traditionally been strong trading partners. 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.

Such figures support the possibility expressed by Mexican and United States authorities of creating a North American free market. The negotiations of a free market agreement between the United States and Mexico are underway. With its coming into effect, and with the existing Canada-United States agreement, the feasibility of an open market across North America is probable.

3. MARKET ASSESSMENT

Total apparent consumption of equipment for the iron and steel industry amounted to 382.8 million in 1988, reflecting a 16% increase over 1987 levels. This was brought about by a general economic recovery and favorable international steel prices, which allowed the small foundries and steel mills to purchase new equipment to substitute obsolete machinery. No major projects were undertaken by the large integrated firms, in particular the Sidermex group, since it is in the process of being restructured. Its investments are limited to maintaining existing capacity through maintenance and repair projects. The absence of major investments was felt in a decrease of the equipment market to 555 million in 1989, as the smaller companies are reducing their level of purchases. Apparent consumption of equipment for the iron and steel industry is expected to increase slightly in 1990 and 1991 but, as the sale of Sidermex is completed, major investments are expected to be made between 1992 and 1994, placing total purchases at 599 million by the latter year.

TABLE 1
APPARENT CONSUMPTION OF EQUIPMENT FOR THE IRON AND STEEL INDUSTRY
(\$000 dollars)

	1987	1988	1989	1994p
Production	24,609	26,275	27,326	37,326
+ Imports	47,936	57,954	30,787	65,583
- Exports	999	1,438	3,067	4,114
TOTAL	71,546	82,791	55,046	98,795

Imports have played a paramount role in this industry. Although no reliable figures exist for the national production of machinery and equipment for this industry, based on trade interviews it is estimated that the imported share of the market fluctuates between