

in 1992. But other government policies have made it difficult for many small- and medium-sized companies to comply. For example, a tight money policy has kept interest rates high. Also, trade liberalization has exposed companies to aggressive foreign competition and lowered their profit margins.

In the first stages of the national effort to gain control over the environment, the emphasis has been on consulting and training services. Thousands of environmental assessments and risk analyses have been completed, and there have been continuing efforts to train regulatory staff. As the process has matured, a market for measurement and analytical equipment has developed. In the long term, the market for pollution control systems is expected to dominate spending.

THE MEXICAN ENVIRONMENTAL SECTOR

The Mexican environmental sector is relatively small, about half the size of Canada's, but it is growing rapidly. Public expenditures on the environment totalled US \$2.5 billion in 1993. The market for environmental technologies is of particular interest because a large proportion of it is imported. This market is forecast to grow from about US \$1.9 billion in 1994 to an estimated US \$3.3 billion in 1996.

The growth of the environmental sector has been encouraged by the North American Free Trade Agreement (NAFTA). The so-called "side agreement", the North American Agreement on Environmental Cooperation, encourages the NAFTA parties to enforce their own environmental regulations.

The sector can be divided into three main sub-groups: air pollution, water supply and sewage treatment, and

Projected Performance of Mexican Environmental Markets, 1994-1996

Market	US \$ millions			Average annual percentage growth 1994-1996
	1994	1995	1996	
Water pollution control*	841	1,085	1,288	24
Solid and hazardous waste**	261	324	402	24
Energy efficiency	270	323	386	20
Renewable energy	149	657	699	174
Fixed-source air pollution control	360	400	456	13
Environmental consulting	18	20	23	13
Remediation	21	24	29	18
Total	1,920	2,833	3,283	21

*Figures exclude selected large projects which could mask underlying trends.

**Excludes renewables.

Source: United States Agency for International Development (USAID), Office of Energy, Environment and Technology, 1995.

solid waste disposal (including hazardous waste). Remediation and consulting services often deal with more than one source of environmental damage, and are sometimes regarded as a separate subsector.

Mexico faces problems of crisis proportions in all of these areas. These problems result from inadequate environmental infrastructure and expertise, combined with a rapidly growing population as well as rising urbanization and economic growth. Increased government regulation of the environment is gradually forcing officials of both public agencies and private corporations to take remedial action. These factors combine to create substantial opportunities for Canadian suppliers of environmental technologies.

THE ROLE OF IMPORTS

Imports play a major role in Mexico's efforts to manage its environmental problems. In 1993, imports of environmental control equipment totalled almost US \$1.2 billion, about 80 percent of the entire market. Imports also made up a substantial proportion of the market for environmental services, estimated at roughly US \$800 million. On the other hand, Mexican companies dominate the market for construction services, which are a major part of most environmental projects.

The United States claims about two-thirds of the Mexican environmental import market. Canada holds a 4 percent import market share in air pollution control equipment, which

Environmental Equipment Market, 1993

Market	Imports	Share (percent)
Water pollution	174.0	80.5
Solid waste	723.9	72.8
Hazardous waste	455.0	93.2
Air pollution	71.2	90.2
Energy	71.0	41.7
Total	1,495.1	79.3

Source: United States Department of Commerce, *Environmental Technologies Marketing Plan*, 1994.