

2.5%-3%. Preliminary figures for 1991 place GDP growth at 4.5%-5% for this year.

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 198 of the total 11,812 tariff items based on the Harmonized System adopted in 1988. Official import prices are no longer applicable, nor the 5% export development tax, and import duties were lowered from a maximum of 100% in 1982 to 20% since January 1988.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 23.8% in 1989 and 54.9% in 1988. As of September 1991, total exports for the year amounted to \$20.7 billion and imports to \$27.2 billion.

Total Mexican imports from Canada increased 24% in 1989 and decreased 1.5% in 1990. Total Canadian exports to Mexico amounted to Cdn\$594 million, while total Canadian imports from Mexico were valued at Cdn\$1,730 million in 1990. According to Mexican figures, in 1989, 1.9% of Mexico's imports came from Canada, while 1.2% of its exports were to Canada. This makes Canada Mexico's fifth largest exporter and sixth largest importer.

3. MARKET ASSESSMENT

The Mexican market for forestry harvesting and woodworking equipment increased 78% in 1988, to \$40.6 million. This growth was brought about by a major one time surge in imports of saws and blades, which increased 136%, from \$4.6 million in 1987 to \$11 million in 1988. The market fell by 20% in 1989, but still reflects an increase of 42.4% as compared to 1987. During 1990, consumption grew by 6% to reach \$34.3 million.

This market is expected to experience a moderate growth rate during the next four years, since no major investments have been identified up to date in this sector. The industry has been operating with old and outdated machinery and has started to substitute it for newer equipment as economic conditions have improved and imports have been facilitated. An important factor