

Executive Summary

Mexico offers Canadian business people a wide variety of exciting new opportunities. The country is experiencing a rapid economic and political transformation that is opening up this market of 85 million people to international trade. An aggressive program of structural reform is stimulating a powerful demand for foreign goods and services while economic stabilization is creating wealth and stimulating consumer demand. At the same time, the conclusion of a North American Free Trade Agreement will make it easier for Canadians and Mexicans to do business with each other by removing barriers and clarifying the rules of the game.

Mexico has made impressive strides in overcoming economic problems that a decade ago seemed ready to overwhelm it. At that time, the country faced soaring foreign debt, accelerating inflation, a deteriorating infrastructure and serious degradation of the environment. In response, the government renegotiated its arrangements with foreign creditors, reduced government spending, checked the decline of the peso and waged a concerted war against inflation. As part of the process of restoring economic health, it secured the support of labour and the private sector in an agreement known as El Pacto, designed to hold down wage and price increases.

An integral part of Mexico's economic renewal has been extensive deregulation, privatization and public spending restraint, all of which have created a new and more appealing business climate. The government's National Development Plan aims at modernizing and expanding the country's infrastructure, especially in communications, transportation, housing and education. Finally, the Mexican government is encouraging foreign firms to do business in Mexico and participate in the country's infrastructural development. In response, foreign companies are beginning to take a stronger interest in the country's possibilities. Many of the Canadian firms which have pursued opportunities in the Mexican marketplace have already reaped substantial benefits from their involvement there.

Success in Mexico should by no means be taken for granted; it requires detailed knowledge of the market, including information about demographic characteristics, current trends and regional variations in advance of your business plans. Potential exporters must also be flexible enough to provide goods and services in a form that matches the target market's requirements. Of course, exporters must also be familiar with the conditions and regulations governing the shipment of products into the Mexican market.

There are many ways of doing business in Mexico. Canadian firms can sell goods, services, expertise, technology, or franchises to Mexican customers. They can sell them directly or they can go through a variety of agents, distributors, or retailers. They can attempt to do their own marketing, or they can hire someone to do it for them. They can also enhance their exporting efforts through alternatives such as co-marketing, co-production, and even joint ventures. What is common to all of them, however, is the need to have good partners in Mexico and to demonstrate to these partners a commitment to doing business in this market. Approaching the Mexican market without first forming strong local contacts rarely results in sales. Even large companies cannot do it alone.

Your Mexican partner may be an agent, a distributor, a broker, or a retailer. It may be a company that has agreed to market your products. It may be a joint-venture partner. It may even be someone willing to invest in your firm. Whatever the specifics of the business relationship, however, all of these forms of partnering depend on finding complementary capabilities, clearly defining common objectives and developing mutual confidence. Sometimes referred to as *strategic alliances*, partnering arrangements between Canadian and Mexican enterprises offer the best chance for Canadian business people to increase their exports and realize some of the vast potential inherent in the Mexican marketplace.

This handbook offers Canadian firms a basic primer on doing business in Mexico. It covers not only the opportunities, but the challenges associated with those opportunities. More specifically, it describes how to export to Mexico by providing information on how to develop an export strategy, how to find suitable contacts in Mexico, how to negotiate mutually advantageous agreements, and how to avoid common pitfalls. It also offers information on some of the Mexican laws and regulations that can affect exporting and the conduct of business with Mexican firms. To illustrate these points, the handbook includes a few brief profiles of just some of the many Canadian companies already operating in the Mexican market.

The material in the handbook has been arranged into two broad sections. The first offers a general overview of the business opportunity in Mexico and how to pursue it.

Chapter 1 – The Emerging Economy provides an introduction to Mexico and a summary of its history, economy and public policy. It also discusses how the