

MEXICO AND THE UNITED STATES: STRENGTHENING THE RELATIONSHIP

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During the last four years there have been numerous new strategies to alleviate the economic crisis in Mexico. This crisis arose from the huge external debt, the plunge of international oil prices, the increasing fiscal deficit, and other problems that have plagued the Mexican economy.

Several measures aimed at strengthening the course of the economy have been adopted by the Mexican Government. However, the promotion of direct foreign investments to encourage investment and productivity, has not been given special emphasis.

Mexico enacted a new set of foreign investment rules in 1973. The law regulating foreign investment is the juridical framework in the field; its text and related regulations have not been amended. However, the Mexican Government's current policy in this matter is one of flexibility. The administrative construction of the statute by the National Commission of Foreign Investment (FIC) has taken a change of course. The FIC has established new guidelines for the selective promotion of foreign investment. Although certain activities in strategic areas are still reserved to the state or to Mexican nationals, other fields where foreign investors were previously restricted to a 49% equity limit, are now accessible to higher participation. In some cases, this participation may reach 100%.

The selection criteria being followed by the FIC include the following:

- a) new and sophisticated technology;
- b) an export program and a favorable balance of payments;
- c) creation of a significant number of new jobs;
- d) localization of industry in less congested areas, preferably designated by the Government as priority zones; and
- e) investment in the production of certain capital goods or the manufacture of products not available in Mexico.

A list of activities deserving such priority has been published.

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When receiving authorization to carry out a project, the foreign investor is sometimes requested to comply with the above parameters.

Direct foreign investment in Mexico amounted to sixteen billion dollars as of December 1986. The United States is the most important foreign investor, contributing 67.3% of the total. West Germany ranks second, investing 8.1%, and Japan third with 6.1%. There are approximately 7,000 corporations established in Mexico with foreign capital participation. Manufacturing represents 78% of the foreign investment, with merchandising and services comprising 19%, extractive industry 2% and agriculture about 1%.

Periodically the FIC issues General Resolutions which establish guidelines and criteria for the acceptance of new investments and structural changes of those already in existence. These resolutions are aimed at reducing formalities and red tape for both new and old companies. The influx of foreign capital has increased allowing us to conclude that even if the letter of the law has not been amended, these policies have changed the investment climate to welcome foreign investors.