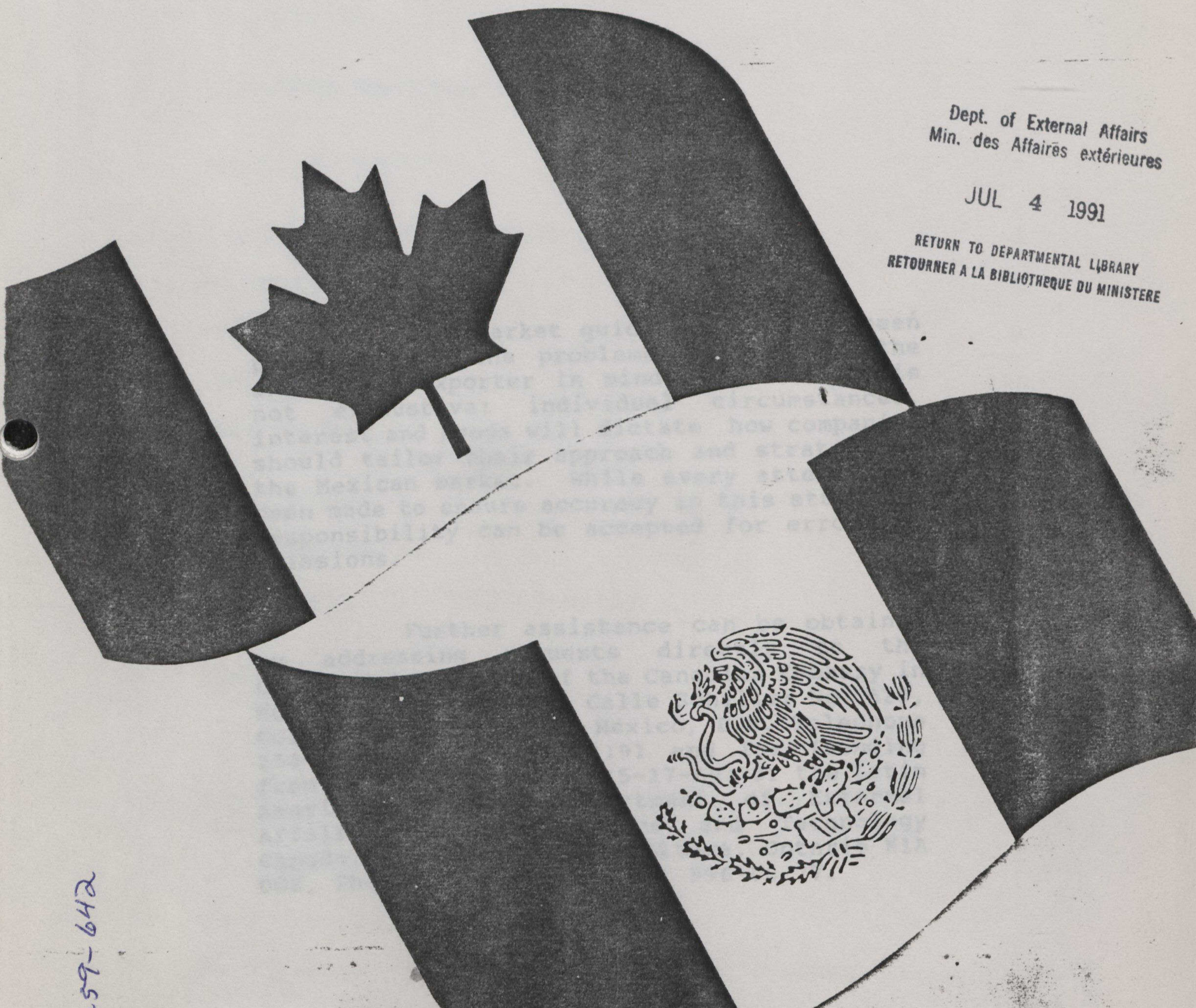
MARKET STUDY ON FORESTRY HARVESTING AND WOODWORKING EQUIPMENT IN MEXICO



INFORMATION FOR CANADIAN BUSINESSMEN
PREPARED BY THE COMMERCIAL DIVISION.

MARKET STUDY ON FORESTRY HARVESTING AND WOODWORKING EQUIPMENT IN MEXICO

This market guide booklet has been prepared with the problems inherent to the initiating exporter in mind. However it is not exhaustive; individual circumstances, interest and needs will dictate how companies should tailor their approach and strategy to the Mexican market. While every attempt has been made to ensure accuracy in this study, no responsibility can be accepted for errors or omissions.

Further assistance can be obtained by addressing requests directly to the Commercial Division of the Canadian Embassy in Mexico City located at Calle Schiller No. 529, Colonia Polanco, 11560 México, D.F. Telephone 254-32-88, telex 177 1191 and fax (sending from Canada) 011 (525) 545-17-69; or the Latin American Division Department of External Affairs, Industry Science and Technology Canada, 125 Sussex Drive, Ottawa, Ontario K1A 0G2, Phone 9950460 Fax (613) 996-06-77.

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1. BACKGROUND

Forestry has an old tradition in Mexico. Ever since before the Spanish conquest of Mexico, the indian population relied on Mexico's vast forests for its food, protection and clothing needs. During the 16th century, the first regulatory measures were taken to avoid the destruction of forests, including limitations on wood cutting and primitive reforestation measures. During the 17th century, the exploitation of mahogany, cedar and oak was reserved to the Spanish crown, although British and Dutch invasions of tropical forests were not uncommon.

The massive destruction of Mexico's forests began with the flourishing mining industry, led by the Spanish conquerors. The mines themselves were built and reinforced with wood structures, the transformation of the primary product into metals was fueled with wood and the indigenous population, deprived of their lands, increasingly moved into the wooded areas, deforesting them to grow their crops.

Under the new post-independence regime, a series of regulatory measures were taken to protect the forests and to control the production of wood products. During the 19th century, the exploitation of fine woods was subject to a prior permit requirement, the free importation of wood was allowed to avoid the excessive exploitation of local forests, the first inventory of existing resources was made, the cutting and conservation of forests was regulated and national parks were created to protect both the vegetation and the animal life.

Further efforts have been made in the 20th century to regulate the excessive exploitation of forests and to preserve existing resources. In 1926, the First Forestry Law was passed by President Plutarco Elías Calles, in an effort to officially rationalize the exploitation of Mexican forests. This law was reformed in 1942 and again during the administration of President Miguel Alemán (1945-1950). In 1960, President Adolfo López Mateos authorized a new forestry law to meet the requirements of the times. More recently, in April 1986, a new Forestry Law came into effect, followed, in July 1988, by the Regulations to the Forestry Law.

Although the forests of Mexico have been commercially exploited during the last 70 years, the industry is still considered in its infancy with respect to exploitation and use of up-to-date technology. Despite the country's rich forestry resources, low yields and insecurity on investment have often made imports of lumber and cellulose easier and cheaper than local production. At the same time, deforestation is progressing at a fast pace, at the margin of existing regulations.

The National Development Plan, which outlines President Salinas de Gortari's 1989-1994 policy, calls for an increased supply of forestry products in order to cover domestic demand within the framework of ecological balance. This implies the reforestation of damaged areas and the thorough application of existing regulations. It also calls for the modernization of the forestry related industry, the creation of new road infrastructure to reach the forests, the preparation of a new inventory of existing resources and the decentralization of technical services.

The forestry sector has the potential of becoming an important contributor to the nation's economy. It will require considerable financial and technical assistance to improve efficiency in silviculture, public and private resource administration and in the manufacture and marketing of its wood products. This will translate into increased opportunities for Canadian firms in the industry.

2. ECONOMIC ENVIRONMENT

Over the past two years, Mexican economic policy has featured a tough anti-inflationary program called the Economic Solidarity Pact, combining traditional austerity measures (tight fiscal and monetary policies) and unorthodox measures (price, wage and exchange rate controls). The program has been successful in reducing inflation, from an annual 159.2% in 1987 to 51.7% in 1988 and 19.7% in 1989. An 18% rate is expected for 1990. The general criteria for Mexico's macroeconomic policy in 1990, are to consolidate and fortify the progress made in price stabilization, to reaffirm gradual and sustained economic recuperation, to increase investment, both national and foreign, and to improve living standards.

Mexico's gross domestic product (GDP), after increasing 3.7% and 2.7% during 1984 and 1985 respectively, diminished by 3.5% in 1986. In 1987, it increased a moderate 1.5% and an additional 1.1% in 1988. Domestic economic activity recovered for the third consecutive year in 1989 with an estimated growth rate of 3.0% to reach $200 billion (1). With an 84.5 million population, per capita GDP is estimated at Cdn$2,550. During the 1990-1994 period GDP is expected to maintain an average annual growth rate of 2%-3%.

In an effort to revitalize and open the Mexican economy, the Mexican Government undertook a series of structural changes, including 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 based on the Harmonized System adopted as of July 1, 1988. Official import prices are no longer applicable, nor the 5% export development tax, and import duties were lowered from a maximum of 100% in 1982 to 20% in 1988. The automotive and computer industries are also being opened up to allow free entry.

According to official data from the Mexican Secretariat of Commerce and Industrial Development (SECOFI), Mexico's trade balance in 1989 dropped to a $644.8 million deficit, down from a surplus of $1.75 billion in 1988 and $8.4 billion in 1987. Total exports increased 10.7% in 1989, from $20.6 billion in 1988 to $22.8 billion. Imports increased 23.9% from $18.9 billion to $23.4 billion, having already increased 48% from $12.2 billion in 1988. During 1989, imports of consumer products grew 82%, while those of intermediate goods increased by 17% and capital goods by 18%.

Total Mexican imports from Canada increased 24% in 1989 and amounted to Cdn$603 million, while total Mexican exports to Canada were valued at Cdn$1,698 million. Mexico and Canada have traditionally been strong trading partners. According to Mexican figures, in 1989, 1.9% of Mexico's imports came from Canada, while 1.2% of its exports were to Canada. This makes Canada Mexico's fifth largest exporter and sixth largest importer.

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1. NOTE: All values in this report, unless otherwise stated ($ Mexican pesos, Canadian dollars Cdn$, etc.) are quoted in United States dollar equivalents.

3. MARKET ASSESSMENT

The Mexican market for forestry harvesting and woodworking equipment increased 83% in 1988, to $41.6 million. This growth was brought about by a major surge in imports, which increased 118%, from $15.9 million in 1987 to $34.8 million in 1988. Two factors accounted for this growth: the general economic improvement together with the fact that the exchange rate between the dollar and the peso remained fixed during that year, despite the existing inflation, and after a major devaluation; and the general liberalization of trade conditions, which allowed for easier and cheaper imports. Imports increased to $36.1 million in 1989, or 3.7% above 1988 levels, while the total market increased 3.4%, to $43 million.

This market is expected to experience a moderate growth rate during the next five years, since no major investments have been identified up to date in this sector. The industry has been operating with old and outdated machinery and has started to substitute it for newer equipment as economic conditions have improved and imports have been facilitated. An important factor has also been the gradual reduction in interest rates with the decrease in inflation, as well as the availability of financial resources for equipment purchases, which was practically non-existent before 1989. This trend is expected to continue in the years to come. By 1994, the total market is expected to reach $54.9 million after an average annual growth of 5%.

TABLE 1
THE MEXICAN MARKET FOR
FORESTRY AND WOODWORKING EQUIPMENT
($000 U.S. dollars)

	1987	1988	1989	1994p
Production	8,178	8,452	7,945	9,668
+ Imports	15,901	34,760	36,056	46,531
- Exports	1,363	1,590	981	1,294
TOTAL	22,716	41,622	43,020	54,905

p = projected
Source: Based on import and export data by Secretaría de Comercio y Fomento Industrial and trade interviews.

Imports have played a major role in this industry, since the bulk of forestry harvesting and woodworking equipment is not manufactured in Mexico. Local production is limited to the most simple tools, including saws, hand tools, motors, edge cutters and parts and accessories. All of the larger and more sophisticated equipment is imported, including circular saws, chain saws, plywood presses, particle board manufacturing equipment, boilers and dryers for wood or cellulose, hoists, winches and cranes, planes and cutting tools for working wood, machine tools for working wood, such as sawing machines, planing, milling or cutting machines, sanding or polishing machines, drilling, splitting, defibrating machines, bark stripping machines and lathes.

TABLE 2
MEXICAN IMPORTS OF FORESTRY AND WOODWORKING EQUIPMENT
($000 U.S. dollars)

	1987	1988	1989
WOODWORKING EQUIPMENT			
Sawing machines	1,358	2,661	3,433
Planing, milling or moulding	1,565	3,391	3,697
Grinding, sanding or polishing	763	1,019	1,315
Bending or assembling	318	1,136	1,192
Drilling or morticing	370	936	1,561
Splitting, slicing or paring	117	585	136
Combined machines	344	765	737
Other	1,622	2,872	2,530
TOTAL WOODWORKING	**6,457**	**13,365**	**14,601**
Particle board manuf.eqpt.	60	64	121
Hand cutting tools	448	1,070	1,914
Saws and blades	4,654	10,992	14,252
Boilers and driers	1,292	2,882	2,748
Hoists and cranes	2,990	6,387	2,420
TOTAL	**15,901**	**34,760**	**36,056**

Source: Data by Secretaría de Comercio y Fomento Industrial

Imports accounted for 70% of the total market in 1987 but increased their participation to 83% in 1988 and 84% in 1989. Imports will continue to dominate the market, mostly because existing demand does not justify the local production of these items at such a small scale and therefore the prices of imported equipment are more competitive than those of locally manufactured products, if available. Used machinery and equipment is also in high demand in Mexico, since state-of-the-art technology is still not frequently used and is limited to the very large firms.

The most important supplier of forestry harvesting and woodworking equipment to Mexico is the U.S., with a 58% market share. Geographical proximity plays a major role in this leadership, since transportation costs can be high. At the same time, spare parts and accessories are therefore more readily available. Also, many U.S. firms have established a presence in Mexico through local distributors, representatives or agents or through joint ventures. Italy and West Germany also have a major presence in Mexico with a 9.3% and 8.1% market share respectively. Brazil, Sweden and Japan have a smaller share of the market, while Canadian products account for one percent of total imports.

TABLE 3
CANADIAN IMPORTS AND EXPORTS WITH MEXICO
($000 Canadian dollars)

	1988 IMPORTS FROM MEX	1988 EXPORTS TO MEX	1989 IMPORTS FROM MEX	1989 EXPORTS TO MEX
hand tools	6	3		6
hand saws			170	
circular saw blades		1	53	3
chain saw blades		29		234
motor tools	2,787	2	144	
boilers			973	
jacks hoists		17		24
cranes		70		56
vises, clamps		13		
sawing equipment				1
drilling equipment		39		161
other woodworking		152		10
TOTAL	**2,793**	**326**	**1,340**	**495**

Source: Statistics Canada - International Trade Division

According to official Canadian data, Canadian exports to Mexico increased 52%, from Cdn$326,000 in 1988 to Cdn$495,000 in 1989. The largest categories are saws and saw blades (48%), woodworking equipment (35%) and materials handling equipment (16%). Canadian imports from Mexico were Cdn$2.8 million in 1988 and Cdn$1.3 million in 1989, consisting mostly of hand saws and other motor driven hand tools and boilers.

4. THE MEXICAN FORESTRY SECTOR

4.1 RESOURCES

Mexico's forestry sector, comprising wood and wood products, accounted for 1.9% of the country's total GDP and 3.4% of manufacturing GDP in 1989, equivalent to Mex$36.2 billion 1980 pesos (or roughly $1.6 billion). During the 1981-1989 period, this sector decreased at an average annual rate of 1.75%, as compared to a 0.45% annual increase of manufacturing GDP as a whole. Although during the 1981-1986 period the forestry sector followed the general trend of manufacturing GDP, between 1987 and 1989 the latter has experienced moderate growth rates, while the forestry sector has shown a continuing decline.

Mexico's total forested areas represent 144 million hectares, or 73% of the country's total territory. This places Mexico among the 11 countries in the world with the largest forestry resources. Approximately 12 million people live in forested areas and an estimated 300,000 live off primary forestry production.

Mexico's total forested area can be further subdivided as follows:

TABLE 4
MEXICO'S FORESTED AREAS
(million ha./% of total territory)

Wooded areas 38.9 ha. (19.9%)	woodlands 27.5 ha. (14.1%)	conifers & latifoliate 18.7 ha. (9.6%)
		latifoliate 8.8 ha. (4.5%)
	tropical rainforests 11.4 ha. (5.8%)	high 2.1 ha. (1.1%)
		medium 9.3 ha. (4.7%)
Other forested areas: 104.7 ha. (53.4%)	tropical shrubs 29.3 ha. (14.9%)	tropical savanah 17.9 ha. (9.1%)
		chaparral 7.8 ha. (3.9%)
		mesquite shrubs 3.6 ha. (1.9%)
	underbrush 56.1 ha. (28.6%)	rosette leave scrub 7.0 ha. (3.6%)
		microphyllous scrub 38.4 ha. (19.6%)
		thorn scrub 10.7 ha. (5.4%)
	disturbed areas 17.8 ha. (9.1%)	
	hygrophilous vegetation 1.5 ha. (0.8%)	

Source: Memoria Económica 1989-1990
Cámara Nacional de la Industria Forestal

The regional distribution of forestry resources is as follows (see Map I):

TABLE 5
REGIONAL DISTRIBUTION OF FORESTED AREAS
(thousands of ha.)

REGION	FORESTS	JUNGLES	SHRUBS	UNDERBRUSH	TOTAL
I	6,842		7,510	22,374	37,733
II	5,940	980	4,627	6,428	18,925
III	1,509	11	3,576	23,217	29,777
IV	3,422	578	2,091	1,350	8,218
V	2,768	320	1,553	432	7,651
VI	2,536	1,845	2,920	919	12,331
VII	1,419	7,293	4,286		18,507
VIII	2,015	244	1,815	104	5,282
IX	792	135	883	747	4,149
OTHER	239		3	527	1,041
TOTAL	27,482	11,406	29,264	56,098	143,614

Note: Regions - States
I - Chihuahua, Sonora, Baja California Norte, Baja California Sur
II - Durango, Sinaloa, Zacatecas
III - San Luis Potosí, Tamaulipas, Nuevo León, Coahuila
IV - Jalisco, Nayarit, Colima, Aguascalientes
V - Michoacán, México, Guanajuato
VI - Oaxaca, Veracruz, Morelos
VII - Chiapas, Campeche, Quintana Roo, Tabasco, Yucatán
VIII - Guerrero
IX - Puebla, Hidalgo, Tlaxcala
OTHER- Distrito Federal, Querétaro

Source: Memoria Económica 1989-1990
Cámara Nacional de la Industria Forestal

Forests of temperate and cold climates, covering 27.5 million ha. with a log production potential of two billion cubic meters are found (see Map II):

48.2% in the Western Sierra Madre
20.8% in the neo-volcanic sierra
15.6% in the Southern Sierra Madre
9.0% in the Eastern Sierra Madre
5.1% in the Sierra of Chiapas
1.3% in the Baja California peninsula

Forests of tropical and semitropical climates cover 11.4 million ha with a potential log production of 1.1 billion m3 and are found (see Map II):

72.5% in the Southeast
8.9% along the coasts of the Gulf of Mexico
18.6% along the Pacific litoral

4.2 PRODUCTION

The exploitation of Mexico's forests is subject to a prior authorization granted by the Secretariat of Agriculture and Hydraulic Resources (Secretaría de Agricultura y Recursos Hidráulicos - SARH) for the specific exploitation of certain areas and varieties. During 1989, a total of 4,313 authorizations were granted. The following table lists authorized volumes by species and actual production:

SPECIES	AUTHORIZED VOLUME 000 m3 logs	PRODUCTION VOLUME 000 m3 logs
Pine	10,823	7,462
Other conifers	611	311
Oak	3,208	438
Other leafed species	330	170
Precious	127	74
Tropical	794	433
TOTAL	15,893	8,888

The vast majority of forestry resources, estimated at 80%, are in the hands of ejidos or community properties, which are officially assigned by the Secretariat of Agricultural Reform (Secretaría de la Reforma Agraria - SRA). The remaining 15% is held by small proprietors and the state. This structure of land holdings was mostly intended to distribute the land to a large number of families for agricultural purposes or eventually for cattle raising, both of which are basically short term activities. This has created a strong competition to forestry, which has a long term yield and requires large and long term investments. Additionally, agreements for the concession of land for the exploitation of forestry resources are only valid for one year (as opposed to 20 years before President Echeverría). This has made investment in the sector riskier and long term exploitation and reforestation more difficult. Other structural problems the local industry has to face are the high transportation costs since, due to lack of rivers, wood has to be hauled over land on trucks, mostly on small mountain roads which do not allow massive transportation. This factor significantly increases exploitation costs and makes competition with imported products difficult.

Mexico's total production of timber products, in thousands of m3 logs, between 1985 and 1989 was as follows:

PRODUCT	1985	1986	1987	1988	1989
Scantling (1)	6,082	5,508	6,137	5,840	5,807
Pulp	2,864	2,410	2,664	2,591	2,349
Posts & piles	237	173	149	164	156
Fuel	484	454	492	495	443
Sleepers	279	413	349	224	133
TOTAL	9,946	8,958	9,791	9,314	8,888

Note: (1) includes boards, packaging wood, carved wood, wood for veneer, wood waste, pieces for sawmills and veneer and other log products.

Mexico's total production in tons of non-timber products was as follows between 1985 and 1989:

PRODUCT	1985	1986	1987	1988	1989
Resins	43,463	30,410	44,180	43,443	36,296
Fibers	6,171	7,394	6,257	6,914	3,047
Rhizome	1,970	3,912	3,129	1,388	1,081
Wax	657	2,058	1,387	1,983	1,385
Gum	186	220	392	548	834
Other	14,587	17,055	17,859	52,512	31,445
TOTAL	**67,034**	**61,049**	**73,204**	**106,788**	**74,088**

The decrease in production during 1989 is due to the longstanding and structural problems of Mexico's forestry sector described above, in addition to a lack of policy definitions by the central government, the trade liberalization policies, which have brought about a strong competition of imported wood products, and a decrease in technical services for the forestry sector.

4.3 TRADE BALANCE

Total imports of materials and manufactured products increased 42% during 1989, from $444.7 million to $631.7 million, mostly because local production was unable to cover demand due to the above mentioned factors. This upward trend in imports has been felt since 1982, when imports were at their all time low of $176.7 million as a result of the economic crisis and the high import barriers imposed by the government at the time. Imports have steadily increased since then, although 1988 showed a slight decrease brought about by a reduction in imports of pulp and paper waste products used in the manufacture of paper.

TABLE 6
MEXICO'S IMPORTS OF WOOD AND LUMBER PRODUCTS
(000 U.S. dollars)

	1986	1987	1988	1989
RAW MATERIALS	37,512	26,349	52,260	54,059
Firewood & charcoal	239	185	2,408	2,487
Wood squared	905	1,462	2,382	2,460
Lumber with a primary process	36,368	24,702	47,470	49,112
MANUFACTURED WOOD	13,306	17,161	31,441	32,532
Boards	5,418	11,256	22,318	22,558
Other	7,888	5,905	9,123	9,974

	1986	1987	1988	1989
MATERIALS USED IN PAPER MANUFACTURING	224,466	394,755	258,957	413,331
PAPER, CARDBOARD & THEIR MANUFACTURES	123,900	26,676	102,068	131,805
TOTAL VALUE	**399,184**	**464,941**	**444,726**	**631,727**
TOTAL VOLUME (000 m3)	**2,278.9**	**2,806.4**	**1,776.2**	**2,277.6**

Source: Memoria Económica 1989-1990
Cámara Nacional de la Industria Forestal

Mexico's exports of raw materials and manufactured products from wood were $271 million in 1989 (1.2 million m3), down from an all time high of $310 million in 1988. These were composed of manufactured wood products (45%), paper, cardboard and their products (36%), pulp and wood waste for the manufacture of paper (11%) and raw materials (8%). Mexico also exported $2.9 million or six million kilograms of colophony in 1989.

4.4 MANUFACTURE

In 1989, there were a total of 2,403 plants in the forestry sector as follows:

INDUSTRY	**PLANT NUMBER**	**INSTALLED CAPACITY million**	**% used**	**EMPLOYMT 000**	**INVESTMT million $**
sawmills	954	7.6 m3	76%	23.8	275.9
box manufacturers	1,182	118 units		8.6	14.5
impregnators	21	1.3 m3	40%	2.3	2.4
pulp and paper	73	4.5 ton	79%	34.7	1814.0
board lumber	49	1.4 m3	47%	11.4	720.2
resins	18	0.06 ton	63%	8.0	17.9
secondary workshops	106				

Source: Memoria Económica 1989-1990
Cámara Nacional de la Industria Forestal

The industrial transformation of wood products has operated at an average 60% of capacity, partially due to the unavailability of raw materials, the exploitation of resources below those authorized by SARH (approximately 50%), the low use of secondary products, the inefficient use of machinery and equipment and the inadequate geographical location of many industrial plants.

The largest companies operating in Mexico in the forestry, woodworking, pulp and paper sectors include the following:

COMPANY	PRODUCT
Celulosa de Chihuahua	PP
Celulósicos de Chihuahua	WPP
Chapas y Triplay del Sureste	SM, PLY
Cía. de las Fábricas de Papel San Rafael	PP
Cía. Forestal Bosques de Oaxaca	ROL, SM
Cía. Forestal de Oaxaca	ROL, SM, RES
Cía. Industrial de Atenquique	PP
Corporación Emssa	PLY, SM, POL
Doddoli Hermanos	SM, BOX
Duraplay de Parral	PB, PLY
Fábricas de Papel Tuxtepec	PP
Fibracel	FIB
Floresta de Oaxaca	SM
Forestal Halcón	SM, BOX
Grupo Industrial Durango	PLY
Grupo Industrial Guadiana	SM, PB, MAN, IMP
Industrial de Valles	ROL
Industrial Forestal La Loma	SM
Industrias Resistol	PB
Madera Industrial de Quintana Roo	PLY, SM
Maderas Conglomeradas	PLY, PB
Maderas y Derivados de Cualcomán	SM, WPP
Molduradora de Casas Grandes	SM, MAN
Novopan de México	PB
Plywood Ponderosa de Durango	PLY
Plywood Ponderosa de México	SM, PLY
Ponderosa de Chihuahua	SM, BOX, WPP
Ponderosa Dimensional	BOX, MAN
Ponderosa Industrial	SM, MAN
Triplay de Chihuahua	PLY
Triplay de Oaxaca	PLY
Triplay y Tableros Enchapados de Oaxaca	PLY, SM

Note:
BOX-boxes and packaging
FIB-fiber boards
IMP-impregnation
MAN-manufactured products
PB-particle board
WPP-wood for pulp&paper & particle board
PLY-plywood
PP-pulp&paper
RES-resins
ROL-wood in rolls
SM-sawmill

5. REGULATIONS

The Mexican forestry sector is regulated by three major frameworks:
The Mexican Constitution (Article 27)
The Forestry Law (April 1986) and
The Regulations to the Forestry Law (July 1988).

Additionally, the Rural District Development Law and the General Law of Ecological Balance and Environmental Protection influence decisions in this sector.

5.1 THE FORESTRY LAW

This law defines and regulates:
- The preparation and control of forestry programs;
- The administration of forestry resources;
- The integral management of forestry resources within their ecological system;
- The creation of reserves and other areas for preservation;
- The forestry related education, culture, training and research;
- The protection of forests against fire, infestations and other sanitary problems;
- The development and restoration of forestry resources and nurseries;
- The preservation,protection, certification, reproduction and distribution of seeds and vegetative material;
- The exploitation of forestry resources and technical services;
- Forestry production;
- The creation of roads and transportation infrastructure;
- The supply of raw materials to the industry;
- The proper operation of industrial plants and warehouses;
- Inspection and vigilance.

The above, within the following objectives:
- Obtaining higher yields;
- Protecting and preserving existing forestry resources;
- Maintaining high productivity levels;
- Promoting production, exports and employment in the sector;
- Promoting the industrialization of forestry resources;
- Attaining a domestic industry capable of satisfying local demand;
- Improving productivity of parastate companies in the sector;
- Promoting forestry development through incentives, tariffs and financing;
- Promoting the active participation of land owners in the production, industrialization, use and vigilance of existing resources;
- Promoting education, training and research to satisfy human capital and technological needs;
- Promoting a forestry culture among the population at large;
- Developing an integral rural development;
- Promoting the cooperation of private, public and state entities in the field.

The Secretariat of Agriculture and Hydraulic Resources (SARH) is the administrative body for the enforcement of the law and the signature of multilateral agreements. It is also responsible for the preparation of an inventory of existing resources (the most recent one was done in 1975) and of statistical data on the sector, as well as of policy guidelines and development programs for the sector. Basically, the SARH is in charge of regulating, developing and overseeing all aspects related with the exploitation, preservation and reforestation of forestry resources, as well as their distribution and industrial transformation.

Any change in the use of forestry land towards agricultural, cattle raising, urban, recreational and other uses requires the preparation of a technical and socioeconomic study to evaluate the feasibility of such a change and the conformity with existing regulations. Unless the study is approved, no such changes can be made. The

exploitation of forestry resources is reserved exclusively to Mexican citizen and is subject to a permit granted by SARH based on "studies for integral management". This includes permanent, temporary, eventual (building a road) exploitation, and that for scientific, construction or plantation purposes. Integral management should consider the use and exploitation of forestry resources with the highest possible productivity and without damage to the environment. No permit is granted without such approved study. Additionally, SARH grants technical services to the forestry sector, mostly through concessions granted to land owners or professionals, which are in charge of overseeing the "integral management" as stipulated in the study and of conducting the exploitation of forestry resources. These services are payable by the exploitation permit holders.

5.2 REGULATIONS TO THE FORESTRY LAW

These were designed to spell out and enforce the Forestry Law in its administrative and specific aspects. It includes regulations on the following items:

- Preparation of the inventory of forestry resources by SARH;
- Preparation of the Forestry Sector Program by SARH;
- Coordination agreements with state and municipal governments, parastate companies, "ejidos", communities, social and private organizations;
- The Forestry Development Fund for the promotion of financing and investment programs;
- The division of the national territory into regions, each of which is to be managed integrally based on individual studies to be prepared with the cooperation of SARH, state and municipal governments, the private and social sector, to define areas used for forestry exploitation, reserves, reforestation, roads, etc.;
- The requirements to change the use of land from forestry to other uses, including an application and a technical study with their specifications;
- National forestry reserves and areas to be used for conservation;
- The prevention of fires and responsibilities in fighting them by the federal, state, municipal governments and land owners;
- Sanitary measures to avoid and fight infestations and other diseases in forested areas;
- The determination of closed seasons;
- The reforestation and restoration of forests by SARH;
- The exploitation of forestry resources in cold and temperate climates can be made with four methods: total cut, with father trees, with successive or protection cuts (dividing the total area and rotating the zones exploited), and with selective cuts (cutting only certain trees within the whole area). Which one is used will depend on the characteristics of the land and forest and on the integral management studies;
- The exploitation of tropical forests needs to be complemented by improvement measures such as cutting old and malformed trees, reforesting with high value species, cleaning and sanitary cuts;
- Exploitation permit holders are responsible for the regeneration of the vegetation in the exploited area;
- SARH grants all permits for the exploitation of forestry resources, change in the use of land, and collection for scientific, educational and other purposes.
- A technical study is necessary to obtain exploitation permits;
- SARH or a concessionaire of SARH will provide technical services to each region such as the preparation of the integral management studies, providing training and education in forestry related matters, supervising the application of the management studies, preparing production and distribution programs for raw materials, preparing infrastructure programs, providing information, coordinating the management studies

with infrastructure requirements, production, industrial development and sector programs, and marking the trees and vegetation to be cut;
- The creation of roads, production and distribution, warehousing, as well as industrial plants require certain permits and are subject to specific regulations in order to be allowed to operate;
- The transportation of lumber and raw materials extracted from forests requires special permits to supervise the conformity with exploitation permits for the area.

In general terms, it can be said that the regulations are very limiting. Every aspect of forestry exploitation is subject to permits, studies and a myriad of requirements. This has made exploitation difficult and also costly, reason for which imported products are very competitive in Mexico.

6. MARKET ACCESS

Sales in Mexico are usually made through local agents and distributors, normally operating on a commission basis. Decisions should be taken on whether to use an agent, joint venturing or licensing with a Mexican company. Mexico's market is highly competitive and companies which maintain an active presence in the market and establish a good track record by virtue of product performance, competitive price and service will do well.

All suppliers of equipment or services, whether local or foreign, to a Mexican Government entity must be registered with the Secretariat of Programming and Budget (SPP) and with the Purchasing Department of the agency itself. All purchases over a specified minimum are subject to bidding.

As a result of Mexico's accession to GATT, the Mexican Government has gradually opened the economy to international suppliers. Import duties have been lowered from a maximum 100% in 1983, to 20% since December, 1988. The official import price system has been totally eliminated and import permits are required on only 325 of the total 11,950 items in the Mexican Tariff Act, none of which correspond to this industry. Mexico adopted the Harmonized System of Tariff Nomenclature on July 1, 1988.

The import conditions for forestry and woodworking machinery and equipment have improved significantly as a result of this commercial liberalization. Maximum duty rates have been reduced to 20% and prior import permits are no longer required on items in this category.

Imports of forestry and woodworking equipment are subject to a 0% to 20% ad valorem duty assessed on the F.O.B. invoice value. In addition, a 0.8% customs processing fee is assessed on the invoice value. A 15% value added tax is then assessed on the cumulative value of invoice plus the above taxes.

There are no official metric requirements applicable to imports into Mexico, However, since the metric system of units is by law the official standard of weights and measures in Mexico, importers will usually require metric labeling for packaged goods, although the English system is also used. Dual labeling is acceptable. Imported products should be labeled in Spanish containing the following information: 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). Electrical standards are the same as in Canada. Electric power is 60 cycles with normal voltage being 110, 220 and 400. Three phase and single phase 230 volt current is also available.

Prepared by:
Caroline Verut
for the Canadian Embassy
Mexico City
August 1990

E MEXICAN GOVERNMENT AND ITS AGENCIES, IT IS
VE REGISTRY NUMBER AS FOREIGN SUPPLIER.
OWING IS RELATED INFORMATION.

'H SECRETARIA DE PROGRMACION Y PRESUPUESTO

(SPP)

ıary of Registration Procedures for Canadian to sell to the Mexican Government and its es.

procedures now cannot be done by the foreign , and <u>must be done</u> by the company's official ıtative in Mexico.

the following documents should be submitted to eedores Office of the Secretaría de Progrmación (Ministry of Planning and Budgeting) located dress:

ıtratistas y
la Administración
L S.P.P.
› Abad No. 124 - Piso 1

)

ications for registration of foreign lier forms SPP in original and 3 copies, signed separately.

py of the company's balance sheet and profit loss stateent with data not older than two hs with respect to the date of application y into the Foreign suppliers registry, also slated into Spanish and legalized by the can Consulate.

of power of company's legal representatives in da notarized, and certified by Mexican Consul uments mentioning full name of person or ons, legally authorized to sign documents on lf of company showing his (their) signature.

of agency/representative contract in Mexico rized and then certified by Mexican Consul.

of a document that proves and guarantees legal tence of company in Canada.
r̶tificate of incorporation from a Canadian -

' Chamber. This
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any has been legally
› the laws of the
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Pesos (as of April
ə made at any office
Público (SHCP) in
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an bank located in
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separately. Forms

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certified local
owever if documents
e translations are
ese do not have to
or, as above, but
be duly notarized,
ican Consul in your

:ion forms must be
gal representative.

III Corporate name should appear exactly the same in all documents: (i.e.: spelling, company names which have changed over the years).

Legal representative's signature should be signed separately on following documents:

- DH-1 Payment forms
- Registry application forms (both pages)
- Power of legal representative of company in Canada.
- Copy of agency/representative contract in Mexico.
- Limited power to local agent.

While every effort has been made to provide the above information accurately, the Canadian Embassy cannot assume responsibility for errors, omissions or subsequent changes in procedure which may occur.

Information
updated April/90
Canadian Embassy
Mexico City

APPENDIX II

TRADE ASSOCIATIONS

CAMARA NACIONAL DE LA INDUSTRIA FORESTAL
Viaducto Miguel Alemán 277
Col. Escandón
11800 México, D.F.
Tel: 516-2545, 516-2546, 516-2547

UNION DE PRODUCTORES E INDUSTRIALES
FORESTALES DE CHIHUAHUA, A.C.
Juárez 8
Chihuahua, Chih., México
Tel: (14)162-011, 162-088
Fax: ()11-5214)140-171 (Forestry Producers and Industry Ass'n.)

UNION DE MADEREROS DE DURANGO, A.C.
Fanny Anitua 1474
Durango, Dgo., México
Tel: (181)33-311, 15-375 (Loggers Ass'n.)

ASOCIACION DE INDUSTRIALES FORESTALES DE DURANGO, A.C.
Independencia 135 Sur
Durango, Dgo., México
Tel: (181)29-712, 19-690
Fax: (011-52181)24-435 (Forest Industry Ass'n.)

ASOCIACION NACIONAL DE FABRICANTES DE TABLEROS, A.C.
Viaducto Miguel Alemán 277
Col. Escandón
11800 México, D.F.
Tel: 516-2545, 516-2546, 516-2547 (Wood Panel Mfrs. Ass'n.)

CAMARA NACIONAL DE LAS INDUSTRIAS DERIVADAS
DE LA SILVICULTURA
Baja California 255
Col. Hipódromo de la Condesa Sur
06170 México, D.F.
Tel:584-4044 (Silviculture Industries Ass'n.)

CAMARA NACIONAL DE LA INDUSTRIA MADERERA Y SIMILARES
Av. Chapultepec 19 - 104
Col. Centro
06040 México, D.F.
Tel: 709-0802 (Wood Industries Ass'n.)

APPENDIX III

LIST OF POTENTIAL AGENTS/REPRESENTATIVES

Ing. Héctor O. Abbud
TECNICENTRO MADERERO, S.A. de C.V.
Venustiano Carranza 2419
Chihuahua, Chih., México
Tel: (14)124-778, 129-785, 153-747

IMPORTACION Y SERVICIO PROAL,S.A.
Calz. Azcapotzalco La Villa 1015-B
Col. Industrial Vallejo
02300 México, D.F.
Tel: 587-0391, 587-0688, 587-0764, 587-0769

CENTROMAC, S.A.
Blvd. Avila Camacho 140
53560 Naucalpan, Estado de México
Tel: 576-5488, 576-3239, 576-0313
Fax: (011-525)576-4150

EUROMEX, S.A.
Calzada de las Armas 18
Fraccionamiento Industrial Las Armas
54080 Naucalpan, Estado de México
Tel: 394-8893, 394-5693, 394-6641
Fax: (011-525)394-4834

MERCADO DE MADERAS Y MAQUINARIA, S.A.
Eje Central Lázaro Cárdenas 32
Col. Obrera
06800 México, D.F.
Tel: 588-8448, 588-8724, 588-0067

TECNOPLAN, S.A. de C.V.
Río Guadalquivir 50
Col. Cuauhtémoc
06500 México, D.F.
Tel: 514-1803, 511-1488, 514-1793
Fax: (011-525)208-2402

MOTOSIERRAS INTERNACIONALES, S.A. de C.V.
Fray Servando Teresa de Mier 1030
Col. Jardín Balbuena
15900 México, D.F.
Tel: 762-8290, 762-8371, 762-8401

MEXICO VIRUTEX, S.A. de C.V.
Blvd. M. Avila Camacho 120-A
53390 Naucalpan, Estado de México
Tel: 576-0361, 358-8660

TALLER M. MARTINEZ
Alonso Capetillo 138
Col. Ampliación San Pedro Xalpa
02710 Azcapotzalco, México, D.F.
Tel: 556-0566, 358-8350, 358-4730

SIERRAS Y MAQUINARIA, S.A.
Efrén Robledo 41
Col. Obrera
06800 México, D.F.
Tel: 761-5928, 588-9352

REIMAQ, S.A. DE C.V.
Calle 4-A No. 2152
Col. Ferrocarriles
Guadalajara, Jal., México
Tel: (36)125-619, 125-620
Fax: (011-5236)124-257

TALLERES BOLIVAR, S.A.
Dr. Liceaga 7
Col. Doctores
06720 México, D.F.
Tel: 578-3411

UNIMAC S.A. de C.V.
Nicolás San Juan 828
Col. Del Valle
03100 México, D.F.
Tel: 687-5996

APPENDIX IV

PRINCIPAL MEXICAN FORESTRY DEVELOPERS AND SAWMILL MANUFACTURERS

GRUPO INDUSTRIAL GUADIANA, S.A. de C.V.
Carretera Panamericana Km. 959
34000 Durango, Dgo., México
Tel: (181) 33-322
Telex: 066641
Fax: (011-52181)33-525

DURAPLAY DE PARRAL, S.A.
Barrio de España s/n
Parral, Chih., México
Tel: (152)26-194, 26-295

FORESTAL CHAPULTEPEC, S.A. de R.L. de C.V.
Km. 1.5 Carretera Durango-Torreón
Durango, Dgo., México
Tel: (181)19-535

PONDEROSA DE CHIHUAHUA, S. de R.L.
Av. Universidad 1507
Chihuahua, Chih., México
Tel: (14)131-518, 133-784

CIA. SILVICOLA INDUSTRIAL S. de R.L.
Apartado Postal 87
Morelia, Mich., México
Tel: (451)48-363, 47-066

ASOCIACION FORESTAL VASCO DE QUIROGA
Cupatitzio 128
Uruapan, Mich., México
Tel: (452)39-585

CIA. INDUSTRIAL DE ATENQUIQUE, S.A.
Paseo de la Reforma 195, Piso 7
Col. Cuauhtémoc
06500 México, D.F.
Tel: 703-0277, 703-3547

CIA. FORESTAL DE OAXACA, S. de R.L. de C.V.
Monte Elbruz 132, Piso 1
Col. Lomas de Chapultepec
11000 México, D.F.
Tel: 540-6725, 540-6728

FLORESTA DE OAXACA, S. de R.L. de C.V.
Curtidurías 313, Int. "A"
Oaxaca, Oax., México
Tel: (951)53-178

SAWMILL MANUFACTURERS - MEXICO

ACI MEXICANA, S.A. de C.V.
Horacio 401, Piso 2
Col. Polanco
11560 México, D.F.
Tel: 254-1669

VERASTIGUI, S.A.
Blvd. Isidro López Zertuche 3031
25200 Saltillo, Coah., México
Tel: (841)42-000

TECNOPLAN, S.A. de C.V.
Río Guadalquivir 50, Piso 5
Col. Cuauhtémoc
06500 México, D.F.
Tel:514-1803

MAQUINARIA INDUSTRIAL DE DURANGO,S.A.
Madroño 100 Norte
34000 Durango, Dgo., México
Tel: (181)15-788

TALLERES REGIONALES ORGANIZADOS, S.A. de C.V.
Carretera Durango-Mazatlán 820
34000 Durango, Dgo., México
Tel: (181)12-631

AUSTROTEC S.A. de C.V.
Apartado Postal 409
53100 Naucalpan, Estado de México
Tel: 397-0894

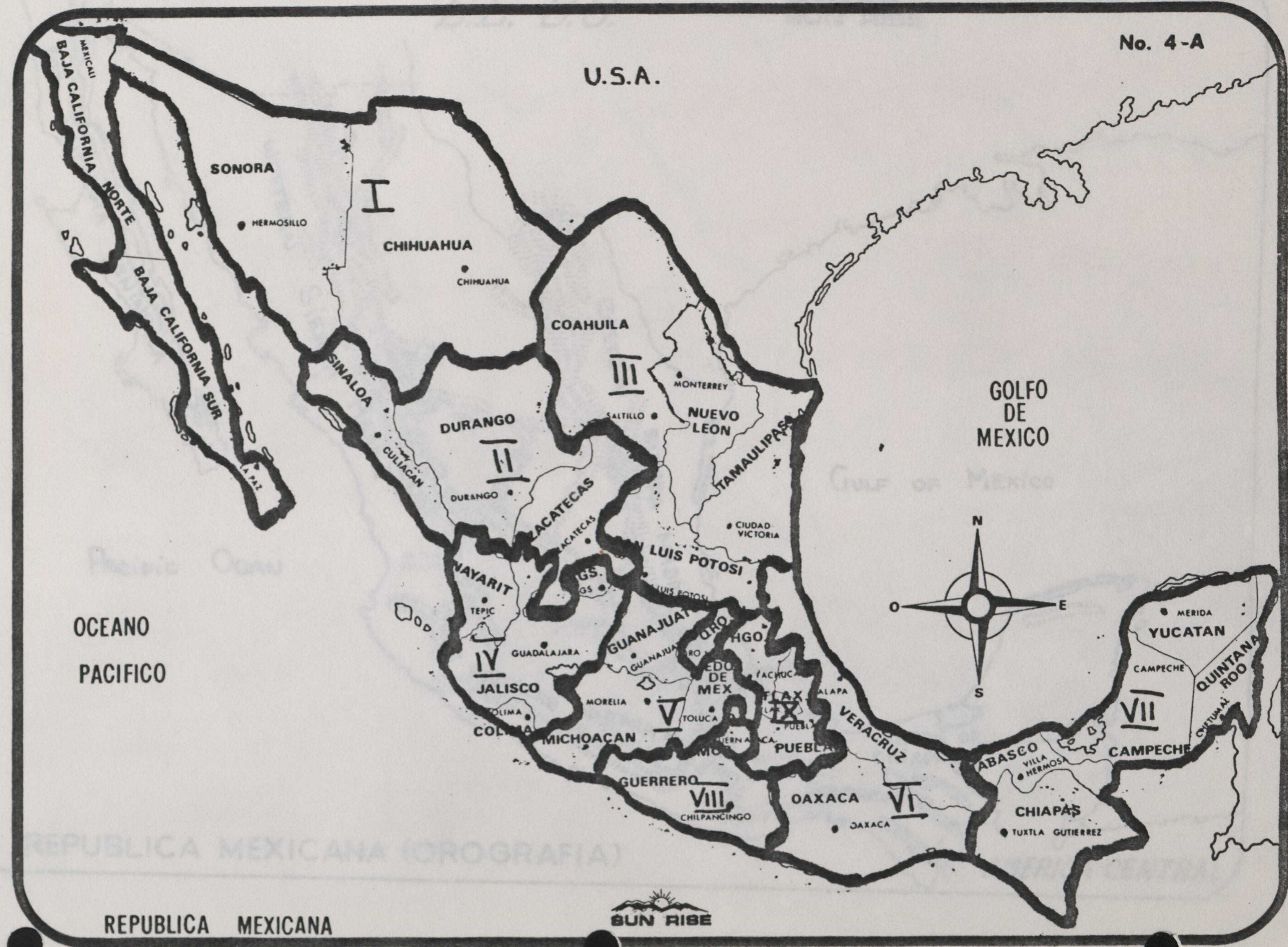
CIA. DE INDUSTRIA Y COMERCIO, S.A.
Av. Revolución 707
44400 Guadalajara, Jal., México
Tel: (36)175-900

HISPANO MEXICANA DE MAQUINARIA, S.A. de C.V.
Río Nilo 603
44400 Guadalajara, Jal., México
Tel: (36)192-177

HERRAMIENTAS DE CORTE, S.A. de C.V.
Calle 18-E, esq. 16-N
20200 Aguascalientes, Ags., México
Tel: (491)55-646

INDUSTRIAL ZACATECANA PABERTRON, S.A.
Calz. Santo Tomás 100
02000 México, D.F.
Tel: 561-1299

Map I



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MONTERREY
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TAMAULIPAS
CIUDAD VICTORIA
SINALOA
CULIACAN
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TABASCO
VILLA HERMOSA
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QUINTANA ROO
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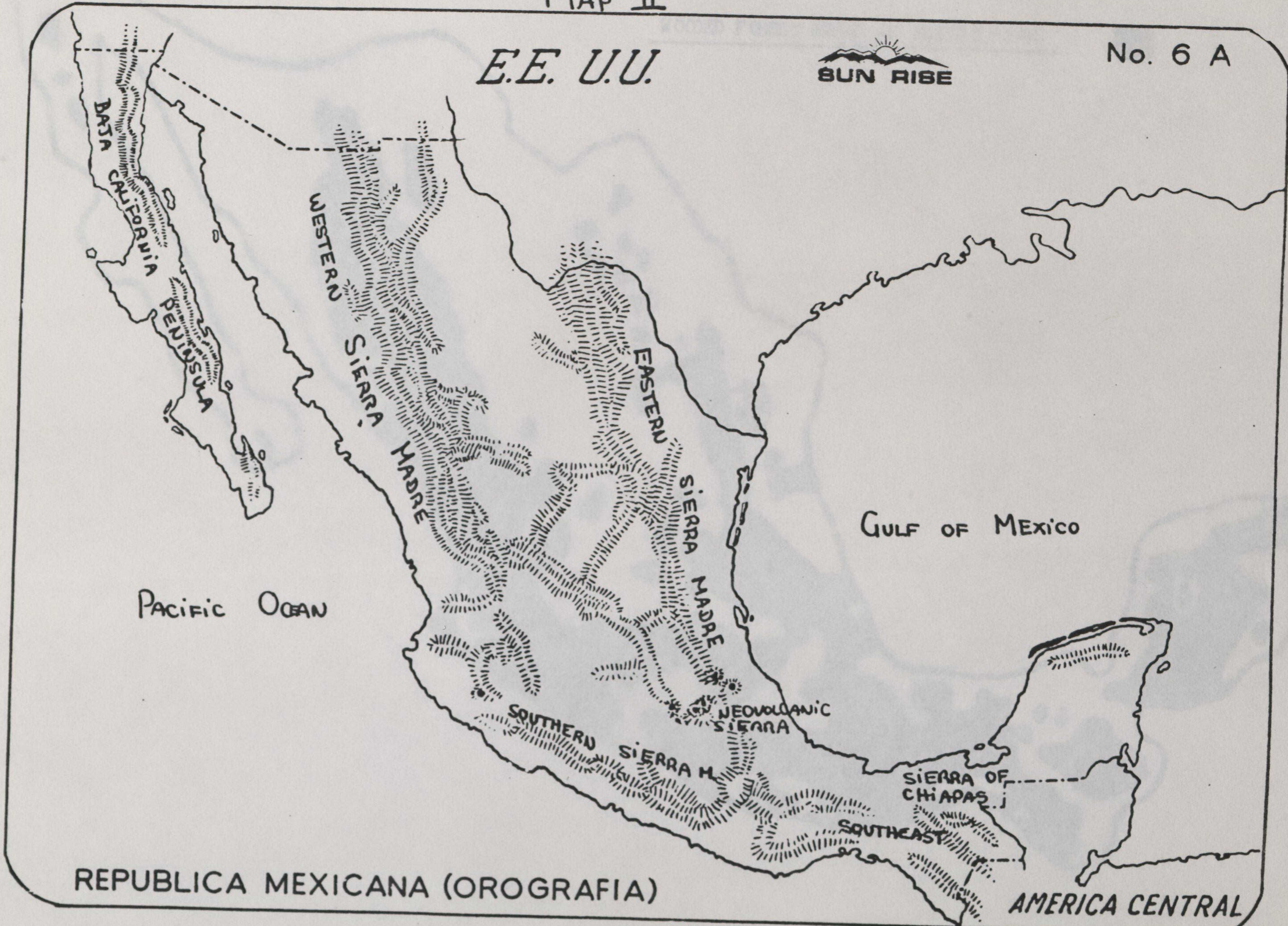
Map II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PACIFIC OCEAN
NEOVOLCANIC SIERRA
SOUTHERN SIERRA M.
SIERRA OF CHIAPAS
SOUTHEAST
REPUBLICA MEXICANA (OROGRAFIA)
AMERICA CENTRAL

WOODED FOREST AREAS OF MEXICO -1990