

The *centrales de abastos* also distribute the bulk of food items to the food service sector. This sector includes 140 000 restaurants; 10 000 hotels; 10 000 hospitals; 6000 industrial cafeterias; 6800 high schools; 20 000 junior high schools; and 1000 university campuses. It also includes airlines, bus lines and an enormous informal market of least 300 000 street vendors.

### Constraints

Certain barriers to entry affect food imports. These include strictly enforced sanitary and phytosanitary regulations and more stringent labelling requirements as of November 1997. Many products require prior import authorization, and Canadian companies are advised to contract a Mexican customs broker to expedite entry.

Another constraint facing Canadian suppliers is the inefficient distribution of food products in Mexico. Government agencies that deal with agri-food imports lack the infrastructure to facilitate shipments. Large supermarket chains typically expect individual delivery to each store and demand extensive after-sales support from the supplier. This provides an advantage for U.S. chains that have joint ventures with Mexican retailers. To establish reliable delivery channels, Canadian firms should choose Mexican distribution partners with strong warehousing capabilities and solid national or regional networks. Joint ventures with Mexican manufacturers are another solution.

Canadian companies also face strong competition from established U.S. multinationals and from Latin American countries that have free-trade agreements with Mexico. Chile often competes directly with Canada for space on Mexican food shelves.

### Strategy for Market Access

Canadian exporters should present themselves to potential Mexican clients as a responsive and

more flexible alternative to the large U.S. exporters. The Mexican market requires constant attention and personal contact, so Canadians should be careful to follow up initial contacts quickly. The growing competition from Chilean and other third-country products requires Canadian exporters to maintain consistent contact with customers and to ensure a sufficient supply of goods. Flexible payment schemes or Letters of Debt (LDs) with Canadian banks can also help lure Mexican clients.

### Action Plan

#### Market Intelligence and Information

- Develop market-intelligence report on seed potatoes.
- Update list of Mexican buyers/importers.
- Publish bi-monthly Canada-Mexico agriculture and agri-food newsletter, including trade and investment leads.
- Publish a practical guide to doing business in the agri-food sector in Mexico; include in Export *i*.
- Update product-specific market information studies: special crops and pulses, oilseeds, beef, pork, processed foods, beef genetics, swine genetics, horticulture products, Christmas trees. Include these in Export *i*.

#### Market Access

- Provide advocacy and counselling on customs issues.
- Update and maintain NAFTA tariff rate and quota information.
- Participate in NAFTA private sector working group on commercial dispute settlement.
- Provide advocacy and counselling on sanitary and phytosanitary health issues.

#### Trade Promotion Activities

- Canada-Mexico agribusiness matchmaking event, Mexico City.

- Incoming food buyers' mission to the Canadian Food and Beverage, Toronto, February 1998.
- Incoming livestock buyers' mission to the Royal Winter Fair, Toronto, November 1998.
- Incoming buyers' mission to Agribition, Regina, November 1998.
- Antad/info booth, food show, Guadalajara, March 13 to 16, 1998.
- Expo de las Américas, info booth - food show, Mexico City, April 28 to 30, 1998.
- Incoming food buyers/distributors' mission to Toronto, August 1998.
- Incoming trade commissioners, responsible for the agriculture sector, from Mexico and Latin America for cross-Canada tour, February 1998.
- Outgoing mission to the Hotel and Restaurant Institutions show in Mexico, spring 1998.

### Outreach

- Promote the superiority of Canadian grains and oilseeds, using promotional tools developed by the Canadian International Grains Institute.
- Foro de Ganado Bovino/Lechero.
- Seminars on canola oil and canola meal.
- Foreign Investment Review Agency/Bancomext livestock outreach event.
- Agro-industrial and processed-food market intelligence/market access and outreach seminar from western Canada to northern Mexico.
- Participate in the Joint Agricultural Committee Meeting.
- Participate in the NAFTA Agriculture and Sanitary and Phytosanitary (SPS) working group and Free Trade Area of the Americas SPS working group.

- Work with the Export Development Corporation to ensure competitive financing for Canadian exporters.

### Automotive Maintenance Equipment and Aftermarket Parts

The Mexican automotive sector is dominated by five multinational corporations. The North American operations of the "Big Three" U.S.-based companies are highly integrated. Canadian producers participate in the Mexican OEM (original equipment manufacturer) parts market, mainly through their affiliations with the "Big Three" in Canada. There are also opportunities for relatively large companies interested in investing in Mexico. For example, the MAGNA corporation has a large operation in Mexico, with a close relationship to Volkswagen.

The aftermarket, as the industry calls it, refers to all parts and accessories sold to consumers and mechanics after a car is assembled. Mexico has an estimated 10 million vehicles, of which 3 million are located in Mexico City. The average Mexican vehicle is about 9.5 years old, almost twice as old as the typical Canadian automobile. The Mexican aftermarket in 1997 will total approximately US\$3.5 billion, of which about 55 percent will be imported. The aftermarket is a traditional industry, with hundreds of small and medium-sized suppliers, a multichannel distribution system and relatively few market-entry barriers.

Canada's market share in the industry has historically been very small. In 1995 and 1996, however, Canadian exports grew an impressive 218 percent and in 1996 amounted to US\$84 million. The growth is the result of two factors. First, the 1994 peso devaluation severed many of the relationships between import suppliers and Mexican distributors that had flourished over the preceding five years of growth. Many U.S. suppliers neglected to return to Mexico and looked for other export markets.