

absolute market share advantage in 1990 and where the MSR declined in the 1990-2000 period. For this category, a decline in the MSR by 32.0% in the 1990-1994 subperiod overshadowed an improvement in the MSR by 17.9% in the 1994-2000 subperiod. The improvement in the MSR in the 1994-2000 subperiod is largely explained by expanding Canadian shipments of telecommunications equipment. However, both Canada and Mexico can be expected to face increased competition in the electrical products, electronics and telecommunications sector from Asia in the future—not only from traditional Asian exporters to the United States such as Singapore, Hong Kong, Taiwan and Malaysia, but also increasingly from China.

The group of categories where Canada enjoyed a market share advantage in 1990 and where the MSR improved in Canada's favour includes **mineral oils and fuels** (ranked as the 2nd largest Canadian U.S. export category in 2000) and **pearls, precious stones and jewellery** (ranked 12th). Both categories experienced a substantive increase in the MSR in the 1990-1994 subperiod, which was followed by a marginal decline in the MSR between 1994 and 2000.

The MSR has increased between 1990 and 2000 for three categories where Mexico enjoyed an absolute market share advantage in 1990. All three categories recorded an increase in the 1990-1994 as well as in the 1994-2000 period. Although neither of these three categories are ranked very highly on the list of major Canadian export products to the United States, it is of interest to note that **toys, games and sporting goods**—ranked as the 35th largest category of Canadian exports to the United States in 2000—is one of the categories where Canada is enjoying an increase in the MSR.

Summary and Conclusions

Although Mexico has experienced tremendous growth in exports to the United States over the past decade, so far it has not seriously threatened Canada's position as the primary import source for the United States. In fact, Mexico's expanding market share in the United States has, to a large degree, been at the expense of Japan. In the future, Canada and Mexico alike may have to focus more on the emerging competition from China for market share in U.S. imports, particularly following China's recent entry into the World Trade Organization (WTO). Similarly, following the revival of the U.S. economy (expected in the latter part of 2002), Mexico, as well as Canada, will have to face increasing competition from other Asian economies. However, based on their respective export mix, it is likely that future growth in Asian exports to the United States will occur more at the expense of Mexican than Canadian exports and will consequently limit further growth in Mexico's share of U.S. imports.

The economic downturn in the U.S. economy is currently putting stress on a number of Mexican businesses relying on the United States as their product market. Recent reports³ indicate that some Mexican auto-parts makers are experiencing increasing difficulties in servicing their debt following a drop in demand from the U.S. auto industry—their major client. A widespread extension of debt-servicing problems among Mexican companies can undermine the stability of Mexican banks and, in the longer run, can reduce the inflow of FDI on which Mexico has been relying for their export expansion into the United States.

Thus, on the supply side, there is a legitimate question about the degree to which the Mexican manufacturing sector servicing the U.S. import market can weather (a prolonged) downturn in the United States. Even if the United States can avoid a substantive contraction in import demand, the Mexican export sector, which is established on the assumption of a continued expansion in U.S. import demand, may still face profitability and debt-servicing problems.

As noted above, during the 1994-2000 period, Mexican and Canadian trade with the United States has been stimulated by the NAFTA. At the same time, the Mexican peso was continuously devalued in relation to the Canadian dollar. Consequently, it is extremely difficult to determine the extent to which the relationship between Mexican and Canadian imports to the United States has been affected by the NAFTA and to what extent the increase in U.S. imports from Mexico was influenced by import price elasticities triggered by the continued peso depreciation in this period. Recent developments indicate that the peso's slide versus the Canadian dollar has been halted—the peso appreciated against the Canadian dollar from C\$0.15/peso in January 2001 to C\$0.17/peso in October 2001. Thus, unless the peso currency depreciates substantially again, it is highly unlikely that Mexico will replace Canada as the primary source for imports into the United States in the foreseeable future.

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A YEN FOR JAPAN

forefront of environmental technology. Canadian exhibitors gained a valuable opportunity to meet with representatives from over 60 Kansai companies that were highly receptive to Canadian environmental solutions.

and numerous industries in the Kansai region. In 1984, Shiga Prefecture held the first International Conference on the Conservation and Management of World Lake Environments, and the prefecture continues to be

Canadian environmental solutions on display Enviro-Shiga 2001 in Japan

Consul General Mackenzie Clugston presided over the official opening ceremony of the Canada Pavilion and offered his congratulations for the pavilion's success.

Growing waste, growing opportunities

Japan's Kansai region, with a population of 22 million and the world's seventh-largest GDP, provides excellent opportunities for Canadian exporters, in particular small and medium-sized businesses. Kansai's burgeoning economy, however, has also manufactured a host of waste disposal problems. Hence, local businesses are now looking for environmentally acceptable ways to dispose of toxic and hazardous waste, such as PCBs, dioxins and organic waste, as well as technological solutions for emission control, water treatment and wastewater management.

Environmental responsibility

Japan, home of the Kyoto Protocol, has long been a hub for environmental consciousness. Shiga Prefecture, located in the heart of Japan, is responsible for the environmental health of Lake Biwa, Japan's largest freshwater lake, and an indispensable source of water for 14 million people

an enthusiastic proponent of protecting global freshwater resources.

The conferences are held biannually in locations throughout the world and this year's was held in Shiga from November 11-16. Timed to coincide with the popular Enviro-Shiga 2001, the ninth International Conference hosted 3,650 participants from 71 countries.

Canadian participation in such events sends a strong message to the Japanese that Canada is not only a leader in environmental technology, but can also be an important partner in protecting the global environment. **Enviro-Shiga 2002 will be held at Nagahama Dome from November 6-8, 2002.**

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³ "Mexico exporters hit," Wall Street Journal article reprinted in the Globe and Mail, October 22, 2001.