

After the 1986 recession, Mexico's gross domestic product (GDP) increased a moderate 1.5% in 1987 and an additional 1.4% in 1988. Domestic economic activity recovered for the third consecutive year in 1989 with a growth rate of 3.1% and further 3.9% in 1990 to reach \$234 billion (1). With an 81.1 million population, per capita GDP was estimated at \$2,874 in 1990. Additionally, manufacturing output grew by 5.2% in 1990 in real terms, private investment and consumption expanded 13.6% and 5.2% respectively and public investment was up 12.8%. During the 1991-1994 period GDP is expected to maintain an average annual growth rate of 4%-5%. Preliminary figures place GDP growth at 4% for 1991 and a similar growth rate is anticipated for 1992.

In an effort to revitalize and open the Mexican economy, the Mexican Government undertook a series of structural changes, including the accession to the General Agreement on Tariffs and Trade (GATT) on August 24, 1986 leading to an extensive trade liberalization process: import permits were eliminated on all but 325 of the total 11,950 tariff items based on the Harmonized System adopted in 1989. Official import prices are no longer applicable, nor the 5% export development tax, and import duties were lowered from a maximum of 100% in 1982 to 20% in January 1988. The weighted average tariff rate is now 10.4%. The automotive and computer industries have also been liberalized, through the elimination of prior import permits, to allow free entry of products in these industries. The approval of the North American Free Trade Agreement will further strengthen trade between Canada, the United States and Mexico.

According to official data from the Mexican Secretariat of Commerce and Industrial Development (SECOFI), Mexico's trade balance in 1990 dropped once again to a \$3 billion deficit from -\$645 million in 1989. Exports increased by 17.5% in 1990, from \$22.8 billion to \$26.8 billion, while imports grew 27.3%, from \$23.4 billion to \$29.8 billion in 1990, having already increased 91.8% from \$12.2 billion in 1989. In 1991, total exports increased 2.6% to \$27.6 billion, while imports grew 22.2% to \$38.0 billion, generating a \$10.4 billion deficit.

Total Mexican imports from Canada increased 24% in 1989, then decreased 1.5% in 1990 and again by 26% in 1991. Total Canadian exports to Mexico amounted to Cdn\$594 million in 1990 and Cdn\$440.8 million in 1991, while total Canadian imports from Mexico were valued at Cdn\$1,730 million in 1990 and Cdn\$2,574 million in 1991. According to Mexican figures, in 1990, 1.6% of Mexico's imports came from Canada, while 0.8% of its exports were to Canada. This makes Canada Mexico's sixth largest exporter and fifth largest importer.

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1. Note: All values in this report, unless otherwise stated (Mexican pesos, Mex\$, Canadian dollars, Cdn\$, etc) are quoted in United States dollar equivalents.