Sectors of Priority Identified in Mexico

The North American Free Trade Agreement will open new market prospects for Canadian industry in Mexico; yet, Mexico, as a market, is unknown territory for most Canadian entrepreneurs. In Vol. 10, No. 16 (October 1, 1992) **CanadExport** *introduced a series highlighting the sectors of priority for Canadian business. Featured here in the third article in the series is the transportation equipment sector. The information comes from the Commercial Section, Canadian Embassy, Mexico City. For more information on the Mexican market, contact the Mexico Desk Officer, Marcel Lebleu, Latin America and Caribbean Branch, External Affairs and International Trade Canada. Tel.: (613) 995-8804. Fax: (613) 943-8806.*

PETROLEUM EQUIPMENT AND SERVICES

The ***Oil & Gas Journal*** says Mexico's petroleum production ranks third in the world, with reserves estimated at 45 billion to 60 billion barrels. This is big business by any standard but, until recently, much of the business that this production could represent was out of the reach of Canadian companies. Only now is the market opening up to foreigners. Canada, with its leading technology and cooperative business style, is well placed top capture a good part of it.

The petroleum industry is fundamental to the Mexican economy, being one of the country's principal foreign currency earners. Petroleos Mexicanos (PEMEX), the state monopoly controlling the exploration, exploitation and distribution of these resources, is one of the world's largest companies. During the 1980s, much of PEMEX's earning power went to servicing Mexico's crushing debt payments.

Now, after a decade of absolutely minimal purchasing, PEMEX is becoming more active, with plans to spend as much as US$20 billion over the next four to five years on equipment and services. Consumption of oil and gas field equipment is expected to grow by about 4.5 per cent annually, reaching US$801.6 million this year.

Although PEMEX always has relied on imports (US$213 million in 1988; an expected US$280.4 million in 1992), Mexico tried to limit foreign participation in this strategic industry through import substitution to maintain its sovereignty, encourage its domestic industry and to save scarce foreign exchange. Facing today's fierce global market, PEMEX is more open to the idea of foreign suppliers and services contracts.

Under major restructuring, planning and purchasing authority will devolve to the regions, to the various operating departments and, for most primary and secondary petrochemicals, entirely to private industry (including foreign companies).

At the moment, many tenders and all regional purchasing are open only to domestic suppliers. However, the increasing use of international turnkey projects and keen interest in foreign technology may tip the trend away from 'domestic only' policy — especially if reinforced by a North American Free Trade Agreement (NAFTA) which guarantees access to government agency contracts.

To meet domestic demand, Mexico must maximize its vast natural gas resources and petrochemical capacity. To meet international competition, especially in its petrochemical industry, the country will need to modernize its plants (ethylene, etc.).

The petrochemical industry is expected to grow an estimated 8 per cent per year between 1990 and 1994. Canadian resin, plastics machinery and tool and die exporters can capitalize on a predicted US$4 billion to US$5.5 billion of investment over that time.

PEMEX finally has the resources to bring in the latest technology to improve its efficiency, safety and environmental impact. Canada has the expertise to supply this need.

Labels Must be in Spanish For Products Mexico-Bound

As of September 24, 1992, **all** products entering Mexico must bear labels that are written in Spanish.

Products that fail to meet this new standard will be refused entry; those that got through and were later detected will be impounded and manufacturers will be fined 150 per cent of their value.

Certificates demonstrating compliance with the standard must be granted before the product can go on sale in Mexico. Such certificates can be obtained from the General Directorate, Secretariat of Economy and Finance (SECOFI), Mexico.

Exporters to Mexico requiring further information should contact Marcel Lebleu, Latin America and Caribbean Trade Division, External Affairs and International Trade Canada, Ottawa. Tel.: (613) 995-8804. Fax: (613) 943-8806.