



OIL AND GAS

Petróleos Mexicanos (PEMEX), the state-run oil monopoly, faces serious pressure to upgrade production infrastructure and develop oil and gas fields. In particular, Canadian companies with expertise in non-associated gas, enhanced oil recovery, deep-water drilling, oil and gas safety and environmental protection will find demand for their products and services—with either PEMEX, or through Mexican suppliers to PEMEX.

PEMEX is undergoing a multibillion dollar investment in pipeline installation and maintenance to repair approximately 60% of its 61,000 km pipeline network. These infrastructure needs are made even more pressing as the government moves to enhance refining capacities within the country.

From February 12 to 17, 2006, ITC led a successful Canadian oil and gas pipeline mission to Mexico, focused on pipeline construction, maintenance and replacement as well as safety and environmental standards.

❖ **Additional information and procurement opportunities can be found at:**
www.pemex.gob.mx and www.compranet.gob.mx.

Upcoming Events:
Petroleum Exhibition of Mexico – Nov. 7-9, 2006.
<http://www.oilonline.com/mexico/default.asp>.

BUILDING PRODUCTS AND CONSTRUCTION

The housing market represents one of the most dynamic sectors in Mexico. The largest part of this market corresponds to low-cost housing, although the middle and high-end segments have also experienced significant growth. Due in large part to the changing demographics in Mexico and the increased availability of credit for mortgages and home renovation loans, it is estimated that the demand for houses until 2010 will be almost 800,000 a year.

As the middle class in Mexico grows, opportunities exist for higher-end products in this sector. Some of the best prospects are wooden and PVC doors and windows, electrical fixtures, thermal insulation, finishing materials and components. Wood products, such as structural engineered wood and wooden furniture, are also becoming increasingly popular.

❖ **Upcoming Events:**
EXPO CIHAC (Mexico City), October 17-21 2006
www.cihac.com.mx (Canadian pavilion on site)

INFORMATION AND COMMUNICATIONS TECHNOLOGIES (ICT)

Mexico's ICT sector grew 15.8% in 2005 and is expected to grow 10.5% in 2006. This performance is driven by growth in telecommunications services, consumables and equipment.

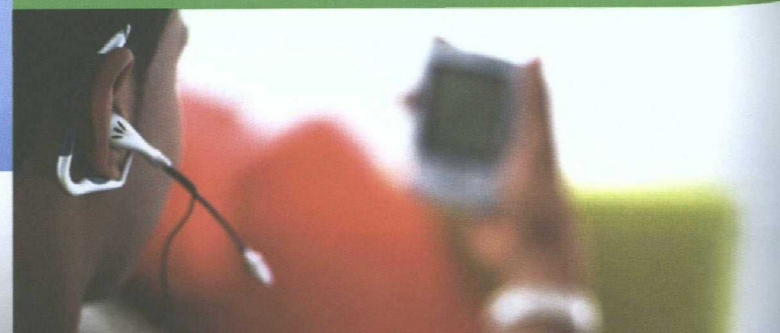
Overall, telecommunications services account for 64% of market value in the Mexican ICT market. Most telecom equipment is imported. Main opportunities exist in mobile applications, voice over IP (VoIP), virtual private networks (VPNs) and Internet services.

In Mexico, large companies account for 52% of total IT spending, government spending accounts for 13% and small and medium-sized enterprises (SMEs) make up the remainder. Since 91% of Mexican companies have 15 or fewer employees and most lack personal computers, access to IT infrastructure is limited. Several private and public initiatives now exist to encourage SMEs to adopt ICT as part of a strategy to increase the country's competitiveness. Software applications such as enterprise resource platforms (ERPs) and business intelligence, as well as e-commerce, logistics solutions and IT security infrastructure, are increasingly in demand.

Currently, the Internet penetration rate in Mexico is 13.8%, or nearly 17.1 million users. The goal of the government's e-Mexico initiative is to have 98% of Mexican citizens on line by 2025. Opportunities for network and PC manufacturers, software-development companies and broadband communications (DSL, cable, Wi-Fi) providers are poised to rise with Mexico's increasingly middle class and technologically savvy market growth.

In February, Canadian companies from the ICT sector exhibited at Expo Comm 2006 and many took advantage of the matchmaking services offered through the Canadian Trade Commissioner Service at the show.

❖ **Upcoming Events:**
EXPO COMM (Mexico City) – February 13-16, 2007:
www.expocomm.com/mexico/
(Canadian Pavilion on site)



AGRI-FOOD

If you haven't been a part of Canada's rocketing agri-food trade with Mexico over the last few years then you've been missing out—the good news is that opportunities continue to expand and Canada's trade with Mexico is increasing rapidly. Mexico's agri-food import market is a massive US\$14.3 billion (2004), ranking it as the world's sixth-largest importer of food products. The fact that this import market continues to grow (5.9% last year), along with NAFTA duty-free access for almost all agri-food products, creates opportunities for Canadian agri-food exporters. Canada's export growth has been outstanding, increasing 58% year over year to \$1.5 billion in 2004. Canada is the second most important supplier of agri-food to Mexico, behind only the United States.

While Canadian exports to Mexico reported growth in all the agri-food and seafood product categories in 2004, the most impressive

category was the 93% growth in value-added, consumer-ready food products. Mexico's growing middle and upper classes—representing more than 25 million consumers—are a key market for consumer-ready products, especially given the proliferation of modern hypermarkets, supermarkets, resorts and restaurants throughout Mexico.

Canadian companies are well positioned to continue this success. A good entrance strategy is the Canadian Pavilion at the Alimentaria International Food and Beverage Show.

❖ **Upcoming Events:**
Alimentaria 2006 (Mexico City), June 6-8, 2006
www.alimentaria-mexico.com
(Canadian pavilion on site)

ENVIRONMENT

The Mexican environmental market is expected to grow 10% annually from 2005 to 2007, generating significant opportunities for Canadian companies.

Although federal legislation requires cities of over 20,000 inhabitants to develop water treatment systems by 2007, most municipalities do not have the required infrastructure. Over 150 municipalities have approved plans to comply with new standards, thus generating opportunities for Canadian companies. Federal and state authorities are also putting pressure on municipalities to modernize their waste-management capabilities through controlled disposal sites, waste reduction and

more efficient waste-collection services. The solid waste-management industry offers opportunities in the areas of bio-gas generation and hazardous materials transport, confinement and recycling.

The presence of millions of tires in dumpsters and landfills represents a huge environmental problem in Mexico. Although the Mexican government has not yet dealt with this issue, Canadian companies that can develop good business models for tire recycling, reuse or conversion should have a competitive advantage.

❖ **Upcoming Events: EnviroPro 2006 (Mexico City),**
September 27-29, 2006 www.enviropro.com.mx

FORESTRY

Mexico is increasingly dependent on imported wood products (over \$1.2 billion per year). More than half of total imports come from the U.S., a market that is becoming increasingly vulnerable to growing Canadian competition in both hardwood and softwood exports. Canadian wood exports to Mexico increased by 38.7% from 2002 to 2004. Exports reached almost \$57 million in 2004. Both deforestation and Mexico's substandard infrastructure—including a lack of logging and production equipment—are increasing Mexico's reliance on foreign sources.

In addition to wood product exports, Canadian expertise in forestry services is sought in such areas as brigadier training, fire combat services and equipment, geographic information systems (GIS), carbon credits, education training programs and technologies, and forest inputs. Canadians have an excellent reputation in Mexico and are acknowledged as a global forestry leader.

❖ **Upcoming Events:**
Global Buyers Mission 2006 (Whistler, BC)
September 7-9, 2006
www.bcwood.com/Prod/AGMs/AGM05/gbm05main.asp

Expo Forestal (Veracruz, Mexico)
September 28-30, 2006
www.expoforestal.com

