1999 Country Reports on Economic Policy and Trade Practices
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MEXICO

Key Economic Indicators

(Billions of U.S. Dollars unless otherwise indicated)

	1997	1998	1999 1/
Income, Production and Employment:			
Nominal GDP 2/	402.0	415.0	448.0
Real GDP Growth (pct) 3/	7.0	4.8	3.4
GDP by Sector:			
Agriculture	21.42	20.51	21.74
Manufacturing	80.20	83.26	89.35
Services	253.24	258.75	277.95
Per Capita GDP (US$)	4,232	4,294	4,565
Labor Force (Millions)	36.6	37.5	38.7
Unemployment Rate (pct)	3.7	3.2	2.8
Money and Prices (annual percentage growth):			
Money Supply Growth (M2)	21.1	23.3	19.0
Consumer Price Inflation	15.7	18.6	12.9
Exchange Rate (Peso/US$)	7.9	9.1	9.6
Balance of Payments and Trade:			
Total Exports FOB 4/	110.4	117.5	131.0
Exports to U.S. 4/	94.3	103.1	112.0
Total Imports FOB 4/	109.8	125.2	136.0
Imports from U.S. 4/	82.0	93.1	101.0
Trade Balance 4/	0.6	-7.7	-5.0
Balance with U.S. 4/	12.3	10.0	11.0
External Public Debt	88.3	92.3	91.1
Fiscal Deficit/GDP (Pct)	1.0	1.4	1.2
Current Account Deficit/GDP (pct)	1.8	3.5	2.8
Debt Service Payments/GDP (pct)	22.5	23.0	23.0
Gold and Foreign Exchange Reserves	28.0	30.1	31.0
Aid from U.S.	N/A	N/A	N/A
Aid from All Other Sources	N/A	N/A	N/A

1/ 1999 figures are all estimates based on available monthly data in November.
2/ GDP at factor cost.
3/ Percentage changes calculated in local currency.
4/ Merchandise trade, Mexican data.

1. General Policy Framework

The strong recovery that the Mexican economy experienced in 1996 and 1997 tapered off in 1998, as the economy experienced a significant slowdown in the last quarter of the year. Nevertheless, Mexico's Gross Domestic Product (GDP) grew a healthy 4.8 percent in 1998. GDP acceleration resumed in the second quarter of 1999, and the economy is set to grow by about 3.4 percent for the entire year.

Exports, led by the maquiladora industry, have remained the main engine of economic growth, and could surpass $131 billion in 1999. The country's aggressive market opening through bilateral and multilateral trade agreements has continued to create new markets for Mexican products, while allowing more foreign competition. Since recovering from the 1994-95 economic crisis, imports have increased at a faster rate than exports, resulting in a reversal of Mexico's trade surplus of the previous years. The slowdown that began late 1998 temporarily reversed that trend, however, and Mexico's trade deficit for 1999 – about $5 billion – will be lower than next year. Two-way trade with the United States has also continued to grow and (by Mexican figures) could surpass $210 dollars.

The central bank's tight monetary policy, coupled with quiet international financial markets, led to a strong real and nominal appreciation of the peso. The currency appreciation helped the central bank regain its credibility and attain its inflation target of 13 percent for 1999. The central bank's announced target of 10 percent inflation for next year portends a tight monetary policy throughout 2000.

2. Exchange Rate Policy

In December 1994, Mexico abandoned its exchange band mechanism, which had been in place since 1991, in favor of a free-floating exchange rate. The peso has floated freely since then with only infrequent interventions by the Bank of Mexico (Mexico's central bank). After losing more than half its value against the dollar in 1995, the peso was remarkably stable in 1996 and through most of 1997. The peso appreciated by roughly 18 percent in real terms from September 1998 to November 1999. To accumulate foreign reserves and weaken the peso to support exporters, the bank offered credit institutions monthly options to sell dollars to the central bank. The Bank of Mexico has purchased up to $600 to $800 million of these options from banks in a single month. The amount of these options, however, is still felt to be too small to have an appreciable impact on the exchange rate.

3. Structural Policies

Mexico has reduced significantly regulation of the Mexican economy over the past decade. The government introduced legislation in 1993 to promote greater competition, limit monopolistic behavior, and prohibit practices that restrain trade. The Mexican Federal

Competition Commission, established in that legislation, now has functioned successfully for more than four years. A 1993 Foreign Trade Law eliminated most nontariff trade restrictions and established remedies for unfair trade practices, such as export subsidies and dumping. The Mexican Customs Service also was modernized and automated. Customs Law reforms, implemented in 1996, have greatly assisted in the effort to weed out corruption. A project to examine all government regulations and to reduce them continues moving forward, with several federal ministries and the federal district having completed their work. State and local deregulation is also planned for the future.

The government rarely publishes draft regulations for comment, although in most cases it informally circulates draft copies to major chambers and associations. This allows a few large organizations with a local presence to influence the regulation-making process. However, it does not provide the transparency that comes from publication, and can limit the ability of small and foreign entities to participate in the consultation process. In addition, final regulations routinely take effect the day after publication, increasing compliance burdens for unsuspecting foreign entities and sometimes causing confusion and delays at border crossing points.

The government has privatized or eliminated more than 1000 parastatal companies since 1986. State enterprises thus far privatized include commercial banks, the telephone company, a television network, airlines, steel production, most railroads and ports, warehouses, and several major industrial facilities. President Zedillo continued the privatization trend. In 1997 and 1998, multiple contracts were let for private sector construction of power plants and for distribution of natural gas to strategically chosen communities. The government continues working to privatize management and some facilities at the remaining government-operated ports, and has shed all railroads. A proposed constitutional amendment that would allow more private sector participation in the generation and distribution of electricity, however, has lingered in Congress.

Airport privatization in mid November 1999 continues. Mexico's airports have been divided into five geographic areas. Each area will be managed by a group of investors. While some airport groups are fully operational, Pacifico and SouthEast for example, the privatization process for the remaining groups should near completion toward the end of 2000. The Mexican government will maintain control of a limited number of smaller airports in the interest of the public served by these regional facilities. The government announced plans to sell up to 49 percent of its secondary petrochemical plants, despite opposition party resistance. There is now competition in most of Mexico for the provision of long-distance telephone service. However, legal struggles between Telmex and the new market entrants have somewhat complicated the development of competition in this sector.

4. Debt Management Policies

Mexico has largely achieved the objectives laid out in the emergency economic program developed to cope with the 1995 peso crisis. During 1997 and the first three quarters of 1998, public sector debt continued to decline in real terms. The maturity of public debt was extended, the debt profile was reconfigured, the composition of external debt altered dramatically, and Mexico successfully returned to international capital markets. Among the most telling indicators of the success of Mexico's debt strategy were early repayment to the U.S. Treasury of all of the economic support funds extended to Mexico during the 1995 crisis, and Mexico's relative ease in weathering the effects of other-country financial crises in the fall of 1998.

At the end of the first half of 1998, Mexico's net public sector external debt was $88.2 billion, a slight decrease from 1997. The Bank of Mexico auctions $250 million of dollar put options at the end of each month, which purchasers may exercise any time during the following month, subject to certain limitations. In 1998 total amortization of public external debt will be $22.1 billion, compared to $32.3 billion in 1997.

5. Significant Barriers to U.S. Exports

Import Licenses: The Secretariat of Trade and Industrial Development (SECOFI) requires import licenses for a number of commercially sensitive products. In 1998, SECOFI expanded the import licensing system by establishing an "automatic" import license for certain Asian and European products because of concerns about dumping and under-invoicing. While NAFTA originated goods are exempt from these requirements, U.S. companies that obtain goods from covered countries may be affected by the requirements. The Secretariat of Agriculture requires a prior import authorization for fresh/chilled and frozen meat. In 1998, the Secretariat of Health announced new import license rules for certain food products. These rules call for either an "advance sanitary import authorization" or "notification of sanitary import" prior to the product crossing the border. Obtaining these permits requires extensive documentation and certification by the exporter. In addition, Mexico maintains import licenses for sensitive products such as endangered species and weapons.

Insurance: Until 1990, the Mexican insurance market was closed to foreigners. With the introduction of NAFTA, U.S. and Canadian insurers that had joint venture operations in Mexico were allowed to increase their ownership share from 30 percent in 1994 to 51 percent in 1996 and 100 percent by the year 2000. Companies not already in Mexico could set up joint ventures and obtain majority control during 1998. U.S. insurers may also establish wholly owned subsidiaries in Mexico, subject to aggregate market share limits which will be eliminated in 2000. Some third-country firms have entered through affiliates or subsidiaries in the United States or Canada under the NAFTA arrangement.

Telecommunications: The main restriction in the telecommunications sector is a limitation on foreign investment in telephone and value-added services to a 49 percent equity position. However, in cellular telephony, foreign investors may participate up to 100 percent, subject to approval by the national foreign investment commission. Nevertheless, foreign investors may only participate through a Mexican corporation. Mexico modified its constitution in 1995 to allow for private participation and equity in Mexican telecommunication satellites, including ownership of transponders. The government's satellite firm was privatized in early 1998. Foreign investment is limited to a 49 percent equity position.

The Telmex legal monopoly on long distance and international telephone service ended in August 1996 and competition was introduced in January 1997. There currently is competition in all major cities and much of the rest of Mexico. Eight firms are currently authorized to provide long distance service, five of which have U.S. partners. USTR cited Mexico in its March 1998 annual "1377" review for failure to meet its WTO Basic Telecom Agreement commitments, including a discriminatory 58 percent surcharge on inbound international long distance traffic and failure to allow International Simple Resale (ISR). In December 1998, the government eliminated the 58 percent surcharge, but has yet to permit ISR. Local, basic telephone service is already technically open to competition, but practical competition in this area has not yet been fully developed.

Since July 1999, Telmex has refused to provide any new private local lines when they are order by the competitive long distance carriers, Alestra and Avantel. Customers of Telmex, however, can still get comparable line orders filled. This raises questions about WTO commitments by Mexico to assure competitors access to and use of the Telmex network.

Financial Services: The financial services sector is generally open and liberalized. Mexico continued during 1995 to promote competition and diversification in the financial sector by encouraging foreign investment. New rules adopted in 1995 allow foreign banks to acquire up to 100 percent ownership in existing banks that have less than six percent of the total capital in the banking system (effectively excluding Mexico’s three largest banks). Legislation passed in December 1998 removed the six percent cap, allowing 100 percent ownership of any bank. Foreigners may now own up to 25 percent of the total net capital of the banking system. Also, a single Mexican or foreign individual may own up to 20 percent of a given Mexican financial institution. As a group, foreigners can, in most cases, own up to 49 percent of a bank, stock brokerage house, or financial group.

Standards, Testing, and Certification: The extensive use of mandatory standards, testing and labeling has the potential of acting as a barrier to trade and can raise the cost of exporting to Mexico. However, the government has displayed an increased willingness to work with U.S. industry to address U.S. concerns.

The government has been the primary actor in determining product standards, labeling and certification policy, with input from the private sector. Mexican law requires that Mexican standards be based on “international standards,” but Mexican standards sometimes will incorporate U.S. and Canadian standards when those differ from the international benchmark.

With a view to increasing transparency, among other things, the government of Mexico revised its federal law on metrology and standardization in May 1997. While these changes provided for the privatization of its accreditation program and greater transparency, certain

Mexican ministries deem that particular regulations are executive orders and therefore not required to be published for comment. In some cases the GOM refused to provide copies of the regulations for U.S. industry to review as was the case in recently revised regulations to Mexico's Health Law. U.S. exporters of vitamins have raised concerns that these revised regulations may impede their supply to the Mexican market. Low-dosage vitamins will be governed as medicines or pharmaceuticals which require inspection and approval of manufacturing facilities by the Mexican Ministry of Health in order to obtain a sanitary license. Mexican government officials have advised U.S. industry and government officials that it does not plan to conduct the inspections and approvals required for factories outside Mexico.

Additionally, while the Federal Law on Metrology and Standardization provides for the adoption of emergency mandatory standards to deal with exceptional and unforeseen circumstances which might result in irreversible situations, the legitimacy of the emergency nature of some of these mandatory standards remains questionable. In certain instances, Mexico has been less than diligent in providing opportunity for comment by its trading partners.

U.S. exporters have complained that since Mexican customs enforces standards for goods entering the country at the border and domestically produced products are inspected randomly at the retail level, enforcement of compliance with mandatory standards appears to be more stringent in the case of imports. U.S. exporters have also complained about inconsistencies at different ports of entry.

Only Mexican producers or importers are allowed to obtain a NOM certificate (official document certifying that a particular good complies with an applicable standard). This poses a problem for U.S. exporters, if they use multiple importers. Each importer has to pay to have the same product tested at a Mexican lab every year, requiring costly redundant testing. In September, 1999, SECOFI published a proposal to revise its certification regulations. If adopted, the proposal would allows companies from countries with which Mexico has a free trade agreement (e.g., the United States) to obtain a NOM certificate. This would appear to address many of industry's concerns regarding the importer problem. However, industry is in the process of reviewing the revised procedures and is in the process of submitting comments.

On January 1, 1998, Mexico was obligated to recognize conformity assessment bodies in the United States and Canada on terms no less favorable than those granted in Mexico. The requirement that there be a need for additional certification bodies and verification units before laboratories can be accredited remains questionable.

Problems remain with restrictions on U.S. beef exports to three Mexican states that fail to recognize U.S. meat grades. In late 1998, Mexico suspended testing for heavy metals residues in imported meats based on national treatment differences between its standards for domestic and imported products. These standards, among the most restrictive in the world, were not based on international or NAFTA consensus, and had questionable scientific basis. Other new standards for imported grain and poultry, published in late 1998, are interrupting -- or may interrupt -- U.S.

exports. Again, there are questions regarding conformity with international standards and sound scientific justification.

Investment Barriers: The national foreign investment commission decides questions of foreign investment in Mexico. The country's constitution and Foreign Investment Law of 1992 reserve certain sectors to the state, such as oil and gas extraction and the transmission of electrical power, and a range of activities to Mexican nationals (for example, forestry exploitation, domestic air and maritime transportation.) Despite remaining restrictions, the Foreign Investment Law greatly liberalized foreign investment, eliminating the requirement for government approval in around 95 percent of foreign investments. The constitution was amended in 1995 to allow foreign investment in railroads, telecommunications and satellite transmission. An initiative to privatize the country’s secondary petrochemical complexes did not succeed because it would have limited foreign investors to only 49 percent ownership of existing facilities. Newly built petrochemical plants may have up to 100 percent foreign investment.

Provisions contained in NAFTA opened Mexico to greater U.S. and Canadian investment by assuring U.S. and Canadian companies' national treatment, the right to international arbitration and the right to transfer funds without restrictions. NAFTA also eliminated some barriers to investment in Mexico such as trade balancing and domestic content requirements. These barriers are also being phased out in some sectors, such as automobile manufacturing. Mexico additionally has implemented its commitment under NAFTA to allow the private ownership and operation of electric generating plants for self-generation, co-generation, and independent power production. In 1995, Mexico issued regulations for the first time allowing private sector participation in the transportation, distribution and storage of natural gas. Contracts let in 1997 and 1998 under the new regulations constitute one of the major success stories in Mexico’s ongoing infrastructure development. In 1999, Mexico eliminated a four percent tariff on imports of natural gas, further liberalizing the sector.

Investment restrictions still prohibit foreigners from acquiring title to residential real estate within 50 kilometers of the nation's coasts and 100 kilometers of the borders. However, foreigners may acquire the effective use of residential property in the restricted zones via a trust through a Mexican bank. At this time, only Mexican nationals may own gasoline stations, whose gasoline is supplied by PEMEX, the state-owned petroleum monopoly. These gasoline stations also only carry PEMEX lubricants, although other lubricants are manufactured and sold in Mexico. Both foreigners and Mexican citizens themselves encounter problems with enforcement of property rights.

Government Procurement Practices: There is no central government procurement office in Mexico. Government agencies and public enterprises use their own purchasing offices to buy from qualified domestic or foreign suppliers, subject to guidelines issued by the comptroller’s secretariat. In 1991, Mexico abandoned the rule that state-owned enterprises give preference in procurement to national suppliers. Suppliers from all countries may bid on most government tenders, and requirements for participation are the same for foreign and domestic suppliers. Because NAFTA allows some smaller contracts for goods, services or construction to be let without requiring them to be open to suppliers from all NAFTA countries, the Procurement Law enacted in 1994 distinguishes between procurement contests open to national versus international suppliers. The law, however, acknowledges Mexico's procurement obligations under NAFTA and other international trade agreements. Some companies have complained that Mexican government agencies do not always follow the procedural procurement requirements established by NAFTA. For example, a number of bid requests require tender submission in less than the 40 days established by NAFTA.

A specific preferential treatment in public procurement is granted to domestic drug suppliers (which includes foreign companies established in Mexico). NAFTA gradually increases U.S. suppliers' access to the Mexican government procurement market, including PEMEX and the Federal Electricity Commission (CFE), which are the two largest purchasing entities in the Mexican Government. Under NAFTA, Mexico immediately opened 50 percent of PEMEX and CFE bids to competition by suppliers from NAFTA Parties. Each year, that percentage will increase until all PEMEX and CFE bids which are above the NAFTA value threshold will be open to goods and suppliers from NAFTA Parties. PEMEX and CFE procurement will be open by 2004.

Customs Procedures: In 1996 Mexico enacted a new Customs Law that simplified a number of procedures. The law transfers a number of obligations to private sector customs brokers who are subject to sanctions if they violate customs procedures. As a result, some brokers have been very restrictive in their interpretation of Mexican regulations and standards. In an attempt to combat under-invoicing and other forms of customs fraud, Mexican customs also maintains (and in some cases has significantly expanded) measures that can impede legitimate imports, including an industry sector registry and reference prices. Importers of more than 400 different agricultural, textile, electronic, automotive, and other products from the United States and elsewhere currently must demonstrate payment of taxes and formally register with the Secretariat of Finance every twelve months. The registration process can be burdensome and time consuming, and no grace period is granted when new products become subject to the requirement. Mexico's reference pricing practice obligates importers of many of the same items to post a bond covering the difference in duties and taxes if the declared customs value of the good is below an official "estimated" or "reference" price. Unless the government initiates an investigation, bonds generally are returned after six months. Importers can obtain expedited release of their guarantees if the exporting company provides a certified invoice authenticated by its local chamber of commerce. Reference prices are set in a non-transparent and apparently arbitrary manner, and the practice may increase the cost of shipping certain U.S. products across the border and effectively restore tariffs on goods that would otherwise enter duty-free under the NAFTA. The Secretariat of Finance intended to replace the current bond system with a potentially more onerous cash deposit requirement in 1999, but has postponed the measure until April 2000. The United States believes this policy is inconsistent with Mexico's international obligations.

6. Export Subsidies Policies

The government has not had an export subsidy program. Provisions for promoting exports in the Foreign Trade Law have been limited to training and assistance in finding foreign sales leads, project financing (at market rates) for export oriented business ventures, and special tax treatment for companies that have significant export sales.

7. Protection of U.S. Intellectual Property

Mexico is a member of the major international organizations regulating the protection of Intellectual Property Rights (IPR): the World Intellectual Property Organization (WIPO), the Geneva Convention for the Protection of Phonograms against Unauthorized Duplication of their Phonograms; the Berne Convention for the Protection of Literary and Artistic Works (1971); the Paris Convention for the Protection of Industrial Property (1967); the International Convention for the Protection of New Varieties of Plants; the Universal Copyright Convention, and the Brussels Satellite Convention.

Mexico has implemented NAFTA obligations providing for nondiscriminatory national treatment of IPR matters, establishing certain minimum standards for protection of sound recordings, computer programs and proprietary data, and by providing express protection for trade secrets and proprietary information. The term of patent protection is 20 years from the date of filing. Trademarks are granted for 10-year renewable periods. The government continues to strengthen its domestic legal framework for protecting intellectual property. In 1997 it implemented a new Copyright Law and amended its penal code to strengthen penalties against copyright piracy. In 1999 it again modified its penal code for copyright and trademark piracy, classifying them as felonies and increasing penalties. Mexico passed a law in 1996 providing protection to plant species, and in 1998 provided protection for integrated circuits.

In spite of the legal protection, the level of piracy and counterfeiting remains high in Mexico. Although federal authorities conduct investigations and carry out raids against pirates, there have been few criminal convictions stemming from these actions. Of the hundreds of raids carried out on behalf of the motion picture, recording, and software industries in 1998, the U.S. Government is only aware of one conviction for piracy. The government launched an anti-piracy campaign in November 1998, including increased raids, stronger penalties for piracy, and a public awareness campaign. By classifying IPR piracy as a felony, individuals indicted for piracy cannot qualify for bail. As a result, a number of indicted pirates have been incarcerated while awaiting trail. It remains to be seen whether the campaign will increase the number of convictions. U.S. industry remains skeptical of the efforts made by the Mexican Government, particularly since the Attorney General's office (PGR), which carries out these criminal investigations, did not receive increased funding in the legislative package. Mexico has not been in full compliance with NAFTA or with the TRIPs Agreement in a number of areas, including copyright, protection of test data, plant varieties, and enforcement. As a result, Mexico was placed on the "Special 301" Watch List in 1999, particularly because of the high level of piracy.

8. Worker Rights

a. The Right of Association: The constitution and the Federal Labor Law (FLL) give workers the right to form and join trade unions of their own choosing. Mexican trade unionism is well developed with about 25 percent of the work force members in thousands of unions. Although no prior approval is required to form unions, they must register with the Federal Labor Secretariat or state labor boards to gain legal status. Federal or state authorities reportedly sometimes use this administrative procedure to withhold registration from groups considered disruptive to government policies, employers, or unions. Union registration was the subject of follow-up activities in 1996, 1997, 1998, and 1999, pursuant to a 1995 agreement reached in ministerial consultations under the North American Agreement on Labor Cooperation (the NAFTA labor side agreement).

Unions, federations, and labor centrals freely affiliate with international trade union organizations. The FLL protects labor organizations from government interference in their internal affairs. The law permits closed shop and exclusion clauses, allowing union leaders to vet and veto new hires and force dismissal of individuals the union expels. Such clauses are common in collective bargaining agreements. Again in 1998, the committee of experts of the International Labor Organization (ILO) found that such restrictions violate freedom of association, and asked the Mexican Government to amend these provisions. A 1996 Mexican supreme court decision invalidated similar restrictions in the laws of two states, and in 1999 the same court ruled that public sector entities could not require that only one union represent workers.

Most labor confederations, federations and separate national unions are allied with the governing Institutional Revolutionary Party (PRI). Union officers help select, run as, and campaign for PRI candidates in federal and state elections, and support PRI government policies at crucial moments. This gives the unions some influence on government policies, but limits their freedom of action. Rivalries within and between PRI-allied organizations are strong. A smaller number of labor federations and independent unions are not allied to the PRI.

b. The Right to Organize and Bargain Collectively: The FLL strongly upholds this right. The public sector is almost totally organized. Industrial areas are also heavily organized. The law protects workers from antiunion discrimination but enforcement is uneven. Industry or sectoral agreements carry the weight of law in some sectors and apply to all sector firms, unionized or not, though this practice is becoming less common. The FLL guarantees the right to strike. On the basis of interest by a few employees, or a strike notice by a union, an employer must negotiate a collective bargaining agreement or request a union recognition election. In 1995, at union insistence, annual national pacts negotiated by the government and major trade union, employer and rural organizations ceased to limit free collective bargaining, which had been done for the past decade. The government, major employers, and unions meet periodically to discuss labor relations under the “new labor culture” mechanism. The government remains committed to free collective bargaining without guidelines or interference.

c. Prohibition of Forced or Compulsory Labor: The constitution prohibits forced labor and none has been reported in many years.

d. Minimum Age for Employment of Children: The FLL sets 14 as the minimum age for employment, but those under 16 may work only six hours a day, with prohibitions against overtime, night labor, and performing hazardous tasks. Enforcement is reasonably good at large and medium-sized companies but is inadequate at small companies and in agriculture and is nearly absent in the informal sector. The ILO reports 18 percent of children aged 12 to 14 work, often for parents or relatives. Most child labor takes place in the informal sector (including myriad street vendors and in thousands of family workshops), and in agriculture. Although enforcement is spotty, the government formally requires that children attend a minimum of nine years of school and has the ability to hold parents legally liable for their children's nonattendance. The government has a cooperative program with UNICEF to increase educational opportunities for youth.

e. Acceptable Conditions of Work: The FLL provides for a daily minimum wage set annually, usually effective January 1 by the tripartite (government/labor/employers) National Minimum Wage Commission. Any party may ask the commission to reconvene to consider a special increase. In December 1998 the commission adopted a 14 percent increase. In Mexico City and nearby industrial areas, Acapulco, southeast Veracruz state's refining and petrochemical zone and most border areas, the daily minimum wage has been 34.45 pesos ($4.00 in early November 1998). However, daily minimum wage earners actually are paid 39.27 pesos due to a 14 percent supplemental fiscal subsidy (tax credit to employers). Approximately 47.4 percent of the labor force earns the daily minimum wage or less. Industrial workers, under collective bargaining contracts, tend to average three to four times the daily minimum wage.

The law and collective agreements also provide extensive additional benefits. Those benefits which are legally required include social security (IMSS), medical care and pensions, individual worker housing and retirement accounts, substantial Christmas bonuses, paid vacations, profit sharing, maternity leave, and generous severance packages. Employer costs for these benefits run from 27 percent of payroll at small enterprises to over 100 percent at major firms with strong union contracts. Eight hours is the legal workday and six days the legal workweek, with pay for seven. Workers who are asked to exceed three hours of overtime per day or work overtime on three consecutive days receive triple the normal wage for that overtime. For most industrial workers, especially under union contract, the true workweek is 42 hours with seven day's pay. This is why unions jealously defend the legal ban on hiring and paying wages by the hour.

Mexico’s Occupational Safety and Health (OSH) laws and rules are relatively advanced. Completely revised regulations were published in 1997. Employers must observe “general regulations on safety and health in the work place" (which reflects close NAFTA consultation and cooperation) issued jointly by the Labor Secretariat (STPS) and the Social Security Institute (IMSS). FLL-mandated joint labor-management OSH committees at each plant and office meet at least monthly to review workplace safety and health needs. Individual employees or unions may complain directly to STPS/OSH officials; workers may remove themselves from hazardous situations without reprisal and bring complaints before the Federal Labor Board at no cost. STPS and IMSS officials report compliance is reasonably good at most large companies, though federal inspectors are stretched too thin for effective comprehensive enforcement. There are special problems in construction, where unskilled, untrained, and poorly educated transient labor is common.

f. Rights in Sectors with U.S. Investment: Conditions do not differ from those in other industrialized sectors of the Mexican economy.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis **--** 1998

(Millions of U.S. Dollars)

Category		Amount
Petroleum		235
Total Manufacturing		14,267
Food & Kindred Products	4,744	
Chemicals & Allied Products	2,203	
Primary & Fabricated Metals	438	
Industrial Machinery and Equipment	831	
Electric & Electronic Equipment	569	
Transportation Equipment	2,066	
Other Manufacturing	3,415	
Wholesale Trade		1,092
Banking		591
Finance/Insurance/Real Estate		4,206
Services		1,108
Other Industries		4,378
TOTAL ALL INDUSTRIES		25,877

(1) Suppressed to avoid disclosing data of individual companies.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.