

INVESTMENT AND TECHNOLOGY TRANSFER

Canada's interest in international trade is not confined to exports of goods and services. Foreign investment has long played a pivotal role in the development of the Canadian economy, bringing not only capital, but also technology, expertise and innovation. Liberalized trade has been supported by government initiatives to build a stronger role for an increasingly-competitive private sector. These trends are creating an even more attractive environment for investors in both Canada and Mexico.

The trade commissioners at the Canadian Embassy and the consulates in Monterrey and Guadalajara promote Canadian exports of goods and services and they also assist investors in both countries to find compatible partners. Increasingly, investment goes hand-in-hand with new trade opportunities, so these activities are complementary elements of the same overall mandate. Investment in both directions plays an important role in supporting Canada-Mexico partnerships and joint ventures, which in turn lead to trade in goods and services.

Depending on the nature of a partnership, investment in either direction may be called for. In many cases, smaller Mexican firms are looking for Canadian technology and capital in exchange for access to the Mexican market. But larger Mexican firms are often looking for opportunities to invest abroad, to fill gaps in their product lines or to improve their own capabilities.

The process of trade liberalization has led to increased industrial concentration in Mexico. According to a recent report in *El Financero*, 17 conglomerates are now responsible for two-thirds of manufacturing output. Many of these large and growing companies have their own technologies and capital to offer Canadian partners. Trade commissioners promote this type of exchange by providing background information on the Canadian business environment as well as details of the capabilities of specific industries and companies.

The following sections describe the major sectors where investment, technology transfer and partnering are leading to improved opportunities for Canadian exporters in Mexico.

Private Industry

In the primary and manufacturing sectors, joint ventures with Mexican companies are the principal mechanism for the exchange of capital and technology. Typically, the Mexican partner has a good knowledge of the local market, along with an established clientele. But it usually lacks sophisticated product or process technologies. The Canadian partner, on the other hand, has technology and expertise, in addition to capital, but faces formidable cultural barriers against moving into Mexico. Technological joint ventures provide a method of bringing these capabilities together. In sectors such as mining, where the product is a commodity not particularly vulnerable to cultural influences, Canadian companies tend to be the project leaders.