THE NAFTA The North American Free Trade Agreement (NAFTA) expands Canada's freetrade area of 270 million people into a market of 360 million — a market larger than the population of the 12 countries of the European Community and one with a total North American output of \$7 trillion. Mexico is Canada's most important trading partner in Latin America. Two-way merchandise trade with Mexico exceeded \$5.5 billion in 1994 and is expected to increase to over \$7 billion by the end of the decade. Canadian direct investment in Mexico is growing rapidly, increasing from \$452 million in 1992 to over \$1.2 billion in 1994. This guide has been prepared with the problems inherent to the new exporter in mind. However it is not exhaustive; individual circumstances, interests and needs will dictate how companies should tailor their approach and strategy to the Mexican market. Further assistance can be obtained by addressing requests directly to: Department of Industry (DI) through the provincial International Trade Centres (Key Contacts Section) InfoCentre 1-800-267-8376 or (613) 944-4000 Fax: (613) 996-9709 FaxLink: (613) 944-4500 Bulletin Board System (IBB): 1-800 628-1581 or (613) 944-1581

TABLE OF CONTENTS

INTRODUCTION	,
ADVANTAGES OF BUILD-OPERATE-TRANSFER	9
CONTRACTUAL RELATIONSHIPS Government Contractors Equipment Suppliers The Plant Operator Lenders Purchasers or Customers Insurers	10 11 12 12 13 13 13
DEVELOPING A BUILD-OPERATE-TRANSFER PROJECT Risk Financial Structure Sources of Finance	14 15 16 16
PACKAGING A BUILD-OPERATE-TRANSFER PROJECT Credibility of the Project Developers Government Support Foreign Currency Remittance Freedom to Import Use of Local Labour and Contractors Land Tenure The Legal Environment Insurance Project Management Special Considerations for Power Projects Turnkey Construction Contracts Guaranteed Fuel Supply Firm Power Sales Contracts	17 18 18 19 19 20 20 20 21 21 21
Assessing Financial Feasibility Developer Risk Economic Feasibility Risk Completion Risk Market Risk Feedstock Supply Risk Production Risk Environmental Risk Sovereign Risk Insurance Financing Plan	22 22 23 23 24 24 24 25 25 25 25
MEXICO'S INFRASTRUCTURE CHALLENGE Roads Electrical Power Wastewater Treatment	26 26 27 28

