ensure that western businesses are aware of and receive assistance from the most appropriate source of funding, federal or other, for their projects. It acts as an advocate for the west in national economic decision making and it co-ordinates federal activities that have an impact on economic growth in the west. It also plays a role in promoting trade between western Canada and markets around the world. Inquiries about Western Economic Diversification Canada and other activities of the department can be directed to any of the following regional offices:

Manitoba
P.O. Box 777
Suite 712
The Cargill Building
240 Graham Avenue
Winnipeg, Manitoba
R3C 2L4
Tel: (204) 983-4472
Fax: (204) 983-4694

Saskatchewan
P.O. Box 2025
Suite 601
S.J. Cohen Building
119-4th Avenue South
Saskatoon, Saskatchewan
S7K 5X2
Tel: (306) 975-4373
Fax: (306) 975-5484

For Regina residents (toll free):
Tel: (306) 780-6725

Alberta
Suite 1500
Canada Place
9700 Jasper Avenue
Edmonton, Alberta
T5J 4H7
Tel: (403) 495-4164
Fax: (403) 495-7725

For Calgary residents (toll free):
Tel: (403) 292-5382

British Columbia
P.O. Box 49276
Bentall Tower 4
1200-1055 Dunsmuir Street
Vancouver, British Columbia
V7X 1L3
Tel: (604) 666-6256
Fax: (604) 666-2353

For B.C. residents (toll free):
Tel: 1-800-663-2008

Export Development Corporation

Companies exporting to Mexico will need suitable financing and insurance for the transaction. The Export Development Corporation (EDC) may be able to help with both. EDC is a Canadian Crown corporation whose purpose is to facilitate and develop Canada's export trade. The corporation provides insurance, guarantees and export financing that, combined with advice and the organization of financial services packages, facilitate the sale of Canadian goods and services abroad. EDC offers the following services:

Export Insurance and Related Guarantees

- global comprehensive insurance
- global political insurance
- selective political insurance
- specific transaction insurance
- specific transaction guarantees
- loan pre-disbursement insurance
- foreign investment insurance
- performance security insurance
- performance security guarantees
- consortium insurance
- surety bond insurance
- bid security guarantees
- specific sub-supplier insurance
- equipment (political risk) insurance
- bid-bond insurance
- medium-term agricultural guarantees

Export Financing and Related Guarantees

- loans
- line of credit allocations
- note of purchases
- protocols
- loan guarantees
- specialized credit

EDC's head office is located in Ottawa. Regional offices are maintained in Halifax, Montreal, Toronto, London, Winnipeg, Calgary and Vancouver. General inquiries regarding EDC services can be channelled through the regional offices maintained by the Corporation in several major cities. Export services, however, are handled only by the Ottawa office. Inquiries about export financing for Mexico should be addressed to the Export Financing Group for Mexico and South America in Ottawa.

Ottawa (Head Office)
151 O'Connor Street
Ottawa, Ontario
K1A 1K3
Tel: (613) 598-2500
Fax: (613) 237-2690

Public Information
Tel: (613) 598-2739

Vancouver
Suite 1030
One Bentall Centre
505 Burrard Street
Vancouver, British Columbia
V7X 1M5
Tel: (604) 666-6234
Fax: (604) 666-7550

Calgary
Suite 1030
510-5th Street S.W.
Calgary, Alberta
T2P 3S2
Tel: (403) 292-6898
Fax: (403) 292-6902

Winnipeg
8th Floor
330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4
Tel: (204) 983-5114
Fax: (204) 983-2187
(Serving Manitoba and Saskatchewan)

Toronto
Suite 810
National Bank Building
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel: (416) 973-6211
Fax: (416) 862-1267

London
Suite 1512
Talbot Centre
148 Fullarton Street
London, Ontario
N6A 5P3
Tel: (519) 645-5828
Fax: (519) 645-5580

Montreal
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montréal, Québec
H4Z 1C3
Tel: (514) 283-3013
Fax: (514) 878-9891

Halifax
Purdy's Wharf, Tower 2
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel: (902) 429-0426
Fax: (902) 423-0881

National Research Council

Canadian companies hoping to succeed in the Mexican marketplace may require additional technology to improve their competitiveness. The National Research Council (NRC) works with Canadian firms of all sizes to develop and apply technology for ecenomic benefit. The Council supervises the Industrial Research Assistance Program (IRAP), a national network for the diffusion and transfer of technology.

The IRAP network supports the process of developing, accessing, acquiring, implanting and using technology throughout Canadian industry. IRAP has been in existence for 40 years and has acquired a reputation as one of the more flexible and effective federal programs. IRAP takes advantage of an extensive network that includes more than 120 regional and local offices, 20 provincial technology centres, the Council's own laboratories and research institutes, federal government departments and technology transfer officers in Canadian universities. The IRAP network also extends abroad through the technology counsellors attached to Canadian posts in some 18 foreign countries.

For more information or the name of the IRAP officer nearest you, contact:

IRAP Office
National Research Council
Montreal Road
Building M-55
Ottawa, Ontario
K1A 0R6
Tel: (613) 993-5326
Fax: (613) 952-1086

KEY CONTACTS IN CANADA

Business Associations

The Canadian Council for the Americas (CCA) is a non-profit organization formed in 1987 to promote business interests in Latin America and Caribbean countries. The CCA promotes events and programs targeted at expanding business and building networking contacts between Canada and the countries of the region. It also publishes a bimonthly newsletter.

The Canadian Council for the Americas (CCA)
Executive Offices, Third Floor
145 Richmond Street West
Toronto, Ontario
M5H 2L2
Tel: (416) 367-4313
Fax: (416) 367-5460

Canadian Exporters' Association (CEA)
99 Bank Street, Suite 250
Ottawa, Ontario
K1P 6B9
Tel: (613) 238-8888
Fax: (613) 563-9218

Canadian Manufacturers' Association (CMA)
75 International Boulevard, Fourth Floor
Etobicoke, Ontario
M9W 6L9
Tel: (416) 798-8000
Fax: (416) 798-8050

The Canadian Chamber of Commerce (CCC)
Suite 1160
55 Metcalfe Street
Ottawa, Ontario
K1P 6N4
Tel: (613) 238-4000
Fax: (613) 238-7643

Mexican Government Offices

The Embassy of Mexico, Mexican trade commissioners in Canada and Mexican consulates can provide assistance and guidance to Canadian companies in need of information about doing business in Mexico.

Embassy of Mexico
130 Albert Street, Suite 1800
Ottawa, Ontario
K1P 5G4
Tel: (613) 233-8988
Fax: (613) 235-9123

Mexican Consulate in Ottawa
Tel: (613) 235-7782

SECOFI
130 Albert Street, Suite 1700
Ottawa, Ontario
K1P 5G4
Tel: (613) 235-7782
Fax: (613) 235-1129

Other Mexican Consulates General in Canada

Consulate General of Mexico
2000, rue Mansfield
Suite 1015
Montréal, Québec
H3A 2Z7
Tel: (514) 288-2502/4916
Fax: (514) 288-8287

Consulate General of Mexico
60 Bloor Street West
Suite 203
Toronto, Ontario
M4W 3B8
Tel: (416) 922-2718/3196
Fax: (416) 922-8867

Consulate General of Mexico
810-1139 West Pender Street
Vancouver, British Columbia
V6E 4A4
Tel: (604) 684-3547/1859
Fax: (604) 684-2485

Mexican Honorary Consulate
380, Chemin St. Louis
No. 1407
Québec, Québec
G1S 4M1
Tel: (418) 681-3192

Mexican Honorary Consulate
830-540 5th Avenue, S.W.
Calgary, Alberta
T2P 0M2
Tel: (403) 263-7077/7078
Fax: (403) 263-7075

For the Mexican Trade Commission offices in Montreal, Toronto and Vancouver see the listing for Bancomext.

Mexican Banks with Offices in Canada

Bancomext offers credits, export guarantees and counselling services for those seeking to do business in Mexico. Credits are available for export, import and project financing. Couselling covers fiscal, financial, marketing and legal aspects of commercial transactions. Bancomext also sponsors trade fairs, international exhibitions and trade missions.

Bancomext
Trade Commission of Mexico
P.O. Box 32, Suite 2712
TD Bank Tower
66 Wellington Street
Toronto, Ontario
M5K 1A1
Tel: (416) 867-9292
Fax: (416) 867-1847

Bancomext
Trade Commission of Mexico
200 Granville Street
Suite 1365
Vancouver, British Columbia
V6C 1S4
Tel: (604) 682-3648
Fax: (604) 682-1355

Bancomext
Trade Commission of Mexico
1501 McGill College
Suite 1540
Montréal, Québec
H3A 3M8
Tel: (514) 287-1669
Fax: (514) 287-1844

Banamex and Banca Serfin are private-sector banks that offer specialized services through their international trade information centres. The centres participate in a computerized communications network with access to numerous economic, governmental and financial databases throughout the world. These banks have branches throughout Mexico, and maintain offices in Toronto.

Banamex (Banco Nacional de México)
Suite 3430
1 First Canadian Place
P.O. Box 299
Toronto, Ontario
M5X 1C9
Tel: (416) 368-1399
Fax: (416) 367-2543

Banca Serfin
161 Bay Street
BCE Place
Canada Trust Tower
Suite 4360
P.O. Box 606
Toronto, Ontario
M5J 2S1
Tel: (416) 360-8900
Fax: (416) 360-1760

CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN MEXICO

COMMERCIAL DIVISION THE EMBASSY OF CANADA IN MEXICO

The Commercial Division of the Canadian Embassy in Mexico can provide vital assistance to Canadians venturing into the Mexican market. The trade commissioners are well informed about the market and will respond in whatever measure possible to support a Canadian firm's presence in Mexico.

Note: To telephone México, D.F., dial: 011-52-5 before the number shown below; for contacts in other cities in Mexico, consult the international code listing in your local telephone directory for the appropriate regional codes.

Commercial Division
The Embassy of Canada in Mexico
Schiller No. 529
Col. Polanco
Apartado Postal 105-05
11560 México, D.F.
México
Tel: 724-7900
Fax: 724-7982

Canadian Consulate
Edificio Kalos, Piso C-1
Local 108A
Zaragoza y Constitucion
64000 Monterrey
México
Tel: 443-200
Fax: 443-048

KEY CONTACTS IN MEXICO

MEXICAN GOVERNMENT

Secretariat of Budget & Programming
Secretaría de Programacion y Presupuesto
Palacio Nacional Patio de Honor, Piso 4
Col. Centro
06740 México, D.F.
México
Tel: 542-8762/8763
Fax: 542-1209
Information Department: 286-1000/1900

Secretariat for Commerce and Industrial Promotion
Secretaría de Comercio y Fomento Industrial
Dirección General de Servicios al Comercio Exterior
Alfonso Reyes No. 30, Piso 10
Col. Hipódromo de la Condesa
06170 México, D.F.
México
Tel: 286-1757
Fax: 286-1543

Secretariat of Finance and Public Credit
Secretaría de Hacienda y Crédito Público
Dirección General Técnica de Ingresos
Palacio Nacional
1er. Patio Mariano
Col. Centro
06066 México, D.F.
México
Tel: 518-5420 through 29
Fax: 542-2821

Chambers and Associations

Mexico has a number of Chambers of Commerce and professional associations that can provide assistance and guidance to Canadian companies in Mexico. Their standards of service vary widely and you should consult with Canadian Embassy officials to determine which organization would best suit your needs. In some cases, the information on companies not located in Mexico City was not confirmed.

National Chamber of Manufacturing Industries
Cámara Nacional de la Industria de la Transformación (CANACINTRA)
Vistente Gutierrez Camposeco
San Antonio 256-8
Col. Ampliación Napoles
03849 México, D.F.
Phone: (525) 563-3400 / 663-0511
Fax: (525) 598-9467

American Chamber of Commerce of Mexico
Cámara Americana de Comercio de México, A.C.
Mr. John Burton
Lucerna 78
06600 México, D.F.
Phone: (525) 709-0995

National Chamber of Commerce, Services and Tourism of Mexico City
Cámara Nacional de Comercio, Servicios y Turismo de la Ciudad de México (CANACO)
Sr. Sergio Aldana Contreras
Reforma 42
Col. Centro
06048 México, D.F.
Phone: (525) 592-2677 / 592-2665
Fax: (525) 7412

Canadian Chamber of Commerce in Mexico
Cámara de Comercio del Canadá en México
Srta Alicia Harrsch
Horacio 1855, Piso 3
Col. Polanco
11510 México, D.F.
Phone: (525) 203-8211 (expected to change soon)
Fax: (525) 203-8542

National Association of Importers and Exporters of the Mexican Republic
Asociación Nacional de Importadores y Exportadores de la República Mexicana (ANIERM)
Ing. Rodrigo Guerra Botello
Monterrey 130
Col. Roma
06700 México, D.F.
Phone: (525) 564-8618
Fax: (525) 584-5317

National Association of Maritime Agents
Asociación Nacional de Agentes Marítimos
Homero No. 1425, Piso 3
Col. Chapultepec Morales
11510 México, D.F.
México
Phone: 395-8931
Fax: 520-7165

Mexican Business Council for International Affairs
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The Mexican States

Appendix C – MEXICO IN BRIEF

Mexico is a country that is both a near neighbour and an unknown quantity. Perceptions of the largest Spanish-speaking country in the world are surprisingly dated, generally formed by the literature and films of the 1940s, and it is hardly surprising that they do not have even the dubious accuracy they had then.

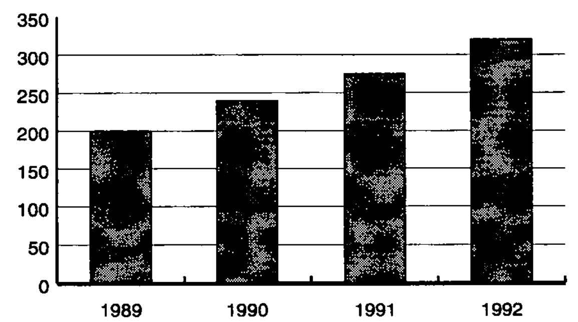
Mexico's economy was long closed and protectionist, which did not spur the sort of exploration that opened people's eyes. "Poor Mexico — so far from God, so close to the United States," the words of Porfirio Diaz, was for many years a mantra for preventing what Mexicans saw as further encroachment on their sovereignty by their nearest neighbour.

Changes in Mexico's economy were dramatically forced by the oil price collapse in the early 1980s, which followed a brief boom that saw Mexico begin to achieve some real growth for the first time in decades. The recession of the period hit Mexico too, and the government of Carlos Salinas de Gortari, elected in 1986, was spurred into activity in order to recapture some of the prosperity that had seemed so close only a few years before.

The Salinas government negotiated Mexico's accession to the GATT, which meant accepting GATT disciplines. From there, Mexico introduced a sweeping series of economic reforms. The government renegotiated the foreign debt, created a National Development Plan to revitalize the nation's infrastructure, and secured broad popular support from business, labour and the general population for voluntary measures to restrain wages and prices in order to reduce inflation and stabilize the economy. Other key elements in reform have included privatization of state-controlled enterprises, deregulation, massive investment in infrastructure, and the encouragement of foreign participation in building a modern and efficient industrial capacity.

Mexico's debt reduction has been one of its signal achievements. In 1986, it was costing over 46 percent of GDP to service the debt; by 1994, it will be down to about 30 percent. Growth continues to be strong since reforms were begun, with about 4 percent predicted for 1993 and stable patterns averaging around 2 percent predicted for the next few years. Most major forecasters see Mexico as sustaining a strong growth throughout the coming decade. About 85 percent of government-owned enterprises have been or are being divested. The process has brought the government about $20 billion in revenue, as well as removing its responsibility for running some unprofitable enterprises. Tariffs have been reduced on a wide range of products, with most now below 20 percent; the majority of Canadian goods enter Mexico at a tariff level of 13.5 percent.

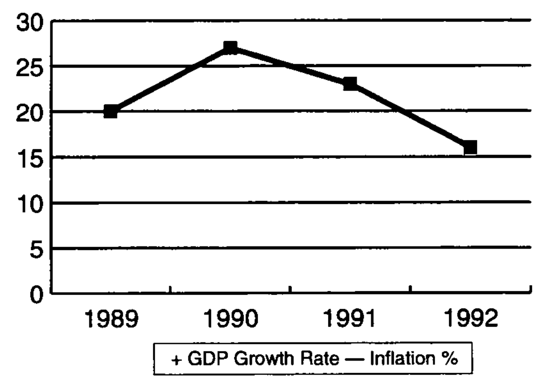
GDP in U.S.$billions – Mexico



Country Forecast figures

There have been some costs to Mexico in its fast turnaround: poverty is still very widespread and environmental standards are not yet as good in practice as they are on paper. But the Solidarity program initiated by President Salinas and his ruling party has made some inroads in the quality of life of particularly rural Mexicans. Inflation has dropped substantially, the peso is fairly stable, public finances are improving. Consequently, foreign business representing a broad spectrum of industrial and commercial activity is investing in Mexico and developing new markets. Canadian firms there to explore the potential in recent years have been returning with reports of a vibrant economy and a welcoming attitude from their Mexican counterparts. Mexico has begun on a path toward progress from which it is not planning to turn back.

GDP Growth Rate & Inflation – Mexico



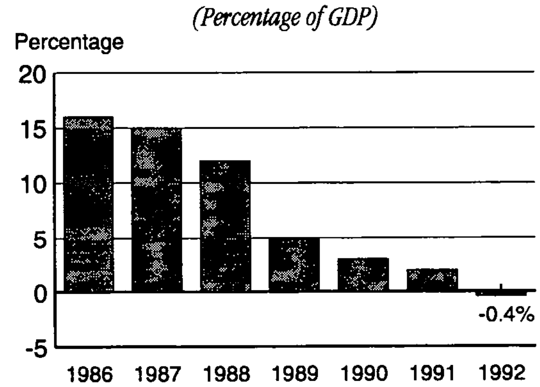
EIU & Country Forecast figures

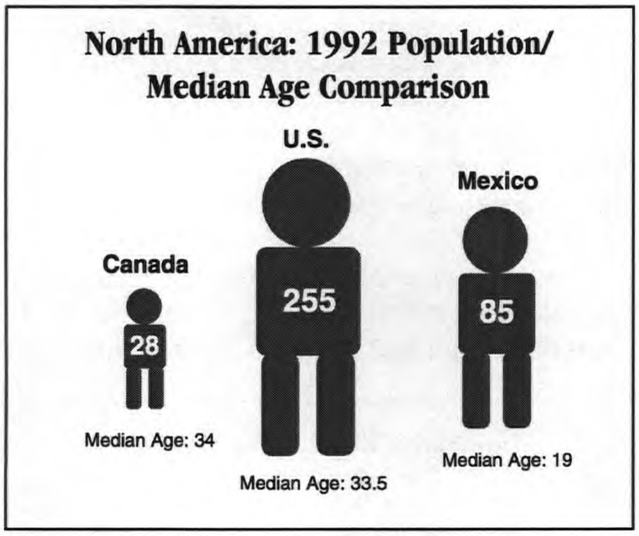
Gross domestic product grew by 2.6 percent to reach U.S.$320 billion in 1992, following a 3.6 percent increase in 1991. As a result, Mexico is now one of the 20 largest economies in the world. Commerce and the hospitality industries comprise the largest sector by percentage, with manufacturing a close second.

The Mexican government's Pact for Stability and Economic Growth (*El Pacto*) has persuaded labour and business to accept general

Mexico: Fiscal Deficit

(Percentage of GDP)



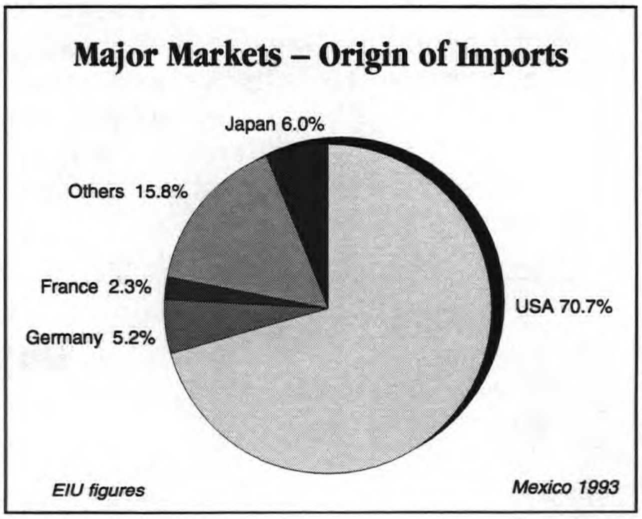


guidelines for increases in wages and prices, and negotiates exemptions with a Follow-Up and Evaluation Commission. In large part as a result of this approach, Mexico's inflation rate has dropped from 159 percent in 1987 to a projected estimate of 7.0 percent to 9.5 percent in 1993. Economic growth rates for 1993 are projected at 2.5 percent to 3.0 percent, after a growth rate of 2.6 percent in 1992.

By broadening the tax base, the government of Mexico has been able to reduce tax rates while increasing total income. Spending cuts and fiscal reform have also been put in place by government and the result has been that the public sector actually ran a surplus in 1992.

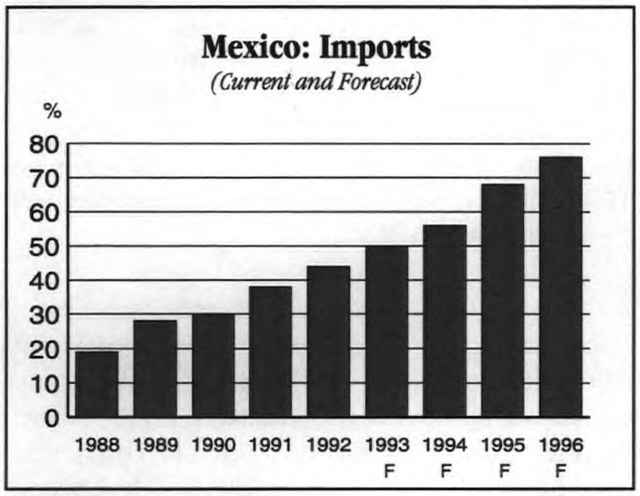
Compared to Canada and the United States, Mexico is a very young country. Last year, it was estimated that 57 percent of its population was under 29; by the year 2000, when the total Mexican population will exceed 100 million, it is anticipated that 41 percent will be under the age of 20.

Total exports from Mexico reached about U.S.$27.5 billion in 1992, a 1.5 percent increase over 1991. Total imports in the same period were about U.S.$48 billion, a 26 percent increase over the previous year. The trade deficit accordingly rose from U.S.$11.182 billion in 1991 to U.S. $20.6 billion in 1992.

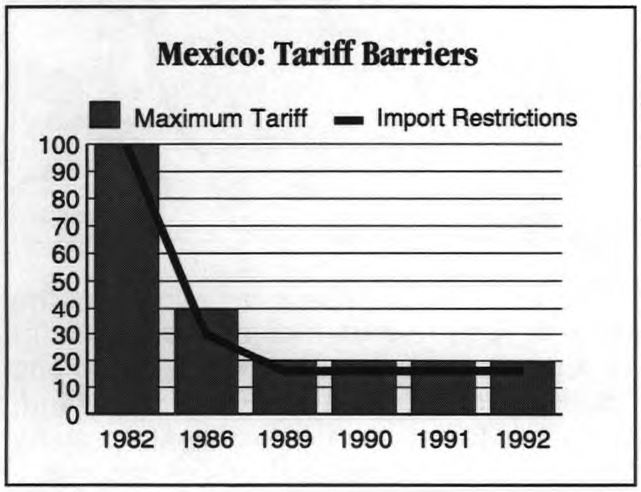


The United States was far and away the largest receptor of Mexican exports, at 74.5 percent estimated for 1993. Japan and Spain share the next places, well behind. Exports to Canada are reckoned differently by Mexican and Canadian methods of calculation, with about a 10 percent differential in their statistical estimates, Mexico's being the lower.

The United States is Mexico's principal supplier of imported goods, with just over 70 percent of 1993 sales. Japan and Germany are closest, though far behind. Again there is a discrepancy in Mexican and Canadian calculations of Canada's import share in Mexico, with the Mexican figures one and one-half times higher than Canada's estimation.



With its economy projected to enjoy stable growth over the coming years, with its liberalized market conditions, with a young and growing population, Mexico will steadily increase its volume of imports over the foreseeable future. From $19 billion to about $50 billion in five years has been a remarkable leap, making it one of the fastest-growing economies in the world in this period.



Tariff barriers in Mexico have been decreasing since 1982, with a distinct drop since Mexico's accession to the GATT in 1986. The average is now below 20 percent for most products and services. At the same time, many import restrictions have been removed. The average tariff applied to 80 percent of Canadian goods entering Mexico is now 13.1 percent.

Canada and Mexico have only just begun to develop their trading partnership to its full potential. In 1992, Mexico ranked fifth as a

source of imports to Canada, and fourteenth as a destination for Canadian exports. Less than 2 percent of Canada's 1992 imports came from Mexico and less than 1 percent of Canada's exports went there. Two-way trade totalled about $3.5 billion, and trends suggest it could double in the next five years. The liberalized trade climate is already taking effect, with exports virtually doubled in six years. The trucking image was chosen to illustrate how close the market is to Canada. After 1997, Canada will be able to truck directly into Mexico and will be able to remove goods for drop-off in the United States, or pick up U.S. products for delivery in Mexico.

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