



transferring the onus for compliance from the importer to the exporter.

Canadian exporters are strongly advised to verify all labelling requirements with their agent, distributor or other importer prior to shipment.

### **CERTIFICATES OF COMPLIANCE**

Mexico has a system of official quality standards known as *Normas Oficiales Mexicanas (NOMs)*. These regulations can be set by any ministry and are promulgated through official "decrees," which are published in the *Diario Oficial*, Mexico's Official Gazette.

A long list of products is subject to special regulation. They must be tested in Mexico and a certificate of compliance must accompany the goods when they cross the border. Currently, none of these *NOMs* appear to apply to tools and hardware products other than paint. Nonetheless, the regulations are constantly being revised, and exporters should verify the requirements with their agent, distributor or importer prior to shipment. Technically, the regulations apply to the importer, but shipments that arrive at the border without adequate documentation may be subject to serious delay.

### **MINIMUM PRICES AND COUNTERVAILING DUTIES**

Mexico has established minimum prices for some imports, principally those that are likely to be dumped. While few Canadian products will ever fall subject to these regulations, exporters should be aware that a list exists that names tools that are subject to this form of regulation. These regulations were published in the *Diario Oficial* on 28 February 1994, 4 May 1994 and 13 May 1996. Many hand tools are affected, including handsaws and saw blades, axes, circular saw blades, hacksaws and blades, pliers, wrenches, sockets, hammers, trowels, scrapers, punches and chisels.

To control dumping, Mexico has also imposed countervailing duties in excess of 300 percent on many hand tools from China. Therefore, Canadian exporters of these products must be certain to ensure that their shipments are covered by proper North American Free Trade Agreement (NAFTA) certificates of origin. These certificates are normally necessary only if the product will be imported under NAFTA preferences. But they can also be used to avoid possible countervailing action aimed at non-NAFTA countries.

### **MARKET ENTRY STRATEGIES**

Canadian companies that want to participate in Mexico's expanding tools and hardware market, will have to compete with an array of established American-based firms, operating in partnership with Mexican companies. Home Mart and Total Home are the market leaders. They are closely followed by more diversified retail giants like K-Mart and Wal-Mart.

Some Canadian tool and hardware manufacturers may already be participating in this market through their affiliates in the United States. Other companies will have to find retailers who are open to new suppliers and unfamiliar products. In general, Canadian products are not well known in Mexico. While Canada enjoys a good general reputation, Canadian companies have a reputation for being risk averse and lacking staying power in the market.

Ironically, the same Mexican buyers who complement Canadians for being easy-going and less impatient and arrogant than their American counterparts, quickly add that they are not aggressive enough. Thus, Canadian companies breaking new ground in the tool and hardware markets —

which have not yet been significantly penetrated — will have to overcome this general perception. Canadian companies that have succeeded in this market say that establishing a local presence is essential.

Many large retail chains in Mexico buy direct from foreign suppliers. Approaching those that would be most likely to carry do-it-yourself (DIY) products represents a good start. But many Canadian suppliers have found it more practical to engage a Mexican distributor or form a partnership with an exclusive agent.

Another effective market entry strategy is to form a joint venture with a Mexican manufacturer of tools or hardware. Many Mexican companies have been hard-hit by the economic crisis and lack the capital to modernize. Today's DIY consumers are demanding attractive packaging, easy-to-use products and practical instructions. Canadian hand tool and hardware manufacturers have solid capabilities in these areas, and they could partner with Mexican firms which are able to offer immediate market access in return. This is a good way to overcome language and cultural barriers. Canadian firms contemplating this approach should understand that they will be expected to be the main providers of capital.

Attending trade shows is one of the most common ways of finding prospective buyers and partners. *Expo-Ferretería*, an annual hardware show, is held in Mexico City. The 1996 show was in September. Another important event is the *Convención Nacional del Comercio Detallista*, National Convention for Retailers, annual show of the *Asociación Nacional de Tiendas de Autoservicios y Departamentales (ANTAD)*, National Association of Supermarket and Department Stores. This is held in Guadalajara in the spring.

The Canadian Embassy in Mexico City and the consulates in Monterrey