

Sectors of Priority Identified in Mexico

The North American Free Trade Agreement will open new market prospects for Canadian industry in Mexico; yet, Mexico, as a market, is unknown territory for most Canadian entrepreneurs. In Vol. 10, No. 16 (October 1, 1992) CanadExport introduced a series highlighting the sectors of priority for Canadian business. Featured here are the fourth (mining equipment and services) and fifth (forestry equipment and services) articles of the series. The information comes from the Commercial Section, Canadian Embassy, Mexico City. For more information on the Mexican market, contact the Mexico Desk Officer, Marcel Lebleu, Latin America and Caribbean Branch, External Affairs and International Trade Canada. Tel.: (613) 995-8804. Fax: (613) 943-8806.

MINING EQUIPMENT/SERVICES

Canada's mining technology is second to none, while Mexico's is, with some notable exceptions, 50 years behind recent advances. The country desperately wants to revitalize its mining industry.

With the North American Free Trade Agreement (NAFTA) in mind, Mexico is dramatically restructuring its mining regulations to allow foreign investment and to encourage the adoption of more effective, safe and environmentally-sound practices.

New investors are being sought to update inefficient operations. In 1991, foreign investment was more than US\$515 million (compared to US\$485 million in 1990). Mexicans themselves are bringing back their money, investing more than US\$570 million in 1991 (about US\$220 million in 1990).

Traditionally, Mexican miners have had great difficulty in keeping operations going — much less initiate new ones — because of snarls in red tape, arbitrary decisions, uncoordinated policy and deficient information.

These problems have now been reduced considerably. As a result of the improved business climate, Mexican companies have been spending an estimated 30 per cent more on parts and projects each year, perhaps US\$600 million total in 1990.

A study prepared by KPGM-Peat Marwick estimates that a North American Free Trade Agreement would stimulate a 13.2 per cent increase in mining production over its first 10 years, simply from increased economic growth and demand for basic materials.

All this increased activity equals opportunity for Canadian equipment and expertise.

Overall, the NAFTA will make life easier for Canadian companies on such issues as protection of intellectual property, coordination of standards, taxation, work permits and access to government tenders.

For instance, government agencies are considering a

project (estimated to exceed US\$30 million over the next few years) to thoroughly map their country. Other large-scale projects also are on the drawing board.

Despite the low commodity prices that are bringing hard times to miners around the world, there is an undercurrent of optimism throughout the entire Mexican mining industry. A NAFTA will help Canadians tap into this potentially dynamic situation.

FORESTRY EQUIPMENT/SERVICES

Mexico's 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 the country's wood products.

Once this assistance is forthcoming, it will translate into increased opportunities for Canadian equipment and services — as well as technology transfer and joint venture opportunities.

The Mexican forestry industry has been operating with old and out-dated machinery, which (thanks to improved economic and import conditions) it has started to substitute for newer equipment.

This trend is expected to continue. By 1994, the total market is expected to reach US\$54.9 million, after an average annual growth of 5 per cent.

Imports have played a major role in this industry, since the bulk of forestry harvesting and wood-working equipment is not manufactured in Mexico.

Local production is limited to the most simple tools, including circular and single band saws, hand tools,

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