

CHAPTER 1. ARE YOU READY FOR MEXICO?

WHY MEXICO?

Mexico continues to offer excellent opportunities for the Canadian firm looking for a medium-term export strategy. It has become one of the most open economies in Latin America. As a result, external competitive pressures are forcing Mexican manufacturers to increase their efficiency and product quality. Experience has shown that joint ventures with foreign companies are one of the best ways to accomplish those objectives. Therefore, Mexican firms are receptive to forming links with Canadian partners. Moreover, Mexico continues to enjoy the advantages of a large domestic market, as well as a young population and an abundant and cost-competitive labour supply.

Over the longer term, Mexico can serve as an excellent base for Canadian companies interested in expanding into the rest of Latin America. In particular, Canada's bilateral trade negotiations with Chile, begun in late 1995, are likely to lead to new opportunities in that market. Eventually, plans for liberalized trade on a hemispheric basis are also likely to bear fruit. Companies with an established base in Mexico will be in an excellent position to move into the emerging markets of South America.

Mexico has a number of specific advantages that make it an excellent source of long-run opportunities for Canadian exporters:

- a strategic geographical location including a 3,234 kilometre border with the United States, coastlines facing Europe and Asia, and trade links into Latin America;
- preferred access to the United States, the world's largest market, under the North American Free Trade Agreement (NAFTA);
- a relatively young workforce of more than 30 million people that has proved capable of delivering quality at substantially lower cost than in the advanced industrialized economies;
- plentiful natural resources;
- a rapidly growing domestic market of 92 million people, about half of them under 20 years of age; and
- an open economy and a regulatory climate that favours private business.