Trade Promotion Events

Successful Canadian companies are familiar with trade fairs as a means of expanding business. DFAIT has sponsored many events in Mexico. As Canada's trade promotion efforts in Mexico have matured, this role is evolving towards facilitation rather than sponsorship.

Canadian information booths at some trade fairs will continue to provide a way to participate for Canadian companies that choose not to enter as exhibitors in their own right. The information booths will also continue to provide a base from which trade commissioners can gather market intelligence and identify matchmaking opportunities. But in the future, incoming trade missions for potential Mexican buyers will be the key activity in the Action Plan.

Specific trade promotion activities are planned annually during the Canadian International Business Strategy (CIBS) consultation process. A copy of the CIBS is available through DFAIT's Enquiries Service, tel.: 1-800-267-8376 or (613) 944-4000; fax: (613) 996-9709. The Mexico and Inter American Division, Latin America and Caribbean Bureau, maintains an up-to-date listing of all its trade promotion events in or from Mexico, tel.: (613) 996-5547; fax: (613) 996-6142; Internet: http://www.dfait-maeci.gc.ca

Canada enjoys a very positive general reputation in Mexico. But the quality and sophistication of specific Canadian technologies and capabilities are not well understood. As a result, good impressions made by visiting Canadians in Mexico may not translate into immediate orders. Too often, Mexican buyers prefer more familiar brands from the United States. The knowledge gap can be bridged by bringing Mexican customers to Canada, where they can see, first-hand, Canada's products and services. Incoming missions will feature tours of Canadian plants and technical facilities, as well as visits to Canadian trade shows. This selective match-making approach ensures that scarce resources are allocated to sectors where Canada has the best sales prospects.

Changing the Approach to Achieve the Goal

The components of the Action Plan described in the previous sections are not isolated endeavours. They are part of a new approach designed to ensure a close match between the needs of Canadian exporters and the capabilities of Team Canada. Ensuring that every inquiry from a Canadian business person is dealt with promptly and effectively is a key element of the overall plan.

DFAIT's Mexico and Inter American Division in Ottawa and the Canadian Embassy in Mexico are taking several initiatives to develop a customer-service culture, despite reduced financial and human resources.

These initiatives include:

- Providing easy access (fax, Internet, hard copy) to the most up-to-date market information on Mexico to interested business persons through the Department's Enquiries Service;
- Retraining officials in Canada and at the Embassy to offer value-added analysis based on proactive intelligence gathering rather than mere market information. A key element of this initiative will be to establish more effective links between business clients in Canada and local experts in Mexico who possess knowledge of specific sectoral and regional markets;
- Obtaining regular feedback from clients to improve services; and
- Reorienting event organization towards activities that most effectively promote matchmaking and the acquisition of market intelligence.

The Mexican Business Environment

Nineteen ninety-seven marked the mid-point of President Zedillo's six-year term. After two years of agonizing adjustment for most Mexican industries, the macro-economic figures are once again positive. The Mexican economy has shown strong growth for two successive quarters, and there are solid grounds for growth to continue. Most economists predict steady growth and declining inflation until the year 2000. While the impact of the 1994 devaluation, with subsequent high inflation and low-wage growth, has harmed consumer purchasing power through 1996, gradual improvement has been observed in 1997. As a result, Mexico's most attractive export opportunities will continue to be dominated by commercial and industrial markets rather than consumer markets. Nonetheless, there will be opportunities to meet the growing consumer demand of the wealthiest 10 percent of Mexicans, whose spending habits rebounded quickly in 1997.

Mexico's gross domestic product (GDP) grew 5.1 percent in 1996, following a contraction of 6.8 percent in 1995; it is expected to grow by 7 percent in 1997. In dollar terms, the GDP remains about 25 percent lower than its peak in 1994. For the next four years (1997-2000), the GDP should continue to grow at approximately 5 percent per year. Inflation in 1997 will drop to about 17 percent; it will continue to shrink (12 percent for 1998), stabilizing at about 10 percent by the end of the century.

The peso, which lost so much value in 1995, has remained stable for almost two years and has even appreciated in real terms when factors such as inflation are taken into account. However, under a free-floating currency regime, the peso should soon begin to depreciate at 7-10 percent per year against the U.S. dollar. If the market allows for such an ongoing rationalization, the Mexican trade balance will maintain a slightly positive level in 1997 and slip slowly into negative figures in 1998 and 1999. It is estimated that Mexico will continue to attract US$8 to 10 billion per year in foreign investments. This will help offset any future current account deficit.

In August 1997, Mexico's reserves stood at US$22.7 billion, of which US$7.1 billion belonged to the International Monetary Fund, leaving a net reserve total of US$15.6 billion. This level of reserves provides a healthy buffer against any foreseeable trade imbalances. However, with over US$40 billion of foreign investment in the Mexican stock exchange, capital flight is always a risk, particularly in light of the evolving political situation.

The July 1997 elections proved historic with respect both to their credibility and to the changes they will bring about. Most importantly, the governing PRI (Partido Revolucionario Institucional) lost its absolute majority in the national Congress. The opposition, composed of two strong parties — the PAN (Partido Acción Nacional) and the PRD (Partido de la Revolución Democrática) — and several small parties, will now wield real negotiating power in Mexican politics. New legislation promoted by the executive branch must now meet the approval of at least one opposition party. This will slow the development of new laws but will create better-debated and more durable legislation. The much-publicized victory of