

In April 1990, these rules were rescinded and foreign computer manufacturers were allowed to supply the Mexican market solely through imports. A 20 percent tariff was imposed on computers, but the rate is only five percent for computer parts. There is a 100 percent duty remission on parts and equipment for companies that manufacture in Mexico. The objective of the new policy is to make the computer industry more competitive, and to make state-of-the-art technology available to other sectors. As a result, sales of computer hardware have risen sharply.

Although the decrees of 1981 and 1987 affected only hardware, their removal has also had a strong effect on the demand for software and computer services. The availability of cheaper, more sophisticated equipment has had a natural tendency to promote new and more complex applications.

THE MEXICAN ADVANCED ELECTRONIC EQUIPMENT AND SERVICES SECTOR

The advanced electronic equipment and services sector is a group of industries dedicated to the manufacture of sophisticated electronic equipment, and its application to information processing and telecommunications. This sector has been transformed in Mexico, as elsewhere, by rapid technological change.

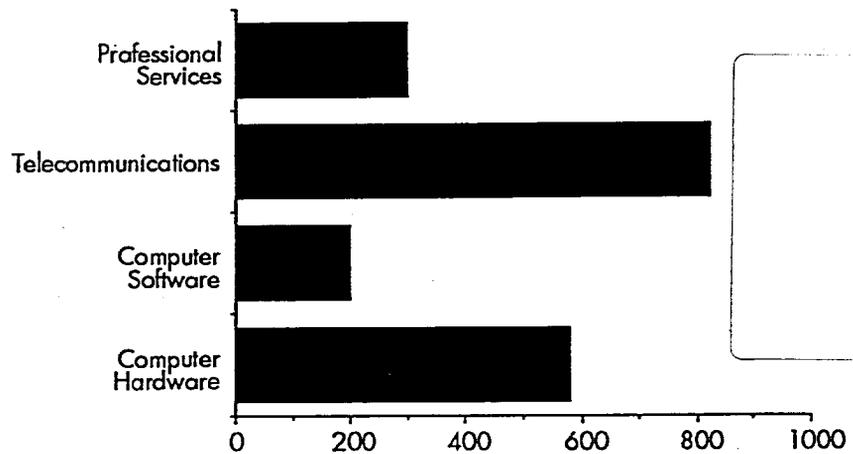
The market for these products and services in Mexico totaled almost US \$2 billion in 1990, about 0.8 percent of Mexico's GDP. It includes four distinct sub-sectors: computer hardware, computer software, telecommunications equipment and professional services.

The computer sub-sectors in Mexico include microcomputers, minicomputers and mainframes, as well as the software they use. Hardware makes up about half of the total computer market, with the remainder going to software and services.

Telecommunications consists of services for moving voices, data and images over distances. This includes telephone, fax, telegraph, marine and satellite communications, as well as radio and television broadcasting.

ADVANCED ELECTRONIC EQUIPMENT AND SERVICES MARKETS IN MEXICO, 1992

US \$millions



Source: Vêrut, Caroline. *Market Study on the Mexican Market for Computers and Software, Mexico City: Canadian Embassy, 1991.*

The professional services subsector provides the means to integrate computer hardware, software and telecommunications to meet customer needs. Professional services companies design applications, provide training, integrate systems and maintain advanced electronic systems.

THE ROLE OF IMPORTS

Imports play an especially important role in the market for computer hardware and software. In 1990, almost three-quarters of sales in both categories were imported. No data is available concerning the Canadian share of these markets, but Canadian computer companies have been much more active in Mexico during the past three years.

Close to half of the Mexican market for telecommunications equipment is imported. Canadian exports in 1990 totaled about \$5 million*, but have risen sharply since then.

Although there is no official data available describing imports of professional services, Canadian companies have been very successful in this area. Reportedly they have recently been capturing about half of the large government contracts.

*Note: Unless otherwise specified, the currency used is Canadian dollars.

CUSTOMERS

The market for advanced electronic equipment and services in Mexico is dominated by large institutions including public agencies, government-owned corporations and foreign multinationals. As the government's privatization plans proceed, however, private Mexican corporations are becoming increasingly important. Small and medium-sized enterprises remain a huge untapped market that will become much more active as the price of personal computers continues to drop.

END USERS OF COMPUTER SOFTWARE IN MEXICO

| Type of User | Percentage of all users |
|----------------------------------|-------------------------|
| Government institutions | 20 |
| Financial and insurance services | 19 |
| Retailing and wholesaling | 17 |
| Manufacturing | 14 |
| Professionals | 13 |
| Computer manufacturers | 5 |
| Utilities | 4 |
| Other | 8 |

Source: Vêrut, Caroline. *Market Study on the Mexican Market for Computers and Software, Mexico City: Canadian Embassy, 1991, section 4.*

