

CANADA-MEXICO TRADE RELATIONS

Mexico is Canada's largest trading partner in Latin America. Canada-Mexico trade has increased significantly since the mid-1980s. Merchandise trade reached \$3 billion in 1991, and exports during the first five months of 1992 were up by over 100 per cent over the same period last year. Canadian exports to Mexico were valued at \$231.8 million between January and April of this year, up \$100 million.

Although exports fell to \$524.5 million in 1991 from \$600 million in 1990, the decline was due to reduced purchases by Mexican clients of agricultural and industrial commodities. However, sales of value-added manufactured products increased during that same period, particularly in sectors such as newsprint and paper products.

The prospect of enhanced economic relations with Mexico has increased since 1988 when the Mexican government initiated several radical measures to overcome a serious financial crisis. As a result of these measures, annual inflation in Mexico has dropped from 160 per cent to less than 19 per cent, trading rules have been greatly eased and many unprofitable enterprises have been either closed or privatized. These changes have been coupled with skillful negotiations with the international financial community to reduce the burden of debt repayments.

Canada-Mexico trade relations are governed by the General Agreement on Tariffs and Trade (GATT), to which Mexico acceded in 1986. Prior to 1986, Canada-Mexico trade had been governed by a 1946 Trade Agreement, a Joint Ministerial Committee established in 1968 and an Economic Co-operation Agreement in 1980.

During Prime Minister Brian Mulroney's visit to Mexico in March 1990, the relationship was further enhanced through bilateral agreements in such areas as customs administration, agriculture and livestock, forestry, environment, tourism and taxation. Since that time, eight additional bilateral agreements have been signed covering, among other areas, double taxation, energy, telecommunications and labour.

A North American Free Trade Agreement will further enhance this co-operation between Canada and Mexico, and increase trade and investment.

Canadian Participation in the Mexican Market

Canadian entrepreneurs have been quick to take advantage of this new environment. The Canadian Embassy in Mexico City received 4,450 visits from business representatives in the first six months of 1992, up from 193 in 1988 and 2,200 in 1991.