

COMPETITION

Domestic manufacturers are under pressure to rationalize their operations to compete in the new private sector dominated market for electric power equipment.

The Mexican power equipment manufacturing industry comprises about 2,000 manufacturers employing 150,000 people. Major global firms have manufacturing ventures in Mexico and, along with domestic companies, supply almost 40 percent of market demand. Production of equipment and materials used in the electrical sector is well integrated with suppliers and customers, and manufacturers are looking for imports to replace abandoned product lines as the industry rationalizes. These products, along with more sophisticated equipment not made in Mexico, provide opportunities for Canadian suppliers.

Domestic production of electric power generation, transmission and distribution equipment was estimated by the United States Department of Commerce (USDOC) at approximately US \$370 million in 1994. According to the *Cámara Nacional de Manufacturas Eléctricas (CANAME)*, National Chamber of Electrical Equipment Manufacturers, domestic manufacturers of this type of equipment account for 9 percent of Mexico's manufacturing output and 2 percent of gross domestic product (GDP). Products include the full range of home, office and industrial electrical equipment, as well as power generation and distribution equipment.

Mexico has an active transformer manufacturing industry consisting of about 40 companies. The industry is primarily engaged in supplying the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, but it also produces for export. According to the *CANAME* data, the industry produces about 100,000 distribution transformers and 6,000 power transformers annually.

The domestic industry has developed over many decades in a protected environment. The *CFE* was the only major customer, and it gave preference to Mexican suppliers. But now, consortia of private companies will have control over equipment procurements for most major new electric power projects. The companies in this industry will therefore be under great pressure to rationalize their operations to retain market share. This is creating increased interest in technological partnerships with foreign suppliers. Canadian companies seeking partnerships with Mexican manufacturers or engineering firms should be prepared to provide capital as well as technical expertise.