Moreover, Canadian industry associations and government agencies continued promoting the Mexican market, and Canadian suppliers discovered unserviced clients looking for product.

In 1995, the industry rapidly adjusted to the devaluation and a rationalization process began that should continue for some time to come. The number of Mexican manufacturers shrank 25 percent as their market share grew from 30 percent in 1994 to 50 percent in 1995, and total sales grew from US$1.2 billion to US$1.3 billion. Now, many of these Mexican producers are exporting and the pricing and quality of their production is globally competitive.

Imported aftermarket parts sales in Mexico dropped from a historical high of US$3 billion in 1994 to US$1.2 billion in 1995. The Mexican market all but stopped buying non-essential parts and accessories when the economic crisis hit. However, certain segments did grow at alarming rates, due in large part to soaring car thefts, particularly in Mexico City. All forms of security products, from simple anti-theft bars to sophisticated electronic tracking devices, have thrived in the post-devaluation market. Also, those parts and accessories most often stolen, such as radios, antennas, bumpers and hub caps, have become hot-selling replacement items. Now that the peso has returned to normal market values and some of the purchasing power has been restored, imported accessories and non-essential parts will begin to rebound.

Opportunities

For small and medium-sized enterprises (SMEs), most opportunities exist in the markets for maintenance and repair equipment and for aftermarket parts and accessories. The high average age of Mexican automobiles and the pressure to reduce emissions have contributed to a substantial and growing demand for both types of product. This market has been further expanded by the economic crisis, which has drastically cut new vehicle sales and motivated consumers to keep old cars running even longer.

Mexico City has a mandatory program of environmental controls and twice-yearly vehicle testing. This has spurred heavy demand for gas analysers and other diagnostic equipment. Mexico has little capacity to produce such equipment, and imports account for about three-quarters of the market.

Opportunities for aftermarket parts and accessories have also grown rapidly. Automobiles are a luxury in Mexico and consumers tend to take good care of them, creating a substantial market for parts and accessories. Car owners who buy these from retail stores frequently take them to small garages or individual mechanics for installation. Some mechanics work in the streets and buy parts as they need them. For this reason, independent retailers and wholesalers have a substantial share of the replacement parts market. Other potential niche markets include car-wash machines and mechanics' tools. Mexican firms in this sector are looking for foreign partners that can contribute technology and financing.

Constraints

Mexican suppliers dominate the essential-parts segment of the aftermarket — including windshields, motors, transmissions, anti-lock braking systems and steering systems — which restricts imports of these parts.

Although the second-hand market in Mexico is quite large, it is difficult to service from outside the country. Exporters seeking to sell used Canadian car parts will face excessive red tape and import restrictions. Furthermore, the Mexican distribution channels of used car parts are often informal, cash-only markets that are difficult to penetrate.

The Mexican automotive aftermarket has two distinct distribution channels — traditional and emerging. The traditional market is serviced through a close-knit group of about 40 wholesalers, who in turn sell to 20 000 auto repair shops and 6000 auto parts stores. These wholesalers, members of the Asociación Nacional de Mayoristas de Partes Para Automobiles A.C. (ANAMAPA), provide an essential service to foreign suppliers, who could not service such a fragmented distribution network without them. At the same time, the rapid growth of mega-retailers and auto specialty chains is providing new, more direct links to the consumer. Large U.S. retailers such as Walmart, Price Club and Sam's, along with leading Mexican retailers such as Grupo Cifra, Comercial Mexicana and Gigante, all devote significant shelf space to consumer aftermarket goods, particularly accessories and safety products. Most of these retailers prefer to buy directly from the foreign supplier but have access to a Mexican agent or distributor for sales support.

Strategy for Market Access

The aftermarket is a traditional industry where relationships are long established and vital to market entry. The most important success factor for Canadian suppliers is finding the right agent or distributor with relationships in place. One way to find a good candidate is to ask industry buyers for the names of agents they like to work with. It is also important to talk to distributors and importers directly, since they usually know the needs of various buyers.

Action Plan

Market Intelligence and Information

- Consolidate database of importers of auto parts, using information available in WIN Exports and other databases, first quarter of 1998-99.
- Compile a list of Canadian companies active in Mexico and their capabilities, first quarter of 1998-99.
- Continue contact with Mexican associations, private industry and buyers, using outside calls/participation in local fairs and seminars (see "Outreach").
- Update market study for Export **i**, third quarter of 1998-99.

Market Access

- Compile a report listing the most relevant regulations for the automotive sector — changing standards known as Normas Oficiales Mexicanas (NOMs), import restrictions, etc. — by consulting, for example, the *Diario Oficial*, government sources and newspapers, second quarter of 1998-99.

Trade Promotion Activities

- Incoming buyers' mission to Canadian International Auto Show, Toronto, April 1998.
- Encourage Canadian exporter presence at PAACE 98.

Outreach

- Participate at Society of Automotive Engineers (SAE) in Detroit/Windsor for the trade commissioners' meeting; outreach visit to area companies. Meet with Automotive Industries Association of Canada (AIA) and Automotive Parts Manufacturers Association (APMA) representatives.
- Participate in local association trade fairs and seminars; calls on potential Mexican buyers to provide information on Canadian capabilities.

Oil and Gas Equipment and Services

Energy is the most important sector of the Mexican economy. The nation holds about 5 percent of the world's oil reserves and about 1 percent of its natural gas reserves. It accounts for 4.5 percent of world petroleum production. Some of Mexico's oil fields are as prolific as any in the world.

PEMEX (Petróleos Mexicanos), the national oil and gas company, is the only producer of oil and gas in Mexico. Under Article 27 of the