

TRENDS AND OPPORTUNITIES

These are only the largest of the many multinational companies that have developed world-class manufacturing facilities in Jalisco and Aguascalientes. Company officials have been quoted in the media as crediting the quality of Jalisco's human resources for their success in building world-class operations in western Mexico. The continued expansion of these plants suggests a growing market for parts, components and other inputs to the industry.

The electronics industry imports large quantities of materials. The main sources of supply are the United States, Canada, Belgium, China, Germany, Japan, Ireland, Korea, Malaysia, Singapore, Taiwan, Thailand and the United Kingdom. Traditionally, less than 10 percent of their purchases of materials have been in the local market.

Purchasing decisions for Guadalajara operations traditionally have been made mainly at the corporate or regional headquarters of the companies involved. This means that for the most part, Canadian companies that have participated in this market have done so through their linkages with US-based multinationals. But there is growing interest in local sourcing, driven partly by the desire to obtain just-in-time (JIT) delivery. The elimination of the advantages of *maquiladora* zones is also driving this trend. Several companies in the region have programs to develop local suppliers.

The opportunities for local suppliers are limited by the very rigorous standards of the major electronics manufacturers. Usually, potential suppliers must be evaluated and certified in advance as being capable of meeting consistently high quality standards. They must also satisfy requirements for JIT delivery. There are few small- to medium-sized enterprises (SMEs) in the Guadalajara area that can presently meet these standards.

This creates opportunities for Canadian companies that could form partnerships or joint ventures with Mexican firms to help them modernize. The Mexican partner could satisfy customer demands for an established local presence, while the Canadian partner provides technology, management know-how and, possibly, financing. Foreign companies already having a presence in the region have an advantage, and the multinational companies and government authorities have encouraged existing suppliers to set up plants in the Jalisco region. Nonetheless, there are still many partnership opportunities available.