

The growth of the environmental sector has been encouraged by the North American Free Trade Agreement (NAFTA), particularly the so called "side agreement", the North American Agreement on Environmental Cooperation. It encourages the NAFTA parties to enforce their own environmental regulations. Since Mexican requirements are strict, but so far poorly enforced, the Mexican government's new commitment to enforcement will lead to considerable growth.

Estimates of the size of the Mexican environmental market vary widely. Most of those cited in this profile come from a March 1995 market study by USAID. Similar estimates published in 1994 by the U. S. Department of Commerce indicate a somewhat smaller market. The reason is that the USAID study includes services, equipment, components, build-operate-transfer (BOT) and operation concessions. It also tends to use wider definitions of subsectors.

The U.S. Department of Commerce estimates are based on official import data for environmental equipment and are, therefore, relevant mainly to sales of specialized environmental equipment rather than the overall market. The USAID approach is considered more appropriate, given the trend toward the provision of integrated solutions rather than specific types of equipment. Some experts believe that the USAID estimates are too high, particularly considering the aftermath of the peso devaluation of December 1994. Nonetheless, they are the best estimates available, and they provide a good understanding of broad market trends.

PROJECTED PERFORMANCE OF MEXICAN ENVIRONMENTAL MARKETS, 1994-96

Market	US \$ millions			Average annual percentage growth 1994-96
	1994	1995	1996	
Water pollution control*	841	1,085	1,288	24
Solid and hazardous waste**	261	324	402	24
Energy efficiency	270	323	386	20
Renewable energy	149	657	699	174
Fixed-source air pollution control	360	400	456	13
Environmental consulting	18	20	23	13
Remediation	21	24	29	18
Total	1,920	2,833	3,283	21

* Figures exclude selected large projects which could mask underlying trends.

** Excludes renewables.

Source: United States Agency for International Development (USAID), Office of Energy, Environment and Technology, 1995.