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Geoffrey J.Bannister

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The Economic Context of the Mexican Crisis

by

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The Economic Context of the Mexican Crisis

In December of 1994 Mexico entered its second major financial crisis in as many decades, requiring painful economic adjustment similar to the debt crisis of 1982. As in the previous crisis, a large current account deficit and capital outflows forced the Central Bank to retire from foreign exchange markets and allow the currency to devalue. The crisis of December 1994 was a surprise to many observers of the Mexican economy, and not least for the Mexican Government. A number of distinguished economists had predicted that some adjustment had to be made, but few (if any) envisioned a correction as severe as the one that took place.¹

This paper presents a historical overview of economic reform in Mexico leading up to the financial crisis of 1994, beginning with trade policy and complementary policies for the liberalization of the domestic market. The principal outlines of macroeconomic reform and stabilization are then reviewed, leading to a brief account of the recent financial crisis and recent macroeconomic adjustment. This is followed by a brief review of recent developments in the structure of trade, bilateral trade relations and foreign direct investment. The paper concludes with some observations about Mexico's recovery from the 1994 crisis.

Trade Reform

Before the debt crisis of 1982 Mexico was a substantially closed economy, the legacy of 30 years of inward-oriented growth and an oil boom which had allowed policy makers to postpone economic reform. During the years of import-substitution, balance of payments crises had traditionally led to a tightening of import restrictions as a way to economize on scarce foreign exchange. The debt crisis of 1982 was no different: sixty percent of the value of all imports in 1979 was subject to licensing requirements; by December of 1982 this was extended to 100 percent (GATT 1993). It was not until 1984 that a consensus was reached within the Government that trade restrictions were inimical to further growth. In December of that year the first fledgling sings of opening in the trade regime began with the elimination of licensing requirements for 17 percent of all imports (Table 1).

Two events hastened the liberalization between 1985 and 1987. The first was the decision to join the General Agreement on Tariffs and Trade (GATT), for which Mexico entered into negotiations in November of 1985 and was accepted in June of 1986. As part of this commitment, Mexico reduced import licenses to cover only 27.8 percent of the value of imports. In addition, the trade weighted average tariff was reduced to 13.1 percent and the dispersion was reduced from 16 to 11 tariff positions, with a maximum tariff of 50 percent (Lustig 1993, chapter 5).

¹ For example, both Rudiger Dornbusch and Paul Krugman had made speeches in Mexico during 1993 and 1994 stating that there was evidence that the appreciation of the peso due to fixed exchange rate policy was excessive and that some correction was necessary. (see *Proceso* #947, 26 December 1994, 8-9).

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Second, trade policy became an integral part of economic stabilization when a number of external economic shocks in 1986 and 1987 led to the threat of hyperinflation.² Year on year inflation in 1987 was 160 percent, the highest Mexico had experienced since the Revolution of 1910. Realizing that traditional monetary and fiscal policies were not sufficient to halt the increase in prices, the Government designed a stabilization package which added a strong component of incomes policy. Accelerated trade liberalization was a key component of this program, based on the assumption that competition from imports would put a ceiling on inflation for traded goods. By 1989 the trade weighted average tariff was brought down to 9.7 percent and dispersion was reduced to 5 different levels, with a maximum of 20 percent. In addition, licenses were reduced from 1,200 tariff lines to 325, although those remaining still accounted for about 20 percent of the value of all imports (GATT, 1993).³ All official import reference prices were eliminated.

The pursuit of a free trade agreement with the United States was a natural complement to these initiatives, and was announced in the middle of 1990, negotiated during 1991 (when Canada joined the negotiations) and 1992, and signed in December of that year. The North American Free Trade Agreement (NAFTA), as it became known, was passed by the respective legislative bodies of the three countries in 1993 and went into effect in January of 1994.⁴ NAFTA formed a cornerstone of the Mexican Government's economic policy for a number of reasons. It was symbolic of the Government's belief that future growth of the Mexican economy depended on access to foreign markets and foreign investment. The US was the closest and most natural export market for Mexico and its major source of foreign capital. The pursuit of deeper trade and investment relations with the US was an about-face in foreign commercial policy for Mexico, since its efforts in this area had traditionally been to diversify its economic relations away from the US.

NAFTA was also a natural extension of trade liberalization. The Trade Agreement put in place a process of gradual liberalization of the trade regime that will do away with most tariffs and quantitative restrictions on trade with Canada and the US by the year 2004.⁵ Since the majority of Mexican trade (86 percent of exports and 73 percent of imports of commodities in 1993, and growing in 1994)⁶ takes place with NAFTA countries, this is tantamount to liberalization of a very large portion of trade over the next ten years.⁷ In addition, NAFTA instituted changes in the regulatory regime that were designed to make Mexico more attractive to both foreign and domestic private

² These included the earthquake that hit Mexico City in October of 1985, the decline in the price of petroleum in 1986, and a run on the peso caused by the crash of the New York Stock Exchange in October of 1987. The effects of these shocks are reviewed more completely below.

³ The majority of those items remaining under license requirements were in agriculture, petroleum, inputs into the capital goods and automobile industries, and a small portion of electronics, chemical and pharmaceutical goods.

⁴ Before NAFTA Mexico has already signed an agreement with Chile with an agenda for bilateral trade liberalization.

⁵ In some cases the time period extends to 15 years.

⁶ See Tables 13 and 14 and the section on bilateral trade flows below.

⁷ Recent events after the crisis of December 1994 indicate that trade policy has shifted even more in favor of NAFTA countries by increasing the tariffs on selected imports from countries which do not have FTAs with Mexico to highest levels allowable under the GATT (see below).

investors. These policy changes, discussed in more depth below, included the creation of a strong regime for intellectual property rights and a liberal environment for foreign direct investment.

Finally, NAFTA provided a template for Mexico's efforts to liberalize trade with other countries in the hemisphere. After the passage of NAFTA Mexico continued to seek free trade agreements with other countries in Latin America, and concluded such agreements with Chile, Bolivia, the other members of the G-3 (Colombia and Venezuela), Costa Rica, and is currently negotiating agreements with other countries in Central America, Ecuador and the members of MERCOSUR.⁸ In most of these agreements, the NAFTA framework was used as a basis for negotiation, and was adopted with specific changes related to the negotiating requirements of each country.

Complementary reforms for domestic market liberalization

The elimination of restrictions on trade and foreign direct investment were the first steps the Government took to open up domestic markets for goods and services to effective competition. Privatization was a complementary policy that broadened the scope for private sector participation in the economy and set schedules for the elimination of monopoly and oligopoly privileges in several sectors (communications and banking, for example). In addition, deregulation in a number of crucial areas was designed to facilitate private sector investment and remove the dead-weight loss and rent-seeking of bureaucracy. However, opening up to foreign markets does not guarantee the benefits of competition without some effective deterrent to anti-competitive behavior. To safeguard competition the Government created the Federal Competition Commission in 1993. The Commission is charged with investigating and making determinations on the effects of market sharing and price-fixing behavior of firms and evaluating mergers for their effects on the structure of markets. This initiative was considered a necessary step to increasing the contestability of local markets for domestic and foreign investors alike.

Macroeconomic stabilization and growth

1. After the debt crisis

As for most of Latin America, Mexico spent the better part of the 1980s engaged in the task of macroeconomic stabilization, that is reducing inflation and trying to restore equilibrium in the balance of payments. During the first part of the decade, authorities followed traditional stabilization policy: a reduction in the Government budget deficit, a tight monetary policy to curb inflation and an undervalued currency to restore balance of payments stability. This approach was only partially successful, overachieving its targets in the balance of payments, but failing to reduce inflation or return the country to previous levels of economic growth (Lustig 1993, chapter2). Part of the problem was the link between the exchange rate and the internal price level. Devaluation was necessary to

⁸ Mexico has also sought to negotiate free trade agreements with the Mercosur countries (although these were suspended in 1994) and more recently with the European Union.

deal with the tight external and savings constraints imposed on Mexico by the debt crisis, but it also resulted inexorably in upward pressure on the price level. The tight savings constraints also made it impossible for the economy to resume growth without creating considerable inflation due to the scarcity of financial resources for investment. By 1984-85, policy makers in Mexico had gauged the magnitude of the crisis and determined that in addition to standard macroeconomic measures a comprehensive microeconomic reform was necessary to change the orientation of the economy towards export growth. Trade reform was one of the first steps in this direction.

By the beginning of 1985, two years after the debt crisis inflation still remained high, economic growth was slow, but the current account balance was in surplus and some structural reforms were beginning to be implemented.

In 1985 and 1986 Mexico was hit by two external shocks that severely complicated the task of macroeconomic stabilization. The first and more important of these was the further decline in the international price of petroleum from US\$25.35 per barrel in 1985 to US\$11.88 per barrel in 1986. The second was the earthquake that hit Mexico City in September of 1985. These shocks required a further depreciation of the real exchange rate that contributed to an increase in the inflation rate. In 1985 inflation reached 63.7 percent and increased in 1986 to slightly over 100 percent (Chart 1).

Inflation was further aggravated by the speculative attack on the peso that occurred in 1987. High inflation during the year caused a drastic decline in real interest rates and a flow of financial resources into secondary markets - in particular the Mexican Stock Market. This rapid growth of investment in the stock market came to a sudden halt in October with the crash in the New York Stock Exchange. Faced with a sudden decline in the price of stocks, investors moved into dollar denominated assets. In addition, based on the program for debt reduction instituted by the Government, the private sector received new lines of credit which, instead of being used for investment, were used to prepay a large portion of their foreign debt at a discount. The monetary authorities perceived this as a sign of a possible speculative attack on the peso and withdrew from the currency markets to protect the level of reserves. This resulted in a speculative attack on the currency and a large devaluation with consequent increases in the rate of inflation. Annualized quarterly inflation in the last part of 1987 reached as high as 225 percent (Chart 2).

Chart 1: Annual Inflation

Source: Banco de Mexico

* forecast

Chart 2: Annualized Quarterly Inflation

Source: Banco de Mexico

2. *The Pactos and Successful Stabilization*

Faced with evidence that orthodox stabilization was not functioning, since the reduction of the Government deficit and economic growth had little effect on inflation, the Government decided to add a strong component of incomes policy to these more traditional measures. The introduction of this "heterodox" approach recognized that there were structural characteristics in the economy that perpetuated inflation independent of the level of aggregate demand. These included the implicit and explicit indexation of wages to the price level, the still relatively high level of protection of the economy that did not allow effective competition from imports, and the high component of imported inputs that made the price level very sensitive to devaluation of the currency. In this highly inflationary environment, different sectors of the economy protected their income by continuing to increase prices. The incomes policy component aimed at arresting this inertial inflation by distributing the costs of disinflation among the major actors in the economy in an explicit and coordinated fashion. In Mexico this mechanism was initially instituted under what was known as the *Pacto de Solidaridad Económica* (PSE) or simply the *Pacto*.

The *Pacto* was motivated by the experience of other countries such as Brazil, Argentina and Israel, which had shown that the implementation of incomes policies was a necessary, although not sufficient, condition to halt inflation. To these policies the *Pacto* added a significant fiscal adjustment: a correction of public sector prices, privatization of publicly owned enterprises, and a reduction of current Government expenditures. In addition, at the end of 1986 the Government undertook a comprehensive fiscal reform that lowered the marginal tax, but increased the tax base and collections efficiency, resulting in an increase in Government revenue (Aspe, 1994). While a dramatic reduction in Government expenditure (mostly at the cost of public investment) had brought the primary fiscal deficit (financial deficit less interest payments) into surplus by 1983, it was not until after the *Pacto* that public finances moved entirely into surplus, and the Government became a net creditor to the private sector (Chart 3).

The centerpiece of the *Pacto* was a mechanism of consultation through which representatives of the main sectors of the economy (rural-farmers, the private sector, the Government and organized labor) agreed upon the implementation of price controls and other measures that would eventually allow for a monthly rate of inflation of 2 percent and a Government budget surplus (primary surplus) of 5 percent per year. To let relative prices reach an equilibrium, the *Pacto* allowed for two months of price flexibility before price controls were imposed. During these two months (December of 1987 and January 1988) accumulated inflation was 25 percent (an accumulated annual rate of over 200 percent). Subsequently, the *Pacto* fixed only the principal prices in the economy: the exchange rate, the prices of public sector services, wages, and the prices of a basket of "basic" goods to soften the effect of declines in real wages. The consensus nature of the *Pacto* allowed for a periodic revision of the goals and policies during the process of adjustment, making the mechanism flexible enough to incorporate new policy problems as they occurred.⁹

⁹ For a description of successive versions of the *Pacto* see Dornbusch and Werner (1993).

Chart 3: Government Primary and Financial Surplus

Source: Banco de Mexico

* Government projections

Chart 4: Growth of GDP

Source: Banco de Mexico

* Government projections

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The *Pacto* succeeded in bringing down inflation in a short time with moderate cost in lost output. Annualized quarterly inflation fell from close to 200 percent at the beginning of 1988 to below 20 percent by the last quarter of the year (Chart 2) while the rate of growth of GDP, though low at 1.4 percent, was not negative (Chart 4).

3. *Structural Reform and Capital Inflows*

In the wake of the success of the *Pacto*, the Salinas administration (1988-1994) decided that to reactivate economic growth it was necessary to reverse the net external resource transfers that had been occurring since 1982. The debt crisis had forced the economy to undertake an extraordinary savings effort, which was transferred abroad at an average rate of 6 percent of GDP per year between 1983 and 1988.¹⁰ The first initiative to reverse this net transfer was the restructuring of Government debt obligations to foreign creditors under the Brady Plan, which was expected to reduce debt payments by up to US\$4.071 billion a year between 1990 and 1994.¹¹ Second, in an effort to send a strong message to the private sector about the importance the Government placed on private investment and repatriated capital in the growth program, a sweeping initiative of privatization was instituted, starting with the privatization of the giant telephone monopoly (TELMEX) and continuing with the reprivatization of the banking system among other important public enterprises.¹² In addition to these efforts, the conditions for private sector investment were improved through liberalization of foreign direct investment provisions, extensive deregulation and a comprehensive reform of the financial system.

The solution to the debt problem developed in the Brady Plan and the subsequent negotiations with external creditors led the way for the return of Mexico to international financial markets and the reversal of the net outflows of savings that had occurred since 1983. In addition, the positive expectations that developed as a result of the Government's reform programs led to large inflows of foreign capital (Chart 5). From 1991 to 1993 the capital account registered an average inflow of 27.3 billion dollars per year (Chart 5). This inflow relieved the savings constraint that Mexico had been experiencing since the early 1980s, allowing nominal interest rates to fall from an average of 50 percent to 10 percent (Chart 6). This allowed private firms to begin to replace the capital stock that had depreciated considerably since the early 1980s, and reactivated economic growth. In 1990 GDP grew at 4.4 percent, the fastest rate of growth since 1981.

However, large inflows of capital were also a mixed blessing. In addition to reversing the negative external resource transfers of the early 1980s, a major policy goal for the Salinas administration was the reduction of inflation to 5 percent or lower, consistent with Mexico's major trading partners (principally the US). During the first

¹⁰ Lustig Table 2-2, page 33.

¹¹ Aspe pp. 126-127.

¹² Privatization was initiated by the de la Madrid administration but not on the scale of the Salinas administration's program.

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year of the *Pacto*, a reduction in inflation was achieved by fixing the exchange rate, effectively establishing price ceilings for traded goods at the level of the price of imports. After the first year, the exchange rate was allowed to fluctuate within a widening band, with a fixed floor at 3.0152 new pesos per dollar and a ceiling that was allowed to increase at 0.0002 new pesos per day. The daily rate of depreciation was increased to 0.0004 new pesos per day in October of 1992.

Controlling the depreciation of the nominal exchange rate neutralized inflation in the traded goods sector, but did not attack the problem for non-traded goods.¹³ The higher level of protection for non-traded goods and the relative lack of efficiency gains in this sector led to higher increases in prices here than in the economy overall. An examination of the CPI for all goods versus for services (Chart 7) shows clearly how the price of services rose considerably faster than the overall price level. The persistence of inflation in the non-traded goods sector was related to the large capital inflows in two ways. First, the increased demand for services caused by foreign direct investment and portfolio investment put upward pressure on their prices. Second, the central bank did not completely sterilize incoming capital flows from abroad, resulting in an increase in the money supply which also had an inflationary effect (Kildegaard, 1995). Thus, capital inflows worked against the Government's anti-inflation goal, making it more difficult to bring price increases down to single digit levels.

The increase in the price of non-traded goods relative to traded goods also had an effect on the real exchange rate and hence on the competitiveness of Mexican exports and the balance of trade. This was reflected in the current account balance, which moved from a surplus of about 1.5 percent of GDP in 1987 towards a progressively greater deficit, reaching 2 percent GDP in 1990, 3.5 percent in 1991 and over 7 percent in 1992 (Chart 8). In an attempt to reduce the growing trade deficit and quell inflation once and for all the Government raised interest rates at the end of 1992 and early 1993, bringing economic growth to a standstill (0.43 percent in 1993). This had the desired effect of reducing imports (which always vary with the level of economic activity in Mexico) and thus the current account deficit to 5.4 percent of GDP and bringing inflation down from 12 percent in 1992 to 8 percent in 1993.

¹³ Non-traded goods are usually services such as banking and other finance, telecommunications, transportation and other business services that are essential inputs into manufacturing but that do not have to contend with competition from imports.

Chart 5: Capital Flows in the Balance of Payments
Millions of U.S. Dollars

Source: Banco de Mexico, Indicadores Economicos

* First three quarters.

Chart 8: Interest Rates on CETES

Source: Banco de Mexico

Chart 7: Ratio of Overall CPI to Service CPI

Based on data from Banco de Mexico

Chart 8: Current Account Balance

Source: Banco de Mexico, Indicadores Economicos

* based on Government projection

The financial crisis of 1994-1995

At the beginning of 1994 the Salinas administration had some very real macroeconomic successes to its credit, including single digit inflation, a government budget surplus since the middle of 1990, (meaning that rather than draining domestic savings, the Government was a net creditor to the private sector), comprehensive economic reforms and the signing and passage of the North American Free Trade Agreement. These achievements created positive expectations for economic growth and seemed to guarantee a sizable yearly flow of foreign capital to fund the large current account deficits the country was running. To support this position, in February of 1994 the Central Bank had the highest level of reserves in Mexico's history, at around US\$29 billion. In short, the economy seemed to be poised for sustained economic growth with low inflation, that would lead to increases in per-capita income that had been unobtainable during the previous decade.

With hindsight, however, it is clear that there were some clouds on the horizon. Not the least of these was the growing current account deficit which, despite a reduction in 1993, was still at over 5 percent of GDP. This was partially a natural effect of the excess of investment over savings that resulted from the large capital inflows in previous years. The Salinas administration argued that the deficit was a natural condition for a developing country that required imports of capital goods to restructure its manufacturing sector. However, not all the capital inflows were being used to finance investments. The fastest growing component of imports from 1987 to 1993 was consumer goods, which grew at twice the rate of overall imports (see Table 5 below), although admittedly from a very low base.

More worrisome still was the fact that a large part of the current account deficit was financed by highly volatile capital flows. Chart 5 shows the composition of liabilities with the rest of the world in the capital account. The large inflows of capital beginning in 1990 are clearly visible, as well as the change in composition of these flows towards portfolio investments. From virtually no portfolio investment in 1987 and 1988, these flows came to make up 74 and 78 percent of all foreign investment in 1992 and 1993 respectively, and 55 percent in the first three quarters of 1994.

Moreover, the Government's policy to repress inflation with a fixed exchange rate stifled economic growth and led to low levels of employment creation in the formal sector of the economy. Critics of the Government's policy argued that the reactivation of economic growth required a real depreciation of the currency. This would switch demand from imports towards domestic goods and create the conditions necessary for a reactivation of economic activity. This measure would also reduce the trade deficit and make the country less dependent on volatile foreign capital. A depreciation of the currency could most effectively be achieved by a devaluation of the exchange rate, through a once-and-for-all shift in the band within which the exchange rate could fluctuate or an increase in the daily rate of depreciation.

The decision to devalue involved an economic trade-off for the government's goals of economic stability and growth. On the one hand, maintaining the exchange rate regime ensured the reduction of inflation but risked poorer performance in output and

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exports. On this point the government argued that the structural changes in both the private and the public sectors had set the base for rapid increases in productivity that would eventually lead to increases in exports, growth and employment. This tendency was reinforced by the increases in domestic and foreign direct investment that had taken place over the last few years, and the new opportunities secured for exports by NAFTA and other trading arrangements.

On the other hand, although implementing a devaluation would certainly solve the problem of the increasing deficit in the current account, it entailed a number of risks, both political and economic. In the political sphere the presidential elections in 1994 precluded any sudden change in exchange rate policy, which would reflect poorly on the economic program of the Salinas administration and thus on the inherited program of the PRI candidate. In the economic sphere, there was a danger that a large devaluation might make financial markets nervous and result in a crisis of confidence in the Mexican financial system. At the very least, a devaluation would cause an increase in inflation that might reverse the hard won gains of the past few years.

Faced with the choice, the government remained decided in its refusal to alter its exchange rate regime, convinced that the stability and predictability of the exchange rate was one of the most important assets it had in maintaining the credibility of its economic policies. Nevertheless, outside government there was some concern that the exchange rate had appreciated beyond a sustainable level. An increase in capital inflows as a result of the substantial economic reforms undertaken by the Salinas administration had been expected to lead to a natural appreciation of the real exchange rate, as expectations for economic growth and international competitiveness of the economy improved. Under this view, however, the daily minidevaluations of the peso against the dollar under the successive versions of the *Pacto* were insufficient to counteract the effects of inflation and keep the exchange rate in line with its real value.

There were indications by the middle of 1994 that the daily rate of depreciation might not be sufficient. First, the growth of exports, while impressive, consistently lagged behind the growth in imports. From 1987 to 1994, exports grew at an average annual rate of 11.9 percent, while imports grew at 22.8 percent (Chart 9 - Table 5).¹⁴ Second, by a number of measures, the appreciation in the real exchange rate was as dramatic during the period from 1988 to 1994 as it had been in any recent period in Mexican economic history. Chart 10 shows indices of the real exchange rate comparing the Mexican CPI (in dollar terms) with the US producer price index for different types of commodities. For intermediate goods, which make up the largest proportion of imports, the real exchange rate index is even higher than it was in 1981, when the peso was recognized to be significantly overvalued. Third, overall productivity growth as a result of economic reform was slow to materialize. Studies measuring productivity growth up to 1991 (World Bank, 1994) show some increases in the manufacturing sector, but zero or negative growth in services. Since productivity growth is well known to be pro-cyclical, it is likely that the low growth rates from 1990 to 1994 have not resulted in significant

¹⁴ These figures include the maquiladora industry.

Chart 9: Trade Balance

Banco de Mexico

Note: figures include Maquiladora trade

Chart 10: Alternative Measures of the Real Exchange Rate Index

Source: Author's calculations based on Banco de Mexico and U.S. Dept. of Commerce

Note: Indices compare Mexican consumer prices in dollars to U.S. producer prices

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productivity gains in recent years. This is particularly true in crucial areas of the service sector, such as transportation, telecommunication and finance, that affect manufacturing productivity in general and manufactured exports in particular.

Thus, although Mexico entered 1994 with a much improved economic situation, it was still vulnerable to external shocks, particularly reversals in capital flows. This vulnerability was exacerbated by the well-known political events that rocked the country during 1994. In January, an armed uprising in the southern state of Chiapas staged by a group calling itself the Zapatista National Liberation Army (EZLN) called for the overthrow of the Government and radical changes in the political system. In March, the presidential candidate of the Revolutionary Institutional Party (PRI), well known for his reformist program, was assassinated while on campaign in the north of the country. In July, the Secretary of the Interior resigned from his post alleging obstruction of the process of electoral reform.¹⁵ In September, the director of the PRI, José Francisco Ruiz Massieu, also a reformer, was assassinated in broad daylight in Mexico City. In October his brother, named attorney general and special prosecutor in the investigation of the assassinations, also resigned alleging that there was obstruction in the investigations. Each one of these events, and especially the assassination of the presidential candidate, had repercussions on the level of confidence of external investors in Mexico. Added to these were expectations that the Mexican authorities would devalue the currency, based on the fact that every President since Luis Echeverría (1970-1976) had implemented a large devaluation in his last year before leaving office. These expectations were all the more reasonable given that the PRI had won the national elections in August and had nothing to lose in the short term by devaluing. There was a good case to be made for taking the bitter medicine of devaluation before the new administration took office in December of 1994.

The result of this increasing uncertainty and expectations for devaluation was a large reduction in capital inflows. Net capital inflows fell from US\$10.7 billion in the first quarter of 1994 to US\$7.4 million in the second quarter and US\$3.4 billion in the third. In contrast, the liabilities incurred due to the deficit in the current account continued to grow. By the third quarter of 1994 Mexico had a current account deficit of US\$22 billion with inflows of capital amounting to US\$14.3 billion: the shortfall of US\$7.7 billion had to be financed from reserves.

Another area of concern was monetary policy. From 1990 to 1994 the Bank of Mexico isolated the money supply from the large capital inflows by following a policy of sterilization. Nevertheless, despite slow economic growth (on average less than 3 percent per year) the real monetary base (corrected for inflation) increased by about 8.8 percent per year over this period (Chart 11). As long as reserves were sufficient to cover the money supply, there was no inconsistency between monetary policy and a fixed exchange rate policy. Towards the end of 1994, however, as reserves dwindled, it became increasingly more difficult to see how the Central Bank could maintain the proportionality between reserves and the monetary base implied by the fixed exchange

¹⁵ He subsequently took back his post and presided over what most observers agree were the cleanest elections in Mexico's history.

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rate. A dramatic increase in net domestic credit in October of 1994 led to further uncertainty about the sustainability of the fixed exchange rate policy.

It was in this climate of uncertainty that the cabinet of the new administration was announced at the end of November. Foreign investors were disappointed that it did not include Pedro Aspe Armella, the previous minister of finance and the architect of much of the past administration's economic policy. In Aspe's place was Jaime Serra Puche, previous minister of Commerce, and suspected of favoring a devaluation. In addition, in mid November, investor confidence about the political stability and economic prospects for Mexico began to decline following news of a sharp increase in the current account deficit for the third quarter, sending the level of reserves from about US\$15 to US\$12 billion. News of a worsening situation in Chiapas further fueled uncertainty in December, bringing the level of reserves down to US\$11 billion by the middle of the month.

On December 20th, after consultations under the *Pacto* which had lasted for several days, and in response to capital outflows of US\$1.7 billion the previous week, the band within which the peso was allowed to float was widened by 15 percent (a de facto devaluation of 15 percent). In itself this was not a radical move, and might have given confidence to financial markets that a solution to the potential problem of appreciation of the real exchange rate was being implemented. Unfortunately, the way the devaluation was announced, and the large capital flight that preceded it, lead to a further crisis of confidence. Investors perceived the devaluation as a response to dwindling reserves in the Central Bank, and began to move heavily into dollar denominated assets. In the two days after the announcement of the widening of the band, up to US\$4.5 billion left the country, bringing the level of reserves in the Central Bank down to about US\$6 billion. Unable to support the fixed exchange rate any longer, the Government decided to let the peso float, and the exchange rate fell to below 6 pesos to the dollar (Chart 12).

The Effects of the Crisis

The devaluation had immediate implications for all parts of the economy. The devaluation and the run on the peso put the Government in the position of not being able to pay its obligations on short term dollar indexed debt which it had incurred in 1994 (Tesobonos). A rescue package engineered by the US Treasury, the International Monetary Fund, and other multinational donors was announced at the end of January 1995, to cover the US\$10 billion dollars of Tesobono obligations that came due in the first quarter of 1995. The rescue package was not sufficient to restore confidence to financial markets and the peso continued to fall. The Zedillo administration announced emergency measures in December 1994 which were amplified in March 1995 with a full-blown stabilization package. This consisted of keeping a floating exchange rate and instituting traditional expenditure reducing policies: a 9.8 percent cut in Government spending, increases in the prices of publicly provided goods (gasoline and electricity), negotiations with the labor sector on increases in the minimum wage, and an increase in

Chart 11: Real Monetary Base

Source: Calculations based on information from Banco de Mexico

Chart 12: Nominal Exchange Rate

Source: Banco de Mexico, Indicadores Economicos

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the value added tax (IVA) from 10 to 15 percent.¹⁶ The burden of reducing inflation is thus transferred from exchange rate policy to restrictive monetary policy, and an integral part of the package is a sharp reduction in the growth of internal credit. As a result, interest rates skyrocketed to over 100 percent in February and March, (although they fell to around 60 percent in April) putting an already fragile financial sector in a perilous position.

These measures were much harsher than was initially expected after the devaluation, and had a devastating effect on the economy in 1995. The rationale behind the stabilization policy package was the classic expenditure switching and expenditure reduction prescription of multilateral organizations. The devaluation of the peso switched expenditure away from imports to domestic goods and made exports more competitive - a solution to the balance of payments disequilibrium. However, a harsh dose of expenditure reduction (i.e. recession) was also necessary to suppress the large inflationary effect of the devaluation on the cost of imports. This was achieved by reducing government spending, increasing the price of publicly provided goods and increasing the value added tax by 50 percent.

The results of these policies have been very positive in terms of the trade balance and inflation. The devaluation of the peso turned the trade balance around from a deficit of \$18.4 billion in 1994 to a surplus of \$7 billion in 1995, a reversal of \$25.7 billion dollars. Inflation has fallen from 52 percent in 1995 to an expected 28 percent in 1996.¹⁷ But these achievements have come at a very high cost in terms of lost output and unemployment. During 1995 the Mexican economy contracted by 6.9 percent, and unemployment in manufacturing fell by about 12.3 percent. This has been the largest one year drop in GDP in modern Mexican economic history, dwarfing the declines of 4.3 percent and 3.1 percent that occurred after the debt crisis of 1982.

The devaluation and subsequent adjustment has also put the financial sector in considerable peril. Before December 1994 Mexican banks contracted large amounts of debt in dollars which had to be repaid at twice the peso cost after the devaluation. Added to this was the dramatic increase in interest rates and the harsh recession which left the banks with a large number of non-performing loans on their balance sheets, for which they did not have adequate reserves. As a result, the government has had to intervene by bailing out ten of the smaller banks and buying back about 135 billion pesos of bad loans to put the banks back on sounder financial footing. It is estimated that there are still about 151 billion pesos of non-performing loans (about \$20 billion at current exchange rates) still outstanding in the Mexican financial system - making up about 18 percent of the total loan portfolio of the banking system.

Outlook for the Economy

Has this harsh medicine succeeded in putting the Mexican economy back on sounder footing and restoring economic growth? In the medium-term there are at least

¹⁶ In addition, privatization initiatives for remaining monopolies in ports, railroads and electricity are being accelerated.

¹⁷ For the first half of 1995 inflation was at 33 percent while for the first half of 1996 it reached 15 percent.

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two reasons for cautious optimism. First, the flexible exchange rate policy added to the use of the money supply to combat inflation is likely to allow the economy to resume growth with a much less adverse effect on the balance of trade. As growth picks up and imports increase, the exchange rate is likely to adjust to inflationary expectations by gradually devaluing, thus keeping exports competitive and excessive growth in imports in check. In this way the overvaluation of the real exchange rate in 1993-94 can be avoided. Second, the extensive economic reforms put in place by the Salinas administration will allow for a much more rapid adjustment to the devaluation of 1994 and a resumption of growth.

Indeed, there are a number of indications (by the first half of 1996) that the economy is beginning to come out of the recession. Industrial activity is picking up again after consecutive declines in 1995, to grow by about 16 percent from February to April 1996.¹⁸ Open unemployment is down from 6.6 percent in May 1995 to 5.4 percent in May 1996. Exports are booming, growing by 30.6 percent from January to April 1995 and by 20.3 percent during the same period in 1996.

Significantly, for the first time since the crisis imports are also growing. After having contracted by 8.7 percent in 1995 they grew 16.6 percent from January to April 1996. While some might view this as a worrying sign for the balance of trade, it should be noted that the level and growth of imports still remained below that of exports. In addition, the main categories of import growth were in intermediate goods (19 percent), in-bond imports (15.8 percent) and capital goods (8.3 percent), suggesting that imports are going into investment and production to stimulate further growth in the economy. Imports of consumer goods only grew at 6 percent in 1996.

Conclusion

The Mexican crisis of 1994 can be described as the result of a "Dutch Disease" syndrome typical of the experiences of many Latin American countries (Diaz-Alejandro, 1981). Dramatic capital inflows from 1989 to 1993 led to an appreciation of the real exchange rate (an increase in the price of non-traded goods vis-a-vis traded goods), eroding the competitiveness of Mexican exports and making imports artificially inexpensive. In the context of Mexico's unilateral trade liberalization this resulted in growing deficits in the balance of trade which were increasingly financed by short-term capital inflows. In order to continue attracting foreign capital, interest rates were maintained at a high level, thus punishing economic growth.

In March of 1994, faced with declining confidence in the peso and capital outflows due to domestic political shocks, the Banco de Mexico was on the horns of a dilemma. On the one hand, foreign investors were demanding even higher interest rates to compensate for the perceived increase in investment risk in the Mexican market. On the other, raising interest rates would put the already fragile banking system, suffering from a growing number of defaults on its loan portfolio, in even greater peril. The Mexican Government opted to take on the increased risk of devaluation and capital flight

¹⁸ These and subsequent figures are taken from the website of the Mexican Ministry of Finance (SHCP) entitled: *Official Economic Information of Mexico*.

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by emitting dollar-indexed debt instruments - in effect securing investors returns in dollars. By betting on foreign investors in this way the Mexican government was sending a clear message that it did not envision a devaluation of the peso, and furthermore that it had full confidence that the capital flows necessary to support the peso at its fixed exchange rate with the dollar would continue.

By December of 1994 this clear message of confidence in the peso had been muddled by a change in the political climate and a new cabinet that did not see a policy of fixed exchange rates as indispensable. As rumors of a devaluation began to circulate capital flight ensued and the rumors became reality.

Should there have been a devaluation before the December 1994 change of government? In discussion of the economic cabinet in the final days of the Salinas administration this option was discussed (Aspe, 1995). But it was rejected on the basis that it would lead to a run on the peso and put the government at risk for its dollar denominated debt. The only way that a devaluation would not cause a loss of confidence, it was argued, would be if it was presented as part of a comprehensive economic package that addressed new wage- and price-setting policies, and incentives for increased domestic and foreign investment. Such a package could be prepared and presented by the economic cabinet of the incoming Zedillo administration soon after it came to power. In the event, President Zedillo's finance minister was overtaken by events and resorted to devaluation without introducing other economic policy measures.

The ensuing crisis, and Mexico's relatively rapid recovery (when compared to the years of recovery from the debt crisis) present a number of interesting observations. First, the rapidity of US reaction to the crisis and the creation of an aid package from the US and other multilateral donors highlights the importance of trade and capital flows between the two countries, not just for Mexico (as has historically been the case) but also now for the US. In the aftermath of the NAFTA, the two economies have become much more closely tied, and the two governments have coordinated policies (albeit informally) to continue to ensure as favorable an environment as possible for investors from both countries. This has gone to such lengths that some critics would argue (with perhaps a grain of truth) that Mexican economic policy for the last two years has been formulated in Washington.

Second, the relative rapidity of the recovery of the Mexican economy and the rapid return of the Mexican government and private sector to international credit markets attests to the success of economic policy during the Salinas administration in restructuring the Mexican economy to make it more flexible in its adjustments to external economic shocks. After the debt crisis it took Mexico seven years to return to international capital markets. In 1996, less than two years after the 1994 crisis, there was an excess demand for Mexican government debt issues in international financial markets. This is a sign that investors have confidence in the economic policies that are being followed and have expectations of future economic growth.

A final issue that remains outstanding is what has been done to make the economy less vulnerable to external shocks in the first place. In this respect the Zedillo administration has emphasized the need to encourage domestic savings as a substitute for foreign capital in domestic investment. A number of measures have been taken to encourage domestic savings including: a) maintaining or increasing government savings

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by keeping governments accounts in surplus; and b) implementing a mandatory system of contributions to employer retirement funds managed by licensed administrators. These policies, while beneficial, will only have a marginal effect on the domestic savings rate, which remains at 16.8 percent in 1993, well below that of other rapidly industrializing nations in Latin America such as Chile (21.4 percent), below the OECD average (20.8), and below the average for Asia (31.7 percent) (Banco de México, 1995). In the medium to long-term the prospect for increased savings are better. As the case of Chile shows, sustained export-led growth under flexible exchange rates, with prudent macroeconomic policies, can result in a much less volatile environment with attractive rates of return for both domestic and foreign investors which should secure more long-term investments and balance of payments stability. In addition, with the integration of US and Mexican financial markets under NAFTA, savings held by Mexicans in the US should return to Mexico, where rates of return are higher. The challenge for the Zedillo administration (and the economy as a whole) is to get through the immediate crisis and resume economic growth while minimizing the social cost of the transition.

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Appendix: Data on Trade and Investment Flows

The structure of trade

*Merchandise exports:*¹⁹

As can be seen in Chart 9, in the last years Mexico's exports have grown at an impressive pace, even though outperformed by imports. From 1987 to 1993 Mexican exports grew at an average annual rate of 11.1 percent. It was not until recently that the growth rate of exports began to pick up, registering 12.3 percent for 1993, and 16.1 percent for 1994 (Table 2).²⁰ This is an impressive rate of growth considering the overvaluation of the peso. More impressive still is the change in the composition of exports away from petroleum products and towards manufacturing. In 1987, petroleum products made up 31.2 percent of total exports; in 1994 the figure was 12.3 percent. The participation of manufacturing exports has increased from 61 to 83 percent over the same period. The main component of this growth was in the Maquiladora industry. While overall manufacturing exports grew at 16.3 percent from 1987-1993, Maquila exports grew at 20.6 percent.

Both within and outside the maquiladora industry, growth in exports have been mainly the result of investments in the automobile and autoparts industry and in electronic equipment manufacturing. Table 3 shows the structure of non-maquila manufactured exports. In 1982 the main manufactured exports were in the food processing sector (food, drink and tobacco), petroleum derivatives, chemicals, transportation equipment and other machinery and equipment. By 1993 the processed food, chemicals, and petroleum derivatives had lost importance, while transportation and machinery and equipment (mainly electronic equipment) had gained a predominant share. A similar trend has occurred in the maquiladora industry (Table 4), where by 1993 fully 76 percent of exports were from the machinery and equipment sector (mainly electronic equipment), followed by 8.2 percent in textiles.

Merchandise imports

Mexico's merchandise imports grew at 23.1 percent per year from 1987 to 1993. The highest growing class was imports of consumer goods, which grew at a staggering 47.3 percent per year (Table 5). This high rate may be somewhat misleading, since consumer goods imports started from a very low base in 1987, the year in which liberalization of the trade regime began in earnest. Nevertheless, in terms of the structure of imports these types of goods increased their participation from 4 percent in 1987 to 11.7 percent in 1993. The bulk of imports continues to be intermediate goods, although

¹⁹ By convention the merchandise trade data presented in Mexico in the past has not included the Maquiladora industry, since this was considered a component of services trade. In recent years this practice has changed and trade figures now include maquiladora imports and exports. Unless otherwise noted, all the aggregate figures presented here include maquiladora trade.

²⁰ These figures are based on data for January-October.

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their participation fell from 82 percent in 1987 to 71.6 percent in 1993. Capital goods imports grew on average by 27 percent per year, increasing their participation from 14 percent of all imports in 1987 to 16.7 percent in 1993. Maquiladora imports, a component of intermediate imports, declined in importance from 29.3 percent in 1987 to 25.8 percent in 1993.

The structure of Mexican merchandise imports is similar to that of exports, a fact that stems from the large share of trade that is intra-firm and intra-industry, even outside the maquila. Manufactured goods have always predominated in Mexico's imports, but have become more important, rising from 87 percent of all trade in 1981 to 93 percent in 1993 (Table 6). Within manufacturing, chemical imports have become noticeably more important, as have imports of automobiles and autoparts, and other machinery and equipment. In the maquiladora industry, not surprisingly, the structure of imports matches that of exports, with a predominant share going to machinery and equipment, followed by plastics and rubber and textiles and apparel (Table 7).

Trade balance

Mexico's merchandise trade balance moved into surplus after the 1982 debt crisis and remained in surplus until 1989, when large deficits began to reappear (Table 8). The main surplus sector is mining, principally composed of petroleum and natural gas, although this surplus has been declining in absolute terms since 1981. The main deficit sector is manufacturing, which increased considerably from 1989 to 1993. Within manufacturing, non-metallic and metallic minerals have consistently yielded slight surpluses while food, beverages and tobacco, textiles and apparel and transportation equipment have yielded pro-cyclical surpluses that moved into deficit in 1992 and 1993. Other manufacturing sectors with consistent large deficits were paper and printing, chemicals, and especially other machinery and equipment.

In contrast, the maquiladora industry has consistently yielded a surplus, mainly due to the machinery and equipment exports (Table 9). Plastics and rubber and steel are large deficit items here.

Services

Mexico's trade in services (invisibles) has been consistently in deficit since 1985 mainly due to large interest payments on foreign debt, although insurance and freight payments have grown considerably, hand in hand with the growth of imports (Table 10). The principal surplus exports are tourism (inland tourism as opposed to border tourism) and transfers. Border tourism mostly represents the payments of Mexicans living on the US border to US border businesses - a deficit which has declined considerably if not altogether disappeared after the devaluation of 1994. Transfers are made up principally of remittances of Mexican workers in the US (i.e. exports of Mexican labor) which are a significant proportion (16 to 18 percent) of total service exports. A large increase in repatriated profits and reinvested earnings reflect the increase in foreign direct investment in Mexico over the last five years.

Bilateral trade flows

Mexico's principal trade partner continues to be the US with 83 percent of all exports and 71 percent of imports in 1993 (Tables 11 and 12). Canada, by contrast, only received 3 percent of exports and supplied 1.7 percent of imports. The rest of Latin America received 6.9 percent of all exports and supplied 4.7 percent of all imports. The European Union has remained an important trading partner with 5 percent of exports and 11 percent of imports, as has Japan, with one percent of exports and 5 percent of imports. The growth of the maquila industry and liberalization of trade between Mexico and its partners in North America have resulted in an increasing concentration of trade in this region.

The dramatic increase in Mexico's merchandise trade from 1987 to 1993 was also accompanied by a change in the structure of bilateral trade relations. Relations with most of the major trading partners have moved into deficit along with the aggregate trade balance, but the composition of the balances has changed (Table 13). In 1992 the largest deficit was with the US, followed by the European Union and Japan. In 1993 increased exports to the US reduced Mexico's bilateral trade deficit with this country, while increased imports led to a higher deficit with the European Union and Japan. In Latin America, Brazil is a major deficit country while Mexico maintains a surplus with most other countries in this region.

Foreign Direct Investment

Foreign direct investment (FDI) flows into Mexico have increased substantially over the 1980s, doubling the cumulative stock of foreign controlled fixed investments every 6 years (Table 14). Of particular note is the inflow in 1991 of US\$7 billion, half of which was due to foreign payments related to the privatization of TELMEX. Even after 1991, however, FDI flows have exceeded or been close to US\$5 billion dollars per year.

The sectoral distribution of FDI is concentrated in industry (manufacturing, construction and electricity generation), although the importance of this sector has diminished sharply in favor of services since 1986. The principal service sectors affected by FDI are (in order of importance): professional and technical services (35.6 percent), real estate rental and administration (28.6 percent), restaurants and hotels (16.8 percent), finance and insurance (14 percent) and other subsectors (4.9 percent).

Not surprisingly, the main source of FDI has historically been the US, although its share has been diminishing slightly (Table 15). In 1983, US investments made up 66 percent of the accumulated investment in Mexico; in 1993 this figure had fallen to 63 percent. Much of the decline was picked up by the United Kingdom, that increased its share from 3 percent in 1983 to 6 percent in 1993. Other countries, principally Spain, Holland, Sweden and Italy have increased their share significantly.

Table 1: Liberalization of Trade Restrictions

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Import License Coverage (1)	100	83	35.1	27.8	26.8	21.2	18.4	13.7	9.1	9.0
Reference Prices (2)	13.4	13.4	25.4	18.6	13.4	0	0	0	0	0
Tariffs:										
Simple Average	27.0	23.3	25.4	22.6	10.0	9.7	10.4	13.1	13.1	13.1
Trade Weighted Average	16.4	8.5	13.3	13.1	5.6	6.2	6.2	9.7	10.5	11.1
Tariff Positions	16	10	10	11	5	5	5	5	5	5
Maximum Tariff	100	100	100	100	20	20	20	20	20	20

(1) percentage of imports covered

(2) percentage of 1986 production covered

Source: SECOFI and Banco de Mexico

**Table 2: Merchandise Exports
(millions of US dollars)**

	1987	1988	1989	1990	1991	1992	1993	1994*	Growth Rates '87-'93
Total	27,600	30,692	35,171	40,711	42,949	46,196	51,886	49,431	11.09
Petroleum	8,630	6,711	7,876	10,104	8,166	8,307	7,418	6,068	-2.49
Non-Petroleum	18,970	23,980	27,295	30,607	34,782	37,889	44,468	43,363	15.26
Agriculture	1,543	1,670	1,754	2,162	2,373	2,112	2,504	2,135	8.41
Mining	576	660	605	617	547	356	278	286	-11.42
Manufacturing	16,851	21,650	24,936	27,828	31,863	35,421	41,685	40,942	16.29
Maquila	7,105	10,146	12,329	13,873	15,828	18,680	21,853	21,467	20.59
Non-maquila	9,746	11,504	12,608	13,956	16,035	16,740	19,832	19,475	12.57
(percent)									
Total	100	100	100	100	100	100	100	100	
Petroleum	31.27	21.87	22.39	24.82	19.01	17.98	14.30	12.28	
Non-Petroleum	68.73	78.13	77.61	75.18	80.99	82.02	85.70	87.72	
Agriculture	5.59	5.44	4.99	5.31	5.52	4.57	4.83	4.32	
Mining	2.09	2.15	1.72	1.52	1.27	0.77	0.54	0.58	
Manufacturing	61.05	70.54	70.90	68.35	74.19	76.67	80.34	82.83	
Maquila	25.74	33.06	35.05	34.08	36.85	40.44	42.12	43.43	
Non-maquila	35.31	37.48	35.85	34.28	37.33	36.24	38.22	39.40	

* January - October. Source: Banco de Mexico

**Table 3: Structure of Non-Maquila Manufactured Exports
(percent)**

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
All Manufacturing	100	100	100	100	100	100	100	100	100	100	100	100	100
Food, Drink and Tobacco	19.82	24.98	13.30	8.71	11.11	8.70	12.40	11.06	9.74	7.41	6.15	6.45	6.99
Textiles and Apparel	4.38	4.06	3.15	2.61	2.72	2.83	4.53	4.12	3.89	3.38	3.12	3.94	4.39
Leather and Hides	0.91	0.69	0.36	0.31	0.36	0.29	0.81	0.94	0.90	0.90	0.75	1.15	1.81
Wood and Wooden Products	1.73	1.64	1.50	1.04	1.36	0.97	1.27	1.47	1.52	1.14	0.96	1.34	1.88
Paper and Printing	2.37	2.48	1.38	1.03	1.47	1.27	2.10	2.62	2.07	1.37	1.18	1.24	0.27
Petroleum Derivatives	17.83	8.23	13.54	13.19	20.09	5.84	5.97	4.99	3.26	6.04	3.25	3.57	3.18
Petrochemicals	3.87	3.65	2.50	1.70	1.59	0.80	1.14	1.68	1.23	1.97	1.31	1.51	0.91
Chemicals	13.34	13.94	11.52	8.01	10.06	7.58	10.32	11.29	11.81	11.36	10.00	12.01	8.55
Plastics and Rubber	0.66	0.82	0.81	0.69	0.75	0.73	1.06	1.26	1.37	0.86	0.88	0.90	0.56
Non-metallic Minerals	3.64	4.41	3.86	3.06	4.69	3.43	4.22	4.25	4.35	3.55	3.19	3.86	4.12
Steel	1.87	3.55	5.85	4.00	3.66	4.08	5.95	6.13	6.66	6.59	5.07	4.97	1.30
Metallurgy	2.05	2.38	10.32	5.41	6.00	4.33	5.95	6.61	7.94	6.51	3.80	4.83	3.49
Transportation	13.48	16.84	20.53	14.88	24.04	18.74	31.67	28.75	29.28	31.52	44.45	34.98	38.58
Machinery and Equipment	14.05	12.33	11.37	35.37	12.11	40.41	12.60	14.84	15.98	17.41	15.89	19.26	23.95

Source: Banco Nacional de Comercio Exterior

**Table 4: Structure of Maquila Exports
(percent)**

	1992	1993
All Manufacturing	100	100
Food, Drink and Tobacco	1.26	1.04
Textiles, Apparel and Leather	7.65	8.19
Wood and Wooden Products	1.42	1.40
Paper and Printing	2.35	2.16
Petroleum Derivatives	0.00	0.00
Petrochemicals	0.00	0.00
Chemicals	1.07	1.04
Plastics and Rubber	3.41	3.62
Non-metallic Minerals	1.31	1.47
Steel	1.48	1.52
Metallurgy	0.46	0.36
Machinery and Equipment	76.87	76.55
Other Manufactures	0.10	2.66

Source: Banco de Mexico

Table 5: Merchandise Imports
(millions of US dollars)

	1987	1988	1989	1990	1991	1992	1993	1994*	Growth Rates '87-'93
Total Imports	18,812.4	28,082.0	34,766.1	41,593.4	49,878.3	62,129.4	65,366.5	64,767.1	23.07
Consumer Goods	767.6	1,921.6	3,498.6	5,098.6	5,639.5	7,744.1	7,842.4	7,594.5	47.31
Intermediate Goods	15,414.2	22,133.6	26,498.8	29,705.2	35,768.2	42,829.6	46,468.3	46,368.3	20.19
Maquiladora	5,507.0	7,808.3	9,328.1	10,321.4	11,694.3	13,936.7	16,443.0	16,718.5	20.00
Other	9,907.2	14,325.3	17,170.7	19,383.8	24,073.9	28,892.8	30,025.3	29,649.8	20.30
Capital Goods	2,630.6	4,026.8	4,768.7	6,789.6	8,470.6	11,555.7	11,055.9	10,804.3	27.03
(percent)									
Total Imports	100	100	100	100	100	100	100	100	
Consumer Goods	4.08	6.84	10.06	12.26	11.31	12.46	12.00	11.73	
Intermediate Goods	81.94	78.82	76.22	71.42	71.71	68.94	71.09	71.59	
Maquiladora	29.27	27.81	26.83	24.81	23.45	22.43	25.16	25.81	
Other	52.66	51.01	49.39	46.60	48.27	46.50	45.93	45.78	
Capital Goods	13.98	14.34	13.72	16.32	16.98	18.60	16.91	16.68	

* January - October

Source: Banco de Mexico

**Table 6: Structure of Non-maquila Manufactured Imports
(percent)**

	1985	1986	1987	1988	1989	1990	1991	1992	1993
Total	100	100	100	100	100	100	100	100	100
Agriculture and Forestry	9.72	6.88	7.94	7.39	7.46	6.13	4.36	4.94	4.67
Ranching	2.28	1.33	1.10	1.96	1.06	0.78	1.11	0.91	0.60
Hunting and Fishing	0.03	0.02	0.02	0.03	0.03	0.03	0.02	0.03	0.03
Mining	1.58	1.65	2.10	1.71	1.66	1.31	1.04	1.12	0.77
Petroleum and Natural Gas	0.03	0.08	0.08	0.05	0.17	0.09	0.08	0.37	0.18
Manufacturing	85.68	89.13	88.12	88.59	88.86	90.77	92.90	92.52	93.43
Food, Beverages and Tobacco	3.79	4.22	3.76	6.52	8.60	9.00	6.77	6.81	6.77
Textiles and Apparel	1.03	1.18	1.29	2.19	2.99	3.10	3.15	3.47	6.41
Hides and Leather	0.12	0.08	0.11	0.20	0.48	0.42	0.51	0.62	0.79
Wood Products	0.43	0.44	0.35	0.43	0.47	0.58	0.75	0.86	0.84
Paper and Printing	3.22	3.83	4.97	4.22	3.99	3.56	3.32	3.28	3.61
Petroleum Derivatives	4.83	3.84	3.90	2.67	3.47	3.55	3.31	2.89	2.77
Petrochemicals	5.13	4.31	4.38	3.51	2.36	1.07	1.24	1.05	1.20
Chemicals	10.20	10.61	11.29	9.96	10.50	9.33	8.76	8.27	9.00
Plastics and Rubber	1.91	2.40	2.26	2.48	2.68	2.64	2.88	2.89	3.11
Non-metallic Minerals	0.79	0.82	0.90	0.85	0.97	1.05	1.05	1.11	1.24
Steel	5.59	5.55	5.14	5.76	5.60	5.47	5.73	5.13	4.50
Metallurgy	2.82	1.71	1.91	2.16	1.98	1.49	1.41	1.61	1.46
Transportation Vehicles and Parts	11.38	11.18	14.42	13.60	10.54	15.61	20.21	19.55	20.47
Other Machinery and Equipment	34.44	38.88	33.44	34.05	34.21	33.90	33.82	34.98	53.96

Source: Banco Nacional de Comercio Exterior

**Table 7: Structure of Maquila Imports
(percent)**

	1992	1993
All Manufacturing	100	100
Food, Drink and Tobacco	0.42	0.27
Textiles, Apparel and Leather	7.76	8.80
Wood and Wooden Products	1.02	0.99
Paper and Printing	4.47	3.79
Petroleum Derivatives	0.10	0.09
Petrochemicals	0.05	0.09
Chemicals	3.18	2.85
Plastics and Rubber	12.95	11.86
Non-metallic Minerals	1.33	1.35
Steel	7.30	6.99
Metallurgy	1.77	1.59
Machinery and Equipment	58.60	60.20
Other Manufactures	1.06	1.02

Source: Banco de Mexico

Table 8: Non-maquila trade balance
(millions of US dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1993
Total	8,406	4,375	8,433	1,754	-645	-2,996	-11,064	-20,608	-18,535
Agriculture and Forestry	-165	1,011	324	4	-285	-101	214	-665	-363
Ranching	-135	148	90	-131	-3	157	-9	-62	195
Hunting and Fishing	4	10	20	25	40	43	75	46	39
Mining	13,606	5,853	8,197	6,220	7,509	9,151	7,414	7,245	6,320
Petroleum and Natural Gas	13,305	5,522	7,868	5,874	7,252	8,895	7,234	7,236	6,342
Manufacturing	-4,812	-2,539	-183	-4,366	-7,789	-12,242	-18,722	-27,061	-19,070
Food, Beverages and Tobacco	236	472	853	137	-746	-1,584	-1,368	-2,151	-1,767
Textiles and Apparel	44	176	322	97	-194	-424	-585	-982	-2,165
Hides and Leather	9	22	72	77	4	8	-45	-96	14
Wood Products	34	56	91	101	87	-6	-96	-178	3
Paper and Printing	-335	-296	-386	-473	-666	-858	-1,036	-1,363	-1,704
Petroleum Derivatives	702	202	155	114	-389	-165	-620	-768	-649
Petrochemicals	-584	-403	-414	-456	-392	-28	-215	-243	-386
Chemicals	-696	-378	-287	-485	-920	-1,098	-1,369	-1,881	-2,511
Plastics and Rubber	-207	-193	-164	-312	-449	-658	-927	-1,233	-1,398
Non-metallic Minerals	209	282	337	366	338	213	228	138	306
Steel	-507	-185	2	-330	-445	-655	-1,187	-1,601	-1,914
Metallurgy	23	279	397	409	569	518	211	70	56
Transportation Vehicles and Parts	85	780	1,591	989	1,342	12	1,064	-3,298	-1,483
Other Machinery and Equipment	-3,821	0	-2,753	-4,600	-5,929	-7,519	-9,777	-13,476	-21,101

Source: Banco Nacional de Comercio Exterior

Table 9: Maquila trade balance
(millions of US dollars)

	1992	1993
All Manufacturing	5058.2	5974.7
Food, Drink and Tobacco	177.3	183.6
Textiles, Apparel and Leather	372.1	391.4
Wood and Wooden Products	126.3	147.1
Paper and Printing	-170.9	-129.2
Petroleum Derivatives	-13.7	-14.9
Petrochemicals	-6.9	-13.8
Chemicals	-233.4	-225.0
Plastics and Rubber	-1125.5	-1090.4
Non-metallic Minerals	64.6	107.3
Steel	-715.6	-778.1
Metallurgy	-154.9	-174.2
Machinery and Equipment	6373.3	7169.8
Other Manufactures	-125.5	419.3

Source: Banco de Mexico

Table 10: Services Trade
(millions of US dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994*
Exports	8,640.7	7,746.7	9,344.6	11,004.3	12,247.7	14,677.3	15,154.0	15,107.4	14,759.0	11,756.6
Non-Factor Services	4,677.6	4,549.5	5,359.6	6,151.2	7,052.9	7,961.6	8,790.1	9,191.8	9,352.6	7,124.9
Transportation	577.2	545.1	664.5	689.5	691.5	892.9	900.7	980.7	937.9	744.2
Inland Tourism	1,719.7	1,791.7	2,274.4	2,544.3	2,954.0	3,400.9	4,339.3	4,471.1	4,564.1	3,509.4
Border Tourism	1,180.6	1,197.9	1,225.1	1,455.9	1,812.2	2,066.1	1,619.8	1,613.7	1,602.9	1,115.2
Other	1,200.1	1,014.8	1,195.7	1,461.5	1,595.2	1,601.8	1,930.3	2,126.2	2,247.7	1,755.9
Factor Services	2,135.7	1,814.9	2,287.8	2,952.9	3,103.8	3,236.7	3,599.6	2,876.0	2,702.9	2,399.8
Interest	1,821.7	1,462.5	1,888.1	2,507.2	2,580.0	2,667.0	2,905.9	2,159.6	1,960.9	1,847.2
Other	314.0	352.4	399.6	445.7	523.7	569.7	693.7	716.4	742.0	552.7
Transfers	1,827.4	1,382.3	1,697.2	1,900.2	2,091.0	3,479.0	2,764.3	3,039.6	2,703.5	2,231.9
Remittances	na	na	na	na	na	na	2,414.2	2,704.2	2,379.8	1,989.6
Other	na	na	na	na	na	na	350.2	355.4	323.7	242.2
Imports	16,325.5	14,410.5	14,379.2	16,134.3	18,703.4	20,908.9	22,767.5	23,978.1	24,671.3	17,105.6
Non-Factor Services	5,262.9	4,879.5	5,011.1	6,049.5	7,783.0	9,942.2	10,541.0	11,488.1	11,028.3	8,388.6
Insurance and Freight	550.3	485.8	537.9	821.9	1,158.6	1,530.8	1,758.0	2,084.0	2,180.7	1,923.0
Transportation	842.4	811.6	800.0	743.7	915.0	1,132.5	1,270.6	1,350.1	1,360.1	1,034.4
Overseas Tourism	664.3	620.2	784.2	1,104.8	1,544.8	1,936.5	2,149.8	2,541.7	2,416.6	1,827.0
Border Tourism	1,594.4	1,557.9	1,581.5	2,096.7	2,702.4	3,582.2	3,663.1	3,565.8	3,145.2	2,074.3
Other	1,611.5	1,404.0	1,307.5	1,282.5	1,462.2	1,760.1	1,699.5	1,946.5	1,925.7	1,529.9
Factor Services	11,034.3	9,516.3	9,349.9	10,069.9	10,904.6	10,952.7	12,207.6	12,470.8	13,626.5	8,705.4
Repatriated Profits	386.3	335.0	412.5	519.1	609.9	661.1	1,084.0	1,293.0	1,412.0	1,205.7
Reinvested Earnings	231.8	587.1	481.4	563.7	643.0	653.6	1,408.0	1,020.0	1,135.0	1,014.4
Interest	10,155.9	8,342.1	8,096.7	8,638.7	9,277.6	9,194.6	9,215.2	9,610.6	10,507.6	9,036.3
Commissions	38.1	32.5	93.2	46.9	33.3	63.4	81.4	75.7	76.7	77.6
Other	222.2	219.6	266.2	301.5	340.8	380.1	419.1	471.5	495.2	371.1
Transfers	28.3	14.7	18.2	14.9	15.8	14.0	18.9	19.2	16.5	11.6
Balance	-7,684.8	-6,663.8	-5,034.6	-5,130.0	-6,455.7	-6,231.6	-7,613.5	-8,870.7	-9,912.3	-5,349.0
Non-Factor Services	-585.3	-330.0	348.5	101.7	-730.1	-1,980.6	-1,750.9	-2,296.3	-1,675.7	-1,263.7
Insurance and Freight	-550.3	-485.8	-537.9	-821.9	-1,158.6	-1,530.8	-1,758.0	-2,084.0	-2,180.7	-1,923.0
Transportation	-265.2	-266.5	-135.5	-54.2	-223.5	-239.6	-369.9	-369.4	-422.2	-290.2
Inland Tourism	1,055.4	1,171.5	1,490.2	1,439.5	1,409.2	1,464.4	2,189.5	1,929.4	2,147.5	1,682.4
Border Tourism	-413.8	-360.0	-356.4	-640.8	-890.2	-1,516.1	-2,043.3	-1,952.1	-1,542.3	-959.1
Other	-411.4	-389.2	-111.8	179.0	133.0	-158.3	230.8	179.7	322.0	226.0
Factor Services	-8,898.6	-7,701.4	-7,062.1	-7,117.0	-7,800.8	-7,716.0	-8,608.0	-9,594.8	-10,923.6	-6,305.6
Repatriated Profits	-386.3	-335.0	-412.5	-519.1	-609.9	-661.1	-1,084.0	-1,293.0	-1,412.0	-1,205.7
Reinvested Earnings	-231.8	-587.1	-481.4	-563.7	-643.0	-653.6	-1,408.0	-1,020.0	-1,135.0	-1,014.4
Interest	-8,334.2	-6,879.6	-6,208.6	-6,131.5	-6,697.6	-6,527.6	-6,309.3	-7,451.0	-8,546.7	-7,189.1
Commissions	-38.1	-32.5	-93.2	-46.9	-33.3	-63.4	-81.4	-75.7	-76.7	-77.6
Other	91.8	132.8	133.4	144.2	182.9	189.6	274.6	244.9	246.8	181.6
Transfers	1,799.1	1,367.6	1,679.0	1,885.3	2,075.2	3,465.0	2,745.4	3,020.4	2,687.0	2,220.3

* January - October

Source: Banco de Mexico

Table 11: Bilateral Merchandise Exports
(millions of US dollars)

	1985	1986	1987	1988	1989	1990	1991	1992*	1993*
Total	21,866.4	16,031.0	20,656.2	20,565.1	22,764.9	26,838.4	27,120.2	46,195.6	51,886.0
<i>América del Norte</i>	13,768.3	10,846.0	13,638.2	13,811.1	16,064.8	19,227.8	19,469.9	38,419.2	44,609.1
Canada	393.4	194.2	315.7	277.3	278.2	230.6	1,125.2	999.7	1,541.5
E.U.	13,374.9	10,651.8	13,322.5	13,533.8	15,786.6	18,997.2	18,344.8	37,419.5	43,067.6
<i>Mercado Común Centroamericano</i>	269.2	205.0	315.8	334.1	444.3	345.4	411.3	477.6	473.8
Costa Rica	21.0	59.9	55.5	74.3	81.5	64.4	79.8	106.9	99.3
El Salvador	88.4	59.2	82.2	85.8	91.4	106.4	116.1	120.5	112.1
Guatemala	101.2	58.9	116.7	109.3	202.0	108.2	141.9	153.2	203.8
Honduras	28.3	25.3	45.0	55.0	59.7	53.4	55.3	78.5	37.9
Nicaragua	30.3	8.6	16.3	9.8	9.7	13.0	18.3	18.3	20.7
<i>Asociación Latinoamericana de Integración</i>	597.4	634.7	807.5	836.8	735.7	883.1	987.0	1,361.3	1,585.5
Argentina	36.7	119.4	169.4	125.0	113.5	115.0	185.5	179.7	278.1
Brazil	297.8	176.6	164.1	115.7	193.9	169.0	187.4	408.1	290.8
Chile	16.4	26.9	45.2	130.9	83.4	91.1	126.8	152.4	194.0
<i>Grupo Andino</i>	221.8	257.3	344.4	393.5	279.9	373.8	432.5	551.7	630.7
Bolivia	0.2	0.7	1.4	3.6	3.7	3.9	12.7	8.5	17.0
Colombia	121.2	109.8	136.9	187.9	110.8	110.3	155.7	218.7	235.9
Ecuador	48.3	58.2	70.0	58.0	48.0	57.1	59.9	62.5	56.4
Peru	13.0	33.4	33.4	54.6	55.7	65.8	77.6	62.7	94.0
Venezuela	39.1	55.1	55.1	89.4	61.7	136.7	126.6	199.3	227.4
<i>Mercado Común del Caribe</i>	53.6	20.8	20.8	55.3	71.4	105.3	112.2	157.7	118.2
<i>Otros Países de América</i>	361.3	340.6	340.6	478.3	560.0	532.9	621.4	743.7	881.0
Cuba	69.7	45.9	79.2	118.9	109.1	104.8	105.7	116.9	188.2
Panamá	119.3	103.7	148.5	66.4	100.1	71.5	99.2	108.7	145.1
República Dominicana	132.0	111.2	132.5	43.5	140.1	107.6	149.6	178.4	203.0
<i>Unión Europea</i>	4,025.1	2,172.9	2,172.9	2,690.0	2,665.2	3,398.7	3,291.8	3,299.1	2,600.1
<i>Asociación de Libre Comercio</i>	75.0	116.0	116.0	113.6	133.0	250.6	193.8	236.7	210.3
<i>Países de Europa del Este</i>	56.7	45.7	45.7	140.7	68.1	36.3	33.7	17.3	18.3
<i>Otros Países</i>	2,659.9	1,649.3	1,649.3	2,105.2	2,022.2	2,058.4	1,999.0	1,482.8	1,389.6
Japón	1,709.1	1,057.8	1,057.8	1,231.3	1,314.8	1,449.1	1,240.9	793.5	700.4

* These years include maquila trade. Previous years do not include maquila trade

Source: Banco Nacional de Comercio Exterior

Table 12: Bilateral Merchandise Imports
(millions of US dollars)

	1985	1986	1987	1988	1989	1990	1991	1992*	1993*
Total	13,460.4	11,432.4	12,222.9	18,898.2	23,409.7	31,271.9	38,184.0	62,129.4	65,366.5
<i>América del Norte</i>	9,142.5	7,610.5	8,230.3	12,950.1	16,283.0	20,912.2	25,687.3	45,267.9	47,630.1
Canada	235.4	224.7	354.5	337.6	421.2	459.4	764.3	1,051.7	1,163.3
E.U.	8,907.1	7,385.8	7,875.7	12,612.5	15,861.8	20,452.8	24,903.0	44,216.2	46,466.8
<i>Mercado Común Centroamericano</i>	30.5	18.5	21.5	40.7	55.8	102.2	146.4	125.9	114.1
Costa Rica	8.2	1.5	1.4	3.3	4.8	38.4	20.6	14.5	21.8
El Salvador	0.4	0.6	0.6	1.6	4.1	3.4	19.3	11.8	14.1
Guatemala	16.0	10.2	14.1	29.7	41.7	40.6	86.9	77.2	61.3
Honduras	5.8	3.2	2.7	5.2	0.8	2.4	5.5	4.8	5.5
Nicaragua	0.1	2.9	2.7	0.9	4.4	17.4	14.0	17.6	11.4
<i>Asociación Latinoamericana de Integración</i>	564.8	351.2	271.6	566.3	702.1	1,222.7	1,529.6	2,032.9	2,153.7
Argentina	268.8	156.1	45.2	135.1	137.0	401.6	364.8	240.8	250.1
Brazil	203.6	144.9	165.5	295.5	361.5	422.9	753.5	1,108.7	1,192.5
Chile	52.0	9.7	6.1	19.4	45.6	61.2	49.8	95.5	129.9
<i>Grupo Andino</i>	33.4	32.2	45.8	92.2	130.7	304.1	352.9	536.9	533.6
Bolivia	1.0	1.8	0.9	3.3	4.6	4.9	10.2	17.1	16.2
Colombia	5.2	10.6	3.7	19.7	22.4	34.5	49.7	72.3	83.4
Ecuador	2.0	9.1	7.7	19.6	20.5	16.4	23.3	49.8	37.1
Peru	10.6	2.0	28.7	40.6	26.2	75.9	102.3	190.3	169.9
Venezuela	13.5	8.7	4.8	9.0	57.0	172.4	140.3	207.3	226.9
<i>Mercado Común del Caribe</i>	3.2	1.0	6.3	5.1	7.3	6.4	22.1	46.4	50.0
<i>Otros Países de América</i>	78.4	92.7	94.8	141.8	224.1	235.3	222.8	211.1	228.3
Cuba	2.3	2.0	1.2	7.5	13.9	83.7	44.4	7.6	7.1
Panamá	19.8	15.1	55.3	65.8	122.2	87.8	92.9	57.7	60.6
República Dominicana	0.0	0.0	0.1	0.5	0.1	1.8	2.3	3.9	3.3
<i>Unión Europea</i>	1,525.1	1,826.3	1,980.2	2,782.8	3,396.5	4,686.2	5,703.1	7,154.5	7,287.7
<i>Asociación de Libre Comercio</i>	336.3	369.9	345.8	454.1	608.9	787.1	891.7	1,025.7	944.2
<i>Países de Europa del Este</i>	43.7	34.4	30.0	53.6	74.3	135.9	160.1	152.5	196.4
<i>Otros Países</i>	1,736.0	1,157.9	1,242.5	1,903.8	2,057.5	3,183.8	3,820.9	6,112.7	6,762.0
Japón	723.3	684.3	795.4	1,125.1	1,081.3	1,432.4	2,030.7	3,040.6	3,368.9

* These years include maquila trade. Previous years do not include maquila trade

Source: Banco Nacional de Comercio Exterior

Table 13: Bilateral Merchandise Trade Balance
(millions of US dollars)

	1985	1986	1987	1988	1989	1990	1991	1992	1993
Total	8,406.0	4,598.6	8,433.3	1,666.9	-644.8	-4,433.5	-11,063.8	-15,933.8	-13,480.6
<i>America del Norte</i>	4,625.8	3,235.5	5,407.9	861.1	-218.2	-1,684.4	-6,217.3	-6,848.7	-3,021.0
Canada	158.0	-30.5	-38.8	-60.3	-143.0	-228.8	360.9	-52.0	378.2
E.U.	4,467.8	3,265.9	5,446.7	921.3	-75.2	-1,455.6	-6,558.2	-6,796.7	-3,399.2
<i>Mercado Comun Centroamericano</i>	238.7	186.5	294.2	293.4	388.5	243.1	265.0	351.7	359.7
Costa Rica	12.7	58.4	54.1	71.0	76.7	26.0	59.2	92.4	77.5
El Salvador	88.0	58.6	81.6	84.2	87.3	103.0	96.8	108.7	98.1
Guatemala	85.2	48.7	102.6	79.6	160.3	67.6	55.0	76.0	142.5
Honduras	22.5	22.1	42.4	49.8	58.8	51.0	49.8	73.7	32.3
Nicaragua	30.2	5.7	13.6	8.8	5.3	-4.4	4.2	0.7	9.3
<i>Asociacion Latinoamericana de Integracion</i>	32.6	283.5	536.0	270.6	33.6	-339.6	-542.6	-671.6	-568.2
Argentina	-232.1	-36.7	124.2	-10.1	-23.5	-286.6	-179.3	-61.1	28.1
Brazil	94.2	31.6	-1.4	-179.8	-167.6	-253.9	-566.1	-700.6	-901.7
Chile	-35.7	17.2	39.0	111.5	37.8	29.9	77.0	56.9	64.1
<i>Grupo Andino</i>	188.4	225.1	298.6	301.3	149.2	69.7	79.6	14.8	97.2
Bolivia	-0.9	-1.1	0.5	0.3	-0.9	-1.0	2.5	-8.6	0.9
Colombia	115.9	99.3	133.2	168.2	88.4	75.8	106.0	146.4	152.5
Ecuador	46.3	49.1	62.3	38.4	27.5	40.7	36.6	12.7	19.3
Peru	2.4	31.4	4.7	14.0	29.5	-10.2	-24.7	-127.6	-76.0
Venezuela	25.6	46.4	50.3	80.4	4.7	-35.7	-13.7	-8.0	0.5
<i>Mercado Comun del Caribe</i>	50.4	19.8	14.6	50.2	64.1	98.9	90.2	111.3	68.2
<i>Otros Paises de America</i>	282.9	247.9	245.8	336.5	335.9	297.6	398.7	532.6	652.7
Cuba	67.4	43.8	78.0	111.4	95.2	21.1	61.2	109.3	181.2
Panama	99.6	88.6	93.2	0.5	-22.0	-16.2	6.3	51.0	84.4
Republica Dominicana	131.9	111.2	132.4	43.0	140.0	105.8	147.4	174.5	199.7
<i>Union Europea</i>	2,500.1	346.6	192.7	-92.8	-731.4	-1,287.5	-2,411.3	-3,855.4	-4,687.6
<i>Asociacion de Libre Comercio</i>	-261.3	-253.9	-229.8	-340.4	-475.9	-536.5	-697.9	-789.0	-734.0
<i>Paises de Europa del Este</i>	13.0	11.3	15.7	87.1	-6.2	-99.6	-126.5	-135.2	-178.0
<i>Otros Paises</i>	923.9	491.4	406.9	201.4	-35.3	-1,125.4	-1,821.9	-4,629.9	-5,372.4
Japon	985.8	373.5	262.4	106.3	233.5	16.6	-789.8	-2,247.1	-2,668.5

* These years include maquila trade. Previous years do not include maquila trade

Source: Banco Nacional de Comercio Exterior

Table 14: Cumulative Foreign Direct Investment by Sector
(millions of US dollars)

(millions of US dollars)

	New Investment	Cumulative Investment	By Sector:				
			Industry	Services	Commerce	Mining	Agriculture
1982	627	10,786	8,347	1,272	926	237	5
1983	684	11,470	8,944	1,285	984	252	5
1984	1,442	12,900	10,213	1,407	1,016	258	6
1985	1,871	14,629	11,379	1,842	1,125	276	6
1986	2,424	17,053	13,298	2,165	1,277	307	6
1987	3,877	20,930	15,699	3,599	1,255	356	22
1988	3,157	24,087	16,719	5,477	1,502	381	10
1989	2,500	26,587	17,701	6,579	1,889	390	29
1990	3,722	30,310	18,894	8,782	2,060	484	90
1991	7,015	33,875	21,456	8,917	2,949	452	102
1992	5,705	37,473	21,985	11,517	3,278	519	173
1993	4,901	42,374	24,488	13,059	4,043	576	208
1994*	4,432	46,806	26,378	15,056	4,562	600	210

(percent)

	New Investment	Cumulative Investment	By Sector:				
			Industry	Services	Commerce	Mining	Agriculture
1982	5.81	100	77.39	11.79	8.59	2.20	0.05
1983	5.96	100	77.98	11.20	8.58	2.20	0.04
1984	11.18	100	79.17	10.91	7.88	2.00	0.05
1985	12.79	100	77.78	12.59	7.69	1.89	0.04
1986	14.21	100	77.98	12.70	7.49	1.80	0.04
1987	18.52	100	75.01	17.20	6.00	1.70	0.11
1988	13.11	100	69.41	22.74	6.24	1.58	0.04
1989	9.40	100	66.58	24.75	7.10	1.47	0.11
1990	12.28	100	62.34	28.97	6.80	1.60	0.30
1991	20.71	100	63.34	26.32	8.70	1.33	0.30
1992	15.22	100	58.67	30.73	8.75	1.39	0.46
1993	11.57	100	57.79	30.82	9.54	1.36	0.49
1994*	9.47	100	56.36	32.17	9.75	1.28	0.45

Source: Secretaría de Comercio y Fomento Industrial (SECOFI), Dirección General de Inversión Extranjera.

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Table 15: Cumulative Foreign Direct Investment by Country of Origin

(millions of US dollars)

	TOTAL	U.S.A.	Canada	U.K.	Germany	Switzer.	Japan	France	Others
1983	11,470	7,601	162	351	973	588	780	229	786
1984	12,900	8,513	195	396	1,125	648	816	237	970
1985	14,629	9,840	230	452	1,181	789	895	248	994
1986	17,053	11,047	270	556	1,399	823	1,038	565	1,355
1987	20,930	13,716	290	987	1,446	918	1,170	596	1,807
1988	24,087	14,958	324	1,754	1,583	1,005	1,319	749	2,395
1989	26,587	16,772	361	1,799	1,668	1,199	1,335	765	2,688
1990	30,310	19,080	417	1,914	1,956	1,347	1,456	946	3,194
1991	33,875	21,466	791	1,988	2,041	1,415	1,529	1,447	3,198
1992	37,473	23,118	580	2,414	2,126	1,730	1,616	1,516	4,373
1993	42,374	26,622	654	2,603	2,237	1,832	1,690	1,593	5,143
1994*	46,806	28,969	725	3,397	2,439	1,877	1,856	1,612	5,931

(percent)

	TOTAL	U.S.A.	Canada	U.K.	Germany	Switzer.	Japan	France	Others
1983	100	66.27	1.41	3.06	8.48	5.13	6.80	2.00	6.85
1984	100	65.99	1.51	3.07	8.72	5.02	6.33	1.84	7.52
1985	100	67.26	1.57	3.09	8.07	5.39	6.12	1.70	6.79
1986	100	64.78	1.58	3.26	8.20	4.83	6.09	3.31	7.95
1987	100	65.53	1.39	4.72	6.91	4.39	5.59	2.85	8.63
1988	100	62.10	1.35	7.28	6.57	4.17	5.48	3.11	9.94
1989	100	63.08	1.36	6.77	6.27	4.51	5.02	2.88	10.11
1990	100	62.95	1.38	6.31	6.45	4.44	4.80	3.12	10.54
1991	100	63.37	2.34	5.87	6.03	4.18	4.51	4.27	9.44
1992	100	61.69	1.55	6.44	5.67	4.62	4.31	4.05	11.67
1993	100	62.83	1.54	6.14	5.28	4.32	3.99	3.76	12.14
1994*	100	61.89	1.55	7.26	5.21	4.01	3.97	3.44	12.67

* 1994 figures January - August

Source: Secretaría de Comercio y Fomento Industrial (SECOFI), Dirección General de Inversión Extranjera.

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