

FOREIGN TRADE

Mexico's imports of agricultural equipment fell by half in the year after the peso devaluation.

It is impossible to measure precisely the volume of Mexican imports of agricultural equipment. Equipment used for both agricultural and non-agricultural purposes may be classified under other headings in the trade classification system. In particular, tractors are difficult to classify according to their intended use. Services are not included in the official trade data.

The numbers shown here are official Mexican customs data for products that are clearly agricultural. In some categories, forestry equipment is included. The statistics describing Canada's exports to Mexico prior to the implementation of the North American Free Trade Agreement (NAFTA) are known to be underestimates. Many transshipments via the US were previously recorded as coming from the US. The NAFTA certificates of origin, in use since January 1994, have corrected much of this problem and some of the increase between 1993 and 1994 is attributable to reporting differences. But Canadian value-added included in products with final assembly in the US is still likely to be recorded as US-origin.

Mexico's imports of agricultural equipment increased by 57 percent to reach US \$201 million in 1994, the first year of the NAFTA. The gain was broadly based but the largest increases were for cultivation equipment, harvesting equipment, and for dairy and poultry production. Reductions were posted for equipment related to primary food processing.

The economic crisis of 1995 had a devastating effect on the market. Imports fell to US \$90 million, almost 30 percent lower than the pre-NAFTA level of 1993. Products that escaped the crisis were mainly those used for primary processing. This reflects the fact that the products that benefitted most from the devaluation generally require some form of cleaning, sorting or processing.

The United States accounts for about three-quarters of the import market. Canada's share is very small, but gradually improving. The overall market share rose from about half of one percent in 1993 to about 1.5 percent in 1995. Since sales were only about US \$1.2 million in 1995, it is possible that much of the apparent improvement is due to reporting changes under NAFTA. The most important Canadian exports are tractors, which made up 42 percent of 1995 sales. Other important products include machinery and parts for soil cultivation.