

third consecutive year in 1989 with an estimated growth rate of 3.0% in 1989 to reach \$200 billion. With an 84.5 million population, per capita GDP is estimated at Cdn\$2,550. During the 1990-1994 period GDP is expected to maintain an average annual growth rate of 2%-3%. In disaggregated terms, this represents an annual growth rate of 5.3% in the manufacturing sector, 2.3% in the services sector and only 0.6% in the agricultural sector. After several years of stagnation, public investment will grow 5% and private investment will also rise 5%.

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 325 of the total 11,960 tariff items based on the recently adopted Harmonized System. Official import prices are no longer applicable, nor the 5% export development tax, and import duties were lowered from a maximum of 100% in 1982 to 20% in January 1988. The automotive and computer industries are also being opened up, through the elimination of prior import permits, to allow free entry of products in these industries.

According to official data from the Mexican Secretariat of Commerce and Industrial Development (SECOFI), Mexico's trade balance in 1989 dropped to a \$644.8 million deficit, down from a surplus of \$1.75 billion in 1988 and \$8.4 billion in 1987. Total exports increased 10.7% in 1989, from \$20.6 billion in 1988 to \$22.8 billion. Imports increased 23.9% from \$18.9 billion to \$23.4 billion, having already increased 48% from \$12.2 billion in 1988. During 1989, imports of consumer products grew 82%, while those of intermediate goods increased by 17% and capital goods by 18%.

Total Mexican imports from Canada increased 24% in 1989 and amounted to Cdn\$603 million, while total Mexican exports to Canada were valued at Cdn\$1,698 million. Mexico and Canada have traditionally been strong trading partners. 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.

Such figures support the possibility expressed by Mexican and United States authorities of creating a North American free market. The negotiations of a free market agreement between the United States and Mexico are underway. With its coming into effect, and with the existing Canada-United States agreement, the feasibility of a North American market is quite big.

### **3. MARKET ASSESSMENT**

Mexico's automotive industry has two main branches: that of the automobile and truck manufacturers and that of the auto parts manufacturers. A related activity of interest to foreign suppliers to Mexico is represented by the industry that produces maintenance equipment and constitutes the after market to the automotive industry. We will look into the performance of the auto parts industry in the first place.