Total imports, which fell to $257.3 million in 1990, grew by 10% in 1991 and another 19.3% in 1992. During 1993, they are expected to increase another 8.8% to $367.3 million. By 1996, imports are estimated to reach $425.2 million.

The continued increase in imports is a result of Mexico's accession to the General Agreement on Tariffs and Trade (GATT) in 1986 and the negotiations presently underway for the North American Free Trade Agreement, which have set the framework for increased access by foreign suppliers to this market. Also, due to the frequently lower price, higher quality and availability of foreign made goods, as opposed to more expensive, low quality or non existence of locally manufactured equipment and supplies, PEMEX cannot cut imports further. Additionally, at times, PEMEX has delayed payments to local suppliers, which has discouraged them from pursuing PEMEX orders, while foreign purchases are ususally paid in a more timely manner.

On the other hand, the petroleum sector is not completely open to foreign participation and supply. The events described in the first section of this report singularly shaped the Mexican petroleum industry. Traditionally the Mexican government has limited foreign capital participation to a minimum in the petroleum industry and specifically worked to decrease its dependence on foreign made equipment, technology and services through an import substitution program. As a result, Mexico has developped its own technology, which, by world standards, is quite sophisticated. PEMEX has supported local suppliers under purchasing policies that promote the use of locally manufactured equipment and materials, and maintained the absolute level of local purchases. Exports have also played a major role in the domestic equipment industry and amounted to $322.4 million in 1992. Mexico is a major exporter of pipes and tubes, accessories thereof, internal combustion engines and valves. Total domestic production of oil and gas field equipment was estimated to have remained fairly constant at $1.1 billion in the past three years. It is expected to grow at an average annual rate of 3.3% through 1996.

In addition to the market represented by PEMEX, private companies are increasingly servicing PEMEX and turn-key contracts are more and more frequenty used in this industry.

The most important foreign suppliers of oil and gas field equipment to PEMEX are the U.S. (72%), Japan (5%), West Germany (4%), Italy (3%), Canada (2%) and Spain (2%). As part of its savings campaign, PEMEX has closed its Tokyo, London and Paris offices, leaving open only its Houston office. U.S. equipment companies are well known and better established as long-term suppliers to PEMEX. The geographical proximity of the U.S. is an advantage in competing for Mexican business since it permits faster delivery and better after sales service.

Canadian suppliers can take advantage of their relative proximity to Mexico to market their products more aggressively. Total