

applicable, nor the 5% export development tax, and import duties were lowered from a maximum of 100% in 1982 to 20% in January 1988. The weighted average tariff rate is now 10.4%. 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 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 dropped once again in 1991 to a \$10.4 billion deficit from -\$3 billion in 1990. Exports increased by 2.6% in 1991, from \$26.8 billion to \$27.6 billion, while imports grew 22.2%, from \$29.8 billion to \$38 billion in 1991, having already increased 27.2% in 1990 from \$23.4 billion in 1989. January-May data for 1992, place total exports at \$11 billion and imports at \$17.9 billion.

### 3. MARKET ASSESSMENT

Total apparent consumption of pollution control equipment and instruments has grown at a very rapid pace in the last four years, increasing 11.5% in 1988, 11.2% in 1989 and 9.3% in 1990, from \$240.6 million in 1989 to \$263.1 million in 1990. Preliminary figures for 1991 place the total market at an estimated \$282.6 million, reflecting an additional 7.4% increase. This growth pattern has been prompted both, by a growth in domestic production of equipment and by a major increase in imports, in response to the new regulatory environment and the overall awareness of pollution related problems.

Three categories account for approximately 85% of expenditures in pollution control equipment and instruments: industrial wastewater, municipal wastewater and potable water treatment and air pollution control. These areas, together with noise pollution control, are the ones with the greatest market potential for imported products. At the same time, it is expected that these areas will grow at a proportionally faster pace in the coming years.

Demand is expected to grow at an average annual rate of six percent between 1991 and 1994, to reach a total of \$336.9 million the latter year (see Table 1). Domestic production, which consists almost exclusively of equipment, is projected to grow from \$233.0 million in 1991 to \$262.4 million by 1994 at an average annual rate of four percent. Imports represented 22.9% of the total market or \$60.3 million in 1990. However, given the need for more sophisticated and specialized instrumentation, the vast majority of which is imported, and Mexico's trade liberalization policies, imports are expected to grow at a faster pace than local production. Imports are estimated to grow at an