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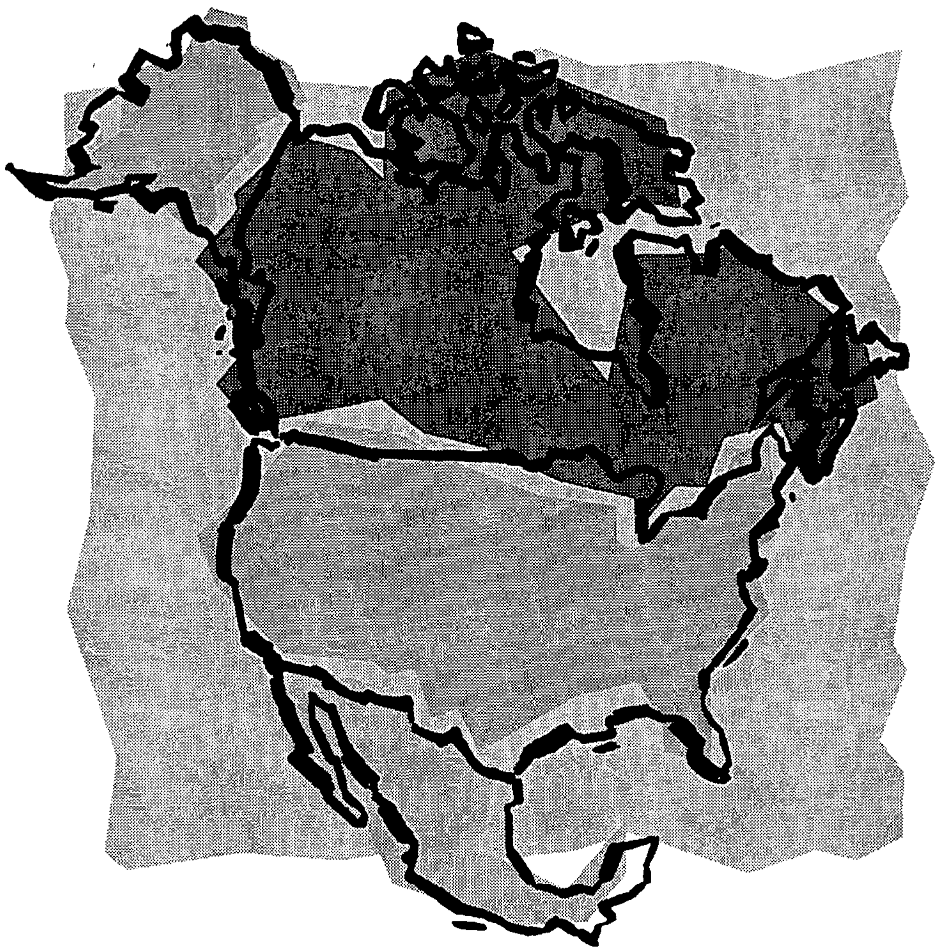

PULP AND PAPER

Department of Foreign Affairs
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Canadian Embassy
Mexico
June 1992

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Table of Contents

INTRODUCTION

This market study has been prepared to assist Canadian firms interested in exporting to Mexico. While an effort has been made to examine the most important aspects of the sector, the study is not exhaustive. Companies will have to tailor their marketing approach according to their particular interests and circumstances.

1. BACKGROUND

The mesoamerican cultures manufactured paper for the creation of books or codices, which were strips of paper or leather about 10 metres long. They were covered with characters on both sides and were folded to create a book with two thicker covers. The paper was made from plants such as agave, palm and other local species.

Paper was also used for decoration, offerings and clothing, mostly for their gods during religious ceremonies.

Certain areas were known as paper suppliers and many still produce paper using traditional technologies.

During the first decades after the Spanish conquest, all paper used for administrative purposes was imported from Spain. The first local paper was produced in the mid-16th century to meet the needs of the Spanish priests in their conversion efforts. A monopoly was created for the production of paper and a mill began operations. Much paper still needed to be imported. The independent Mexican paper industry was created only in 1824 after the Mexican revolution. The first company using machinery opened in 1840. Paper production was centralized in a very few companies which, over the years, were sold, resold, merged and enlarged.

In 1929, two large companies, which had been producing some 1,200 tons of paper annually by 1910, merged to create Fábricas de Papel Loreto y Peña Pobre S.A.. The new firm soon began installing modern machinery and equipment for the production of pulp and paper. By 1940, the company produced 140 tons/day of pulp and 9,600 tons/year of paper.

Another major company, Fábricas de Papel San Rafael, was created in 1892 for the production of pulp and paper. Cartonera la Moderna, created in 1905, was the first firm to produce cardboard, boxes and packaging material. This was followed by Fábrica de Papel Monterrey in 1917. In 1925, Fábrica de Papel la Aurora was created. It was reorganized in 1961 as Kimberly Clark de México.

Because the demand for paper was not being met by local production, the federal government created Productora e Importadora de papel (PIPSA) to supply the Mexican market and to regulate prices. PIPSA's most important involvement was in the supply of newsprint but, with the support of special import duties, it was also Mexico's largest importer. PIPSA supplied as much as 94 percent of total apparent consumption in 1937 and an average 20 percent during the 1960s and 1970s.

At present (January 1993), the local pulp and paper industries represent 0.74 percent of total gross domestic product (GDP) and 3.23 percent of total manufacturing GDP. They employ 34,228 people, and their 73 plants have a total capacity to produce 1.1 million tons of pulp and 3.8 million tons of paper a year, as compared to 1 million tons of pulp and 2.8 million tons of paper in 1982.

Total pulp production increased from 473,000 tons in 1970 to 748,400 tons in 1982, but fell to 705,100 tons in 1991. Paper production, on the other hand, increased from 897,000 tons in 1970 to 2 million tons in 1982 and to 2.9 million tons in 1991. Imports of pulp have increased from 128,600 tons in 1982 to 320,000 in 1991, and paper imports increased from 281,400 tons in 1982 to 464,000 tons in 1991.

2. ECONOMIC ENVIRONMENT

With the objective of reducing the inflation rate, the Mexican authorities, in 1988, implemented a stabilization program, called the Economic Solidarity Pact. The Pact features traditional austerity measures, entailing tight fiscal and monetary policies, and unorthodox measures, such as price, wage and exchange rate controls. The program, the cornerstone of Mexico's economic policy, has been extended through 1993 under the name of the Pact for Stability, Competitiveness and Employment.

The Pact has drastically reduced the inflation rate from an annual rate of 159 percent in 1987 to 19.7 percent in 1989. Although inflation rebounded to 29.9 percent in 1990, it was brought down to 18.8 percent in 1991 and 11.9 percent in 1992. At the same time, interest rates have increased to 20 percent. The peso-dollar devaluation rate was recently increased to Mex$0.40 pesos a day or 4.6 percent per annum.

Mexico's 1993 macroeconomic policy aims to consolidate the progress made in price stabilization with a 7 percent inflation goal by means of tight monetary and fiscal policies. It also aims to promote employment, reaffirm gradual and sustained economic recuperation with an estimated GDP growth of 2.5 percent to 3 percent. Mexico proposes to do this by establishing the conditions necessary to encourage national and foreign investment and by promoting increased efficiency and competitiveness. The country also hopes to encourage social development and to improve the living standards of the poorest segment of society through direct government action.

Domestic economic activity recovered for the third consecutive year in 1989, after the 1986 recession, with a GDP growth rate of 3.3 percent. In 1990, GDP grew 4.4 percent, another 3.6 percent in 1991 and 2.6 percent in 1992 to reach U.S.$287.6 billion. In 1992, per capita GDP was estimated at $3,465. Manufacturing output grew by 5.8 percent in 1990, 3.7 percent in 1991 and 2.3 percent in 1992, in real terms. Private investment and consumption expanded 13.6 percent and 5.2 percent in 1990 and 1991 respectively. Public investment was up 12.8 percent. During the 1992-1994 period, GDP is expected to maintain an average annual growth rate of 4 percent to 5 percent. Preliminary figures place GDP growth at 2.7 percent for 1992, pointing towards a reduction in response to the need for inflation control and the reduced economic activity worldwide.

In an effort to revitalize and open the Mexican economy, the Mexican government undertook a series of structural changes. These 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 325 of the total 11,950 tariff items listed on the Harmonized System adopted in 1989. Official import prices and the 5 percent export development tax are no longer applicable and import duties were lowered from a maximum of 100 percent in 1982 to 20 percent in January 1988. The weighted average tariff rate now is 10.4 percent. The automotive and computer industries also have been liberalized through the elimination of prior import permits. 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 dropped again in 1992 to a U.S.$19.8 billion deficit from U.S.$11.1 billion in 1991, when it had already increased by 145.6 percent. Exports increased by 3.8 percent in 1992, from U.S.$27.1 billion to U.S.$28.1 billion, and imports grew 25.6 percent, from U.S.$38.2 billion to U.S.$48 billion in 1992, having already increased 22.8 percent in 1991. January-March data for 1993 place total exports at U.S.$7.4 billion and imports at U.S.$12.9 billion. This reflects a 10.3 percent and 18.3 percent growth rate over the same period of the previous year.

3. PULP AND SECONDARY FIBRES

3.1 Apparent Consumption

The Mexican market for pulp totalled U.S.$735.2 million in 1988. In 1989, it fell by 5.5 percent, with the overall decrease in domestic demand for pulp for the manufacture of paper in favour of secondary fibres. This was coupled with an overall contraction in both domestic and world demand. The market slightly increased in 1990 by 1.2 percent but it decreased by 10.4 percent in 1991. Preliminary figures for 1992 point towards a slight recovery of the market to U.S.$647.3 million. By 1995, the total market is expected to reach U.S.$760 million, after an average annual growth of 5.5 percent.

Table 1: Mexican Market for Pulp
(U.S.$ millions)

	1988	1989	1990	1991	1992e	1995p
Production	500.1	495.1	479.9	441.6	436.7	517.3
+ Imports	258.8	229.4	228.9	192.0	213.7	244.5
- Exports	23.7	29.9	5.2	3.3	3.1	1.8
	735.2	**694.6**	**703.6**	**630.3**	**647.3**	**760.0**

e = estimate based on January-June data, p = projected

Source : *Secretaría de Comercio y Fomento Industrial (SECOFI) and the Statistical Memoir of the National Chamber for the Pulp and Paper Industries (CNICP).*

Note: The table includes only definitive imports. Temporary imports, used mainly in the Mexican In-bond industry, are excluded because production data do not include maquiladora operations. Total temporary imports of pulp were valued at 11,400 tons in 1988, increased to 35,214 tons in 1989, but fell to only 802 tons in 1991.

Table 2: TOTAL APPARENT CONSUMPTION OF PULP (000 tons)

	1986	1987	1988	1989	1990	1991e
Production	772.5	780.5	809.2	799.0	771.8	705.1
+ Imports	345.5	470.6	411.1	314.0	369.0	356.7
- Exports	0	20.3	52.5	31.1	23.3	0.9
	1,118.0	**1,230.8**	**1,167.8**	**1,081.9**	**1,117.5**	**1,060.9**

e = estimated

Source : Memoria Estadística 1992, CNICP

Note: This table includes only definitive imports. Temporary imports, used mainly in the Mexican in-bond industry, are excluded because production data do not include maquiladora operations.

Based on these figures, total apparent consumption, in terms of volume, grew by 10 percent in 1987, driven mostly by increased imports, but decreased in 1988 and 1989 as a result of the reduction in domestic production and a fall in imports. The market grew by 3.3 percent in 1990 but fell to 1,061 million tons in 1991 (See Tables 1 and 2).

In addition to pulp, the use of secondary fibres in the domestic manufacture of paper is increasing. Mexico is known as one of the most active countries worldwide in the use of recycled fibres. The total content of recycled fibres can reach 67 percent. Recently (this paper was prepared in January 1993), the Mexican Secretariat for Social Development (SEDESOL), which regulates matters related to the environment, issued an official norm regulating the minimum contents of recycled fibres in the manufacture of newsprint. The norm has not yet been approved. According to this norm, newsprint will require a 50 percent recycled fibre content by 1995. Currently, a 30 percent minimum recycled fibre content is required. This will be increased to 40 percent in 1994. The norm of 50 percent recycled fibres is expected to be approved in the near future.

Table 3: MEXICAN MARKET FOR SECONDARY FIBRES (U.S.$ millions)

	1988	1989	1990	1991	1992e	1995p
Production	190.9	194.7	227.3	218.9	236.8	276.5
+ Imports	148.4	177.4	155.9	146.5	161.0	210.9
- Exports	0.3	0.3	0.2	0.4	0.3	0.4
	339.0	**371.8**	**383.0**	**365.0**	**397.5**	**487.0**

e = estimated based on January-June data, p = projected

Source : Secretaría de Comercio y Fomento Industrial (SECOFI) and the Statistical Memoir of the National Chamber for the Pulp and Paper Industries

Table 4: TOTAL APPARENT CONSUMPTION OF SECONDARY FIBRES (000 tons)

	1988	1989	1990	1991	1992e
Production	980.8	1,046.5	1,273.1	1,242.0	1,314.0
+ Imports	787.1	919.3	874.7	935.5	1,057.0
- Exports	0	0	0	0	0
	1,767.9	**1,965.8**	**2,147.8**	**2,176.5**	**2,371.0**

e = estimated

Source : Memoria Estadística 1992, CNICP

Total apparent consumption of secondary fibres has not followed the downward trend of the market for pulp (See Tables 3 and 4). In terms of volume, apparent consumption grew by 11.2 percent in 1989, 9.3 percent in 1990 and 1.3 percent in 1991, to reach a total consumption of 2.2 million tons. Preliminary data for 1992 place consumption at 2.4 million tons, 8.9 percent above 1991 levels.

In terms of value, the growth pattern is lower as a result of the influence of price. While the market grew by 9.7 percent in 1989 and 3 percent in 1990, in terms of value, it fell by 4.7 percent in 1991 to U.S.$365 million. Preliminary data for 1992 place apparent consumption at U.S.$397.5 million. An overall annual growth rate of 7 percent is projected for the 1992-1995 period, placing total consumption of secondary fibres at U.S.$487 million by 1996.

3.2 Imports

Imports have played a significant role in the Mexican market for pulp, mostly because local production has been unable to meet demand due to the structural problems of the Mexican forestry and wood industries. In terms of volume, which more clearly reflects the demand for pulp and its relative changes because it excludes price fluctuations, imports represented 35.2 percent of total demand in 1988. As a result of a 23.6 percent fall in pulp imports in 1989, the market share dropped to 29 percent. In 1990, pulp imports recovered, increasing 17.5 percent, from 314,000 tons to 369,000 tons. In 1991, despite a 3.3 percent fall in import volume, the overall market share grew to 33.6 percent because domestic production decreased at an even faster pace than imports.

In terms of value, imports fell year after year between 1988 and 1991, from U.S.$258.8 million in 1988 to U.S.$192 million in 1991. The imported component of the market also decreased from 35.2 percent to 30.5 percent in 1991. Preliminary data for 1992 point to an 11.3 percent recovery in imports, thereby increasing market share to 33 percent for that year. By 1995, imports are expected to reach U.S.$244.5 million, 32.2 percent of the total market.

Table 5: Mexican Imports of Pulp and Secondary Fibres (U.S. $ millions)

	1988	1989	1990	1991
Pulp Classification 1				
Mechanical wood pulp	16.9	15.6	3.4	5.6
Chemical wood pulp				
White wood pulp	116.8	128.0	124.8	101.0
Short-fibre wood pulp	42.8	41.1	44.3	36.0
Unbleached wood pulp	15.2	2.7	3.4	3.4
Semi-chemical wood pulp	0	9.1	20.2	15.7
Other	67.1	32.9	32.8	30.3
Subtotal	258.8	229.4	228.9	192.0
Pulp Classification 2				
Mechanical wood pulp	16.9	15.6	3.4	5.6
Chemical wood pulp of alpha-cellulose,				
dissolvin grades	63.9	31.7	31.1	28.8
Soda or sulphate, non-dissolving grades				
Coniferous, unbleached	15.1	2.6	3.4	3.4
Non-coniferous, unbleached	2.9	0.4	0	0
Coniferous, bleached	116.4	127.4	123.9	99.7
Non-coniferous, unbleached	40.0	40.7	44.1	36.0
Sulphite	3.0	0.8	1.3	1.4
Semi-chemical wood pulp	0	9.1	20.2	15.7
Pulp or other materials	0.6	1.1	1.5	1.4
Subtotal	258.8	229.4	228.9	192.0
Secondary Fibres				
Brown	29.0	46.3	45.0	49.4
White	69.3	92.1	74.6	62.8
Newsprint	32.6	34.3	31.4	28.5
Other	17.5	4.7	4.9	5.8
Subtotal	148.4	177.4	155.9	146.5
TOTAL	**407.2**	**406.8**	**384.8**	**338.5**

Source : Secretaría de Comercio y Fomento Industrial

Total imports of raw materials for the manufacture of paper, including pulp and secondary fibres, has steadily fallen since 1988, from $407.2 million to $338.5 million in 1991. Imports of secondary fibres have fallen at a slightly slower pace. Imports of mechanical wood pulp and of other pulp and secondary fibres have decreased the most quickly. White wood pulp, short-fibre wood pulp, white secondary fibres and newsprint decreased more slowly. Semi-chemical wood pulp and brown secondary fibres from kraft paper were the only imports to increase between 1988 and 1991 (see Table 5).

In terms of their relative participation in 1991, white wood pulp was the largest category (29.8 percent), followed by white secondary fibres (18.6 percent), brown secondary fibres (14.6 percent), short-fibre wood pulp (10.6 percent), other pulp (9 percent), printed newspaper (8.4 percent), semi-chemical wood pulp (4.6 percent) and other (4.4 percent).

Table 6: Import Market Share by Category

	1982 (%)	1988 (%)	1991 (%)	1991 (000 tons)
Chemical wood pulp				
Sulphate	19.0	44.2	41.8	617.5
Sulphite	60.2	0	100.0	2.7
	0	0	0	237.1
Chemical from annual plants	25.5	27.6	35.3	167.1
Mechanical wood pulp	0	0	n/a	0
Other				
	14.7	**32.0**	**31.3**	**1,024.4**

Source : Memoria Estadística 1992, CNICP

The import market share has more than doubled in the past decade (see Table 6). Apparent consumption of sulphite chemical wood pulp is totally met by imports; domestic production disappeared in 1986. On the other hand, chemical pulp from annual plants is met by domestic production, basically from sugar cane bagasse. Imports account for 41.8 percent of sulphate chemical wood pulp, the largest segment of the market, and for 35.3 percent of mechanical wood pulp consumption.

The United States, with a 92 percent market share in 1991, is the most important supplier of pulp and secondary fibres to Mexico. Geographical proximity plays a major role in this leadership as transportation costs can be high. Also, many U.S. firms have established a presence in Mexico through local distributors, representatives or agents, or through joint ventures. Canadian products account for the second-largest share, 6.5 percent, of total imports.

Table 7: CANADIAN EXPORTS OF PULP AND SECONDARY FIBRES TO MEXICO (Cdn$ thousands)

	1988	1989	1990	1991	Jan/Nov 1992
Mechanical wood pulp	5,964	1,868	58	2,195	336
Chemical Wood Pulp					
Dissolving grades	79	126	328	217	296
Soda or Sulphate					
Coniferous, unbleached	680	970	685	312	440
Coniferous, bleached	23,686	14,747	16,271	3,367	1,365
Sulphite	3,747	0	759	438	323
Semi-chemical wood pulp	2,101	5,770	9,442	8,770	10,651
Paper waste/scrap	0	335	117	57	0
	36,257	**23,816**	**27,660**	**15,356**	**13,411**

Source: Statistics Canada, International Trade Division

Canadian exports to Mexico, valued at Cdn$36.3 million in 1988, decreased by 34.3 percent in 1989 to Cdn$23.8 million. They increased 16.1 percent in 1990, but fell once more by 44.5 percent to Cdn$15.4 million in 1991. Between 1988 and 1990, the largest category of Canadian exports to Mexico had been soda or sulphate, bleached or semi-bleached chemical wood pulp, but this was the category with the most significant decrease in 1991 when it fell to second place after semi-chemical wood pulp. The third-place category in 1991 was held by mechanical wood pulp. There are no imports of pulp from Mexico to Canada (see Table 7).

3.3 Local Production

Mexico's total forested areas represent 143.6 million hectares, 73.3 percent of the country's total territory. This places Mexico among the top 11 countries in the world in terms of forestry resources. About 12 million people live in forested areas and about 300,000 live off primary forestry production.

The Secretariat for Agriculture and Hydraulic Resources (Secretaría de Agricultura y Recuros Hidráulicos [SARH]) must authorize, before it is undertaken, the exploitation of certain areas and varieties of Mexico's forests. During 1991, 4,585 authorizations were granted as compared to 2,355 in 1990 and 4,313 in 1989 (see Table 8).

Table 8: AUTHORIZED EXPLOITATION OF MEXICO'S FORESTS

Species	Authorized Volume (000 m³ logs)			Production Volume (000 m³ logs)		
	1989	1990	1991	1989	1990	1991
Pine	10,823	6,702	9,933	7,462	6,817	6,437
Other coniferae	611	305	533	311	303	303
Oak	3,208	2,279	3,029	438	383	383
Other leafed	330	261	337	170	190	154
Precious	127	14	25	74	40	39
Tropical	794	161	683	433	369	367
	15,893	**9,722**	**15,183**	**8,888**	**8,102**	**7,683**

Source : Memoria Económica 1990-1991 and 1991-1992, CNIF

Until 1991, about 80 percent of forestry resources were community properties (ejidos). The ejidos were officially assigned by the Secretariat of Agricultural Reform (Secretaría de la Reforma Agraria [SRA]). The remaining 15 percent was held by small proprietors and the state. The intention of this structure of land holdings was to allow the land to be distributed to a large number of families for agricultural purposes or eventually for cattle raising, both of which are basically short-term activities. This land use has created a strong competition to forestry, which has a long-term yield and requires large and long-term investments.

Additionally, land concession agreements for the exploitation of forestry resources were valid only for one year. (Before President Echeverría's term, concessions had been granted for 20 years.) The short terms have made investment in the sector riskier and long-term exploitation and reforestation more difficult.

With the amendments to Article 27 of the Mexican Constitution in 1992, the ejido structure will disappear in favour of small private properties. The new Forestry Law will regulate the new land tenure system and will allow for long-term investments in forestry.

Other structural problems the local industry faces are high transportation costs because, due to lack of rivers, wood has to be trucked over land, mostly on small mountain roads.

All of these factors also have had a negative influence on the local production of pulp. In addition, that industry has faced frequent supply problems and often has had to rely on imported materials. These factors explain the high content of recycled fibres used in domestic paper production.

Table 9: Mexican Production of Timber (000 m^3)

Product	1986	1987	1988	1989	1990	1991
Scantling [1]	5,508	6,137	5,840	5,807	5,487	5,391
Pulp	2,410	2,664	2,591	2,349	1,954	1,631
Posts & piles	173	149	164	156	139	98
Fuel	454	492	495	443	440	445
Sleepers	413	349	224	133	82	118
	8,958	**9,791**	**9,314**	**8,888**	**8,102**	**7,683**

[1] Includes boards, packaging wood, carved wood, wood for veneer, wood waste, pieces for sawmills, and veneer and other log products.

Source : Memoria Económica 1991-1992, CNIF

The decrease in timber production during 1989, 1990 and 1991 (see Table 9) is due to the long-standing and structural problems of Mexico's forestry sector, described above, and to a lack of policy definitions by the central government, the trade liberalization which has brought about the strong competition of imported wood products and a decrease in technical services for the forestry sector. (Non-timber production in Mexico is illustrated by Table 10.)

Table 10: Mexican Production of Non-Timber Products (tons)

Product	1986	1987	1988	1989	1990	1991
Resins	30,410	44,180	43,443	36,296	32,923	29,797
Fibres	7,394	6,257	6,914	3,047	4,790	2,799
Rhizome	3,912	3,129	1,388	1,081	415	1,391
Wax	2,058	1,387	1,983	1,385	2,205	1,953
Gum	220	392	548	834	415	457
Other	17,055	17,859	52,512	31,445	27,613	40,022
	61,049	**73,204**	**106,788**	**74,088**	**68,316**	**76,419**

Source : Memoria Económica 1991-1992, CNIF

Local production of pulp is concentrated in seven pulp and eight pulp and paper-producing firms. Mexico's total pulp production capacity was 1.1 million tons in 1991 and has remained constant since 1988. Capacity use in 1991 was 69.1 percent for bleached wood pulp, 76.9 percent for unbleached wood pulp, 77.7 percent for bleached annual plant pulp, 60 percent for unbleached annual plant pulp and 38.6 percent for mechanical wood paste.

Domestic pulp production had an average annual increase between 1982 and 1985 of 2.5 percent, reaching an all time high of 820,416 tons in 1985. In 1986, production fell by 5.8 percent but partially recovered between 1987 and 1988 to reach 809,217 tons. Negative economic conditions both in Mexico and abroad brought about a fall in production for three consecutive years between 1989 and 1991, when production fell to 705,111 tons, a level even lower than the 748,119 tons of 1982.

Table 11: Local Production of Pulp

	1988 (000 tons)	1988 (%)	1991 (000 tons)	1991 (%)
Chemical Wood Pulp				
Sulphate bleached	183.8	22.7	149.1	21.2
Short-fibre sulphate, bleached	32.3	4.0	32.0	4.5
Sulphate, unbleached	217.1	26.8	178.3	25.3
Subtotal	433.2	53.5	359.4	51.0
Chemical Annual Plant Pulp				
Bleached from sugar cane	245.1	30.3	235.3	33.4
Unbleached from wheat or barley straw	2.1	0.3	1.8	0.2
Subtotal	247.2	30.6	237.1	33.6
Mechanical Wood Pulp	118.1	14.6	108.6	15.4
Other	10.8	1.3	0	0
TOTAL	809.2	100.0	705.1	100.0

Source : Memoria Estadística 1992, CNICP

Mexico's pulp production is concentrated in bleached sulphate chemical wood pulp which, in 1982, accounted for 31 percent of total production and, in 1991, for 25.7 percent (see Table 11). Bleached chemical pulp from sugar cane bagasse, also an important product, represented 31.7 percent of production in 1982 and 33.4 percent in 1991. Overall, bleached chemical pulp represented 59.1 percent of production as compared to 63 percent in 1982 and 57 percent in 1988. Production of bleached chemical pulp from cotton disappeared in 1984. Unbleached chemical pulp at present only corresponds only to sulphate wood pulp (25.3 percent) and a very minor contribution from chemical pulp from wheat or barley straw (0.2 percent), although in 1982 there also was a small production of sulphite wood pulp (1.2 percent). Mechanical wood pulp accounted for 15.4 percent of production in 1991, as compared to 7.1 percent in 1982 and 14.6 percent in 1988.

The domestic recovery of secondary fibres has been increasing in the past few years, from 980,800 tons in 1988 to 1.2 million tons in 1991. This recycling is expected to continue, even though no efforts have been made so far to encourage the separation of garbage at the household level.

In 1991, the total production of pulp originated in seven states within the Mexican Republic: Veracruz (23.7 percent), which accounted for over 70 percent of pulp produced from annual plants; Jalisco (18.3 percent), and Michoacán (13.3 percent), the largest producers of wood pulp; Mexico (12.6 percent); Oaxaca (12.2 percent), which accounts for 79 percent of mechanical wood pulp production; Chihuahua (10.5 percent) and Durango (9.4 percent).

The machinery and equipment used in the manufacture of pulp in Mexico is predominantly of local origin, but about 15 percent to 20 percent are imports (see Table 12).

Table 12: Imports of Pulp-Manufacturing Equipment
(U.S.$ thousands)

	1988	1989	1990	1991
Machinery for Making Pulp				
For shredding or making pulp for waste materials	2.9	206.3	1,093.8	490.2
For the preliminary treatment of raw materials	365.9	3,876.5	2,004.4	3,295.9
Wet presses or deckers		103.0	195.2	0
To make cellulosic pulp	1,892.2	3,117.5	3,539.6	1,176.4
Purifiers/defibrators	260.7	801.1	100.7	428.3
Laboratory research machinery	19.9	91.2	34.7	23.6
Subtotal	2,541.6	8,195.6	6,968.4	5,414.4
Parts for Pulp-Making Machines				
Cylinders or rollers	11.1	81.9	28.5	0.5
Cones/disks/steel segments	975.8	1,198.7	1,535.5	1,034.0
Other	1,777.0	1,681.5	2,937.5	2,145.6
Subtotal	2,763.9	2,962.1	4,501.5	3,180.1
TOTAL	**5,305.5**	**11,157.7**	**11,413.7**	**8,594.5**

Source : Secretaría de Comercio y Fomento Industrial

Total imports of pulp-manufacturing equipment and parts more than doubled between 1988 and 1989 in response to lower import tariffs and a more flexible financial policy. They stabilized in 1990 but fell by 24.7 percent in 1991 with the contraction in the industry. In 1989, the participation of parts fell to 26.5 percent as new machinery was purchased. Parts participation increased in 1990 and 1991 to 37 percent, pointing towards more maintenance of old equipment as opposed to new purchases.

In 1991, most imports for pulp manufacturing were of machinery for the preliminary treatment of raw materials, followed by machines for the manufacture of cellulosic pulp. These two product groups have traditionally dominated imports, but in the opposite order. Imports of purifiers/defibrators also grew in 1991, as compared to 1990. Imports of machinery for shredding or making pulp from rags and other textile, paper or paperboard waste have overall shown a growing trend.

Imports from the United States represent 56.9 percent of total machinery imports and 81.1 percent of part imports due to the geographical proximity, the familiarity of end users with U.S. equipment and a longstanding presence of U.S. firms in Mexico through local distributors and representatives. Canada holds a 13.7 percent import market share in machinery and 6.7 percent in parts. Canadian exports of machinery and parts to Mexico amounted to Cdn$156,000 in 1991, down from Cdn$965,000 in 1990. Other competitors in this market include Germany, Finland, Brazil and Spain.

4. PAPER

4.1 Apparent Consumption

The Mexican market for paper, excluding manufactured paper products, totalled $2.3 billion in 1988. It grew by 8.7 percent in 1989 and a further 8.5 percent in 1990, driven by an increase in imports and domestic production. In 1991, apparent consumption grew by another 5.7 percent to reach $2.9 billion. Preliminary figures for 1992 point towards another 4.1 percent growth in response to a major increase in imports. By 1995, the total market is expected to reach $3.5 billion with an average annual growth of 4.5 percent (see Table 13).

Table 13: MEXICAN MARKET FOR PAPER (U.S.$ millions)

	1988	1989	1990	1991	1992e	1995p
Production	2,334.4	2,462.7	2,583.4	2,586.0	2,610.8	2,811.5
+ Imports	149.1	195.9	247.1	369.8	502.9	706.9
- Exports	164.6	137.7	95.3	65.4	63.6	48.4
	2,318.9	**2,520.9**	**2,735.2**	**2,890.4**	**3,050.1**	**3,470.0**

e = estimate based on January-June data, p = projected

Source : *Secretaría de Comercio y Fomento Industrial and the Statistical Memoir of the National Chamber for the Pulp and Paper Industries.*

Note : This table includes only definitive imports.

Total temporary imports of paper were valued at 32,386 tons in 1988. They increased to 64,981 tons in 1989 and 66,528 tons in 1990, but fell to 43,857 tons in 1991. During 1986, 1987 and 1988, paper for packaging accounted for an average 85 percent of total temporary imports. In 1991, this participation fell to 8.6 percent when printing and writing paper contributed 80 percent of total temporary imports (See Table 14).

Table 14: TOTAL APPARENT CONSUMPTION OF PAPER (000 tons)

	1986	1987	1988	1989	1990	1991e
Production	2,470.2	2,574.6	2,593.6	2,736.8	2,870.9	2,895.9
+ Imports	70.7	66.3	143.7	173.7	255.7	464.0
- Exports	135.7	243.1	252.6	200.9	167.8	120.3
	2,405.2	**2,397.8**	**2,484.7**	**2,709.6**	**2,958.8**	**3,239.6**

e = estimate

Source : Memoria Estadística 1992, CNICP

Note : This table includes only definitive imports.

Total apparent consumption in terms of volume practically remained constant in 1987, despite a fall in imports. It then increased in 1988 by 3.6 percent. Between 1988 and 1991, the market followed a fairly constant and high growth pattern of 9.1 percent to 9.5 percent per annum to reach a total production volume of 3.2 million tons (see Table 15).

Table 15: TOTAL APPARENT CONSUMPTION OF PAPER IN 1991

Category	(000 tons)	Percentage
Newsprint & textbook paper	443.3	13.7
Writing & printing paper	596.9	18.4
Packaging paper	1,670.5	51.6
Sanitary & tissue paper	370.8	11.4
Special papers	158.2	4.9

4.2 Imports

Imports have come to play an increasingly significant role in the Mexican market for paper, mostly because local production has been unable to meet demand due, in part, to the structural problems that have limited the supply of inputs for the industry. Also, the overall decrease in world paper price have made imports cheaper and more attractive.

In terms of volume, the import market share decreased during the 1982-1986 period from 12.4 percent to 2.8 percent in response to the import restrictions imposed after the 1982 economic crisis. Import duties in the paper industry were lowered from 45 percent to 5 percent 10 percent in 1986. This brought about a steady increase in the imported market share of apparent consumption. This market share reached 5.8 percent of total demand in 1988 increasing to 6.4 percent in 1989, 8.6 percent in 1990 and 14.3 percent in 1991. Total imports increased in volume by 20.9 percent in 1989, 47.2 percent in 1990 and 81.5 percent in 1991. January-June figures for 1992 show a 124.5 percent increase in paper imports over the same period in 1991.

Imports also have shown strong growth, in terms of value, but this was more erratic than volume. Imports grew 32 percent in 1989, fell by 7.4 percent in 1990, but increased by 49.7 percent in 1991. The imported component of the market has increased from 8.9 percent in 1988 to 13.4 percent in 1991. Preliminary data for 1992 show a 36 percent growth in value imports. This increased import market share to 17.4 percent for that year. By 1995, imports are expected to reach $706.9 million, 21.5 percent of the total market (see Table 16).

Table 16: MEXICAN IMPORTS OF PAPER
(U.S.$ millions)

	1988	1989	1990	1991
Writing & Printing Paper				
Paper for newspaper & textbooks	23.8	18.3	39.2	41.3
Writing & printing paper	29.3	52.7	69.8	105.4
Subtotal	53.1	71.0	109.0	146.7
Wrapping & Packaging Paper				
Paper for bags & wrapping	15.5	5.0	7.5	3.9
Paper for boxes	6.2	10.1	24.1	40.2
Cardboard	0.4	1.0	2.3	16.9
Cardboard for edible fluids	14.4	21.3	21.1	37.5
Subtotal	36.5	37.4	55.0	98.5
Other				
Sanitary & tissue paper	7.7	14.5	8.2	13.0
Special papers	51.8	73.0	74.9	111.6
TOTAL	**149.1**	**195.9**	**247.1**	**369.8**

Source : Secretaría de Comercio y Fomento Industrial

Total imports of paper have steadily increased since 1988, from $149.1 million to $369.8 million in 1991, an average annual rate of 35.7 percent. January-June figures for 1992 indicate a further 36 percent growth over the previous year. An overall reduction in world paper prices and the incapacity of domestic production to meet the increasing demand for paper have contributed to this significant annual growth in imports.

The import categories that have shown the more dynamic growth patterns during the 1988-1991 period were cardboard, paper for boxes, white writing and printing papers, cardboard for edible fluids, and special papers. During 1992, the fastest-growing categories were bag and wrapping paper, white writing and printing papers, sanitary and facial papers, and newsprint and textbook papers.

In terms of their relative participation in 1991, the largest category corresponds to special papers (30.2 percent), including paper used as a base for photosensitive or other sensitive paper; carbonizing base paper; wallpaper base paper; stencil paper; pressboard paper; dielectric paper; corrugating medium; filter paper and paperboard; felt paper; tracing paper; greaseproof paper; transparent paper; laminated paper; creped, crinkled or embossed paper; carbon and self-copy paper; heat-sensitive paper; coloured, varnished, painted or decorated kraft paper; tarred, bitumenized, or asphalted paper; adhesive paper; plastic-covered paper; and paperboard or otherwise treated, coated or impregnated paper; cigarette paper; wallpaper and floor coverings. This category is followed by printing and writing paper (28.5 percent), including, among the large import items, banknote printing paper; bond and stamp-impressed paper; coloured, varnished or painted paper; and coated paper (couche). Packaging and wrapping paper and paperboard together account for 26.7 percent of paper imports, and box and edible fluids paper and paperboard represent 10.9 percent and 10.1 percent of total imports respectively. Newsprint and textbook papers represent another 11.2 percent of imports and sanitary and tissue paper 3.5 percent. Table 17 lists the imports of manufactured paper products.

Table 17: IMPORTS OF MANUFACTURED PAPER PRODUCTS, 1988-1991
(U.S.$ thousands)

	1988	1989	1990	1991
Manufactured writing & printing papers	6,397	12,929	17,659	35,21
Paper bags.& wrappings	1,380	3,015	4,370	8,985
Corrugated paperboard boxes	2,924	6,247	12,458	65,702
Other boxes	3,926	5,924	12,344	33,952
Containers, spools, gaskets	2,352	3,261	4,454	9,960
Paperboard products (book covers, dishes, etc.)	340	1,473	2,2584	3,551
Tissue paper products	4,092	16,545	60,878	79,935
Other	7,518	6,986	10,4167	14,501
	28,929	**56,380**	**125,163**	**251,803**

Source : Secretaría de Comercio y Fomento Industrial

Table 18: IMPORT MARKET SHARE BY CATEGORY

	1982	1988 (%)	1991	1991 (000 tons)
Writing & printing paper	23.3	6.6	17.2	1,040.2
Newsprint & textbook paper	47.0	10.0	13.7	443.3
Writing & printing paper	3.3	3.5	19.8	596.9
Wrapping & Packaging Paper	6.2	4.3	9.1	1,670.5
Other				
Sanitary & tissue paper	0.4	1.6	2.4	370.8
Special papers	36.7	39.0	78.7	158.2
	12.4	**5.8**	**14.3**	**3,239.6**

Source : Memoria Estadística 1992, CNICP

The overall import market share for paper fell from 12.4 percent in 1982 to a minimal level of 2.8 percent in 1987 (see Table 18). Since then, it has recovered to the 14.3 percent of 1991. The category with the highest import market share is special papers, many of which are not manufactured in Mexico due to the relatively small volume demanded by a very wide range of products, which does not allow the domestic industry to be competitive worldwide. Printing and writing paper also showed a major increase in import market share in 1991. Packaging paper, sanitary and tissue paper also have increased their market share, although at a somewhat slower pace.

Newsprint and textbook paper increasingly are being manufactured locally. The United States, with a 78 percent market share in 1991, is the most important supplier of paper to Mexico.

Table 19: CANADIAN EXPORTS OF PAPER TO MEXICO (Cdn$ thousands)

	1988	1989	1990	1991	Jan-Nov 1993
Newsprint	6,635	6,618	15,923	34,489	26,543
Writing & printing paper	1,324	3,321	4,195	7,274	1,965
Kraft paper/paperboard	320	243	18	0	27
Other uncoated	314	166	39	0	0
Copying/transfer paper	14	32	34	0	0
Coated paper/paperboard	73	5	48	109	1,558
Cigarette paper	40	17	0	0	0
Tissue paper products	66	2,707	6,026	9,804	122
Cartons/boxes/bags	102	48	208	98	453
Albums	130	214	265	276	244
Labels	38	31	21	95	495
Other	23	130	114	17	51
	9,079	**13,532**	**26,891**	**52,162**	**31,458**

Source : Statistics Canada, International Trade Division

Canadian exports to Mexico have increased year after year since 1988, from Cdn$9.1 million to Cdn$52.2 million in 1991 (see Table 19). Three categories account for most imports: newsprint, sanitary paper, and writing and printing paper. Canadian imports from Mexico were valued at Cdn$1 million in 1991, down from Cdn$4.1 million in 1988 as a result of the reduction of tissue paper imports from Cdn$3.7 million to only Cdn$55,000.

4.3 Local Production

There are eight pulp- and paper-producing firms and another 58 paper producers. Mexico's paper production capacity reached 38 million metric tonnes in 1991, up from 2.8 million tonnes in 1982. Paper production capacity steadily increased during this period, at an average annual rate of 3.5 percent (see Table 20).

Table 20: INSTALLED CAPACITY FOR PAPER PRODUCTION

	1982	1988 (000 tons)	1991	Use (%)
Newsprint & textbook	241	420	430	90.4
Writing & printing	616	605	656	76.7
Packaging	1,548	1,845	2,210	71.5
Sanitary & tissue	314	433	467	83.1
Special	85	72	52	67.1
	2,804	**3,375**	**3,815**	**75.9**

Source : Memoria Estadística 1992, CNICP

Packaging papers and paperboard account for 58 percent of total installed capacity, followed by writing and printing papers (17.2 percent), sanitary and tissue paper (12.2 percent), and newsprint and textbook paper (11.3 percent). The only category with a reduction in installed capacity during this period was special papers. Imports predominate in this sector because domestic capacity is small and falling.

Table 21: Local Production of Paper

	1988 (000 tons)	1988 (%)	1991 (000 tons)	1991 (%)
Writing & Printing	826.8	31.9	891.9	30.8
Paper	794.0	30.6	840.5	29.0
Air and copy	15.0		5.6	
Bond	371.2		396.1	
Printing	5.3		6.6	
Coated	51.0		43.5	
Newsprint	319.1		346.1	
Textbook	42.1		42.6	
Paperboard	32.9	1.3	51.4	1.8
Coated	21.2		27.2	
Uncoated	11.7		24.2	
Packaging	1,359.4	52.4	1,581.2	54.6
Paper	1,089.0	42.0	1,291.9	44.6
Sacks	167.3		182.8	
Bags	47.3		62.8	
Wrapping	40.6		43.3	
Boxes (liner)	552.2		609.5	
Corrugated	281.6		358.7	
Cones & tubes	0		34.8	
Paperboard	270.4	10.4	289.3	10.0
Uncoated duplex	17.6		19.5	
Coated duplex	193.6		254.3	
Grey	21.6		14.5	
For edible fluids	37.6		1.1	
Sanitary & Tissue	359.5	13.9	388.0	13.4
Special	47.8	1.8	34.9	1.2
Glassine	7.0		6.4	
China	1.7		1.1	
Other	24.5		20.3	
Silicone base	3.3		1.9	
Impregnating kraft	1.6		1.0	
Gumming base	4.5		0	
Cigarette paper	3.4		4.1	
One time only	1.8		0	
	2,593.6	**100.0**	**2,895.9**	**100.0**

Source : Memoria Estadística 1992, CNICP

Total local production of paper has been increasing steadily since 1982, at an average annual rate of 4.3 percent, from almost two million tons in 1982 to 2.9 million tons in 1991. Mexico's paper production is concentrated in packaging papers and paperboard, which have accounted for over 52 percent of total production in the past decade. Within this group, and of all production groups, the largest category is liner boxes, which account for 21 percent of total production. It is followed by corrugated paper and sacks, within wrapping and packaging papers, and coated duplex paperboard, within packaging paperboards. The second-largest group is writing and printing paper, dominated by bond paper and newsprint. Sanitary and tissue paper are the third-largest product group, and special papers close the list (see Table 21).

In 1991, sixteen states accounted for the local production of paper, the most active of which were Mexico (27.3 percent), Querétaro (11.3 percent), Nuevo León (10.3 percent), Veracruz (10.1 percent), Jalisco (7.1 percent), Mexico City (6.9 percent), San Luis Potosí (5.4 percent), Oaxaca (5.3 percent), Durango (4.1 percent), Chihuahua (3.6 percent) and Michoacán (3.2 percent). Writing and printing paper comes mostly from Veracruz (20.6 percent), Oaxaca (17.3 percent), San Luis Potosí (15.9 percent) and Mexico (14.1 percent); packaging paper and cardboard from Mexico (33.6 percent), Nuevo León (16 percent) and Jalisco (13 percent), sanitary and tissue paper from Mexico (30.8 percent), Querétaro (26.5 percent) and Veracruz (20.8 percent), and special papers from Mexico (36.6 percent), Nuevo León (32.3 percent) and Mexico City (21.3 percent).

The local paper industry relies predominantly on locally-manufactured machinery and equipment, as is the case with pulp, but imports have played a more significant role in this industry (see Table 22).

Table 22: Imports of Paper Manufacturing Equipment (U.S.$ thousands)

	1988	1989	1990	1991
To make paper & paperboard	5,657	3,611	7,668	7,223
To finish paper & paperboard	2,906	5,166	10,189	10,901
Parts of machinery	5,374	7,556	10,040	8,230
Subtotal	13,937	16,333	27,897	26,354
Cutting machines	9,844	10,655	16,120	15,087
Bag & box-making machines	7,527	5,549	7,212	9,310
For moulding paper articles	65	512	2,656	1,993
Other machines	2,552	2,859	4,947	5,875
Parts	2,696	2,620	3,489	4,785
Subtotal	22,684	22,195	34,424	37,050
TOTAL	**36,621**	**38,528**	**62,321**	**63,404**

Source : Secretaría de Comercio y Fomento Industrial

In correspondence with the steady growth of the local paper industry, imports of machinery and equipment for the industry have increased significantly since 1988, from $36.6 million to $63.4 million in 1991. In 1989, imports grew by 5.2 percent, although paper-making machinery imports increased by 17.2 percent. Paper-product-making machinery imports fell by 2.2 percent, particularly bag-, sack-, envelope- and container-making equipment. During 1990, imports increased by 61.8 percent as a whole, paper-making machinery by 70.8 percent and paper-product-manufacturing equipment by 55.1 percent. In 1991, the first category fell by 5.5 percent and the second grew 7.6 percent, for a total of 1.7 percent.

The participation of parts in total machinery imports increased from 22 percent in 1988 to 26.4 percent in 1989. It has, however, been decreasing (21.7 percent in 1990 and 20.5 percent in 1991). This points towards a recapitalization of the industry in order to face future demand, rather than a general overhaul and maintenance, in accordance with projected growth in the industry.

The United States, with a 54.8 percent market share, is the most important exporter of machinery to Mexico. Germany is second, followed by France, Spain, Italy, Switzerland and Canada, with a 1.9 percent market share. Total Canadian exports of paper machinery to Mexico were valued at Cdn$251,000 in 1991, down from Cdn$3,964,000 in 1990.

4.4 Printing and Graphic Arts

The printing and graphic arts industries include a variety of areas, the largest of which are newspapers and books.

The newsprint market is very concentrated in Mexico. Three firms, Fábricas de Papel Tuxtepec, Mexicana de Papel Periódico and Productora Nacional de Papel Destinado, cover domestic production. Furthermore, the decentralized government agency Productora e Importadora de Papel (PIPSA) controls all sales of newsprint in Mexico.

There are 30 newspapers printed in Mexico City and 320 printed throughout the country. The Mexico City papers together have a daily circulation of over three million copies, in addition to 120,000 weekly and 30,000 monthly publications. The Mexico City newspapers with the largest daily circulation, ranging between 100,000 and 400,000, are ESTO, La Prensa, Novedades, El Heraldo, Ovaciones, Excelsior, El Financiero, El Universal, El Nacional, La Afición, Uno más Uno, and La Jornada.

The book publishing and printing industry is one of the largest consumers of fine writing and printing paper in Mexico and is comprised of approximately 600,000 establishments. The most important single sector is the printing of government free texts or school books, which are distributed to the over 16 million primary school students. In 1959, the government imposed the sole and free textbook, and has ever since been in charge of its publication. In 1990, the National Commission for the Free Textbook (Comisión Nacional de Texto Gratuito [CONTEG]), printed 90 million books, 63.3 percent of the total textbook sector of the industry.

There are 1,234 publishing houses in Mexico, in which 881 are private companies, 11 universities, associations and institutions, 100 government offices and 65 personal publishers. The total number of publishers registered with the National Chamber for the Mexican Publishing Industry has fallen from 1,325 to some 850 in the past decade, due to the overall crisis the book industry is facing and the increased competition from imports, which were valued at $80 million in 1990. Exports, on the other hand, reached $32 million and have averaged only 15 percent to 20 percent of total sales of the industry.

The publishing industry is highly concentrated: 7 percent of the companies produce 75 percent of the books in circulation.

Table 23: Mexican Publishing Industry in 1990

	# of books
Text books	48 million
Social sciences	16 million
Science and technology	15 million
Children and young age books	15 million
Other	14 million
Practical books	11 million
Fascicles	9 million
Literature	7 million
Dictionaries & encyclopaedias	6 million
Art books	1 million
Total	**142 million**

In 1991, the Mexican publishing industry produced 21,500 titles, of which 66 percent were reprints (14,254); 23 percent (4,879) were new titles, an average way below that of other developed countries; 11 percent (2,367) were re-editions. Table 23 gives a breakdown of some of the types of books that are published in Mexico.

The average number of copies printed of any one book tend to be low in Mexico as compared to other countries; the printruns average 2,000 to 5,000, and usually do not surpass 10,000 copies. The distribution of books in Mexico is through some 700 book stores and a wide network of department stores, supermarkets and several restaurants. There are only 3,500 libraries in Mexico.

Among the largest publishers are:

- Bruguera Mexicana,
- Compañía Editorial Continental (CECSA),
- Editorial Diana,
- Editorial Herreo,
- Editorial Jus,
- Editorial Limusa,
- Editorial Porrúa,
- Editorial Trillas,
- Fernández Editores,
- Fondo de Cultura Económica,
- Grijalva,
- Grollier,
- Grupo Editorial Patria,
- Grupo Editorial Planeta,
- Grupo Noriega,
- Grupo Santillana,
- Larousse,
- McGraw Hill,
- Plaza y Valdez,
- Publicaciones Cultural, and
- Salvat Mexicana.

Mexican universities publishers include:

- Universidad Nacional Autónoma de México (UNAM), it is the largest, publishing an average three books daily, with 1,000 to 50,000 copies each),
- Universidad Autónoma Metropolitana (UAM),
- Instituto Tecnológico Autónomo de México (ITAM),
- Universidad Iberoamericana (UIA),
- Universidad de Puebla (UAP),
- Universidad Veracruzana (UV),
- Universidad Autónoma de Sinaloa (UAS), and
- Universidad de Guadalajara (UdeG).

The magazine printing industry includes some 250 establishments, but it is dominated by two firms: Talleres Rotográficos Zaragoza and Offset Multicolor.

4.5 Packaging

The use of packaging paper and paperboard in Mexico is basically for the food and beverages industry and, to a lesser degree, for the consumer products industry. Paper and cardboard packaging includes corrugated and solid fibre containers, folding cartons, set-up boxes, composite cans, tubes, drums, bags, sacks, sterile packaging, edible fluids boxes and cans, and wrapping paper. As is the case in other areas, this sector is highly concentrated in a few companies that have integrated their production processes and produce both the paper and the finished product. Some even include the production of pulp.

In the area of processed foods, total apparent consumption is valued at $8.5 billion, with a total local production of $8.4 billion, $321 million of which is exported. (Table 24 shows the subdivisions of food production in Mexico.) The local food industry employs over 500,000 people in several thousand companies.

It is a relatively concentrated industry; a small number of large firms control most sales. Many of these large firms are multinational giants that have wholly-owned, joint-venture or licensed production plants in Mexico. Rather than importing, these firms use Mexican raw materials and foreign processing, packaging and marketing technology for production and sale in Mexico or abroad. Many of the large firms also make and print their own packaging.

Table 24: TOTAL FOOD PRODUCTION IN MEXICO

	Percentage
Meat & milk	35.2
Corn milling	18.1
Wheat milling	12.0
Fats & oils	6.4
Coffee	5.9
Sugar	5.5
Processed fruits & vegetables	3.5
Animal feed	2.4
Other	10.9

4.6 Sanitary and Facial Paper Products

The Mexican sanitary and facial paper industry, from the production of pulp paper, to the production of the final consumer product, is concentrated in two large, multinational firms: Kimberly Clark and Crisoba (Scott Paper). Together they cover 48 percent and 31 percent respectively, of the Mexican market. Smaller contributions are made by firms such as Fábricas de Papel Loreto y Peña Pobre (10 percent), Cía. Papelera Maldonado (4 percent), Fábrica de Papel San Francisco (3.5 percent) and Fábrica de Papel Finess (0.7 percent). Total production of sanitary and facial paper products was 387,950 tons in 1991. This includes toilet paper (293,758 tons, 75.7 percent), tissue paper (8,857 tons, 2.3 percent), paper napkins (58,891 tons, 15.2 percent) and other tissue towels (6.8 percent).

Additionally, there is a very large production of diapers and sanitary napkins, for which no data were available. They are distributed in Mexico through two major channels: consumer and institutional. The first basically moves through major supermarkets and small stores, while the institutional sector, which includes industry, hospitals, hotels and restaurants, high rotation offices and schools, is addressed mainly through the company distribution channels.

5. MARKET ACCESS

The import climate for pulp and paper has improved as a result of commercial liberalization. Imports in this industry, classified under the Harmonized System Number 47 and 48, are subject to an *ad valorem* duty of a maximum 20 percent and a customs processing fee of 0.8 percent that are assessed on the invoice value. A 10 percent value-added tax (recently reduced from 15 percent) is then assessed on the total. Some manufacturers who use imported inputs for their products under a Mexican government-approved manufacturing plan may have the duty and/or VAT waived or rebated. Raw materials, intermediates and machinery for use in manufacturing or assembling products for export are generally eligible to be imported either duty-free or under bond.

As of July 1991, foreign suppliers are required to have a local agent or representative and to be registered, through the local representative, as an accepted supplier with each government ministry and/or decentralized agency according to the international tender requirements.

International tenders financed by the World Bank or the International Development Bank are open to all member countries of these institutions. More recently, the World Bank, where its credits are involved, has required that bid documents should also include an affidavit confirming that the Canadian company is a bona fide Canadian company with an official residence in Canada and that Canada is recognized as a contributing member to the World Bank.

There are no official metric requirements applicable to imports into Mexico. However, because the metric system of units is the official standard of weights and measures in Mexico, importers usually require metric labelling for packaged goods. The English system is also used and dual labelling is acceptable.

Imported products should be labelled in Spanish and the label should contain, as applicable: name of the product, trade name and address of the manufacturer, net contents, serial number of equipment, date of manufacture, electrical specifications, precautionary information on dangerous products, instructions for use, handling and/or product conservation and mandatory standards.

Mexico adheres to the International System of Units (SI).

Electric power is 60 cycles with normal voltage being 110, 220 and 400. Three-phase and single-phase 230 volt current is also available.

Appendix A – WHERE TO GO FOR ASSISTANCE*

CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN CANADA

Department of Foreign Affairs and International Trade (Ottawa)

Department of Foreign Affairs and International Trade (DFAIT) is the Canadian federal government department most directly responsible for trade development. The **InfoEx Centre** is the first contact point for advice on how to start exporting; it provides information on export-related programs and services; helps find fast answers to export problems; acts as the entry point to DFAIT's trade information network; and provides interested companies with copies of specialized export publications.

InfoEx Centre
Tel.: 1-800-267-8376 or (613) 944-4000
Fax: (613) 996-9709

Latin America and Caribbean Trade Division promotes trade with Mexico. There are several trade commissioners at the Embassy of Canada in Mexico City, and there is a satellite office in Monterrey. Trade commissioners can provide a range of services including introducing Canadian companies to potential customers in Mexico, advising on marketing channels, assisting those wishing to participate in trade fairs, helping identify suitable Mexican firms to act as agents, and compiling credit and business information on potential foreign customers.

Latin America and Caribbean Trade Division (LGT)
Department of Foreign Affairs and International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Fax: (613) 943-8806

* Source: *Canada-Mexico: Partnering for Success*
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International Trade Centres

International Trade Centres have been established across the country as a first point of contact to support the exporting efforts of Canadian firms. Co-located with the regional offices of Industry Canada, the centres operate under the guidance of DFAIT and all have resident trade commissioners. They help companies determine whether or not they are ready to export; assist firms with marketing research and market planning; provide access to government programs designed to promote exports; and arrange for assistance from the Trade Development Division in Ottawa and trade officers abroad. Contact the International Trade Centre nearest you:

British Columbia
Scotia Tower
900-650 West Georgia Street
P.O. Box 11610
Vancouver, B.C.
V6B 5H8
Tel: (604) 666-0434
Fax: (604) 666-0617

Yukon
Room 210
300 Main Street
Whitehorse, Yukon
Y1A 2B5
Tel: (403) 667-3921
Fax: (403) 668-5003

Alberta
Canada Place
Suite 540
9700 Jasper Avenue
Edmonton, Alberta
T5J 4C3
Tel: (403) 495-4782
Fax: (403) 495-4507

11th Floor
510-5th Street S.W.
Calgary, Alberta
T5P 3S2
Tel: (403) 292-6660
Fax: (403) 292-4578

Northwest Territories
Precambrian Building
10th Floor
P.O. Box 6100
Yellowknife, NWT
X1A 2R3
Tel: (403) 920-8578
Fax: (403) 873-6228

Saskatchewan
Suite 401
119-4th Avenue South
Saskatoon, Sask.
S7K 5X2
Tel: (306) 975-4400
Fax: (306) 975-5334

4th Floor
1955 Smith Street
Regina, Sask.
S4P 2N8
Tel: (306) 780-7520
Fax: (306) 780-6679

Manitoba
7th Floor
330 Portage Avenue
P.O. Box 981
Winnipeg, Manitoba
R3C 2V2
Tel: (204) 983-4090
Fax: (204) 983-2187

Ontario
Dominion Public Building
4th Floor
1 Front Street West
Toronto, Ontario
M5J 1A4
Tel: (416) 973-5000
Fax: (416) 973-8714

Quebec
Stock Exchange Tower
Suite 3800
800 Victoria Square
P.O. Box 247
Montréal, Québec
H4Z 1E8
Tel: (514) 283-7907
Fax: (514) 283-8794

New Brunswick
Assumption Place
770 Main Street
P.O. Box 1210
Moncton, N.B.
E1C 8P9
Tel: (506) 857-4782
Fax: (506) 851-6429

Prince Edward Island
Confederation Court Mall
Suite 400
134 Kent Street
P.O. Box 1115
Charlottetown, P.E.I.
C1A 7M8
Tel: (902) 566-7400
Fax: (902) 566-7450

Nova Scotia
Central Guarantee Trust Tower
5th Floor
1801 Hollis Street
P.O. Box 940, Station "M"
Halifax, N.S.
B3J 2V9
Tel: (902) 426-4782
Fax: (902) 426-2624

Newfoundland
Atlantic Place
Suite 504
215 Water Street
P.O. Box 8950
St. John's, Nfld.
A1B 3R9
Tel: (709) 772-4782
Fax: (709) 772-5093

World Information Network for Exports

The World Information Network for Exports (WIN Exports) is a computer-based information system designed by DFAIT to help Canada's trade development officers abroad match foreign needs to Canadian capabilities. It provides users with information on the capabilities, experience and interests of more than 30,000 Canadian exporters. To be registered on WIN Exports, call: (613) 996-5701.

Program for Export Market Development (PEMD)

This program seeks to increase export sales by sharing the costs of industry-initiated activities aimed at developing export markets. PEMD is administered by Industry Canada regional offices and funded by DFAIT. Activities eligible for PEMD financial support (up to 50 per cent of the costs) include:

- participation in recognized foreign trade fairs outside of Canada;
- trips to identify export markets and visits by foreign buyers to Canada;
- project bidding or proposal preparation at the precontractual stage for projects outside Canada;
- the establishment of permanent sales offices abroad in order to undertake sustained marketing efforts; and,
- special activities for non-profit, non-sales food, agriculture and fish organizations, marketing boards and agencies, trade fairs, technical trials, and product demonstrations (for example).

Support is also provided for certain types of government-planned activities, such as outgoing trade missions of Canadian business representatives and incoming missions to Canada of foreign business and government officials who can influence export sales.

For Information, call: (613) 954-2858.

International Financing

DFAIT helps Canadian exporters interested in pursuing multilateral business opportunities financed by international financing institutions (IFI). Canadian exporters and trade associations can access market data, obtain a better understanding of the competition , and determine if an IFI-funded market opportunity is practical and worth pursuing. DFAIT can provide information and advice on the availability of Canadian government-funded assistance programs and can assist companies in developing effective export marketing. For further information contact:

International Finance Division
Department of Foreign Affairs and International Trade
Tel: (613) 995-7251
Fax: (613) 943-1100

Technology Inflow Program

Managed by DFAIT and delivered domestically by the National Research Council, this program is designed to help Canadian companies locate, acquire and adopt foreign technologies by promoting international collaboration. Industry Canada also helps in program promotion. The program officers respond to requests to identify technology sources and opportunities for cooperation between Canadian and foreign firms. The program will also help Canadian firms make exploratory visits abroad to identify and gain first-hand knowledge of relevant foreign technologies as well as to negotiate to acquire them.

Investment Development Program

This program helps Canadian companies find the investment they need. It actively promotes investments that take the form of new plant and equipment, joint ventures or strategic partnerships. It is especially interested in attracting investment that introduces new technology into Canada, a key to creating new jobs and economic opportunities. Investment officers make contact with foreign investors and bring them together with Canadian companies. For information, call: (613) 996-8625.

Industry Canada

Industry Canada was created with a broad mandate to improve the competitiveness of Canadian industry. In the area of small business, it has been given specific responsibility to:

- develop, implement and promote national policies to foster the international competitiveness of industry; the enhancement of industrial, scientific and technological development; and the improvement in the productivity and efficiency of industry;

- promote the mobility of goods, services, and factors of production within Canada;
- develop and implement national policies to foster entrepreneurship and the start-up, growth and expansion of small businesses;
- develop and implement national policies and programs respecting industrial benefits from procurement of goods and services by the government of Canada;
- promote and provide support services for the marketing of Canadian goods, services and technology; and,
- promote investment in Canadian industry, science and technology.

Industry Canada Regional Offices

The regional offices work directly with Canadian companies to promote industrial, scientific and technological development. They help clients recognize opportunities in a competitive international marketplace by providing services in the areas of business intelligence and information, technology and industrial development, and trade and market development. They also promote and manage a portfolio of programs and services.

The following are areas in which Industry Canada regional offices have special competence:

- access to trade and technology intelligence and expertise;
- entry points to national and international networks;
- industry sector knowledge base;
- co-location with International Trade Centres connected to DFAIT and Canadian posts abroad;
- client focus on emerging and threshold firms; and,
- Industry Canada Business Intelligence

The Business Opportunities Sourcing System (BOSS)

BOSS is a computerized databank that profiles over 26,000 Canadian companies. It lists basic information on products, services and operations that is useful to potential customers. The system was established in 1980 by Industry Canada in cooperation with participating provincial governments. BOSS was originally established so that trade commissioners posted around the world by DFAIT could find Canadian companies that might be able to take advantage of foreign market opportunities. Today, more than 11,000 domestic and international subscribers use the system not only to locate Canadian suppliers but also to obtain market intelligence and identify market opportunities. The majority of subscribers are Canadian companies.

For information call: (613) 954-5031.

Market Intelligence Service

This service provides Canadian business with detailed market information on a product specific basis. The service assists Canadian companies in the exploitation of domestic, export, technology transfer, and new manufacturing investment opportunities. The intelligence is used by Canadian business in decisions regarding manufacturing, product development, marketing, and market expansion. The information includes values, volume and unit price of imports, characteristics of specific imports (e.g. material, grade, price range, etc.), names of importers, major countries of export, identification of foreign exporters to Canada, Canadian production, Canadian exports, and U.S. imports. Two-thirds of the clientele for this service are small businesses.
Call: (613) 954-4970.

Canadian International Development Agency

An important possible source of financing for Canadian ventures in Mexico is the special fund available through the Canadian International Development Agency (CIDA) under the Industrial Cooperation Program or CIDA/INC. CIDA's Industrial Cooperation Program provides financial contributions to stimulate Canadian private-sector involvement in developing countries by supporting long-term business relationships such as joint ventures and licencing arrangements. INC supports the development of linkages with the private sector in Mexico encouraging Canadian enterprises to share their skills and experiences with partners in Mexico and other countries. A series of INC mechanisms help enterprises to establish mutually beneficial collaborative arrangements for the transfer of technology and the creation of employment in Mexico. There are five INC mechanisms which help eligible Canadian firms to conduct studies and provide professional guidance and advice to potential clients. Where a project involves environmental improvement, technology transfer, developmental assistance to women, job training, or job creation, early contact with CIDA's Industrial Cooperation Division is suggested.

An important CIDA criterion is that the project creates jobs in Mexico without threatening jobs in Canada. In fact, most CIDA-assisted projects have produced net increases in Canadian jobs.

Industrial Cooperation Division
Canadian International Development Agency
200, Promenade du Portage
Hull, Québec
K1A 0G4
Tel: (819) 997-7905/7906
Fax: (819) 953-5024

Atlantic Canada Opportunities Agency

Atlantic Canada companies seeking to develop exports to Mexico may be eligible for assistance from the Atlantic Canada Opportunities Agency (ACOA). The agency works in partnership with entrepreneurs from the Atlantic region to promote self-sustaining economic activity in Atlantic Canada.

The ACOA Action Program provides support to businesses as they look to expand existing markets through the development of marketing plans. Efforts include monitoring trade opportunities arising from global economic change, communications efforts to promote the region, trade missions and associated activities, as well as better coordination with federal and provincial bodies that influence trade and investment opportunities.

ACOA Head Office
Blue Cross Centre
644 Main Street
P.O. Box 6051
Moncton, N.B.
E1C 9J8
Toll free: 1-800-561-7862
Fax: (506) 851-7403

Newfoundland and Labrador
Suite 801, Atlantic Place
215 Water Street
P.O. Box 1060, Station C
St. John's, Nfld.
A1C 5M5
Tel: (709) 772-2751
Toll free: 1-800-563-5766
Fax: (709) 772-2712

Nova Scotia
Suite 600
1801 Hollis Street
P.O. Box 2284, Station M
Halifax, N.S.
B3J 3M5
Tel: (902) 426-8361
Toll free: 1-800-565-1228
Fax: (902) 426-2054

Prince Edward Island
75 Fitzroy Street
3rd Floor
Charlottetown, P.E.I.
C1A 1R6
Tel: (902) 566-7492
Toll free: 1-800-565-0228
Fax: (902) 566-7098

New Brunswick
570 Queen Street
P.O. Box 578
Fredericton, N.B.
E3B 5A6
Tel: (506) 452-3184
Toll free: 1-800-561-4030
Fax: (506) 452-3285

Western Economic Diversification Canada

Western Canadian companies interested in Mexico may be able to secure assistance from Western Economic Diversification Canada (WD). This agency provides financial assistance for projects which contribute to the diversification of the western economy. It acts as a pathfinder to ensure that western businesses are aware of and receive assistance from the most appropriate source of funding, federal or other, for their projects. It acts as an advocate for the west in national economic decision-making and it coordinates federal activities that have an impact on economic growth in the west. It also plays a role in promoting trade between western Canada and markets around the world. Inquiries about Western Economic Diversification Canada and other activities of the department can be directed to any of the following regional offices:

Manitoba
P.O. Box 777
Suite 712
The Cargill Building
240 Graham Avenue
Winnipeg, Manitoba
R3C 2L4
Tel: (204) 983-4472
Fax: (204) 983-4694

Saskatchewan
P.O. Box 2025
Suite 601
S.J. Cohen Building
119-4th Avenue South
Saskatoon, Sask.
S7K 5X2
Tel: (306) 975-4373
Fax: (306) 975-5484

For Regina residents: (toll free)
Tel: (306) 780-6725

Alberta
Suite 1500
Canada Place
9700 Jasper Avenue
Edmonton, Alberta
T5J 4H7
Tel: (403) 495-4164
Fax: (403) 495-7725

For Calgary residents: (toll free)
Tel: (403) 292-5382

British Columbia
P.O. Box 49276
Bentall Tower 4
1200-1055 Dunsmuir Street
Vancouver, B.C.
V7X 1L3
Tel: (604) 666-6256
Fax: (604) 666-2353

For B.C. residents: (toll free)
Tel: 1-800-663-2008

Export Development Corporation

Companies exporting to Mexico will need suitable financing and insurance for the transaction. The Export Development Corporation (EDC) may be able to help with both. EDC is a Canadian crown corporation whose purpose is to facilitate and develop Canada's export trade. The corporation provides insurance, guarantees and export financing which, combined with advice and the organization of financial services packages, facilitate the sale of Canadian goods and services abroad. EDC offers the following services:

Export Insurance and Related Guarantees

- global comprehensive insurance
- global political insurance
- selective political insurance
- specific transaction insurance
- specific transaction guarantees
- loan pre-disbursement insurance
- foreign investment insurance
- performance security insurance
- performance security guarantees
- consortium insurance
- surety bond insurance
- bid security guarantees
- specific sub-supplier insurance
- equipment (political risk) insurance
- bid-bond insurance
- medium-term agricultural guarantees

Export Financing and Related Guarantees

- loans
- line of credit allocations
- note of purchases
- protocols
- loan guarantees
- specialized credit

EDC's head office is located in Ottawa. Regional offices are maintained in Halifax, Montreal, Toronto, London, Winnipeg, Calgary, and Vancouver. General inquiries regarding EDC services can be channeled through the regional offices maintained by the Corporation in several major cities. Export services, however, are handled only by the Ottawa office. Inquiries about export financing for Mexico should be addressed to the Export Financing Group for Mexico and South America in Ottawa.

Ottawa (Head Office)
151 O'Connor Street
Ottawa, Ontario
K1A 1K3
Tel: (613) 598-2500
Fax: (613) 237-2690

Public Information
Tel: (613) 598-2739

Vancouver
Suite 1030
One Bentall Centre
505 Burrard Street
Vancouver, B.C.
V7X 1M5
Tel: (604) 666-6234
Fax: (604) 666-7550

Calgary
Suite 1030
510-5th Street S.W.
Calgary, Alberta
T2P 3S2
Tel: (403) 292-6898
Fax: (403) 292-6902

Winnipeg
8th Floor
330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4
Tel: (204) 983-5114
Fax: (204) 983-2187
(Serving Manitoba and Saskatchewan)

Toronto
Suite 810
National Bank Building
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel: (416) 973-6211
Fax: (416) 862-1267

London
Suite 1512
Talbot Centre
148 Fullarton Street
London, Ontario
N6A 5P3
Tel: (519) 645-5828
Fax: (519) 645-5580

Montreal
Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montréal, Québec
H4Z 1C3
Tel: (514) 283-3013
Fax: (514) 878-9891

Halifax
Purdy's Wharf, Tower 2
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel: (902) 429-0426
Fax: (902) 423-0881

National Research Council

Canadian companies hoping to succeed in the Mexican marketplace may require additional technology to improve their competitiveness. The National Research Council (NRC) works with Canadian firms of all sizes to develop and apply technology for ecenomic benefit. The Council supervises the Industrial Research Assistance Program (IRAP), a national network for the diffusion and transfer of technology.

The IRAP network supports the process of developing, accessing, acquiring, implanting, and using technology throughout Canadian industry. IRAP has been in existence for 40 years and has acquired a reputation as one of the more flexible and effective federal programs. IRAP takes advantage of an extensive network that includes more than 120 regional and local offices, 20 provincial technology centres, the Council's own laboratories and research institutes, federal government departments, and technology transfer officers in Canadian universities. The IRAP network also extends abroad through the technology counsellors attached to Canadian posts in some 18 foreign countries. For more information or the name of the IRAP officer nearest you, contact:

IRAP Office
National Research Council
Montreal Road
Building M-55
Ottawa, Ontario
K1A 0R6
Tel: (613) 993-5326
Fax: (613) 952-1086

KEY CONTACTS IN CANADA

Business Associations

The Canadian Council for the Americas (CCA) is a non-profit organization formed in 1987 to promote business interests in Latin America and Caribbean countries. The CCA promotes events and programs targeted at expanding business and building networking contacts between Canada and the countries of the region. It also publishes a bimonthly newsletter.

The Canadian Council for the Americas (CCA)
Executive Offices, Third Floor
145 Richmond Street West
Toronto, Ontario
M5H 2L2
Tel: (416) 367-4313
Fax: (416) 367-5460

Canadian Exporters' Association (CEA)
99 Bank Street, Suite 250
Ottawa, Ontario
K1P 6B9
Tel: (613) 238-8888
Fax: (613) 563-9218

Canadian Manufacturers' Association (CMA)
75 International Boulevard, Fourth Floor
Etobicoke, Ontario
M9W 6L9
Tel: (416) 798-8000
Fax: (416) 798-8050

The Canadian Chamber of Commerce (CCC)
Suite 1160
55 Metcalfe Street
Ottawa, Ontario
K1P 6N4
Tel: (613) 238-4000
Fax: (613) 238-7643

Mexican Government Offices

The Embassy of Mexico, Mexican trade commissioners in Canada, and Mexican Consulates can provide assistance and guidance to Canadian companies in need of information about doing business in Mexico.

Embassy of Mexico
130 Albert Street, Suite 1800
Ottawa, Ontario
K1P 5G4
Tel: (613) 233-8988
Fax: (613) 235-9123

Mexican Consulate in Ottawa
Tel: (613) 235-7782

SECOFI
130 Albert Street, Suite 1700
Ottawa, Ontario
K1P 5G4
Tel: (613) 235-7782
Fax: (613) 235-1129

Other Mexican Consulates General in Canada

Consulate General of Mexico
2000, rue Mansfield
Suite 1015
Montréal, Québec
H3A 2Z7
Tel: (514) 288-2502/4916
Fax: (514) 288-8287

Consulate General of Mexico
60 Bloor Street West
Suite 203
Toronto, Ontario
M4W 3B8
Tel: (416) 922-2718/3196
Fax: (416) 922-8867

Consulate General of Mexico
810-1139 West Pender Street
Vancouver, B.C.
V6E 4A4
Tel: (604) 684-3547/1859
Fax: (604) 684-2485

Mexican Honorary Consulate
380, Chemin St. Louis
No. 1407
Québec, Québec
G1S 4M1
Tel: (418) 681-3192

Mexican Honorary Consulate
830-540 5th Avenue, S.W.
Calgary, Alberta
T2P 0M2
Tel: (403) 263-7077/7078
Fax: (403) 263-7075

For the Mexican Trade Commission offices in Montreal, Toronto and Vancouver see the following listing for Bancomext.

Mexican Banks with Offices in Canada

Bancomext offers credits, export guarantees and counselling services for those seeking to do business in Mexico. Credits are available for export, import and project financing. Couselling covers fiscal, financial, marketing and legal aspects of commercial transactions. Bancomext also sponsors trade fairs, international exhibitions and trade missions.

Bancomext
Trade Commission of Mexico
P.O. Box 32, Suite 2712
TD Bank Tower
66 Wellington Street
Toronto, Ontario
M5K 1A1
Tel: (416) 867-9292
Fax: (416) 867-1847

Bancomext
Trade Commission of Mexico
200 Granville Street
Suite 1365
Vancouver, B.C.
V6C 1S4
Tel: (604) 682-3648
Fax: (604) 682-1355

Bancomext
Trade Commission of Mexico
1501 McGill College
Suite 1540
Montréal, Québec
H3A 3M8
Tel: (514) 287-1669
Fax: (514) 287-1844

Banamex and Banca Serfin are private-sector banks which offer specialized services through their international trade information centres. The centres participate in a computerized communications network with access to numerous economic, governmental and financial data bases throughout the world. These banks are located throughout Mexico, and maintain offices in Toronto.

Banamex (Banco Nacional de México)
Suite 3430
1 First Canadian Place
P.O. Box 299
Toronto, Ontario
M5X 1C9
Tel: (416) 368-1399
Fax: (416) 367-2543

Banca Serfin
161 Bay Street
BCE Place
Canada Trust Tower
Suite 4360
P.O. Box 606
Toronto, Ontario
M5J 2S1
Tel: (416) 360-8900
Fax: (416) 360-1760

CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN MEXICO

COMMERCIAL DIVISION THE EMBASSY OF CANADA IN MEXICO

The Commercial Division of the Canadian Embassy in Mexico can provide vital assistance to Canadians venturing into the Mexican market. The trade commissioners are well informed about the market and will respond in whatever measure possible to support a Canadian firm's presence in Mexico.

Note: To telephone México, D.F. dial: 011-52-5 before the number shown below; for contacts in other cities in Mexico, consult the international code listing at the front of your local telephone directory for the appropriate regional codes.

Commercial Division
The Embassy of Canada in Mexico
Schiller No. 529
Col. Polanco
Apartado Postal 105-05
11560 México D.F.
México
Tel: 724-7900
Fax: 724-7982

Canadian Consulate
Edificio Kalos, Piso C-1
Local 108A
Zaragoza y Constitucion
64000 Monterrey
México
Tel: 443-200
Fax: 443-048

KEY CONTACTS IN MEXICO

MEXICAN GOVERNMENT

Secretariat of Budget & Programming
Secretaría de Programacion y Presupuesto
Palacio Nacional Patio de Honor, Piso 4
Col. Centro
06740 México, D.F.
México
Tel: 542-8762/8763
Fax: 542-1209
Information Department: 286-1000/1900

Secretariat for Commerce and Industrial Promotion
Secretaría de Comercio y Fomento Industrial
Dirección General de Servicios al Comercio Exterior
Alfonso Reyes No. 30 Piso 10
Col. Hipódromo de la Condesa
06170 México, D.F.
México
Tel: 286-1757
Fax: 286-1543

Secretariat of Finance and Public Credit
Secretaría de Hacienda y Crédito Público
Dirección General Técnica de Ingresos
Palacio Nacional
1er. Patio Mariano
Col. Centro
06066 México, D.F.
México
Tel: 518-5420 through 29
Fax: 542-2821

Chambers and Associations

Mexico has a number of Chambers of Commerce and professional associations that can provide assistance and guidance to Canadian companies in Mexico. Their standards of service vary widely and you should consult with Canadian Embassy officials to determine which organization would best suit your needs.

Mexican Association of Technicians of the Pulp and Paper Industries
Asociación Mexicana de Técnicos de las Industrias de la Celulosa y del Papel, A.C. (ATCP)
Lafayette 138
Col. Anzures
México D.F. 11590
Phone: 254-7579
Fax: 203-8521

National Association of Currugated Cardboard and Solid Fibre Boxes and Packaging
Asociación Nacional de Fabricantes de Cajas y Empaques de Cartón Corrugado y Fibra Solida, A.C. (ANFE)
Palmas 765-401
Col. Lomas de Chapultepec
México D.F. 11000
Phone: 520-0835
Fax: 540-2724

National Chamber of the Pulp and Paper Industries
Cámara Nacional de las Industrias de la Celulosa y del Papel
Privada de San Isidro 30
Col. Reforma Social
México D.F. 11650
Phone: 202-8603
Fax: 202-1349

National Association of Maritime Agents
Asociación Nacional de Agentes Marítimos
Homero No. 1425, Piso 3
Col. Chapultepec Morales
11510 México, D.F.
México
Phone: 395-8931
Fax: 520-7165

Mexican Business Council for International Affairs
Consejo Empresarial Mexicano para Asuntos Internacionales (CEMAI)
Homero No. 527, Piso 7
Col. Polanco Chapultepec
11560 México, D.F.
México
Phone: 250-7033/7539
Fax: 531-1590

Management Coordination Council
Consejo Coordinator Empressarial
Homero 527, Piso 5
Chapultepec Morales
11570 México, D.F.
México
Phone: 250-6977/7750
Fax: 250-6995

Mexican Confederation of Employers
Confederación Patronal de la República Mexicana
Insurgentes Sur No. 950, Piso 1 y 2
Col. del Valle
03100 México, D.F.
México
Phone: 687-6465/6467
Fax: 536-2160

National Chamber of Commerce
Cámara Nacional de Comercio (CANACO)
Paseo de la Reforma No. 42, Piso 3
Col. Juárez
06600 México, D.F.
México
Phone: 592-2677
Fax: 592-3403

National Chamber of the Construction Industry
Cámara Nacional de la Industria de la Construcción
Periférico Sur No. 4839
Col. Parques del Pedregal
14010 México, D.F.
México
Phone: 665-0424/6440
Fax: 606-8329

National Institute for Statistics, Geography and Information
Instituto Nacional de Estadística, Geografía e Informática (INEGI)
Av. Heroe de Nacozari No. 2301
Fracc. Jardines del Parque
20290 Aguascalientes, Ags.
México
Phone: (49)-18.00.34

Jalisco Furniture Manufacturers Association
Asociación de Fabricantes de Muebles de Jalisco
Niños Héroes 2663
Col. Jardines del Bosque
44520 Guadalajara, Jal.
México
Phone: (36) 22-7-1-78 / 21-50-35
Fax: (36) 22-71-03

National Importers and Exporters Association
Asociación Nacional de Importadores y Exportadores de la República Mexicana (ANIERM)
Monterrey 130
Col. Roma
06700 México D.F.
México
Phone: 564-93-79 / 584-95-22
Fax: 584-53-17

National Supermarkets and Department Stores Association
Asociación Nacional de Tiendas de Autoservicios y Departamentales, A.C. (ANTAD)
Homero 109 - Piso 11
Col. Polanco
11560 México D.F.
México
Phone: 545-88-03 / 254-62-20
Fax: 203-44-95

Mexico City Commerce, Services and Tourism Chamber
Cámara Nacional de Comercio, Servicios y Turismo de la Ciudad de México (CANACO)
Reforma 42
Col. Centro
06048 México D.F.
México
Phone: 58\92-26-77 / 592-26-55

National Manufacturing Industry Chamber
Cámara Nacional de la Industria de Transformación (CANACINTRA)
San Antonio 256
Col. Ampliación Nápoles
03849 México D.F.
México
Phone: 563-34-00 / 563-05-11
Fax: 598-94-67

National Confederation of Commercial, Services and Tourism Chambers
Confederación de Cámaras Nacionales de Comercio, Servicios y Turismo (CONCANACO-SERVYTUR)
Balderas 144 piso 4
Col. Centro
México D.F. 06079
México
Phone: 709-15-59 / 709-11-19
Fax: 709-11-52

THE MEXICAN STATES

Appendix B – MEXICO IN BRIEF

Mexico is a country that is both a near neighbour and an unknown quantity. Perceptions of the largest Spanish-speaking country in the world are surprisingly dated, generally formed in literature and films of the 1940s, and it is hardly surprising that they do not have even the dubious accuracy they had then.

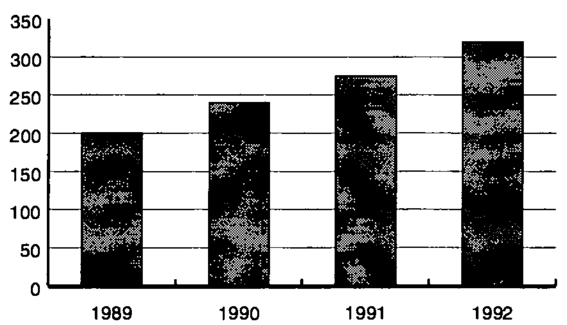
Mexico's economy was long closed and protectionist, which did not spur the sort of exploration that opened people's eyes. "Poor Mexico — so far from God, so close to the United States," in the words of Porfirio Diaz, was for many years a mantra for preventing what Mexicans saw as further encroachment on their sovereignty by their nearest neighbour.

Changes in Mexico's economy were dramatically forced by the oil price collapse in the early 1980s, which followed a brief boom that saw Mexico begin to achieve some real growth for the first time in decades. The recession of the period hit Mexico too, and the government of Carlos Salinas de Gortari, elected in 1986, was spurred into activity in order to recapture some of the prosperity that had seemed so close only a few years before.

The Salinas government negotiated Mexico's accession to the GATT, which meant accepting GATT disciplines. From there, Mexico introduced a sweeping series of economic reforms. The government renegotiated the foreign debt, created a National Development Plan to revitalize the nation's infrastructure, and secured broad popular support from business, labour and the general population for voluntary measures to restrain wages and prices in order to reduce inflation and stabilize the economy. Other key elements in reform have included privatization of state-controlled enterprises, deregulation, massive investment in infrastructure, and the encouragement of foreign participation in building a modern and efficient industrial capacity.

Mexico's debt reduction has been one of its signal achievements. In 1986, it was costing over 46% of GDP to service the debt; by 1994, it will be down to about 30%. Growth continues to be strong since reforms were begun, with about 4% in 1993 and stable patterns averaging around 2% predicted for the next few years. Most major forecasters see Mexico as sustaining a strong growth throughout the coming decade. About 85% of government-owned enterprises have been or are being divested. The process has brought the government about

GDP in $U.S. billions – Mexico

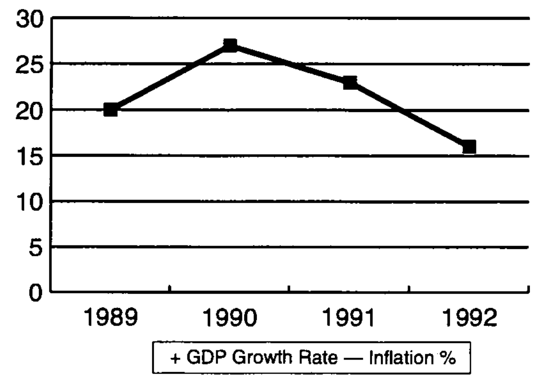


Country Forecast figures

$20 billion in revenue, as well as removing its responsibility for running some unprofitable enterprises. Tariffs have been reduced on a wide range of products, with most now below 20%; the majority of Canadian goods enter Mexico at a tariff level of 13.5%.

There have been some costs to Mexico in its fast turnaround: poverty is still very widespread, and environmental standards are not yet as good in practice as they are on paper. But the Solidarity program initiated by President Salinas and his ruling party has made some inroads in the quality of life of particularly rural Mexicans. Inflation has dropped substantially, the peso is fairly stable, public finances are improving. Consequently, foreign business representing a broad spectrum of industrial and commercial activity is investing in Mexico and

GDP Growth Rate & Inflation – Mexico



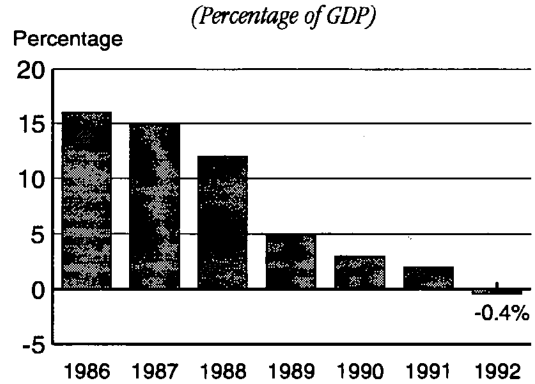
EIU & Country Forecast figures

developing new markets. Canadian firms there to explore the potential in recent years have been returning with reports of a vibrant economy and a welcoming attitude from their Mexican counterparts. Mexico has begun on a path toward progress from which it is not planning to turn back.

Gross Domestic Product grew by 2.6 percent to reach $U.S. 320 billion in 1992, following a 3.6 percent increase in 1991. As a result, Mexico is now one of the 20 largest economies in the world. Commerce and the hospitality industries comprise the largest sector by percentage, with manufacturing a close second.

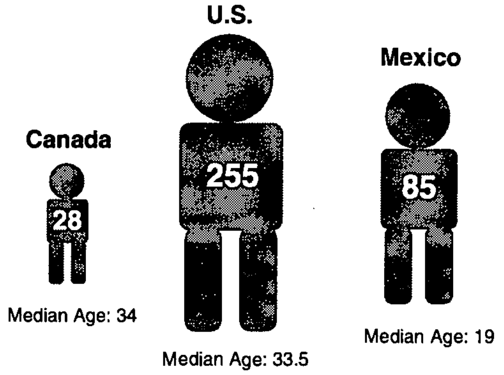
Mexico: Fiscal Deficit

(Percentage of GDP)



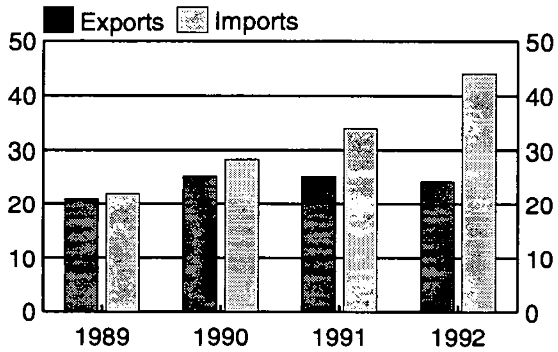
The Mexican government's Pact for Stability and Economic Growth (El Pacto) has persuaded labour and business to accept general

North America: 1992 Population/ Median Age Comparison



guidelines for increases in wages and prices, and negotiates exemptions with a Follow-Up and Evaluation Commission. In large part as a result of this approach, Mexico's inflation rate has dropped from 159 percent in 1987 to a projected estimate of 7.0 percent to 9.5 percent in 1993. Economic growth rates for 1993 are projected at 2.5 percent to 3.0 per cent, after a growth rate of 2.6 percent in 1992.

Total Foreign Trade in $U.S. billions



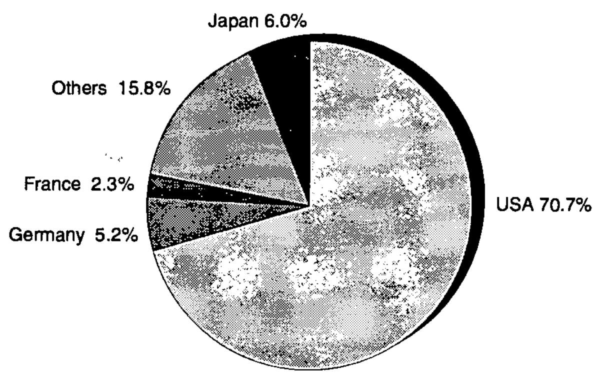
EIU figures *Mexico 1993*

By broadening the tax base, the government of Mexico has been able to reduce tax rates while increasing total income. Spending cuts and fiscal reform have also been put in place by government, and the result has been that the public sector actually ran a surplus in 1992.

Compared to Canada and the United States, Mexico is a very young country. Last year, it was estimated that 57% of its population was under 29; by the year 2000, when the total Mexican population will exceed 100 million, it is anticipated that 41% will be under the age of 20.

Total exports from Mexico reached about $U.S. 27.5 billion in 1992, a 1.5 percent increase over 1991. Total imports in the same period were about $U.S. 48 billion, a 26 percent increase over the previous year. The trade deficit accordingly rose from $U.S. 11.182 billion in 1991 to $U.S. 20.6 billion in 1992.

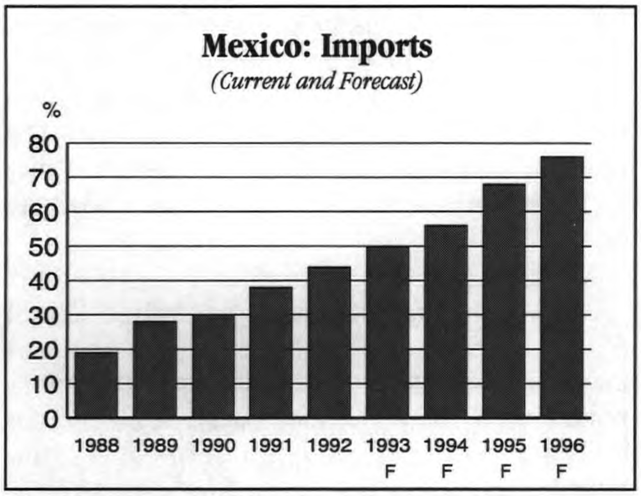
Major Markets – Origin of Imports



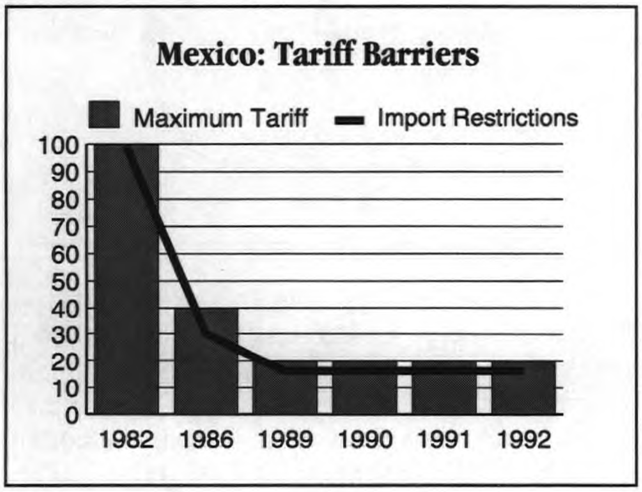
EIU figures *Mexico 1993*

The United States was far and away the largest receptor of Mexican exports, at 74.5 percent estimated for 1993. Japan and Spain share the next places, well behind. Exports to Canada are reckoned differently by Mexican and Canadian methods of calculation, with about a 10% differential in their statistical estimates, Mexico's being the lower.

The United States is Mexico's principal supplier of imported goods, with just over 70 percent of 1993 sales. Japan and Germany are closest, though far behind. Again there is a discrepancy in Mexican and Canadian calculations of Canada's import share in Mexico, with the Mexican figures one and one-half times higher than Canada's estimation.



With its economy projected to enjoy stable growth over the coming years, with its liberalized market conditions, with a young and growing population, Mexico will steadily increase its volume of imports over the foreseeable future. From $19 billion to about $50 billion in five years has been a remarkable leap, making it one of the fastest-growing economies in the world in this period.



Tariff barriers in Mexico have been decreasing since 1982, with a distinct drop since Mexico's accession to the GATT in 1986. The average is now below 20% for most products and services. At the same time, many import restrictions have been removed. The average tariff currently applied to 80% of Canadian goods entering Mexico is 13.1%.

Canada and Mexico have only just begun to develop their trading partnership to its full potential. In 1992, Mexico ranked fifth as a

source of imports to Canada, and fourteenth as a destination for Canadian exports. Less that 2 percent of Canada's 1992 imports came from Mexico, and less than 1 percent of Canada's exports went there. Two-way trade totalled about $3.5 billion, and trends suggest it could double in the next five years. The liberalized trade climate is already taking effect, with exports virtually doubled in six years. The trucking image was chosen to illustrate how close the market is to Canada. After 1997, Canada will be able to truck directly into Mexico and will be able to remove goods for drop-off in the U.S., or pick up U.S. products for delivery in Mexico.