

From the foreign exporter's perspective, continuing internal inflation will actually have some positive benefits. The devaluation of the peso almost immediately caused import prices to surge but it took longer for the effects of inflation to influence the cost structures of domestic producers. As a result, it was difficult to export goods to Mexico until domestic prices caught up. In some sectors, however, adjustments in domestic prices have already made imports more competitive, and this trend is expected to continue.

For the Canadian exporter with a medium-term strategy, Mexico continues to offer excellent opportunities. 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. 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.

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

Opportunities for Canadian suppliers can be found throughout the Mexican economy. No industrial sector or public enterprise has escaped the forces of change that have swept through Mexico since the late 1980s. Manufacturers are rationalizing their operations and modernizing to meet the influx of foreign competition. Service providers are struggling to become more efficient and to offer their customers the latest products. For the first time in decades, government agencies have been forced to consider new methods as they react to budget cutbacks. And on a broader scale, the federal and state governments have embarked on ambitious plans to modernize Mexico's infrastructure. Increasingly, they are turning to the private sector to help make this happen.

This environment of pervasive change opens up opportunities for Canada, which has not been a prominent supplier to Mexico's industries. The rationalization initially brought about by economic reforms has been accelerated by the recent peso crisis. Both elements are forcing Mexican buyers and decision makers to consider alternative methods and new suppliers.