

## CAPITAL SOURCES AVAILABLE

Much depends on the financing available to each of the partners. In addition to financing available through the commercial banking system, the Canadian partner may also be eligible for financial assistance from various federal programs. Financing is also available in Mexico, though it currently tends to cost significantly more than capital in Canada. The specific rate charged, however, will depend on the quality of the borrower and the nature of the investment. Part of the difference in the rate is due to the risk still associated with Mexican ventures, especially in view of recent turmoil in that market. It is also associated with higher rates of inflation and a relatively weak peso. Part of the additional cost of Mexican capital, however, arises from the large bureaucracies of the Mexican banks themselves. The effects of bank privatization should overcome this problem in the medium term. State governments and various incentive programs established in Mexico may be helpful in providing access to local sources of financing or incentives. Private-sector financial specialists may also be instrumental in sourcing financing or guarantees. The strength and reputation of either party may make a stock issue possible in Mexico, depending on the nature of the project and prevailing market conditions.

## RISKS AND REWARDS

The willingness of either party to make a financial commitment to the partnership will also depend on what other investment opportunities are available. If participation in the relationship promises one of the sides greater rewards for less risk than other alternatives, that partner will be more willing to increase its contribution in exchange for a larger share of the returns.

## STATEMENT OF FINANCIAL CRITERIA

The Canadian firm should formulate financial criteria that will make it easier to define financial performance objectives as well as targets for investment, risk financing, new share issues, retained earnings and earnings-per-share. The firm should also make clear at the outset what its intentions are regarding additional funding, potential sources of new funds, key financial ratios and dividend goals. Finally, it should describe the organization and structure to be used for the financial management of the proposed venture.

A partnership in Mexico can be evaluated according to the same criteria for success as are normally applied in Canada. Even so, it is better to take a long-term view of the venture since it is likely to take several years before significant