

On the other hand, the largest firms specialize in wood furniture which dominates the market. According to data from the *Instituto Nacional de Estadística, Geografía e Informática (INEGI)*, National Institute for Statistics, Geography and Informatics, 1993 wood furniture sales at the manufacturer level accounted for almost 70 percent of total furniture sales.

The industry is concentrated in urban areas, most importantly Mexico City, Monterrey and Guadalajara. There are also important regional industries in Chihuahua, Michoacán and San Luis Potosí. In addition, there were 132 furniture operations in Mexico's *maquiladora*, in bond manufacturing, zones in 1995. The *maquiladora* benefits are gradually becoming redundant under the North American Free Trade Agreement (NAFTA). Most of them are beginning to integrate into the Mexican economy and are looking for local suppliers. Many will need technical help to meet the requirements of multinational buyers, which will create an additional motivation for joint ventures with foreign firms.

FOREIGN TRADE

As a result of a series of sweeping economic reforms, Mexico has recently become a net exporter of furniture products. After decades of protectionism, Mexico unilaterally liberalized its trade arrangements beginning in 1986, when it became a member of the General Agreement on Tariffs and Trade (GATT). The furniture industry rationalized to adapt to the newly competitive environment. Between 1990 and 1994 furniture exports multiplied by more than 10 times, from US \$79 million to US \$841 million. Exports to Canada rose 12 times, to reach US \$205 million over the same period.

Imports also increased between 1990 and 1994, but not by as much. As a

result, Mexico's furniture trade balance improved from a US \$176 million deficit in 1992 to a US \$258 million surplus in 1994.

The peso devaluation of December 1994 further improved Mexico's furniture trade balance. By mid-January 1995, Mexico's currency had lost almost half its value relative to the US dollar. As a result of the higher costs of foreign-made products, imports fell by 26 percent in 1995 while exports increased by about 5 percent, leaving Mexico with a US \$450 million surplus.

Mexico's most important customer for furniture is the US, which buys 96 percent of the total. Canada is second, followed by Germany, France and Spain. Furniture parts make up 56 percent of Mexico's exports, with wood furniture accounting for another 28 percent. About 15 percent is metal furniture and the rest is mostly plastic.

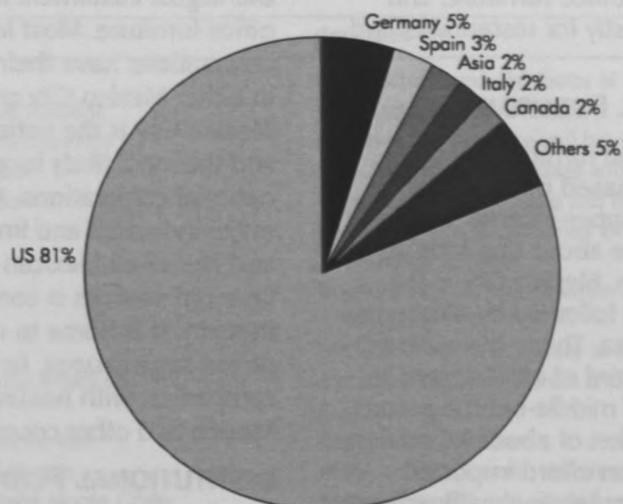
The most important foreign competitors in the Mexican market for imported furniture are the United States, followed by Germany, Spain, Italy and Asian countries, including Taiwan. Imports from Canada fell by

56 percent in 1995 to US \$5.2 million, following the devaluation of the peso. The total includes a cross-section of furniture products including wood, metal and plastic furniture. Canada accounts for about 2 percent of Mexico's imported furniture market.

Mattresses and bedding are excluded from the accompanying table, because they are not normally considered part of the furniture industry in Canada. They are, however, included in the aggregate trade statistics that are shown elsewhere in this summary, because they are included with furniture and parts in both the Harmonized (Chapter 94) and the Standard International Trade Classification (code 821) systems.

Canada has additional exports to Mexico that are related to the furniture industry. This industry consumes about 30 percent of Mexico's plywood, some of which is imported from Canada. In addition, there is growing interest in Canadian woods such as poplar, red maple and alder for use in higher-quality furniture. Some furniture manufacturers import rough wood components for finishing in Mexico.

IMPORT MARKET SHARES



Source: International Trade Information System, University of Texas at Austin, 1995.