is about double its share of most other environmental products. The trade data do not include services, and it is therefore difficult to estimate Canada's exports accurately. Recently the market has moved towards the provision of integrated solutions rather than specific technologies.

Canadian firms have competitive advantages in certain market segments, but they must compete with established Mexican suppliers, as well as the many international corporations already active in the market. Given this active competition, some of the more successful Canadian companies operating in Mexico have concentrated on market niches where they have a particular advantage.

CUSTOMERS

GOVERNMENT ENVIRONMENTAL AGENCIES

Governments and government agencies have traditionally been the most important buyers of environmental equipment in Mexico. Government expenditures for environmental protection totalled US $2.5 billion in 1993. More than one-third of these expenditures were allocated to mass transit and clean fuel programs. Another third was for conservation and protection of endangered species. The rest was devoted to environmental infrastructure, water facilities and other equipment.

Since 1991 many environmental activities have been decentralized to Mexico's 31 states. Twenty-nine states have their own environmental laws. State and municipal organizations are now the biggest buyers of water supply and wastewater projects as well as solid waste systems.

One of the first priorities of the new government of President Ernesto Zedillo, when it came to power in December 1994, was to establish the *Secretaría del Medio Ambiente, Recursos Naturales y Pesca (SEMARNAP)*, Secretariat of the Environment, Natural Resources and Fisheries. The division of responsibility between federal departments and agencies remains in some doubt as *SEMARNAP* gradually exerts its jurisdiction.

The *Comisión Nacional del Agua (CNA)*, National Water Commission, will retain its responsibility for regulating most of Mexico's water standards, although *SEMARNAP* will also have some jurisdiction in this area.

The *Secretaría de Desarrollo Social (SEDESOL)*, Secretariat of Social Development, continues to have overall authority for urban planning policy. *SEDESOL* is responsible for developing infrastructure, including new municipal and state wastewater treatment plants and solid waste facilities.

STATE-OWNED COMPANIES

Paraestatales, state-owned companies, have traditionally been major users of environmental technologies. Although a large number of them have been sold to private investors over the past few years, energy continues to be reserved for the public sector under the Mexican constitution. There are two major *paraestatales*: *Petróleos Mexicanos (PEMEX)*, the national oil company, and the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission.

PRIVATE INDUSTRY

Most industry analysts seem to agree that in the medium term, industrial pollution control will provide the best prospects for foreign suppliers. The needs in this area have only begun to be met, and Mexican buyers have confidence in imported environmental technologies. This implies long-term growth, which is expected to accelerate once the economy stabilizes, perhaps in 1996.

In the short run, the economic crisis will prevent smaller Mexican manufacturers from buying. The companies that are still buying include multinational enterprises and large export-oriented Mexican firms because they have access to capital. However, they also continue to be targets of government enforcement.

COMPETITORS

MEXICAN COMPETITORS

The strength of Mexico's domestic environmental industry lies mainly in construction services. In general, the smaller the role of technology in a project, the more competitive Mexican companies can be. Nonetheless, the trend towards build-operate-transfer (BOT) infrastructure programs is cutting into the domestic market share because foreign competitors often make the key purchasing decisions.

Most Mexican environmental consulting companies are small- to medium-sized. There are only a few Mexican companies that produce technology-based products. Typically, they are either spin-offs of local consulting companies that have developed their own technologies or representatives of foreign manufacturers.

FOREIGN COMPETITORS

The United States enjoys substantial advantages over other foreign competitors in the Mexican environmental sector. The relationship between the two countries regarding border environmental issues is a major factor, especially since many of the border programs are American financed. The American Environmental Protection Agency (EPA) has a high level of technical