

National Program for Industrial Development and Foreign Trade

(1984 - 1988)

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

1984-1988

FEDERAL EXECUTIVE POWER

I. Introduction

The Country's development faces two main challenges: one is to propitiate better standards of living for a rapid-growing population by generating increased employment and satisfying people's basic needs and the other is to overcome the high vulnerability of our economy that nowadays confronts the unstable international context. The industry and the foreign trade constitute key pieces both to respond to said challenges and to foster the structural change of the national economy.

The industry's and foreign trade's structural-change strategy sets forth the essential conditions to ensure compatibility among social progress, macroeconomical stability and productive efficiency and creativity. This implies a self-supported growth of industry under the leadership of national enterprises, generating a larger number of employments and allowing a better distribution of income reducing, at the same time, our vulnerability before foreign countries: an essential condition to achieve a real national autonomy and independence.

The basic purpose of this Program is to establish a structural-change strategy to coordinate the actions of the government's (federal, state and municipal) entities with the

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

actions of productive sectors (public, private and social) to be able to transform Mexico into an intermediate industrial power as of the end of the present century.

The industrialization has been Mexico's economical-growth motor during the past four decades. An ample and diversified industrial base has been attained, supported by a modern and extended infrastructure, a highly prepared and trained human contingent and the abundance of material resources required for industry development. The national production of an important branch of consumer goods and broad-diffusion inputs has accomplished a high degree of development.

The industrialization process in Mexico has formed, in this way, an extended and diversified dynamic sector that lacks certain degree of integration, efficiency and competitiveness due to structural problems and difficulties in connection with the strategy and policy conception.

- The industrialization strategy's pivot and main support has been import replacement.
- Import replacement has been mainly based on a protectionist policy that has been typically excessive and permanent and has lacked a selectivity pattern according to dynamic comparative advantages, thus producing detrimental effects on relative-price signals and resource allocation.
- During the last decade, the macroeconomical policy has propitiated a strong lack of equilibrium that has had repercussions on the performance of the economical activity and, specially, on the industrial sector. In this regard, the aggregate-demand growth process is noteworthy

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

between 1977 and 1981, since during 1982 it exceeded the growth of the National Gross Product mainly as a consequence of a high 17.6% public deficit in said NBP, together with a growing overvaluation of local currency. Said two factors contributed to increase considerably our lack of equilibrium in regard to foreign countries.

-In spite of efforts made, said growth strategy and policy, together with the structural problems of a country under development, has caused the industrial activity in Mexico to continue being highly dependent on imports with a very low export capacity. Therefore, the most significant and permanent restriction for economical growth has been, during the last last four decades, our lack of equilibrium in regard to foreign countries as a result of the deficit in the manufacturing balance of trade: only during 1977-1981, said deficit amounted to 46 thousand million dollars, thus constituting the most evident symptom of the macroeconomical lack of equilibrium.

-In spite of foreign lack of equilibrium, the Country's national economy has growth, during the last decades, thanks to the availability of several financing sources. During the 1950's and 1960's, the main source of financing were the agricultural and livestock exports as well as tourism, while during the 1970's financing was mainly obtained abroad and from hydrocarbon exports, since income derived from manufactured-goods exports served only to finance one fourth of imports during 1980. As a result of

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

the above mentioned, the implantation of the macroeconomical adjustment policies and the structural change to correct said lack of equilibrium had to be designed.

Due to restriction and depletion of said sources of financing, the only option to grow is to finance imports mainly with resources derived from the national industry itself. For said purpose, a more efficient and competitive industrialization system -allowing financing of growing imports through manufactured-goods exports- is imperative. Therefore, it is expected that by 1988 manufactured-goods exports will finance 50% of imports -compared to the 25% financed as of 1980- and that by 1995 import financing exceeds 70%. Further, the other economical activities are also expected to raise their contribution to foreign currency generation.

Summarizing, the fundamental challenge is to recover our capacity to grow, on solid and different bases, generating and saving our own currency through an industrialization process that gradually reduces foreign currency demand and develops our productive plant, fostering exports and replacing imports selectively. Eventually, this will allow a self-supported growth.

The crisis faced by the national economy makes imperative a special-dimension structural change in the short term. As a consequence of the macroeconomical lack of equilibrium registered during 1982, the productive apparatus was simultaneously affected -for the first time

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

during more than forty years- by a significant demand reduction, high price escalation, high financing costs, scarce cash flow and an elevated foreign debt. The industry's critical situation has made necessary to design and apply the Program to Defend the Productive Plant and Employment in order to mitigate the most detrimental effects of the crisis, protect the Nation's public property -in order to ensure the industry's survival- and set the bases for the deepest modifications required by the country's productive structure.

The traditional industrialization strategy sets forth, as excluding options, growth through import replacement and export encouragement. In the case of Mexico, said options do not fit within a feasible strategy. To consider import replacement alone, as the industrialization motor, implies development of new investment projects that assume high imports of machinery, equipment, technology, etc. in the short and medium terms. On the other hand, a strategy centered on the exporting industry, as main motor of industrialization, would not be feasible due to the fact that manufactured-goods exports account for less than 10% of all manufacturing production. Therefore, even in the case of a duplication of the historical rate of growth, exports would not be enough to make the industrialization process dynamic. The structural change strategy combines the need to strengthen the internal

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

market and enhance integration and efficiency of the national plant to face a constant-changing world's economy.

As a consequence of the relative advancement in the industrialization process, the country counts with a sector that produces basic consumer goods and broad-diffusion inputs. Said sector, accounting for two thirds of production, employment and medium and small industries, may become the internal or endogenous motor of industrialization because it has essentially eliminated imports due to the fact that production thereof does not significantly depend on them. However, growth process requires certain imports and said imports will have to be financed with income derived from our own exports. Due to the above mentioned, the new industrialization strategy has as main pivots the endogenous and exporting sectors. However, when trying to make said sectors dynamic, it has been observed that several links of their productive chain are not produced in the country, making imports imperative. Thereby a third pivot, consisting in continuing import replacement under a selective process and at a rythm slower than the historical pace, has also been deemed necessary.

To carry out the new strategy, the industrial policy must meet three conditions: it should be congruent with the macroeconomical policy; it should overcome the

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

structural obstacles for growth and it should guarantee coherence in the design and use of policies, instruments and operational mechanisms.

Maintenance of the historical pattern of manufacturing-industry growth would cause a hard-to-endure deficit that, in turn, would produce a recurrent crisis similar to that of 1976 and 1982. Considering the various components involve in industry development, the project to recover the historical rates of growth -between 5 and 6% in what regards economy as a whole and between 7 and 8% for manufacturing industry- would imply a behaviour requiring imports that, according to our economy's perspective in the near future, foreign-currency availability would be incapable to finance. As a matter of fact, the growth of the import-replacing sector, which is the main demander of imports, would be twice the growth of the endogenous and exporting sectors and this would imply a GNP 7% deficit in the current account of the balance of payment as of 1988.

To prevent said lack of equilibrium, the industrialization strategy defines a new pattern for the manufacturing-sector growth that should allow, as of the end of the decade, financing of more than half of manufacturing imports through the sector's exports and, also, restriction of foreign financing -annually required by the economy- to 1% of the GNP. Considering a well balanced industrial growth, during 1985 and 1988, of the endogenous (6.6 to 7.7%), exporting (7.6 to 9.0%) and import-replacement (7.3 to 8.6%) sectors, the above

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

mentioned will be very likely accomplished. Through said pattern, manufactured-goods exports will probably increase from less than 5% (which is our historical mean pattern) to within 10 and 13%. Further, it is expected that the sector's imports will decrease from 17% to around 9%. The above mentioned is one of the most significant expressions of the industrial development strategy under the structural change pattern.

The fundamental strategy for the structural change of industry and foreign trade assumes the explicit identification of the existing structural obstacles and problems and the design of specific actions to overcome same.

The traditional instruments used to establish economy policies and relative prices/demand, are essential to signal production/investment income-yield capacity to determine resource allotment among sectors. In countries like Mexico, said two instruments, even though necessary, are not enough to produce a change in the supply level and structure, due to structural problems. For correction thereof, additional high-selectivity supply policies are required.

In our country, the structural problems resulting from the historical pattern of growth and the conception in connection with strategies and sectorial policies, are the following:

1. An unbalanced insertion of industry in the foreign market and a not satisfactory fitting to needs and

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

priorities in national development of production of basic goods and services, inputs and capital goods.

2. A scarce own technological development and a left-over in regard to industrialized countries due to a poor connection between the technological researchwork centers and the productive plant. The resources devoted to technological researchwork, development and adaptation have been frugal and achievements thereof have not been effectively transferred from research centers to corporations.
3. Production of certain manufactured goods lacking optimum productivity, price and quality. In some cases, our industrial organization has failed to take full advantage of the scale economies allowed by the market's dimension and has operated on levels that feature significant fragmentation. Further, there has not been a full integration of large, medium and small enterprises and there are unwarranted monopolizing and market-restriction practices in some industrial branches.
4. Regional location of industries, specially concentrated in large consumption centers. This fact adversely affects economy due to an excessive agglomeration and an irrational/expensive utilization of the infrastructure. The industrial infrastructure development should evolve according to the ever-increasing needs of the industrialization process and the regional development.

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

5. A poor coordination among productive agents, leading to the State's improvisatory participation in certain branches of industry; disregard of certain key industrial sectors -for national development- by public and private investors; waste of each agent's potentialities and an ineffective integration of medium and small industries in the productive structure.
6. The above mentioned, has prevented enough employment generation and full coverage of people's basic needs. 900,000 individuals are annually admitted in the labor force and almost two million Mexican people, whose basic needs are to be satisfied, are born per annum. The identification of the structural problems that affect the productive apparatus is essential to prepare a structural-change strategy to accomplish said Program's basic purpose. The subject strategy contemplates six congruent actions:
 1. A new foreign-trade industrialization and specialization pattern aimed to overcome restrictions and vulnerability abroad and attain a self-supported growth.
 2. A new technological pattern allowing incorporation of the new-technology potential in the industrial plant to relieve cumulative social wants.

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

3. A rationalization of the industrial organization for optimum use of the installed-plant resources and capabilities, in order to take advantage of scale economies and enhance integration of different-size corporations.
4. A strategy for industry location, encouraging a more harmonious and balanced regional development and a more efficient and rational use of national resources.
5. A strategy for the public, private and social sectors's supplementary participation in industry, according to their features and capabilities, based on mutual confidence and joint actions to determine common objectives.
6. A social dimension that manifests itself in the continuous generation of better-paid employments and a better satisfaction of the people's basic needs to accomplish a more equalitarian distribution of income.

The strategy for industry and foreign trade structural changes has been limited to an internally-consistent package of encouraging, protectionist and regulatory policies. The package of policies mentioned in said program is highly selective, has an integral character and ensures congruence thereof and own consistency.

Many of the policies referred to, exist since many years ago; however, they have been simplified, purified and suited to clearly and explicitly set forth the "rules of the game" in order

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

to eliminate excessive discretionality in policy operation and allow decentralization when making decisions and carrying out management procedures.

The protective policy rejects both foreign-trade resolute liberalization and excessive protectionism of national industry. We are looking for protection rationalization in such a way as to modernize the productive plant and increase competitiveness internationalwide. Further, said policy guarantees employment sources and national leadership of development. To achieve a higher efficiency in the productive plant and expediency of procedures, the tariff system will tend to replace permits previously granted in medium and long terms. However, control of imports will prevail while foreign currency availability is unstable and insufficient and as long as international conditions are unfavorable.

The main instruments to encourage exports will be: a realistic rate of exchange, a worldwide competitive financing, temporary import permits to allow exports and procedure simplification. Further, products enjoying dynamic international demand will be encouraged and advantage will be taken from different non-conventional trade peculiarities such as compensated bartering and exchange.

The most significant policies in this Program refer to Industrial development and their explicit purpose is to transform the regulatory character of some of their instruments in order that they may be the promoter of industrial development.

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

The most important encouraging policies to support the industry's and foreign trade's structural-change strategy refer to financing sources, the semi-state industrial sector, technological development and location.

The first one -financing- seeks to assign a growing volume of long-term credits to fields having priority, in order that investment projects in addition to observing economical income-yield capacity criteria, coincide with social priorities. The policy in connection with the semi-state industrial sector seeks to define and schedule investments and production, reorient demand and correct financial structure. The technological-development policy makes emphasis in the productive plant's researchwork and technological development. Finally, the location policy is based on a non-scattered deconcentration principle and seeks to coordinate the federal government's efforts made to invest in the infrastructure with the efforts made by the states and municipalities, simultaneously providing clear market signals through incentive granting.

Regulation policies are exclusively limited to: 1) a price policy that protects the purchasing power of wages, promotes production of basic goods and generates suitable income-yield capacity levels, preventing speculative practices and damping the inflationary process and 2) a policy for selective promotion and effective-regulation of foreign investments that benefit the Country's economy.

Said Program is being developed in the industrial sector, according to our mixed-economy market system and under the State's direction. Article 25 of the constitution sets forth that

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

"the State will plan, direct, coordinate and orient the national economy activity and will be in charge of regulating and fostering the activities demanded by the general interest, within the freedom granted by the Constitution".

The role of the State -acting as a direct economical doer when investing in the strategical branches having priority and as an indirect doer through protectionist, development and regulation policies- within the industry's and foreign trade's environment, is clearly expressed, explicitly acknowledging the market's role and force.

The mixed economy is outlined not only as a property structure, but as the participating-planning process. The State's participation does not intend to replace the market. In the mixed-economy régime, the state enterprises develop according to a market system and the State's actions are precisely directed to orient signalling thereof, seeking coincidence of private objectives, costs and benefits with social benefits, objectives and costs.

Said program defines the course deemed more appropriate -by the productive sectors- to overcome development obstacles. Planning implantation accepts all social sectors and productive agents to develop their own potentialities and strengthen our mixed-economy régime and democratic planning. The crisis will be orderly overcome and the economical-activity structural change process will progress according to the way each one assumes their responsibilities and acts in a coordinated and harmonious manner.

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

The Program's operation comprises three aspects: 1) the administrative modernization; 2) the society's participation and 3) the execution actions.

1. The administrative modernization implies achievement of procedures and decisions decentralization, elimination of excessive rules and simplification of administrative procedures.

The program requires the administrative modernization as a means to order and discipline the structures and systems and achieve efficiency, efficacy, transparency and congruence in policies enforcement. Said program is based on the constant and systematic participation of Society and, specially, of public servers whose compromise and responsibility is essential, and of users who should voluntarily be coresponsible to contribute to the organizational change intended. Said change will be the result of: a gradual but continuous process to adapt the juridical setting of each policy; decision-making, procedures and services regional deconcentration and decentralization; elimination of excessive regulations; simplification of administrative procedures and permanent fitting of the public sector's functional and organic structures.

2. The participation of society begins with the formulation of the Program and continues during execution, follow up and completion of same. People's consultation, as evidenced in the corresponding chronicle, has established a precedent

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

and constitutes a valuable mechanism for people's participation in the formulation of the government's policies. The permanent character of consultation guarantees the possibility of subsequent optimization. For the program's evaluation and follow up, it is necessary to establish a proper mechanism that, due to its own nature, should operate as a national counselling commission that will participate -through assistant commissions- in the various policies and strategies that said program comprises.

3. The execution actions, as set forth in the National Development Plan and in the Planning Law, will be: 1) mandatory for the public sector, 2) coordinated with the states and municipalities and 3) induced and harmonious in what regards the private and social sectors. The mandatory actions will materialize in the annual operational programs developed by the public sector, making the various sectorial programs congruent in order to achieve the objectives defined in the planning system. Coordination with the state's programs will be achieved through Development Agreements. Arrangements with social and private sectors will be made through the voluntary execution of agreements between corporations and the government according to the integral, industrial and commercial development, per branch. "Induction" refers to all government's policies tending to promote, regulate

NATIONAL PROGRAM FOR INDUSTRIAL DEVELOPMENT AND FOREIGN TRADE

and orient the actions of individuals in the private and social sectors in agreement with the Constitution and with the corresponding laws, to encourage activities and achieve development goals and objectives. This action includes protectionist measures and fostering/regulating actions provided in the present Program.

Said program calls for Mexican citizens' self-confidence -individually and as a nation- as an essential requisite, and also suggests positive valuation of achievements. We must superate prejudices accumulated in past years with a clear conscience that acknowledges that challenges must be jointly confronted to be successful and that misleading opinions -stating contraposition of the various productive-sectors' interests- should be rejected. The true challenge is Mexico before the international competence in a worldwide violently disturbed and unstable economy. Only unity will allow an orderly and proper emergence from crisis and the attainment of an industrial development suitable to national aspirations.

Decree that Establishes the Fiscal Incentives
to Foster Employment, Regional Development
and Investment on Industrial Activities Having Priority

Remission No. 38 22-I-86

Remission No. 38

22-I-86/1

DECREE THAT ESTABLISHES THE FISCAL INCENTIVES TO
FOSTER EMPLOYMENT, REGIONAL DEVELOPMENT AND INVESTMENTS ON
INDUSTRIAL ACTIVITIES HAVING PRIORITY

(Published in the Federation's Official Gazette
dated January 22nd, 1986)

On the margin a seal with the National Emblem that reads: United
Mexican States - Presidency of the Republic.

I, MIGUEL DE LA MADRID H., Constitutional President of the United
Mexican States, exercising the faculty conferred to me through
Article 89, fraction I, of the United Mexican States Political
Constitution and based on Articles 31, fraction IV, and 34,
fraction VI, of the Organic Law of the Federal Public
Administration; 13 of the Federation's Law on Income for the
Fiscal Year 1986; 14, fraction III, of the Organic Law of Article
28 of the Constitution, referring to monopolies, and 39 of the
Federation's Fiscal Code; and

CONSIDERING

That the 1983-1988 National Development Plan, through the
1984-1988 National Programs for Development Financing and for
Industrial Development and Foreign Trade, consider that the
industrial expansion plays a role that is more and more important

for the evolution of economy, as a whole, and that the recovery of social development bases highly depends on the capacity attained by the industrial plant to contribute to meet the people's basic needs and achieve a better integration of the national productive apparatus.

That it is necessary to consolidate the programs to protect the productive plant and generate permanent and productive employments, mainly in what regards labor use in the intensive industrial activities.

That to advance in the structural change, the industrialization strategy should be oriented to the reconversion of the industrial plant and to the integration of productive chains of basic goods and broad-use inputs in order to be in a better position to take advantage of the gradual opening of economy.

That the industrial development must be encouraged and carried out exploiting the comparative advantages of the several regions of the country in order to reduce the tendency to demographic and industrial concentration in the large cities and propitiate decentralization of the productive plant preventing, at the same time, excessive dispersion.

That the strategy for the Country's development requires promotion of microindustries and small industries due to their great potentiality to encourage intra and intersectorial integration and their greater capacity to absorb employment and exploit national resources.

That it is necessary to consolidate production of capital goods because this branch multiplies employment opportunities, strengthens the balance of payments and offers an important opportunity to accelerate the technological development and the autonomous growth of national industry.

That the Decree that Establishes Fiscal Incentives on Employment Generation and Investments on Industrial Activities, published in the Federation's Official Gazette dated March 6th, 1979 -though demonstrating efficiency in what regards reduction of industry's tendency to concentrate in the central zone of the country and helping to extend it throughout new development areas and encouraging, at the same time, the productive investment to establish new plants or extend the plants that are already installed- requires modifications in order to fit it to the present economical circumstances, generate more rapidly new opportunities for productive and permanent employment, be more selective in what regards industrial activities having priority and provide a better support to enterprises according to their capacity and geographical location.

INDUSTRIAL DECENTRALIZATION

INDUSTRIAL DECENTRALIZATION

That 45% of the national productive plant is located at the metropolitan zone of Mexico City and that due to the earthquakes of September 19th and 20th of last year it is imperative to accelerate the industrial deconcentration process by establishing additional and temporary fiscal incentives that supplement the ones contemplated in the medium term.

That to propitiate attainment of the afore mentioned objectives it is necessary that the fiscal incentives be granted according to selectivity, transparency, automation, temporality, conditionality, efficiency and simplicity criteria in such a way as to provide proper, agile and timely support to beneficiaries when making investments or generating employments.

That in order to induce and coordinate the actions of the private and social sectors, the Federal Government has established basic objectives and guidelines for industrial development and that fiscal incentives constitute an important instrument to orient the participation of said sectors in the desired direction, I have considered it wise to issue the following

Decree that Establishes the Fiscal Incentives to Foster
Employment, Regional Development and
Investments on the Industrial Activities Having Priority

Purposes of the Decree

ARTICLE 1. The present Decree establishes the fiscal incentives that will be granted to foster employment, regional development and investments on industrial activities having priority, in order to accomplish the following objectives:

I. Generation of permanent and productive employment in the industrial activities having priority and in the small industries.

II. Encouragement of productive investments in activities considered as having priority for the Country's economical development.

III. Development of microindustries and small industries.

IV. Promotion of industrial-activities territorial decentralization and regional development.

V. Selective encouragement of capital-goods and intermediate-use national production, propitiating formation and operation of productive chains and efficient replacement of imports.

VI. General contribution to the structural change and modernization of the industrial productive apparatus.

Persons entitled to enjoy said incentives.

ARTICLE 2. Mexican individuals and enterprises are entitled to enjoy said fiscal incentives when carrying out any of the activities foreseen in this Decree, as generators of same, provided they comply with the requisites that have been set forth in the subject Decree and Application Rules as a condition to merit granting and application thereof.

Incentives according to industries' classification and location.

ARTICLE 3. The fiscal incentives foreseen by the present Decree, will be granted according to industries' classification and location as per definition in articles 4 and 6 of this Decree and, if pertinent, according to classification within Category 1 or 2 as per the terms of the "Agreement that Establishes the Industrial Activities Having Priority", issued on this same date in agreement with the 1984-1988 National Program for Industrial Development and Foreign Trade.

(See the referred Agreement on page 22-I-86 included below in this same section)

Definition of concepts

ARTICLE 4. For the application of the present Decree, the following definitions will rule:

I. Microindustries. All enterprises employing up to 15 people whose annual net sales amount to 30 million pesos.

II. Small Industries. All enterprises employing from 16 to 100 people, whose annual net sales exceed 30 million pesos, but are below 400 million pesos.

(Refer to article 5 of the Application Rules, on page 3-VI-86 of this Section).

III. Medium and Large Industries. All enterprises employing more than 100 people whose annual net sales exceed 400 million pesos.

The above classification will be periodically revised according to provisions set forth in article 5, sixth paragraph of the Decree that Approves the Program for the Integral Development of the Medium and Small Industries, published in the Federation's Official Gazette dated April 30th, 1985.

(See the referred Decree on page 30-IV-85 of this Section)

Remission No. 38 22-I-86

IV. Beneficiable Investment. Refers to investments made from the date in which this Decree becomes effective, for construction or acquisition of new buildings and facilities, machinery and equipment directly related to the industrial productive process.

(Refer to article 2 of the Application Rules on page 3-VI-86 of this Section).

The right for the exclusive use of buildings, facilities, machinery and equipment will also be considered as an acquisition whenever said items are new and the mentioned right is obtained through a financial lease with purchase option, provided all terms set forth in article 15 of the Federation's Fiscal Code are complied with.

(Refer to articles 2, fraction VI and 25 of the Application Rules on page 3-VI-86 of this Section).

The beneficiable investment will not include any contributions made nor expenses incurred in the acquisition of said items, nor project's pre-investments or costs of technical and economical studies.

This Decree's Application Rules, will set forth the procedure to estimate the amount of the beneficiable investment.

Remission No. 38. 22-I-86

(Refer to article 3 of the Application Rules
on page 3-VI-86 of this Section).

Program to Foster medium and large industries.

ARTICLE 5. Enterprises interested in obtaining fiscal incentives to foster investments on industrial activities having priority, that do not fit under the assumptions established in fractions I and II of the above article, should previously count with a Fostering Program.

(Refer to articles 17 and 18 of the Application
Rules on page 3-VI-86 of this Section).

The Fostering Program is the document issued by the Commerce Secretariat stating compromises and obligations assumed by the enterprise and the incentives and supports granted to it -according to its industrial classification and geographical location- to promote development in agreement with the objectives of the national industrial policy.

(Refer to the list of Fostering Programs
issued as of this date, on the last page
of this Section).

Geographical zones of the national territory.

Remission No. 38. 22-I-86

ARTICLE 6. The fiscal incentives will be granted according to the place where the industrial activity is carried out, in agreement with the "Decree to Establish the Geographical Zones for the Industrial Decentralization and Granting of Incentives" issued on this same date and specifying the following zones:

ZONE I: maximum national priority.

ZONE II: maximum state priority.

ZONE III: ordinance and regulation.

III-A: Controlled-growth area.

III-B: Consolidation area.

For the effects of this Decree, the municipalities not included within the above classification, will be known as the "Rest of the Country" zone.

(Refer to the Decree relative to Geographical Zones on page 22-I-86 included below in this same Section).

Granting of incentives through Ceprofi's (Fiscal Promotion Certificates).

ARTICLE 7. The incentives set forth in the present Decree, will be granted through Fiscal Promotion Certificates evidencing the holder's right to credit the sum of said certificate to any federal taxes imposed on him, except for taxes devoted to specific purposes.

The right stated on said certificates will be in effect during a five-year period of time counted from the date of issuance and exercise thereof and will be subject to compliance with the requisites set forth in this Decree and in the Application Rules.

Incentives granted for investments made on industrial activities.

ARTICLE 8. The enterprises investing in the creation or extension of industrial activities, in agreement with Articles 3 and 6 of this Decree, will be entitled to fiscal credits against federal taxes not devoted to specific purposes, whose amount will be determined by applying the corresponding percentage to the amount of the beneficiable investments, according to the following table:

ZONES	I	II	ORDINANCE AND REGULATION		REST OF THE COUNTRY
BENEFICIARIES	MAXIMUM NATIONAL PRIORITY	MAXIMUM STATE PRIORITY	III-A CONTROLLED GROWTH AREA	III-B CONSOLIDATION AREA	
INDUSTRY HAVING PRIORITY					
CATEGORY 1	30%	20%	NO INCENTIVE	NO INCENTIVE	15%
CATEGORY 2	20%	15%	NO INCENTIVE	NO INCENTIVE	10%
SMALL INDUSTRIES	30%	30%	NO INCENTIVE	20%	20%
MICROINDUSTRIES	40%	40%	NO INCENTIVE	30%	30%

ENTITLED FISCAL CREDITS AGAINST FEDERAL TAX

The industries having priority and located in the Zone known as "The Rest of the Country", will only be granted benefits for extensions on the installed productive capacity.

(Refer to article 4 of the Application Rules on page 3-VI-86 of this Section).

In what regards small industries in Zone III-B, Consolidation Area, the benefit will only be granted to the industrial parks and corridors mentioned in the "General-Character Resolution that Determines the List of Industrial Corridors and Parks of Zone III-B", referred to in the "Decree that promotes the Industrial Relocation outside Zone III-A", published on January 22, 1985, in the Federation's Official Gazette dated August 8th, 1985, and the other ones later on added.

(See the referred Resolution on page 8-VIII-85 of this Section)

Incentives on employment generation

ARTICLE 9. The fiscal incentives on employment generation, applied for by the enterprises referred to in fraction II and III of the above article 4, will be granted only once for the new and direct employments generated as a result of investments made.

Remission No. 38. 22-I-86

(Refer to article 6 of the Application Rules on page 3-VI-86 of this Section).

To determine the amount of the incentive, the total number of direct employments generated during the first year of operation of the productive fixed assets enabling said employments will be considered, multiplying said number by the general annual minimum wage of the corresponding economical zone, in effect as of the date of the application. Said amount will be multiplied by 3, thus obtaining the basis on which the corresponding rate will be applied according to the incentive rates set forth in the above article 8.

Grantees thereof must maintain generated employments during the next two years, counted from the closing date of the period to be benefitted and must comply with their corresponding labor obligations and with the requisites set forth in this Decree and in the respective Application Rules.

Incentives on the acquisition of new locally-manufactured equipment and machinery.

ARTICLE 10. The individuals or enterprises acquiring new locally-manufactured machinery and equipment, that are a part of their fixed assets devoted to the development of any economical activity in the national territory, will be granted a credit against federal taxes not devoted to specific purposes,

Remission No. 38 · 22-I-86

equivalent to 10% on the value of the commercial invoice of goods, provided the manufacturers of said goods have a Fostering Program issued by the Commerce Secretary.

(Refer to article 7 of the Application Rules on page 3-VI-86 of this Section)

(Refer to the list of Fostering Programs issued as of this date, on the last page of this Section)

Incentives granted on the acquisition of parts and components for machinery and equipment.

ARTICLE 11. The acquirers of the industrial sector having a duly authorized Registration in the Fostering Program for Capital Goods, may additionally obtain a credit against federal taxes not devoted to specific purposes, equivalent to 10% of the value of the commercial invoice of selected parts and components for machinery and equipment, provided the manufacturer of said goods has been registered in said Fostering Program for Capital-Goods.

(Refer to the Fostering Program for Capital-Goods Industry on page 10-IX-81 of this Section).

Remission No. 38 . 22-I-86

This benefit will not be granted to the enterprises when the acquirers or manufacturers relate to the same person or group of persons or when they are holders of most of the enterprises' capital stock.

(Refer to article 7 of the Application Rules on page 3-VI-86 of this Section).

List of machinery and equipment, parts and components entitled to incentive granting

ARTICLE 12. For the effects of articles 10 and 11 above, the Commerce Secretariat will periodically publish, in the Federation's Official Gazette, the lists of selected machinery and equipment and parts and components which are the object of benefit, as well as the name of the corresponding manufacturers. Said lists will be modified when so required according to prevailing circumstances.

(Refer to the lists published as of this date on the following pages of this section: 28-VI-79, 16-XI-79, 25-III-80, 4-XI-80, 25-VI-81, 29-X-81, 12-I-82, 15-II-82, 20-IV-82, 22-X-82 and 25-X-82).

National-Resource Transformation Industries.

ARTICLE 13. The industrial activities transforming natural resources, having priority and referred to in article 3 of this Decree, whose applicants demonstrate -before the Commerce Secretary- that due to their scarce mobility should be installed at the sites where raw materials are obtained and that do not pertain to Zones I and II, will be entitled to the incentives referred to in articles 8 and 9 of this Decree corresponding to Zone II of maximum state priority, with the exception of enterprises located in Zone III which are subject to Ordinances and Regulations.

The Treasury Department and the Commerce Secretariat will jointly resolve the cases where incentive granting is pertinent.

(Refer to article 8 of the Application Rules on page 3-VI-86 of this Section).

Enterprises located on borders and free zones of the Country.

ARTICLE 14. The enterprises located throughout the Country's borders and free zones, that make investments devoted to initiate or extend an industrial activity, will be entitled to obtain the fiscal incentives stated in the present Decree, provided they comply with the requisites and conditions set forth for said purpose.

Incentives granted to enterprises relocating their productive facilities.

Remission No. 38. 22-I-86

ARTICLE 15. The industrial enterprises making investments for relocation of their productive facilities, according to the "Decree to Promote Industrial Relocation Outside Zone III-A, referred to in the Diverse dated February 2nd, 1979", published in the Federation's Official Gazette on January 22nd, 1985, will be further entitled to obtain the benefits set forth in the present Decree, provided they devote to activities having priority and comply with the requisites for said purpose.

(Refer to the Decree on page 22-I-85 of this Section)

(Refer to article 9 of the Application Rules, on page 3-VI-86 of this Section)

Requisites to merit incentives

ARTICLE 16. Individuals mentioned in article 2 should comply with the following requisites:

I. According to provisions set forth in the Law to Promote Mexican Investments and Regulate Foreign Investments and in the General Resolutions of the National Commission for Foreign Investments, they should be Mexican investors.

II. They should have obtained evidence of the National Technology Transfer Registration referred to in the Law on Control and Registration of Technology Transfer and Use and Exploitation of Patents and Trademarks.

III. They should not be the object of exemptions, reductions, incentives or benefits charged to state or municipal taxes or charged to the corresponding state participation.

IV. They should comply with the fiscal obligations to which they are subject due to the activities performed by them.

V. They should have the respective duly-issued Fostering Program and should also comply with the obligations and conditions set forth in said program during the time in which it is in effect. This requisite will not be obligatory for microindustries and small industries.

VI. They should declare, under protest to tell the truth, that the data, reports and documents provided with the corresponding application, are true and that, therefore, they are responsible for the juridical effects derived thereof.

(Refer to article 20 of the Application Rules on page 3-VI-86 of this Section)

(The Laws and Resolutions mentioned in the above fractions may be consulted in

the work of this editorial house,
entitled "Mercantile Legislation")

Limitations in regard to benefitted investments

ARTICLE 17. In connection with buildings, facilities and machinery and equipment, the grantees of fiscal incentives will have to observe the following:

I. The above items will solely be devoted to develop the industrial activity that gave place to the incentive granting.

II. The temporary use or enjoyment of them by third persons will not be authorized, through any act whatsoever, regardless of the juridical form used thereof.

III. They will not be subject to property conveyance, except by merger of corporations or hereditary means, provided they continue carrying out the industrial activity for which the incentive was granted.

IV. The machinery and equipment should be used in the authorized location.

The grantees will have to comply with the above requisites during the five years following the date of issuance of the Fiscal Promotion Certificate. If during the mentioned time, grantees demonstrate the need to make any amendment in some of

Remission No. 38. 22-I-86

said requisites, the Treasury Department and the Commerce Secretariat may jointly award the respective authorization. For said purpose the grantees must file the corresponding application at the Commerce Secretariat.

(Refer to article 21 of the Application Rules on page 3-VI-86 of this Section)

Application for Incentives

ARTICLE 18. People interested in obtaining the fiscal incentives set forth in this Decree must file the corresponding application at the Commerce Secretariat in the form issued for this purpose, accompanying the required data and documents, within the periods of times and terms set forth in the Application Rules.

(Refer to articles 10 to 16 of the Application Rules, on page 3-VI-86 of this Section)

Term to give a resolution in regard to applications

ARTICLE 19. In order that the grantees may enjoy soonest possible the fiscal incentives set forth in this Decree, the Commerce Secretariat will take care of the applications filed according to provisions of the above article, and will issue the

Remission No. 38 22-1-86

corresponding resolution within a term not exceeding 30 working days counted from the date in which the duly-filled application is accepted.

Said resolution will be communicated both to interested people and to the Treasury Department in order that the latter may proceed within a term not exceeding 15 working days to issue the respective Fiscal Promotion Certificate. The positive resolutions received by said Secretariat should be accompanied by a copy of the technical opinion and the corresponding application.

Grantee's compliance with established requisites.

ARTICLE 20. The application or enjoyment of the fiscal incentives set forth in this Decree, will be conditioned to the grantee's compliance with provisions set forth in said Decree and in the Application Rules, fulfilling demanded requisites.

Consequences of infringement of requisites and conditions

ARTICLE 21. If the grantee does not comply with the obligations imposed by said Decree or fails to meet the requisites and conditions that served as a basis to grant incentives, he will lose the right to said incentive and his Fiscal Promotion Certificate will be cancelled.

Remission No. 38. 22-I-86

The Treasury Department will determine the corresponding fiscal credit and will take the measures deemed necessary to collect from the grantee the unduly credited taxes and the corresponding charges according to the terms set forth in the Federation's Fiscal Code, without detriment of imposing the pertinent legal sanctions.

(Refer to article 22 of the Application Rules
on page 3-VI-86 of this Section)

Fiscal Interest Guarantee while obtaining the Ceprofi

ARTICLE 22. The persons applying for fiscal incentives referred to in article 8 of this Decree, may guarantee -by means of a bond- the taxes caused by machinery and equipment imports being a part of the beneficiable investment, while waiting for issuance of the Fiscal Promotion Certificate.

After a decision is made in regard to the fiscal incentive application that gave place to this administrative facility, the Treasury Department will send notice to the interested people in order that they may proceed to credit the taxes guaranteed with the bond, through the Fiscal Promotion Certificate, within a period of time not exceeding 30 working days counted from the date in which the note where the respective bond is cancelled is received.

(Refer to article 19 of the Application Rules,

page 3-VI-86 of this Section)

Information for the Treasury Department (SHCP) and the Commerce Secretariat (SECOFI).

ARTICLE 23. The grantees of the fiscal incentives established in the present Decree will be obliged to provide the information required by the Treasury Department and the Commerce Secretariat within the term set forth for said purpose. Further, they will give all facilities to the personnel of the Commerce Secretariat in order that it may carry out the related inspection and vigilance to ensure application of this Decree, without detriment of the faculties incumbent to the Treasury Department.

Characteristics of the incentives granted

ARTICLE 24. The fiscal incentives granted through this Decree cannot be cumulative to any other fiscal benefit nor will entitle grantees thereof to any compensation or return of taxes paid.

The fiscal incentives referred to in articles 10, 11 and 14 of this Decree are the exception in regard to the above treatment.

(Refer to article 26 of the Application Rules on page 3-VI-86 of this Section).

Remission No. 38 22-I-86

Information in regard to the application of the Ceprofi's

ARTICLE 25. During the time in which Ceprofi's are in effect, the holders of the Fiscal Promotion Certificates should annually inform the Treasury Department the amounts credited for incentives and the federal tax to which said incentives have been credited, in the forms furnished for this purpose.

(Refer to article 23 of the Application Rules on page 3-VI-86 of this Section).

Vigilance Fees

ARTICLE 26. The beneficiaries of the fiscal incentives granted taking as a basis this Decree, shall pay as vigilance fees a quota equivalent to 4% on the amount of the benefit granted, according to the Federal Law on Duties, as per the terms of the Application Rules of this Decree.

(Refer to article 24 of the Application Rules, page 3-VI-86 of this Section)

The persons that have received fiscal incentives according to provisions set forth in article 10 and 11 are excluded from the above obligation.

Situation of individuals that have already been benefitted.

Remission No. 38. 22-I-86

ARTICLE 27. Regardless of amendments made on instruments referred to in articles 3 and 6, the individuals or corporations that, complying with the requisites and conditions set forth in this Decree, obtain fiscal incentives in the terms of articles 8 and 9 of same, will be entitled to continue enjoying the benefits during a five-year period of time counted from the date of issuance of the first Fiscal Promotion Certificate in their favour.

TRANSITORY ARTICLES

Date in which they become effective

ARTICLE FIRST. This Decree will become effective on the day in which it is published in the Federation's Official Gazette.

Revoked provisions

ARTICLE SECOND. The "Decree that Establishes the Fiscal Incentives on Employment Generation and Industrial Activities Having Priority", and the amendments and Application Rules thereof, published in the Federation's Official Gazette dated March 6th and June 27th, 1979, respectively, are herein revoked.

While lists mentioned in article 12 are published, the Agreements -formulated by the Assistant Commission for Capital-Goods Industry Development- that include the lists of machinery and equipment whose acquisition will give place to the

Remission No. 38. 22-I-86

incentive indicated in article 9 of the Decree published on March 6th, 1979, as well as the lists of strategical capital goods, will be in effect.

(Refer to the index of this Section to locate all lists issued as of this date)

Publication of the Application Rules

ARTICLE THREE. The Treasury Department and the Commerce Secretariat will jointly issue the Decree's Application Rules within a period of time not exceeding 60 working days counted from the date of publication of this Decree.

(Refer to the Application Rules on page 3-VI-86 of this Section)

Application for Incentives Under Procedure

ARTICLE FOUR. The application for fiscal incentives formulated according to the revoked regulation, filed before the date in which this Decree becomes effective, will be transacted and resolved according to the former and applications resolved in favour of petitioners will also be ruled according to it.

The industrial enterprises that have initiated investments according to the terms of the "Decree that Establishes Fiscal Incentives on Employment Generation and Investments on Industrial

Remission No. 38 22-I-86

Activities", published in the Federation's Official Gazette dated March 6th, 1979 and amendments thereof, pending conclusion as of the date in which this Decree becomes effective, will continue enjoying the fiscal incentives according to the terms of the Decree published on March 6, 1979, until completion of the investment project.

For the effects of the above paragraph, the referred investments will be subject to the Original Investment Program and in no case will changes made after the date in which this Decree becomes effective will be taken into consideration.

Additional incentive upon initiation of an investment program

ARTICLE FIVE. Those enterprises beginning an investment program in the activities foreseen in articles 2 and 3, as of the date in which this Decree becomes effective and up to June 30, 1987, will be entitled to an additional incentive equivalent to 30% of the incentives established in articles 8 and 9 of the present Decree. This benefit will apply only to investments made and employments generated as of December 31, 1988.

(Refer to transitory article four of the Application Rule on page 3-VI-86 of this Section)

Investments on industrial parks and zones

ARTICLE SIX. The enterprises investing on works to initiate or extend an industrial activity in industrial parks and zones located in the municipalities pertaining to Zone III-B or to the Zone referred to as "the Rest of the Country", mentioned in article 6 of this Decree, whose activities are classified within categories 1 and 2, i.e. small industries, may enjoy the fiscal incentives referred to in articles 8 and 9 of the present Decree in agreement with the following percentages: 15% for category I, 10% for category 2 and 20% for small industries.

The incentives will be granted to said enterprises until total coverage of space available in the authorized areas or during a 5-year period of time counted from the date in which this Decree becomes effective, whatever occurs first.

For the effects of these articles, the governments of the federative entities must execute agreements with the Federal Government to determine the industrial parks and zones that will be entitled to receive the treatment referred to in this article, provided they comply with the requisites established in the transitory article Three of the "Decree that Promotes Industrial Relocation outside Zone III-A, referred to in the Diverse dated February 2nd, 1979", published in the Federation's Official Gazette dated January 22nd, 1985.

(See the referred Decree on page 22-I-85 of this Section)

Remission No. 38. 22-I-86

References in other provisions of the Revoked Decree

ARTICLE SEVEN. The present decree will be hereinafter referred to in the case of other provisions establishing fiscal incentives and mentioning the "Decree that Establishes the Fiscal Incentives on Employment Generation and Investments on Industrial Activities, published in the Federation's Official Gazette dated March 6th, 1979, that is herein revoked.

Issued at the Residence of the Federal Executive Power on January 21st, nineteen eighty seven.- Miguel de la Madrid H.- Signature.- The Secretary of the Treasury Department, Jesús Silva Herzog F., - Signature.- The Secretary of the Commerce Secretariat, Héctor Hernández Cervantes.-Signature.

Decree to establishes Geographical zone
for Industrial Decentralization and
Incentives granting

DECREE TO ESTABLISH GEOGRAPHICAL ZONES FOR
INDUSTRIAL DECENTRALIZATION AND INCENTIVE GRANTING

(Published in the Federation's Official Gazette
dated January 22nd, 1986 and amended
through publication in the Official Gazette dated
November 25th, 1986)

On the margin a seal with the National Emblem that reads:
United Mexican States - Presidency of the Republic.

MIGUEL DE LA MADRID H., Constitutional President of the
United Mexican States, exercising the faculty assigned to him
through Fraction I of Article 89 of the Political Constitution of
the United Mexican States and based on Articles 9, 31, 32, 34,
36, 37 and 44 of the Organic Law of the Federal Public
Administration; 1, 2, 16, 41 and the other relative articles of
the Act on Planning; 4, 9, 12, 14 and 15 of the General Act on
Human Settlements and

CONSIDERING

That the economical growth of the country during the past
decades has generated a structural lack of equilibrium reflected
on the uneven distribution of people throughout the national
territory and an increase in people's migration towards certain
regions of the national territory, specially towards the

Remission No. 43 - 22-I-86

metropolitan zone of Mexico City, due to a lack of education and employment expectatives in their place of origin, as well as on an uneven distribution of benefits derived from national development.

That the industrial activity is one of the strategical sectors susceptible of being promoted, in order to consolidate and ensure the Country's integral development and that it is necessary to direct the industry's location and growth in such a way as to guarantee its articulation with other economical activities and achieve this under the balanced and harmonious development of all the regions of the national territory.

That the zones defined in this Decree -giving attention to and conciliating the economical requirements of the Country with the correlative requirements of the ecological/urban development and the national-territory reordering- will channel the geographical dispersion and will allow provision of a precise orientation to grant incentives and take other economical and administrative measures aimed to achieve an efficient industrial location and fosterage in the various regions of the country, as well as to orient expansion thereof to supply the local market and enable exports.

That in view of the internal and external challenges to which the country is subject in what regards the economical matter, the new industrial strategy foresees the need to decentralize the future growth of the industrial activities in

Remission No. 43 - 22-I-86

order to concentrate them on the industrial poles to exploit foreign and agglomeration economies and optimize the application of scarce resources available and prevent, in this way, the springing up of a repeated lack of equilibrium in the territorial structure of the industrial plant.

That through the decentralization of the industrial activities it is sought to consolidate and specialize production in certain industrial poles such as in the medium-size cities, industrial corridors and axes capable of full compliance with their duties as industrial-development diffusing and motor centers.

That the 1983-1988 National Development Plan sets forth deconcentration of the industrial activity as the purpose of its strategy for the territorial display of the economy, creating options for the industrial location of the independent urban systems in Mexico City, to establish the bases for a better integration of the various regions of the country in national development.

That the 1984-1988 National Program for Industrial Development and Foreign Trade has among its objects, to rationally distribute the industrial activities throughout the national territory for a better infrastructure and exploitation of national resources to enhance production specialization by regions.

Remission No. 43 - 22-I-86

That the 1984-1988 National Program for Urban Development and Housing includes among its purposes to transform the territory's occupational pattern to support the national life decentralization policy through the structuration of a hierarchic system of cities for service rendering, growth control throughout the Metropolitan Zone in Mexico City, consolidation of big cities -whose growth should be rationalized- and fosterage of development of alternate centers based on medium-size cities.

That it is necessary to comply with the policies established in the effective program for the Metropolitan Zone of Mexico City and Center Region, to discourage the industrial growth at said zone and ensure a well balanced development of states having a larger correlation with it.

That, at the same time, it is essential to support the policies set forth in the 1984-1988 National Ecological Program in what regards the ecological ordering of the national territory and prevention and control of environment pollution, as well as the rational use of water.

That it is imperative to coordinate the efforts made by the Federal Government and the semistate entities, to invest in infrastructure, with the efforts made thereof by the States and Municipalities for optimum exploitation of scarce resources; to propitiate -through the Federal Government's incentives- the new

Remission No. 43 - 22-I-86

investments and to induce the industrial growth towards driving centers where a better social and economical benefit may be attained.

That in order to achieve the purposes of the structural change of our economy, certain geographical zones have been established to apply the policies in connection with fiscal incentives, credit, infrastructure and urban equipping, to contribute to the efficient industrial location,

has considered it wise to issue the following

WHEREAS CLAUSES

(of amendment released on November 25th, 1986)

That article 3rd of the Decree through which the geographical zones for industrial decentralization and incentive granting, provides that Zone II, assigned as that "Having Maximum State Priority", will be integrated by those municipalities involved in the Agreements executed through the Commerce Secretariat and the Urban Development and Ecology Secretariat with the State Executives, according to the Unique Development Agreements through which said Secretariats and the Communication and Transportation Secretariat will formalize the corresponding coordination agreements.

Remission No. 43 - 22-I-86

That the municipalities having proper infrastructure and services have been determined according to a selectivity pattern in order to integrate the list of municipalities of Zone II.

That, on the other, hand, it was deemed necessary to add Zone I "Having Maximum National Priority", in order to propitiate new investments and induce the industrial growth towards the driving centers where the highest social and economical benefit may be attained.

That it is necessary to foster the industrial development, based on the National System of Democratic Planning that serves as expression forum where the economical agents and the various government's levels participate in the ordering of the national economical life, I have considered it wise to issue the following

Decree to Establish the Geographical Zones for
Industrial Decentralization and Incentive Granting

Decree's purposes:

ARTICLE 1. The present Decree's purpose is to establish the geographical zones to apply support and incentive measures according to the industrial plant location, in agreement with provisions set forth in the 1983-1988 National Development Plan and in the 1984-1988 National Programs for Industrial Development, Foreign Trade and Development Financing, in order to achieve the following:

I. Decentralization of the industrial activities trying to concentrate them throughout a limited number of industrial poles to take full advantage of the agglomeration economies and optimize the application of available resources.

II. Coordination of efforts made by the Federal Public Administration and the States and Municipalities to invest in infrastructure for optimum exploitation of resources.

III. Induction, through Federal Government's incentives, of new investments according to market requirements, complying with provisions set forth by the competent authorities in regard to use of soil.

IV. Orientation of the industrial growth towards driving centers where the best social and economical benefit is attained.

Entities that must observe the present provisions:

ARTICLE 2. Provisions in regard to industrial location set forth in this Decree will be mandatory for the Federal Public Administration's Agencies and Entities.

The actions to be carried out in each State, to comply with the objects of this Decree, according to the Unique Development Agreements, will be set forth together with the Governments of the Federal Entities. The Federal Government will agree actions with the private and social sectors for the same purpose.

Establishment of geographical zones.

ARTICLE 3. For the purposes of this Decree, the following three geographical zones have been established:

(Includes the Additional Municipalities as of November 26, 1986)

Zone I. Having maximum national priority, integrated by the following Municipalities considered as driving centers for industrial development:

Zone II. Having maximum state priority, integrated by those municipalities that commit themselves to comply with the agreements entered into by and between the Federal Executive -through the Commerce Secretariat and the Urban Development and Ecology Secretariat- and the State Executives according to the

Remission No. 43 -- 22-I-86

Unique Development Agreements through which said Secretariats and the Communication and Transportation Secretariat will take the corresponding coordination measures.

Industrial Development Driving Centers.

ARTICLE 4. The fiscal incentives, credit supports, urban equipping and infrastructure works and other incentives provided by the Federal Executive to promote and consolidate the medium-size cities defined as driving centers for industrial development, will be preferably channelled towards industrial development at Municipalities pertaining to Zone I. In what regards Zone II, they will be applied on a minor proportion compared to Zone I.

Credits to support activities having priority.

Other Supports

ARTICLE 5. To comply with the above article and the rules for allocation of fostering funds, the Treasury Department (Secretaría de Hacienda y Crédito Público) will preferably devote credit resources to support industrial activities having priority. In what regards supports for exports, technological development and environment pollution control, the same specific fostering régimes will apply.

Infrastructure and equipping requirements for Zone I's development.

Remission No. 43. - 22-I-86

ARTICLE 6. According to Article 4 of this decree, The Urban Development and Ecology Secretariat and the Communications and Transportation Secretariat will mainly attend the infrastructure extension and the equipment and supplementary needs demanded by Zone's I industrial and urban development.

Investments made on Zones I and II

ARTICLE 7. The application of incentives for new investments in Zones I and II will be conditioned to location of industrial facilities according to the Urban Development, Municipal and Population Centers Plans.

Zones I and II's situations

ARTICLE 7. The application of incentives for new investments in Zones I and II will be conditioned to the industrial facilities location according to the Urban Development, Municipal and Population Centers Plans.

Remission No. 43 - 22-I-86

Zone III-A's situation

ARTICLE 8. To be congruent with the Program for Development of the Metropolitan Zone of Mexico City and Center Region, no fiscal incentives, preferential credit supports or any other incentive will be granted on investments made in the industrial activities pertaining to Zone III-A.

Investments made in the Federal District and Metropolitan Area

ARTICLE 9. The establishment of new industrial enterprises or the extension of those existing in the Federal District and in the metropolitan area will require prior authorization from the competent authorities. Said authorization will only be granted in those cases set forth in the specific provisions issued to regulate the industrial growth of said zone.

Measures to regulate investments made in Zone III-A

ARTICLE 10. The Federal Government shall promote with the State and Municipal Governments of Zone III-A, the issuance of provisions oriented to restrict granting of licenses, permits and authorizations, in order to regulate the installation of new industrial enterprises and control the improper extension of those existing in their respective territorial circumscription.

Remission No. 43 - 22-I-86

Coordination of fostering mechanisms

ARTICLE II. The Federal Executive and the State Executives will execute agreements, according to the unique development covenants, in order that the States or Municipalities may coordinate their own fostering mechanisms that should be congruent with those of the Federal Government.

TRANSITORY ARTICLES

Date in which they become effective.

ARTICLE FIRST. This Decree will be effective as of the date of publication thereof in the Federation's Official Gazette.

Revoked Provisions

ARTICLE SECOND. The Decree that establishes the geographical zones to execute the Incentive Program for the territorial deconcentration of the industrial activities provided in the National Plan for Urban Development, published in the Federation's Official Gazette dated February 2nd, 1979, is revoked together with amendments and additions thereof, published on January 31st, 1980, March 24th, 1981 and November 29th, 1982.

Remission No. 43 - 22-I-86

Incentives obtained according to revoked provisions

ARTICLE THIRD. The enterprises benefitted by the incentives granted according to provisions set forth in the revoked instruments, will continue enjoying said incentives until completion thereof. Compliance of requisites demanded for granting thereof, as well as sanction imposal, will be ruled according to said regulations.

Industrial parks and zones in Zone III-B

ARTICLE FOURTH. The governments of the Federal Entities should enter into agreements with the Federal Government to determine the industrial parks and zones located in the municipalities classified in this Decree as Zone III-B, that may enjoy treatment set forth in the transitory article 6 of the effective Decree that establishes the fiscal incentives to foster employment, investments on activities having priority and regional development.

(See the referred Decree on Page 22-I-86 included before this one in this same Section)

Authorization will be granted only to those industrial parks and zones complying with requisites set forth for parks pertaining to Zone III-B in the transitory article three of the Decree that promotes the Industrial Relocation outside Zone

Remission No. 43 - 22-I-86

III-A, referred to by the Decree dated February 2nd, 1979, published in the Federation's Official Gazette dated January 22nd, 1985.

(See the referred Decree on Page 22-I-85 of

this Section).

Municipalities of Zone II and Industrial Parks and Zones

ARTICLE FIFTH. A 90-working-day period of time, counted from the date of publication of this Decree, is granted to determine the municipalities pertaining to Zone II, as well as the industrial parks and zones referred to in the above article. The Federal Executive, through the Commerce Secretariat and the Urban Development and Ecology Secretariat, coordinated with the State Executives, will determine -based on a selectivity pattern- the municipalities that have proper infrastructure and services, in order to integrate the list of municipalities pertaining to Zone II and of industrial parks and zones, which will be published in the Federation's Official Gazette.

For said purpose, the State Governments will be entitled to present the corresponding proposals to the Commerce Secretariat. Said proposals cannot, in any case, exceed the number of municipalities available at present that pertain to Zone II. Further, said proposals should include the state or municipal programs for investments on infrastructure and urban services to be carried out at each municipality.

Remission No. 43 - 22-I-86

Issued at the residence of the Federal Executive Power in Mexico, Federal District, on January twenty-first, nineteen eighty six.- Miguel de la Madrid H.-Signature.- The Secretary of the Treasury Department, Jesús Silva Herzog.- Signature.- The Secretary of the Budgeting and Programming Secretariat, Carlos Salinas de Gortari.-Signature.- The Secretary of the Commerce Secretariat, Héctor Hernández Cervantes.- Signature.- The Secretary of the Urban Development and Ecology, Guillermo Carrillo Arena.-Signature.- The Secretary of the Communications and Transportation Secretariat, Daniel Díaz Díaz.- Signature.- The Head of the Federal District Department, Ramón Aguirre Velázquez.-Signature.

ZONE 1

ESTADO DE AGUASCALIENTES

- Aguascalientes
- Jescús María
- Pabellón de Arteaga
- Rincón de Romos

ESTADO DE BAJA CALIFORNIA

- Mexicali
- Tijuana

ESTADO DE BAJA CALIFORNIA SUR

- La Paz

ESTADO DE CAMPECHE

- Campeche

ESTADO DE COAHUILA

- Monclova
- Piedras Negras
- Ramos Arizpe
- Saltillo
- Torreón

ESTADO DE COLIMA

- Colima
- Coquimatlán
- Manzanillo
- Tecomán
- Villa de Alvarez

ESTADO DE CHIAPAS

- Comitán de Domínguez
- Tapachula
- Tuxtla y Terán

ESTADO DE CHIHUAHUA

- Chihuahua
- Juárez

ESTADO DE DURANGO

- Durango
- Gómex Palacio
- Lerdo

ESTADO DE GUANAJUATO

- Apaseo el Grande
- Celaya
- León
- Irapuato
- Salamanca
- San Francisco del Rincón
- Silao
- Villagrán

ESTADO DE GUERRERO

- Chilpancingo de los Bravo
- Iguala de la Independencia

ESTADO DE HIDALGO

- Huejutla

ESTADO DE JALISCO

- Ciudad Guzmán
- Encarnación de Díaz
- Lagos de Moreno
- San Juan de los Lagos

ESTADO DE MICHOACAN

- Alvaro Obregón
- Lázaro Cárdenas
- Morelia
- Uruapan

ESTADO DE NAYARIT

- Jalisco
- Tepic

ESTADO DE NUEVO LEON

- Anáhuac
- Bustamante
- Cerralvo
- Lampazos de Naranjo
- Linares
- Sabinas Hidalgo
- Villaldama

ESTADO DE OAXACA

- Juchitán de Zaragoza
- Salina Cruz
- San Blas Atempa
- San Francisco Lachigoló
- San Juan Bautista Tuxtepec
- San Mateo del Mar
- San Pedro Huilotepec
- Santa María Xadani
- Santo Domingo Tehuantepec
- Teotitlán del Valle
- Tlacoahuaya de Morelos

ESTADO DE PUEBLA

- Tehuacán
- Tepango de López

ESTADO DE QUERETARO DE ARTEAGA

- Marqués, El
- Pedro Escobedo
- Querétaro
- San Juan del Río

ESTADO DE QUINTANA ROO

- Othón P. Blanco

ESTADO DE SAN LUIS POTOSI

- San Luis Potosí
- Soledad Díez Gutiérrez

ESTADO DE SINALOA

- Ahome
- Culiacán
- Guasave
- Mazatlán

ESTADO DE SONORA

- Cajeme
- Guaymas
- Hermosillo
- Huatabampo
- Navojoa

ESTADO DE TABASCO

- Centro
- Paraíso

ESTADO DE TAMAULIPAS

- Altamira
- Guadalupe Victoria
- Matamoros
- Nuevo Laredo
- Reynosa
- Rio Bravo
- Tampico

ESTADO DE VERACRUZ

- Amatlán de los Reyes
- Boca del Río
- Coatzacoalcos
- Córdoba
- Cosoleacaque
- Ixhuatlán del Sureste
- Ixtaczoquitlán
- Jaltipan
- Minatitlán
- Moloacán
- Orizaba
- Pánuco
- Poza Rica de Hidalgo
- Pueblo Viejo
- Tampico Alto
- Tuxpan
- Veracruz
- Zaragoza

ESTADO DE YUCATAN

- Mérida
- Progreso
- Umán

ESTADO DE ZACATECAS

- Calera
- Fresnillo
- Guadalupe
- Zacatecas

ZONE II

ESTADO DE AGUASCALIENTES

- Asientos
- Calvillo
- Cosío

ESTADO DE BAJA CALIFORNIA

- Ensenada
- Tecate

ESTADO DE BAJA CALIFORNIA SUR

- Comondú
- Mulegé

ESTADO DE CAMPECHE

- Carmen
- Champotón
- Palizada

ESTADO DE CHIAPAS

- Arriaga
- Cintalapa
- Huixtla
- Motozintla
- Ocosingo (except for
the zone of the jungle)
- Pichucalco

ESTADO DE COAHUILA

- Allende
- Frontera
- Parras
- San Juan de Sabinas
- San Pedro de las Colonias

ESTADO DE COLIMA

- Armería
- Cuauhtémoc
- Minatitlán

ESTADO DE CHIHUAHUA

- Camargo
- Cuauhtémoc
- Delicias
- Hidalgo del Parral
- Jiménez
- Nuevo Casas Grandes

ESTADO DE DURANGO

- Canatlán
- Cuencamé
- Guadalupe Victoria
- Pueblo Nuevo
- Santiago Papasquiaro
- Vicente Guerrero

ESTADO DE GUANAJUATO

- Acámbaro
- Moroleón
- San José Iturbide
- San Luis de la Paz
- Uriangato

ESTADO DE QUERRERO

- Acapulco
- Goyuca de Catalán
- Leonardo Bravo
- Pungarabato
- Tecpan de Galeana
- Zumpango del Río

ESTADO DE HIDALGO

- Huichapan
- Ixmiquilpan
- San Felipe Orizatlán
- Tulancingo
- Zacualtipán
- Zimapán

ESTADO DE JALISCO

- Acatlán de Juárez
- Ameca
- Atotonilco El Alto
- Ixtlahuacán de los Membrillos
- Ocotlán
- Poncitlán
- San Miguel El Alto
- Tepatitlán de Morelos
- Tuxpan
- Villa Hidalgo
- Zacoalco de Torres
- Zapotiltic
- Zapotlanejo

ESTADO DE MEXICO

- Atlacomulco
- El Oro
- Tejupilco
- Temascalcingo
- Tenancingo
- Villa Victoria

ESTADO DE MICHOACAN

- Apatzingán
- Contepec
- Ecuandureo
- Hidalgo
- La Piedad
- Sahuayo
- Zacapu
- Zamora
- Zitácuaro

ESTADO DE MORELOS

- Amacuzac
- Ayala
- Axochiapan
- Jojutla
- Jonacatepec
- Puente de Ixtla
- Tepalcingo
- Zacatepec

ESTADO DE NAYARIT

- Acaponeta
- Compostela
- Ixtlán del Río
- San Blas

ESTADO DE NUEVO LEON

- General Bravo
- China
- Dr. Arroyo
- Galeana
- García
- Mina
- Montemorelos
- Salinas Victoria

ESTADO DE OAXACA

- Ciudad Ixtepec
- Huajuapán de León
- Loma Bonita
- Matías Romero
- Oaxaca de Juárez
- Ocotlán de Morelos
- San Agustín de las Juntas
- San Agustín Etla
- San Juan Bautista Cuicatlán
- San Pedro Miztepec
- San Pedro Pochutla
- Santa Lucía del Camino
- Santa María del Tule
- Santa María Huatulco
- Santiago Pinotepa Nacional
- Villa de Etla

ESTADO DE PUEBLA

- Chignahuapan
- Huauchinango
- Izúcar de Matamoros
- Nopalucan
- Oriental
- Rafael Lara Grajales
- Tecamachalco
- Tepeaca
- Tezuatlán
- Tlatlauquitepec
- Zacatlán

ESTADO DE QUERETARO

- Cadereyta
- Corregidora
- Jalpan

ESTADO DE QUINTANA ROO

- Benito Juárez
- Felipe Carrillo Puerto

ESTADO DE SAN LUIS POTOSI

- Matehuala
- Salinas
- Santa María del Río
- Tierranueva
- Zaragoza

ESTADO DE SINALOA

- Angostura
- Esquinapa
- Fuerte, El
- Navolato
- Salvador Alvarado

ESTADO DE SONORA

- Caborca
- Cananea
- Empalme
- San Luis Río Colorado

ESTADO DE TABASCO

- Balancán
- Cárdenas
- Comalcalco
- Macuspana

ESTADO DE TAMAULIPAS

- Mante
- Miguel Alemán
- San Fernando
- Valle Hermoso
- Victoria

ESTADO DE TLAXCALA

- Apizaco
- Atlangatepec
- Cuapiaxtla
- Carmen, El
- Huamantla
- Tetla
- Tzompantepec
- Xalostoc

ESTADO DE VERACRUZ

- Acayucan
- Alvarado
- Coatepec
- Cosamaloapan
- Fortín
- Jalapa
- Martínez de la Torre
- Río Blanco
- San Andrés Tuxtla
- Temapache
- Tierra Blanca

ESTADO DE YUCATAN

- Dzilam de Bravo
- Motul
- Tekax

ESTADO DE ZACATECAS

- Jerez
- Ojocaliente
- Sombrerete

ZONE III

This is classified into ZONE III-A and III-B, by order and regulation.

III-A. Area of controlled growth, consisting of the Federal District and the following municipalities

ESTADO DE HIDALGO

- Tizayuca

ESTADO DE MIXICO

- Acolman
- Amecameca
- Atenco
- Atizapan de Zaragoza
- Atlautla
- Axapusco
- Ayapango
- Coacalco
- Cocotitlán
- Coyotepec
- Cuautitlán
- Chalco
- Chiautla
- Chicoloapan
- Chiconcuac
- Chimalhuacán
- Ecatepec
- Ecatzingo
- Huehuetoca
- Huixquilucan
- Isidro Fabela
- Ixtapaluca
- Jaltenco
- Jilotzingo
- Juchitepec

- La Paz
- Melchor Ocampo
- Naucalpan de Juárez
- Netzahualcóyotl
- Nextlalpan de Juárez
- Nicolás Romero
- Nopaltepec
- Otumba
- Ozumba
- Papalotla
- San Martín de las Pirámides
- Tecámac
- Temamatla
- Temascalapa
- Tenango del Aire
- Teloyucan
- Teotihuacán
- Tepetlaoxtoc
- Tepetlixpa
- Tepotzotlán
- Texcoco
- Tezoyuca
- Tlalmanalco
- Tlalnepantla
- Tultepec
- Tlittitlán
- Zumpango

III-B. Area of consolidation, consisting of the following municipalities

ESTADO DE HIDALGO

- Ajacuba
- Almoloya
- Apan
- Atitalaquia
- Atotonilco de Tula
- Cuauhtepec
- Emiliano Zapata
- Epazoyucan
- Mineral del Monte
- Mineral de la Reforma
- Omitlán de Juárez
- Pachuca
- San Agustín Tlaxiaco
- Singuilucan
- Tepeapulco
- Tepeji de Ocampo
- Tepetitlán
- Tetepango
- Tezontepec de Aldama
- Tlahuelilpan
- Tlanalapa
- Tlaxcoapan
- Tolcayuca
- Tula de Allende
- Villa de Tezontepec
- Zapotlán de Juárez
- Zempoala

ESTADO DE JALISCO

- El Salto
- Guadalajara
- Juanacatlán
- Tlajomulco
- Tlaquepaque
- Tonalá
- Zapopan

ESTADO DE MEXICO

- Almoloya de Juárez
- Almoloya del Río
- Apaxco
- Atizapán
- Calimaya
- Capulhuac
- Chapa de Mota
- Chapultepec
- Hueyoxtla
- Ixtlahuaca
- Jalatlaco
- Jilotepec
- Jiquipilco
- Jocotitlán
- Joquicingo
- Lerma
- Malinalco
- Metepec
- Mexicaltzingo
- Morelos
- Ocoyoacac
- Ocuilán
- Otzolotepec
- Rayón
- San Antonio La Isla
- San Mateo Atenco
- Soyaniquilpan de Juárez
- Temoaya
- Tenango del Valle
- Tequizquiac
- Texcayacac
- Tianguistengo
- Timilpan
- Toluca
- Villa del Carbón
- Xonacatlán
- Zinacatepec

ESTADO DE NUEVO LEON

- Abasolo
- Apodaca
- Ciénego de Flores
- El Carmen
- Garza Garcia
- General Escobedo
- Guadalupe
- Juárez
- Monterrey
- Pesquería
- San Nicolás de los Garza
- Santa Catarina
- Santiago

ESTADO DE MORELOS

- Atlatlahuacán
- Cuautla
- Cuernavaca
- Emiliano Zapata
- Huitzilac
- Jiutepec
- Miacatlán
- Ocuilco
- Temixco
- Tepozotlán
- Tetela del Volcán
- Tlalnepantla
- Tlacayapan
- Totolapan
- Xochitepec
- Yautepec
- Yecapixtla
- Zacualpan

ESTADO DE PUEBLA

- Acteopan
- Atlixco
- Atzitzihuacán
- Calpan
- Cohuecan
- Coronango
- Cuautlancingo
- Chiautzingo
- Chiconcuautla
- Domingo Arenas
- Huaquechula
- Huejotzingo
- Juan C. Bonilla
- Nealticán
- Ocoyucan
- Puebla
- San Andrés Cholula
- San Felipe Teotlalcingo
- San Gregorio Atzompa
- San Jerónimo Tecuanipan
- San Martín Texmelucan
- San Matías Tlalancaleaca
- San Miguel Xostla
- San Nicolás de los Ranchos
- San Pedro Cholula
- San Salvador el Verde
- Santa Isabel Cholula
- Tepemaxalco
- Tianguismanalco
- Tlahuapan
- Tlaltenango
- Tochimilco

ESTADO DE TLAXCALA

- Amaxac de guerreror
- Antonio Carbajal
- Calpulalpan
- Chiautempan
- Domingo Arenas
- Españita
- Hueyotlipan
- Ixtacuixtla
- José María Morelos
- Juan Cuamatzi
- Lardizábal
- Lázaro Cárdenas
- Mariano Arista
- Miguel Hidalgo
- Nativitas
- Panotla
- San Pablo del Monte
- Santa Cruz Tlaxcala
- Tenancingo
- Teolocholco
- Tepyanco
- Tetlatlahuca
- Tlaxcala
- Totolac
- Xaltocan
- Xicohténcatl
- Xicohtingo
- Yauhquemehcan
- Zacatelco

JICA