

In August of 1992, senior trade officials from Canada, Mexico and the United States announced the conclusion of a North American Free Trade Agreement (NAFTA). Once ratified, the agreement will pull down barriers to cooperation among the three partners and create the largest free trade area in the world.

This handbook is designed to help Canadian business take advantage of the numerous opportunities available to them in Mexico. As a primer on how to do business in Mexico, it offers a realistic and practical approach to penetrating the Mexican market. It reviews the country's current economic situation and describes Mexican society from a business viewpoint. It summarizes the basics of exporting to Mexico and explains how to develop an export strategy. It also shows how various types of partnerships between Canadian and Mexican firms can be used to help firms enter the Mexican market.

In addition, the handbook includes the names and addresses of Mexican and Canadian agencies that can assist businesses seeking to take advantage of Mexico's emerging opportunities.

With a population estimated at 85 million, Mexico is the largest Spanish-speaking country in the world. Despite its great diversity of natural resources and a rapidly growing labour force that now stands at 31 million, Mexico has long been viewed as a Third World country, resembling its Central and South American neighbours more than it resembles either the United States or Canada.

This traditional perception was reinforced by protectionism and state intervention of the kind that was found in many developing countries. Mexico used to be a closed economy, profiting from its oil resources but sheltering its domestic industries behind intrusive regulations and high tariffs. The collapse of oil prices followed by a recessionary slump in the early 1980s threw Mexico into seemingly irreversible decay. The country was crushed by massive foreign debt and plagued by hyperinflation. Its domestic industries could do little to arrest the decline since they were highly protected, subsidized, inefficient and misdirected. What was worse, as the crisis deepened, the nation's fragile infrastructure fell into a state of increasing disrepair.

The turnaround began in the mid-1980s and was given a strong boost in 1988 when a new government, led by President Carlos Salinas de Gortari, came to power. Since then, economic reforms have been sweeping the country.

The new leadership renegotiated the foreign debt, adopted a National Development Plan to revitalize the nation's infrastructure, and secured broad popular support from business, labour and the population at large for voluntary measures to restrain wages and prices as a way of reducing inflation and stabilizing the economy. Other aspects of the reform package include privatization of state-controlled enterprises, deregulation, massive investment in infrastructural development, and the encouragement of foreign participation in building efficient production capacity.

By all estimates, these policies are meeting with success. The rate of inflation has dropped dramatically, the value of the peso has been stabilized, and public finances are on the mend. As a result, the confidence of international investors has risen appreciably. Foreign businesses representing the entire spectrum of industrial and commercial activity are investing in Mexico, and the economic and social transformation of the country is well under way.

Mexico presents Canadians with a tremendous array of business opportunities. As with every opportunity there are also challenges. As this book will show, however, the Canadian firms who have made a commitment to the Mexican marketplace have been learning how to respond to these challenges and they are already reaping substantial rewards.