of them to re-open. Production of mechanical wood pulp ceased altogether in 1994, following a steady drop from 118,100 tonnes in 1988 to 13.4 tonnes in 1993. White fibres made up 42 percent of 1994 production, followed by non-bleached wood pulp with another 27 percent.

As a result of these declines in domestic production, pulp imports rose by 8 percent to reach 1.6 million tonnes in 1994. Even after the devaluation of the peso in December 1994, 1995 pulp imports fell by only 9 percent to 1.5 million tonnes, a remarkably small reaction compared with other industries. Mexico exported some pulp and fibre in 1995 for the first time in recent years, but the volume was only about 5,000 tonnes.

The recovery of the pulp industry will require larger plants that can take advantage of economies of scale. Mexico's pulp plants average 100,000 tonnes of 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.

Paper Production

There are eight firms producing pulp and paper and another 58 producers of paper in Mexico. Paper production capacity reached barely 3.8 million metric tonnes in 1991, and it has contracted since then. This includes the capacity of plants that were temporarily closed during 1994. Total production of paper rose by 3.5 percent in 1994, to reach 2.9 million tonnes — about 75 percent of capacity. Paper for box materials and cardboard dominate the industry, accounting for more than half of all production. A small upturn was predicted for 1995, because the peso devaluation was expected to bring some idle plants back online. Paper exports nearly tripled to 387,000 tonnes, while imports fell by 43 percent to 584,000 tonnes during the year. While this represented a substantial improvement in the balance of trade, it was more than offset by declining domestic sales. These reacted sharply to price increases caused by the reliance of Mexican paper producers on imported pulp and fibre.

Access to state-of-the-art papermaking technology is relatively easy in Mexico, since most Mexican paper companies are affiliated with companies in the US, or Europe. *Productores e Importadores de Papel (PIPSA)*, the state-owned newsprint company, is the main exception. Some of its mills were closed for years and are now re-opening with old machinery. *PIPSA* is now in the process of privatization and most of the major paper producers in Mexico have submitted bids for its assets.

FOREIGN TRADE

There is no reliable data describing Mexico's imports of forestry, pulp and paper equipment from Canada or from the rest of the world. Much of the equipment used is not specific to forest products and it shows up in the trade statistics as agricultural or transportation equipment. Moreover, for the most part, Mexico's system of customs statistics, which is the root source of all import data, lumps forestry equipment into "other" categories.

Specialized forestry equipment is not manufactured in Mexico. Local manufacturers provide basic equipment but the rest is imported. The US is by far the most important supplier of industrial equipment to Mexico. Mexico imports about half of its agricultural equipment, for an import market of about US $200 million. Almost 90 percent of it comes from the United States. The paper industry uses some German equipment, while Asian technology is used by smaller producers and manufacturers.

CUSTOMERS

About 80 percent of Mexico's forest resources are part of *ejidos*, community land holdings, which have been officially assigned by the *Secretaría de la Reforma Agraria (SRA)*, Secretariat of Agricultural Reform. There are just over 9,000 *ejidos* and indigenous communities with forest resources. Another 15 percent of forest resources are distributed among about 100,000 small, private owners. The remaining 5 percent is publicly owned and in some cases is concessioned either to large forest companies or cooperatives.

Timber Production

Amendments to the Mexican constitution in 1992 changed the system of land tenure to give *ejidatarios* title to their property. As a result of the new legislation, larger forestry operations are expected to be developed. So far, however, progress has been slow. The constitutional reforms have been controversial and there has been some opposition. The State of Guerrero provides a good example. There are two new forestry developments in the Costa Grande region of the state. One of them is operated by Boise Cascade through its subsidiary, Costa Grande Forest Products. The company has set up associations with 24 *ejidos* belonging to *Unión de Ejidos Hermenegildo Galena (UEHG)*, the Hermenegildo Galena *Ejido* Coalition. In the same area, a Canadian company has formed a partnership with the *Unión de Ejidos Rubén Figueroa Figueroa (UERFF)*, the Rubén Figueroa Figueroa *Ejido* Coalition. The project will export pine sawlogs to Japan, but only those of the highest quality. According to some environmentalists, this will leave a surplus of low-quality trees.