Forestry: Mexico imports almost $US1 billion of forestry products annually and imports are expected to grow at a rate of 12 percent per year over the next five years. There is likely to be growing demand for chemical wood pulp, fine paper, sanitary paper products (including diapers), softwood lumber, newsprint, veneers, and plywood.

Industrial Sectors

Mining: Mexico's mining industry has been opened up to private-sector participation. This presents an opportunity to Canadian mining firms with the appropriate technology and expertise. Similarly, suppliers of mining equipment could do well in Mexico. Canadian business people might look at Mexican efforts to develop new properties in the central and northern states. These will require specialized services, managerial expertise, technology and capital from abroad to ensure attractive returns on investment.

Manufacturing: This sector accounts for almost a quarter of Mexico's GDP and employs 20 percent of its workforce. The expansion in manufacturing production has been steady for five consecutive years and reflects growing exports of several industries such as metallic goods and machinery and equipment. It also reflects the increased demands generated by construction activities. The machinery and equipment category is supported mainly by the automobile industry, the output of which is growing dramatically.

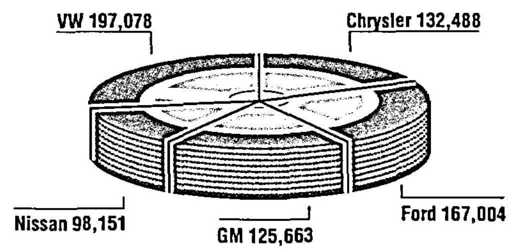
Aerospace and Defence Electronics Industries: Mexico's annual imports of products in this sector stand at about $US1 billion and include airplanes, aircraft engines, flight simulators, radio remote-control apparatus, and helicopters.

Automotive: Mexico imports more than $US5 billion in automotive products from Canada and the United States. It is estimated that its demand for imported automotive parts will grow at more than 7 percent per year over the next ten years.

The Big Three North American car manufacturers, as well as Volkswagen and Nissan, have taken advantage of the *maquiladoras* to produce in Mexico. Their investment was especially high during the late 1980s and collectively they have committed to investing an additional $US3 billion between 1990 and 1993. Production is soaring, exports are exploding and so are sales. *Business Week*, March 16, 1992, stated that "*the percentage change in light-vehicle sales from 1985 to 2000 is expected to be 0.7 percent in the US, 1 percent in Canada and 435.7 percent in Mexico*".

Mexican vehicle output, 1991

Market share by manufacturer
(in units)



Source: DRI World Automotrive Report.

The Mexican autoparts industry now comprises approximately 500 companies. Some of these operations are established as joint ventures with automobile manufacturers while others function independently, often with close links to the assembly plants. Almost all of the major local autoparts companies have technological and capital associations with foreign producers, either in the form of a licencing agreements or through direct technical assistance.

In 1989, car manufacturers with a positive trade balance were given the freedom to import automobiles. This relaxation was embodied in the Development and Modernization for the Automobile Industry Decree. A positive auto trade balance means more vehicles and parts exported than imported over the year. The Decree provides added incentive for assemblers to increase their Mexican content and puts pressure on Canadian suppliers to set up close to their principal purchasers in Mexico.

Chemicals, Pharmaceuticals and Plastics: PEMEX, the state petroleum monopoly, used to control all aspects of the