

The modernization of Mexican industry has been impeded to some extent by the fact that after decades of operating in a protected environment, many Mexican companies don't really understand their own limitations, or the ways technology can improve their operations. They tend to see cheap labour as an inherent asset, and focus modernization efforts on management information and financial systems rather than production. It takes time and patience to show them the power of product and process technologies.

Competitive factors will ultimately overcome these obstacles. Family-owned Mexican firms are being overrun in the marketplace by multinational corporations and the *Grupos*, huge Mexican holdings. Industrial concentration is increasing rapidly. Improving productivity and quality to take advantage of Mexico's export boom is the principal survival tactic in this environment.

Public Infrastructure

Mexico's public infrastructure is in desperate need of expansion and modernization. Roads, telecommunications, electric power, water supply, waste treatment, natural gas, transportation and distribution, housing, schools, health care, railways and urban transit systems are all areas of major need. In the past, construction of these facilities has been a public responsibility. But the tendency to use public enterprises as an employment-generating device, combined with an over-reliance on domestic technologies, has left the nation in a position where it cannot meet the needs of its rapidly growing population.

Two developments are likely to provide solutions for this crisis. First, the Mexican government has already acted in several areas to reduce its reliance on home-grown solutions and to obtain foreign technology. For example, in 1992, Montreal-based Bombardier bought out *Constructora Nacional de Carros de Ferrocarril (Concarril)*, the state-owned rail and subway car manufacturer. As a result, Canadian technology is being used in mass transit developments in Mexico. In 1994, the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, announced that it would be relying on private sector developers for 60 percent of its new electrical power projects. It has also allowed industrial customers to self-generate or co-generate their own power. Decision-making for local projects has been decentralized, and state and municipal governments have been free to buy imported technology for the past few years. Public housing authorities are now acting as developers and financiers rather than construction firms. These are only examples of a pervasive change of policy. Privatization has supported this trend, as newly-privatized companies, such as *TELMEX*, have switched to more productive technologies, much of it from foreign sources.

The second development has been a new attitude on the part of the government towards innovative financing mechanisms. The law has allowed public infrastructure projects to be built on a build-lease-transfer (BLT) or build-operate-transfer (BOT) basis for some time. A shortage of capital, exacerbated by the economic crisis, has made officials much more willing to put these tools to work. Dozens of concessions have been let for several types of infrastructure projects and many more are planned.