

American Free Trade Agreement will further strengthen trade between Canada, the United States and Mexico.

According to official data from the Mexican Secretariat of Commerce and Industrial Development (SECOFI), Mexico's trade balance in 1990 dropped once again to a \$3 billion deficit from -\$645 million in 1989. Exports increased by 17.5% in 1990, from \$22.8 billion to \$26.8 billion, while imports grew 27.3%, from \$23.4 billion to \$29.8 billion in 1990, having already increased 23.8% in 1989 and 54.9% in 1988. As of August 1991, total exports for the year amounted to \$18.3 billion and imports to \$23.6 billion.

Total Mexican imports from Canada increased 24% in 1989 and decreased 1.5% in 1990. Total Canadian exports to Mexico amounted to Cdn\$594 million, while total Canadian imports from Mexico were valued at Cdn\$1,730 million in 1990. According to Mexican figures, in 1989, 1.9% of Mexico's imports came from Canada, while 1.2% of its exports were to Canada. This makes Canada Mexico's fifth largest exporter and sixth largest importer.

### 3. MARKET ASSESSMENT

#### 3.1 THE TOTAL MARKET FOR COMPUTERS

The market for computers has experienced the most dynamic growth rate of all Mexican industrial product sectors in the last few years, estimated at 10% annually during the 1980s and 16% between 1986 and 1990. Imports of equipment increased 18% annually between 1987 and 1989 and 124% in 1990 with the elimination of the prior import permit on computer imports that year, dramatically above the growth of the Mexican economy as a whole, while imports of software have increased 25% between 1983 and 1990.

The total Mexican market for computers, peripherals, software and services was estimated at \$1073.3 million in 1990, up 22% from \$881.8 million in 1989 and 48% over \$723.9 million in 1988 (see Table 1). The total computer market is estimated to grow at an annual average rate of 15% in the next three years and reach approximately \$1.6 billion by 1993. Sales of hardware are expected to grow 12% per annum, software 17% and maintenance and services 18% between 1990 and 1993. As a result of the liberalization of computer imports through the elimination of the import permit requirement on hardware, imports are expected to continue increasing significantly while local production grows at smaller rates, mostly for the export market. However, it is presently still difficult to assess the changes in the market size and composition as a result of these measures. Imported hardware and equipment is expected to gain a larger share of the market with respect to domestic production. No major changes are expected in the software market as a result of these measures in