

## INTRODUCTION

When a Canadian business exports to Mexico for the first time, the process can seem complex and confusing. Customs administration is a very serious matter in Mexico and even a slight slip could mean the difference between success and failure. This guide is designed to help. It provides a step-by-step overview of distribution, transportation, documentation and customs regulations.

The first decision is whether to export directly or indirectly. Then the mode of transportation must be chosen. Other questions include whether or not to use a freight forwarder or a customs broker. Finally, there are customs regulations that must be strictly adhered to. They include rules covering documentation, marking and product labelling. This guide also includes a section which summarizes the substantial changes to customs procedures that will come into force if the North American Free Trade Agreement (NAFTA) goes into effect as scheduled on January 1, 1994.

## 1. DISTRIBUTION - DIRECT VERSUS INDIRECT

### INDIRECT DISTRIBUTION

A firm exporting to Mexico for the first time, or with limited resources, may choose to use the services of an intermediary to perform the actual exporting function. This way, the exporter avoids the complexities associated with transportation, customs clearance and distribution. Intermediaries include export managing companies, trading houses, brokers and foreign purchasing agents.

Indirect exporting demands little or no knowledge of the Mexican market, no international experience, few resources and therefore lower risk. But there is a price to be paid for these benefits. The exporter accepts a smaller return because of the fees paid to intermediaries. The exporter also has less control of the product, including how it is marketed in Mexico. Considering these disadvantages, a firm may decide that the best way to gain access to the Mexican market is to export directly.

### DIRECT DISTRIBUTION

When choosing direct distribution, the exporter may decide to use the services of an agent, a government agency, a professional distributor or a retailer. It may sell a product directly, by establishing exporter-owned outlets. Alternatively, some form of equity participation in a company in Mexico may be chosen. This could involve a joint venture or a strategic alliance such as an arm's-length agreement to cooperate over the long term.

