

SPECIALTY SECTOR OPPORTUNITIES

The sectors described below are likely to offer new opportunities, especially for small and medium-sized enterprises with sophisticated technologies.

Environment

The contamination of the Mexican environment has reached alarming levels. More than 25 per cent of all industry is located in the Valley of Mexico, where excessive emissions, high altitude and temperature inversions combine to make Mexico City the world's most polluted.

Public alarm about environmental pollution has triggered government action, most notably the proposed amendments to the 1988 *Federal Law on Ecological Equilibrium and Environmental Contamination*, the adoption of new technical standards, state regulatory authority and enforcement mechanisms, and the recent five-year plan to improve air quality in the Mexico Valley.

In the first stages of the national effort to gain control over the environment, the emphasis has been on consulting and training services geared toward strengthening institutional operation. As the process matures and the Mexican economy improves, there will be greater opportunities for wastewater treatment, potable water, hazardous waste management, site remediation and decontamination of hazardous waste. In most cases, environmental technologies should be accompanied by financial resources to assist in developing eco-efficient infrastructure in Mexico. As well, a market has developed for measurement and analytical equipment and pollution control systems.

It should be noted that a number of large projects have been delayed as enforcement officials have extended time frames for their completion.

Information Technology and Telecommunications (IT&T)

So far, the IT&T sector has not developed to its full potential, but it holds excellent potential for the future.

No other sector of the Mexican economy has grown faster than the US\$3-billion telecommunications industry. The demand for advanced technology products and services has been stimulated by the privatization of TELMEX, the government telephone company. In the last three years alone, foreign investment and imports have more than doubled. By 1997, long-distance service in Mexico will be open to competition, offering opportunities to service operators and equipment manufacturers.

As a result of the government's trade liberalization initiatives, Mexican companies have been forced to modernize their operations. Opportunities for foreign suppliers of computer and information technologies are especially attractive because the domestic industry is poorly developed.

Mining

Mexico's mining sector has probably been the largest beneficiary of the nation's broad economic reforms. Deregulation has opened up tens of thousands of hectares of mineral reserves to development. Privatization policies have transferred responsibility for mineral exploitation to the private sector and new ownership laws have opened the doors to foreign investors.

Canadian companies were quick to take advantage of emerging opportunities in mining and are now working to develop partnerships with Mexican firms. More than 60 Canadian mining firms are presently active in Mexico and considerable growth

is expected to continue in this sector for the foreseeable future.

Automotive Equipment and 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, and Canadian producers participate in the parts market mainly through their affiliations with these companies.

For smaller companies, most of the opportunities are found in maintenance and repair equipment as well as in aftermarket parts and accessories. The high average age of Mexican automobiles and pressure to reduce emissions have contributed to a growing demand for these products. Mexico City has a mandatory program of environmental controls and vehicle testing, spurring demand for gas analyzers and other diagnostic equipment.

Transportation

Opportunities in this sector are concentrated mainly in public transportation systems.

Although the clogged streets of Mexico City might suggest otherwise, on a per-capita basis, Mexico has only one-fifth as many cars as Canada. The vast majority of Mexicans, therefore depend heavily on public transit. Mexico's subway system carries more than 4.5 million passengers daily. Guadalajara and Monterrey have built light rail transit lines, and a new rapid transit system for Puebla is being planned. In addition, the government recently announced that the Mexican National Railway is now open to an accelerated privatization program.