470,600 tonnes to 619,000 tonnes between 1987 and 1993. Canadian sales of these products more than tripled from US $14.4 million to US $51.4 million during the same period.

The future of this market depends on the extent to which the Mexican pulp industry recovers. This would require larger plants that can take advantage of economies of scale. Mexico's pulp plants average 100,000 tonnes annual capacity, compared with an international average of about 250,000 tonnes. The industry would also benefit from the development of commercial plantations, to ensure a more competitive supply of raw materials. Technological partnerships with Canadian firms might be part of the solution.

SPECIES IN DEMAND

Other market niches are dependent on the species of wood involved.

- *Abeto*, spruce, for construction and packaging purposes. It is considered too "knotty" for furniture. Camford spruce has been selling since the devaluation of the peso in December 1994.
- *Encino*, oak, both red and white, especially for flooring.
- *Arce*, maple, for furniture and floors.
- *Fresno*, ash. It is forbidden to cut this species in Mexico. The Mexico City *Metro*, subway, uses this wood for the brakes on its cars.
- *Caoba*, mahogany. There is a small market for this wood for luxury car finishings and panelling. Production may resume in Chiapas, which would offer stiff competition for imports.
- *Nogal Americano*, hickory, for high-end housing finishings and luxury furniture.
- *Nogal*, walnut. This is a high-end niche almost exclusively devoted to picture frames.
- *Alamo*, poplar, is not common in Mexico and is used for office furniture.
- *Macocel* or MDS synthetic boards have potential, especially in the 25 mm size.

Aglomerados, particleboards, are widely used in Mexico. There is a small shortfall in domestic production that could provide an opening for Canadian imports. But competition from cheap products from the Far East is stiff.

Partnering Opportunities

There are many opportunities for Canadian companies to enter into partnerships or joint ventures with Mexican forest products firms. The benefits of such ventures are likely to be realized only in the medium to long term, but the low value of the peso makes this a good time to move into the market.

Some of the best opportunities are in the development of plantations, which so far, are rare in Mexico. The cellulose industry also offers good prospects for joint ventures. Mexican producers, with their existing technology, are approaching the limit of their capacity. A number of Mexican lumber mills are also considering the possibility of merging and then seeking foreign partners. To expand and modernize, Mexican companies need partners who can bring capital, administrative expertise and technology.

THE REGULATORY ENVIRONMENT

The Mexican Constitution sets aside natural resources as public resources subject to special control. The administration of the forestry sector is governed by the *Ley Forestal*, Forestry Law, of 1993.

In early 1995, the administration of President Zedillo created a new department, the *Secretaría del Medio Ambiente, Recursos Naturales y Pesca (SEMARNAP)*, Secretariat of the Environment, Natural Resources and Fisheries. It took over responsibility for the forestry sector from the *Secretaría de Agricultura y Recursos Hidraúlicos (SARH)*, Secretariat of Agriculture and Water Resources.

The change is intended to increase the synergy between the various segments of the natural resource sector and to develop them in a sustainable, environmentally appropriate way. Within *SAHR*, forestry had been seen as a competitor with agriculture for available land, rather than as a renewable resource. There are no changes expected to the *Ley Forestal* as a result of this reorganization, although *SEMARNAP* is expected to implement its land reform provisions more aggressively.

PRODUCT STANDARDS

Mexico has a system of mandatory standards known as *Normas Oficiales Mexicanas (NOMs)*, official standards. Products that are subject to these mandatory requirements must be tested and issued a certificate of compliance.

There are presently no mandatory standards that affect wood or wood products. Christmas trees were subjected to an emergency standard, *NOM-EM-012-SARH3-1994*, which affected the 1994 Christmas season. Imports of Christmas trees are also subject to strict phytosanitary regulations and prior authorization from the *Secretaría del Medio Ambiente, Recursos Naturales y Pesca (SEMARNAP)*, Secretariat of the Environment, Natural Resources and Fisheries. In 1994, *Secretaría de Agricultura y Recursos Hidraúlicos (SARH)*, Secretariat of Agriculture and Water Resources required permit stickers to be attached to each tree. Similarly, air-dried lumber must be accompanied by an international phytosanitary certificate from Agriculture and Agri-Food Canada.