

The crisis has also fostered calls for a return to protectionism. Some industry associations want government agencies to give preference to Mexican-made equipment, and to cut back on turnkey agreements with foreign companies. In particular, they want the government to require companies purchasing privatized petrochemical plants and railroad facilities to give priority to Mexican-made equipment. This would violate the terms of the North American Free Trade Agreement (NAFTA), and the government is unlikely to act on this request, at least formally.

Action Plan

The keys to capitalizing on this potential market are joint ventures, co-manufacturing, turnkey solutions, and creative financing. The action plan includes Canada booths at several Mexican trade shows. In addition, two incoming trade missions are planned, one to Canada Manufacturing Week, and one to the Canadian Packaging Show, both to be held in Toronto.

Agriculture and Agri-food

Mexico's agriculture sector, which includes forestry and fisheries, has accounted for a declining share of national income as the economy has developed and diversified. At one time, Mexico was a net agricultural exporter, but declines in production have reversed the situation.

Agricultural production, including forestry and fishing, makes up about 7 percent of Mexico's gross domestic product (GDP). In 1994, Mexico exported US \$2.7 billion worth of agricultural products. Coffee, cotton, sugar, fresh vegetables and fruit are the key export products. Nonetheless, the nation has had difficulty producing adequate food supplies for its rapidly growing population. Agricultural imports totalled US \$3.3 billion in 1994, and imports of all food products were nearly US \$7 billion. About 71 percent of this came from the United States and 5.7 percent from Canada. Sixty percent of Canada's food exports consisted of grains and oilseeds.

The agricultural sector is inefficient, largely because of the *ejido* system of land tenure. The average farm is only about 5 hectares. Small producers dominate production of corn and dry beans in the central plateau. Large privately-owned farms in the northwest grow vegetables, wheat and soybeans. The north-central and gulf areas are the main producers of beef, dairy products and sorghum.

Shortages of high-quality feed and modern genetics have constrained meat production. Much of the country's farmland consists of rough terrain, not suitable for mechanization. A severe drought in the northern states during 1995 further limited production. And, food processors are hard pressed to meet the growing demand for attractively-packaged convenience products.

Opportunities

There are excellent opportunities in Mexico for a wide range of Canadian agricultural and processed food products. Mexico was Canada's seventh largest agri-food market in 1994, with sales of \$346 million. This was a 42 percent increase over 1993.

Wheat and canola seed are the most important export products, since Mexico does not produce enough of either to meet its own needs. Canadian wheat has excellent milling properties, and