THE NEW PRESIDENT OF MEXICO HAS SIGNALLED HIS INTENTION TO OPEN UP THE COUNTRY'S OIL INDUSTRY

Mexico set for oil reform

MEXICO

The Mexican oil industry may welcome foreign investors for the first time in 70 years if the country's new president, Enrique Peña Nieto, manages to push through his plan to overhaul the sector.

Mr Peña Nieto, who will take office on December 1, has placed the opening up of the oil industry at the centre of his presidency. The sector has been closed to any kind of foreign co-operation since its nationalisation in 1938, and the monopoly of state-run Petroleos Mexicanos (Pemex) is granted by the country's constitution.

Nevertheless, the growing need to reform Pemex has become a pressing matter. The company's oil production decreased in the past seven years by 26% to 2.5 million barrels a day in 2011.

"Pemex really needs foreign know-how, especially when it comes to deepwater drilling. The pressure to open up for new technologies is recognised both by the incoming president and by G-7 leaders," said Victor Hugo Rodriguez, director of the Latin American Chapter at the Hedge Fund Association. "President Peña Nieto will have a momentum for the next 18 months, before other issues in domestic politics will occupy his attention, to conduct necessary reforms."

Momentum notwithstanding, opening up Pemex to foreign partnerships may be a hard sell. Mr Peña Nieto's Institutional Revolutionary Party (PRI) does not have the necessary majority vote in the Mexican Chamber of Deputies. Although some senior politicians from the PRI's main rival, the National Action Party, support the liberalisation of the oil sector, the undertaking will likely be an issue of intense political haggling.

Additionally, PRI has close ties to Pemex union leaders and the company is the biggest source of tax revenues in the country.

"A complete overhaul of Pemex demands a more social-oriented plan as well as very careful political weaving and manoeuvring," said Rodolfo Andrade, CEO of Mexicali-based economic development consultancy AP Consulting.

According to Mr Andrade, the most likely scenario is opening the company for some foreign co-operation, without full liberalisation of the industry. This change will still be welcomed by many, as it may boost Mexico's falling volume of crossborder investments, and, as Mr Andrade said, such reform can "lay basis for a much larger one in the future". ■

MICHAL KACZMARSKI

Reform on the cards: Mexican president Enrique Peña Nieto wants to open up the country's oil industry

50% ESTIMATED AMOUNT THAT FDI CAPITAL INVESTMENT WAS DOWN IN MEXICO IN THE FIRST SIX MONTHS OF 2012 WHEN COMPARED WITH THE SAME PERIOD IN 2011

Mexico FDI falls by 31% in 2012

According to data on greenfield investment monitor fDi Markets, 150 foreign investment projects were announced in Mexico between January and June 2011, while a total of 104 were recorded during the same period in 2012, a decrease of 31%. Capital investment was down by nearly 50%, with just $5bn invested in the first half of 2012. Nearly one-quarter of all projects in the first half took place in January.

The Mexican automotive components sector accounted for more than one-fifth of all projects in the country in the first six months of 2012. Prominent investors included UK-based GKN Driveline, Japan-based Imasen Electric Industrial, and Yachiyo Industry, a subsidiary of Japanese motor firm Honda.

Nearly half of all investors in Mexico in the first six months of 2012 cited the country's growth potential as the their primary motive for investing. Mexico City was the top city destination for investment into the country, while the US was the top investor for both the first half of 2012 and the same period in 2011. ■

AILBHE McLOUGHLIN

Quebec to tap into resources

CANADA

The government of the Canadian province of Quebec plans to tap into the resources in its unexplored territories with the launch of its Northern Plan.

An economic development strategy covering more than 1,200,000 square kilometres, the plan has been described by Quebec's government as the region's most ambitious project in 50 years. It has been designed to develop the natural resources extraction sector in the province's north, and is expected to attract more than $80bn in energy, mining and forestry investments as well as creating or consolidating 20,000 jobs a year over a 25-year period.

The plan is made up of a series of five, five-year plans, with a total of $1.6bn set to be invested by Quebec's government in the first five years. ■

ELIZABETH HOLMENLUND