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## **Government Moves to Open Key Economic Sectors to Foreign Investors**

*by LADB Staff*

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During March, President Carlos Salinas de Gortari's administration reported new developments in the government's efforts to open up three key sectors of the economy to private participation: electricity generation, banking, and long- distance telephone service. In the area of electricity generation, the Trade Secretariat (Secretaria de Comercio y Fomento Industrial, SECOFI) on March 17 announced plans to enter into investment- protection agreements with the governments of 20 countries this year.

SECOFI did not specify what type of protection will be negotiated. But the Secretariat's investment director, Fernando Heftye, said the agreements are designed to reassure utility companies from those countries that investments in Mexico's electricity generating sector would be protected by law. The list includes such countries as Germany, Britain, Romania, Switzerland, and South Korea. Heftye said the government is seeking investments of US\$300 million to US\$500 million for each project. He said the foreign investment is allowed under the Public Service Law for Energy (Ley de Servicio Publico de la Energia).

According to Energy, Mines and State-owned Industries (SEMIP) Secretary Emilio Lozoya Thalmann, Mexico will need to double its electricity-generating capacity by the year 2006 to meet the needs of the growing population. He said roughly 93% of Mexico's population currently has access to electricity. Separately, Andres Massieu Berlanga, deputy secretary for the Communications and Transportation Secretariat (Secretaria de Comunicaciones y Transporte, SCT) announced that the government will make the final decision on concessions for long-distance telephone service by June at the latest. The concessions will be awarded this year, even though long- distance service will not be open to full competition until 1997.'

Among the consortia which have announced plans to seek the long-distance concessions is a partnership between the US company MCI and Mexican financial company and communications provider Banacci. Telefonos de Mexico, which will retain the long-distance monopoly until 1997, is expected to form a partnership with a foreign company, probably US-based AT&T.

"We must take advantage of the opportunity to obtain the latest technology and thus meet our obligation to provide the best telephone services at the national level," Massieu said. In the area of banking, Tomas Ruiz, director of banking for the Finance Secretariat (Secretaria de Hacienda y Credito Publico, SHCP) told reporters in early March that the Salinas administration also plans to approve operating permits for at least three foreign banks by June.

Ruiz said the SHCP expects to provide at least 25 new banking permits during the remainder of this year, including at least 15 subsidiaries of foreign institutions and 10 new domestic banks. He said

23 foreign banks had applied for permits to operate in Mexico, mostly from the US and Canada. In fact, during March a US and a Canadian bank took steps to prepare for the opening of the banking sector.

The US- based Texas Commerce Bank announced plans to open a subsidiary office in Monterrey by June of 1994. The bank, which is a subsidiary of New York-based Chemical Bank, said the institution would like to become a "bridge" for US businesses to Mexico's financial market. Meantime, the National Bank of Canada on March 17 opened a representative office in Mexico City to serve initially in a consultant role but with the possibility of expanding into full-service operations later in the year. Bank president Leon Courville told reporters the institution will at first provide assistance to small- and medium-sized businesses from Canada seeking to invest in Mexico and other Latin American countries. In fact, the Canadian bank, which shares space in Mexico City with Chilean partner Banco Osorno, will use the operations in Mexico to help Canadian exporters sell their products in Chile via Mexico.

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