

Domestic economic activity recovered for the third consecutive year in 1989 with a growth rate of 3.1 percent and a further 3.9 percent in 1990 to reach U.S.\$234 billion. Per capita GDP was estimated at U.S.\$2,874. (The population is about 81.1 million.)

In 1990, manufacturing output grew by 5.2 percent in real terms, private investment and consumption expanded 13.6 percent and 5.2 percent, respectively, and public investment was up 12.8 percent. During the 1991-1994 period, GDP is expected to maintain an average annual growth rate of 2.5-3 percent. Preliminary figures place GDP growth at 4.5-5 percent for 1991.

In an effort to revitalize and open the economy, the Mexican government undertook a series of structural changes. This included the accession to the General Agreement on Tariffs and Trade (GATT) on August 24, 1986, leading to an extensive trade liberalization process. Import permits were eliminated on all but 198 of the 11,812 tariff items listed on the Mexican Harmonized System adopted in 1988. Official import prices and the 5 percent export development tax are no longer applicable. Import duties have been lowered from a maximum of 100 percent in 1982 to 20 percent since January 1988. The weighted average tariff rate is now 10.4 percent. The automotive and computer industries have also been liberalized through the elimination of prior import permits to allow free entry of products in these industries. The approval of the North American Free Trade Agreement (NAFTA) 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 to a U.S.\$3 billion deficit from -U.S.\$645 million in 1989. Exports increased by 17.5 percent in 1990, from U.S.\$22.8 billion to U.S.\$26.8 billion, while imports grew 27.3 percent, from U.S.\$23.4 billion to U.S.\$29.8 billion in 1990, having already increased 23.8 percent in 1989 and 54.9 percent in 1988. As of September 1991, exports for the year totalled U.S.\$20.7 billion and imports U.S.\$27.2 billion.

Total Mexican imports to Canada increased 24 percent in 1989 and decreased 1.5 percent in 1990. Total Canadian imports from Mexico were valued at Cdn\$1,730 million in 1990, while total

Canadian exports to Mexico amounted to Cdn\$594 million. According to Mexican figures, in 1989, 1.9 percent of Mexico's imports came from Canada and 1.2 percent of its exports were to Canada. This made Canada Mexico's fifth largest exporter and sixth largest importer that year.

3. MARKET ASSESSMENT

The Mexican market for forestry harvesting and woodworking equipment increased 78 percent in 1988, to U.S.\$40.6 million. This growth was brought about by a major one-time surge in imports of saws and blades, which increased 136 percent, from U.S.\$4.6 million in 1987 to U.S.\$11 million in 1988. Although the market fell by 20 percent in 1989, it still reflected an increase of 42.4 percent over 1987. During 1990, consumption grew by 6 percent to reach U.S.\$34.3 million. (See Table 1.)

This market is expected to experience a moderate growth rate during the next four years. The industry, having operated with old and outdated machinery, has started to substitute newer equipment as economic conditions improve and it becomes easier to import. Important factors have been the gradual reduction in interest rates with the decrease in inflation and the availability of financial resources for equipment purchases, factors that were practically non-existent before 1989. By 1994, the total market is expected to reach U.S.\$40.1 million and an average annual growth of 4 percent.

Table 1: Mexican Market for Forestry and Woodworking Equipment
(U.S.\$ thousands)

	1987	1988	1989	1990	1994P
Production	8,178	7,452	7,875	7,318	7,110
+ Imports	15,901	34,760	26,065	28,521	34,667
- Exports	1,363	1,590	1,585	1,524	1,633
Total	22,716	40,622	32,355	34,315	40,144

p = projected

Source: Import and export data from Secretaría de Comercio y Fomento and industrial and trade interviews.

Imports have played a major role in the industry because most forestry harvesting and woodworking equipment is not manufactured in Mexico. Local production is limited to very simple tools, including saws, hand tools, motors, edge cutters, and parts