So, you've heard that selling Canadian products to Mexico is easier now than it has been for a long time. You've put together that great business plan and now you have a problem. Where will you find the money?

"One of the big pitfalls," says Ed Pelger, Project Executive from New Brunswick, "is not having adequate resources both in time and in terms of money to properly enter the market."

Fortunately, there is more good news. This is an excellent time to finance your Mexico deal. According to a Canada-based representative of a Mexican bank, "Financing is available if the risk is good."

In the words of Jeffrey L. Schneider, Bank of Montreal representative in Mexico City, "Abundant short-term export credit is available."

One diplomat based in Mexico was more guarded in his assessment. "If you compare the situation with one and a half years ago, banks are a little more cautious because of the slowdown in economic growth during the second half of last year. But if you compare it with 1982 to 1988, when little was happening, one might say this is a fabulous time."

There are many reasons for this, one of which is key: the North American Free Trade Agreement (NAFTA). Canada's two-way trade with Mexico in 1993 was nearly $4.2 billion.[1] The figure could be even higher in future since Mexico's 85 million people import US$5 to US$6 billion each month.

Numbers like these capture the attention of Canadian banks. Mexican financial institutions are also keen. Rich Mexicans who stashed their money away in New York and other northern cities during the 1980s are bringing that money back home in one of the more dramatic turnabouts in the history of international finance. In 1992, there were net capital flows of US$23 billion: that's money in search of good projects.

[1] Except otherwise indicated, monetary values are expressed in Canadian dollars.

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Growing For The Gold

Not that the way to Mexico is paved with gold. Financing may be available, but only the serious, the committed and the patient need apply.

Alf Chaiton, Vice-President, Program Development of the Forum for International Trade Training (FITT), puts it this way: "The one thing you don't want to do is to go to your banker and say, 'NAFTA's been signed. There's got to be great opportunities in Mexico. Give me a line of credit.'" He adds: "You've got to be able to demonstrate that you have a sound business plan and not pie-in-the-sky dreams."

As with domestic business, relations with your banker are important. "If you have the right relationship with your bank and if you have a good transaction, they're interested." Your Mexican partner's relations with his or her bank can also be critical.

The secret, Chaiton advises, is to remember that "you need commitment to be successful in international business." Such organizations as FITT, among other things, help to develop that commitment by Canadian firms to the international marketplace through proper preparation.

Gilles LeBrun, Director of Training and Counselling at the Federal Business Development Bank (FBDB) and Co-ordinator of the Bank's Montreal-based New Exporters Club, stresses the importance of a well-prepared business plan and a sound financial plan. "Always bring it back to the basic dollar sign," he says. "We'll advise people; sometimes, if their projects are too big for them to handle, we warn them. Other businesses are too cautious, they should go further and they need assurance — so we're there to help them."

A Mexican bank official describes a "good risk" simply as a company that makes "good profits," has adequate assets and is growing. Peter Wren, the Toronto-based Managing Director of the Bank of Montreal's Trade Finance Division, expands: "Banks are going to look at the operating capabilities of the business, the cash flow, the quality of the principal people in the company, their experience level — and things like that." Another bank official stresses the importance of financial commitment. "They must have equity participation; then, the bank will look at the project."

Generally, knowing where the money will come from can be critical to getting the deal. One reason for this is Mexico's interest rates, which are quite high by Canadian standards. If your Mexican buyer pays for your products from an overdraft, this could mean interest rates of up to 20 or 30 percent. Regular financing could attract interest of 23 or 25 percent or more, notes Chaiton.

Mexican banks have the misfortune of paying more for capital — and the luxury of charging wider "spreads" — than their Canadian counterparts. Where Canadian T-bills fetch interest rates hovering around 3 percent, the Mexican equivalent could go as high as 11 or 12 percent.

If you can point your partner in the direction of cheaper credit, that increases your attractiveness to him or her. So, before you begin any serious negotiations in Mexico City or Monterrey, have a one-on-one with your banker and an officer of the Export Development Corporation (EDC).

Not all Mexican partners look to Canadian sources for finance. Claudio Escobar, Manager of the Mexico Division of Lumonics, Inc. of Ottawa, says that the firms in Mexico importing lasers from