

INDUSTRIAL AND COMMERCIAL MARKETS

MAQUILADORA ZONES

Complementary legislation in Mexico and the United States allows raw materials and components to be imported duty free in-bond and then re-exported to the US with duty applicable only to the Mexican value-added. The original program restricted sales within Mexico to substandard units that were limited to a small proportion of production. The *maquiladora* zones are concentrated in the northern border region, but are also located in areas such as Jalisco and Aguascalientes that are strategically located for exporting industries.

Jalisco's *maquiladora* zones are home to many large-scale multinational enterprises. But under the North American Free Trade Agreement (NAFTA), the *maquiladora* program will gradually become irrelevant. The Mexican government has begun a transition program to allow *maquiladora* plants to sell their products within Mexico. Beginning in 1994, they could sell 55 percent of their previous year's exports within the country; this percentage will be increased by 5 percent annually until it reaches 100 percent in 2001. And as duties are phased-out under NAFTA, the US side of the arrangement will also become redundant.

Most *maquiladora* plants are already integrating into the local economy. Some of them are helping Mexican companies to develop the capabilities to become suppliers. The *maquiladora* program is similar to those found in the automotive industry, which is subject to special import/export provisions, and has long depended upon Mexican suppliers. In addition to meeting quality-control standards, Mexican firms need to learn to use CAD/CAM technologies for receiving designs and specifications, electronic data interchange (EDI) systems for order-taking and just-in-time (JIT) delivery systems.

These new opportunities for Mexican companies are also creating openings for Canadian companies that can form joint ventures to help them modernize.

Guadalajara is a major business centre, and is an important market for a wide range of financial, educational and commercial services. The surrounding industrial region is home to a number of high-technology industries, which have broad demands for equipment and technology as well as consulting services.

Multinational companies are prominent in the region. In Jalisco in 1994, there were more than 100 foreign companies including 45 *maquiladora*, in-bond manufacturing, plants.

AGRICULTURAL TECHNOLOGIES

The western region is known as "the breadbasket of Mexico," accounting for one-fifth of the nation's agricultural output and 17 percent of its livestock production. Jalisco is the top agricultural and livestock producing state. Although current state gross domestic product (GDP) data are unavailable, a recent study by *Grupo Financiero Bancomer*, which used 1988 data, found that Jalisco alone accounted for 9.4 percent of Mexico's agricultural GDP, and 11.6 percent of livestock GDP.

WESTERN REGION AGRICULTURAL AND LIVESTOCK PRODUCTION PERCENTAGE OF NATIONAL SECTORAL GDP

State	% Agriculture	% Livestock
Aguascalientes	0.7	1.1
Colima	0.8	0.6
Jalisco	9.4	11.6
Nayarit	1.8	0.0
Sinaloa	7.3	3.8
Total	20.2	17.1

Source: *Grupo Financiero Bancomer, Informe Económico*, September 1995.