

Canada-Mexico trade growing by leaps and bounds

Canada-Mexico commercial relations have expanded dramatically. Canadian exports to Mexico grew at an average annual rate of about 17 percent from 1993 to 2002. Last year, Statistics Canada reported \$2.4 billion in exports and \$12.7 billion in imports, for total two-way trade of \$15.1 billion. Canada is now Mexico's second-largest export market. Mexican investment in Canada remains low, but Canadian investment in Mexico (according to Mexican sources) was estimated at \$6 billion in 2002.

Discrepancies exist between Statistics Canada and Mexican statistical agency INEGI trade data. This is largely due to transshipment or indirect trade through the United States. INEGI reported \$7 billion in imports from Canada in 2002, suggesting that \$19.7 billion may be a more accurate measure of two-way trade in 2002.

From food to cars, from phones to pipelines Opportunities Are Surging Down South

Mexico offers excellent opportunities for Canadian firms. With an increasingly open economy, competitive pressures are forcing Mexican manufacturers to enhance their efficiency and product quality. Mexican firms are also receptive to forming partnerships with Canadian companies to improve their ability to compete.

Environment

In Mexico, the environmental market is currently \$6 billion per year and is projected to hit \$35 billion by 2010. The greatest need for environmental infrastructure lies in solid and hazardous waste treatment, followed by water and wastewater treatment and renewable energy.

As only 21 percent of hazardous waste is properly handled, Mexico is in need of significant investment in hazardous waste and municipal solid waste management. Recently, Mexico's

Environmental Protection Agency stepped up efforts to enforce hazardous waste management, creating opportunities for confinement facilities, incinerators, recycling and landfilling, and contaminated sludge treatment.

Currently, close to 40 percent of municipal wastewater in Mexico is being treated by private operators. It is forecast that Mexico will require water-related investments of \$2.7 billion annually until 2025.

More than 5 million Mexicans in 88,000 small towns are not connected to the national distribution network, lacking access to a reliable energy supply. The most attractive renewable energy opportunities are private projects in rural communities and those associated with mining projects. There are opportunities to supply renewable energy equipment, technology and consulting services to Mexican contractors, end users and industries, including solar panels and wind power. A market for industrial energy-saving technologies is also emerging. It involves the use of high-performance motors, software for power demand control, energy management systems, water heating, lighting control and heat recovery.

Agriculture and Agri-Food

Mexico's total agri-food imports have doubled since the mid-nineties and are currently valued at over \$15.5 billion, making it the world's sixth-largest importer of food products. It is also one of Canada's five key priority markets in the agri-food, fish and seafood sectors. With close to \$850 million of Canadian agri-food exports in 2002, Mexico is one of Canada's fastest-growing export markets, having increased by almost 40 percent since 1996.

The country's growing middle and upper classes—estimated at 26 million—are looking for more consumer-ready products. Value-added Canadian food

Canada's Border Clearance Representative (BCR), Nuevo Laredo, Mexico

The Canadian Government hired a full-time BCR at the Nuevo Laredo border to provide pre-clearance and border assistance to Canadian companies shipping agri-food products to Mexico. Canadian agri-food exporters can consult with Mr. Luis Pérez before shipping to ensure that documentation is in order. The BCR also troubleshoots when shipments are held up at the border.

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exports to Mexico reached \$600 million in 2002, an increase of almost 300 percent since 1996, and now account for 70 percent of Canada's total agri-food exports to Mexico.

Canada is well positioned to continue to increase its exports of agriculture and agri-food exports to Mexico. Excellent opportunities exist for exports of Canadian value-added food and beverage products, given the proliferation in Mexico of modern hypermarkets, supermarkets, tourist hotels, resorts and restaurants.

As of January 1, 2003, NAFTA tariff and tariff rate quotas on most agri-food products were eliminated making the Mexican market even more promising for Canadian agri-food exporters.

Automotive

With increasing economic liberalization, Mexico's auto and auto parts industry has grown significantly making it a promising market for Canadian exporters.

Mexico's automotive industry produced some 1.8 million vehicles in 2002, and it is the second most important supplier after Canada of auto parts and components to the U.S., with production approaching \$20 billion in 2001. In 2001, out of Mexico's total imports from Canada, 23 percent was automotive-related whereas motor vehicle auto parts and accessories accounted for 13 percent.

"We identified a real need for our resilient floor coverings in Mexico, and once the NAFTA was implemented, our work in Mexico multiplied by five."

XAVIER GARCIA
International Marketing Coordinator
Baultar Inc., Windsor, Quebec

Mexico imported \$765 million in auto parts and accessories from Canada in 2001. A significant portion of these imports is Canadian parts for vehicle bodies, gear boxes, steering wheels, columns and boxes, brakes and servo-brakes, non-driving axles and bumpers. Other Canadian automotive products showing significant demand in recent years include suspension shock absorbers, radiators, mufflers and exhaust pipes.

Further opportunities for Canadians may be found in products Mexico currently imports from other countries, namely road wheels, clutches, safety seat belts and mounted brake linings.

Information and Communication Technologies (ICT)

The Mexican telecommunications market has grown four times faster than the economy as a whole in the last eight years. The market for equipment and services is estimated to top \$7.5 billion annually for the next three years.

Opportunities vary from mobile communications to fixed lines. With strong growth expected in Internet services, data transmission services hold considerable potential. As well, opportunities exist in smaller-scale applications, including cable television operators, wired buildings, local and wide area networks, teleconferencing and distance education. By 2004, 95 percent

of cellular phones will be fully digital, also offering excellent opportunities.

Demand for add-on storage devices should grow as small and medium firms increase their use of more data-intensive software and engage in electronic commerce. Substantial opportunities are anticipated in the software industry, mainly in management software (accounting and administrative software for micro, small and medium companies as well as applications for business management and inventory control), educational software (for studying foreign languages or technical activities ranging from software design to language programming and other school subjects), and software applicable to the transport industry (solutions for shipments tracking, maintenance, support, administration of fleets, logistics and customer control and schedule management software).

"We really didn't notice any borders in our negotiations with Mexico. Although we've had success internationally in the past, the scale of this latest project [in Mexico] brings FTS and our technology to an entirely new level. We expect tremendous spin-offs from this contract."

BRIAN BOLTON, President
Forest Technology Systems Ltd.,
Victoria, B.C.

In 2001, the Mexican government initiated the E-Mexico initiative to develop the country's ITC industry, foster an internal market for ITC products, promote an adequate regulatory framework for the use of electronic media and e-commerce, and digitize government services. This initiative will offer various opportunities for Canadian companies in the coming years.

One Canadian company that is taking advantage of opportunities in this sector is Privasoft, an Ottawa-based software firm specializing in access to information software. In light of the new Mexican law on Transparency and Access to Information, Privasoft is well positioned to become a provider to various Mexican government bodies. Good management

and extensive market experience has enabled Privasoft to identify a niche market for its products and make its first export experience a success.

Energy

A priority of President Fox has been to restructure and modernize Mexico's energy sector. To achieve this, a six-year plan was announced in 2001 that requires \$170 billion in investment, mostly in projects to be managed by the Comision Federal de Electricidad (CFE) and by PEMEX, for oil and gas exploration, production and transmission, and for refinery and petrochemical expansion.

To meet the anticipated 7-percent annual growth rate in energy demand, new power generation stations will be constructed and operated, many by independent power producers, and using natural gas to take advantage of Mexico's extensive but largely untapped gas deposits.

Opportunities for exporters are promising in all areas of gas and oil exploration, development and in downstream hydrocarbon activities. Already many Canadian oil companies such as Precision Drilling have established themselves as suppliers to PEMEX. In 2003, PEMEX intends to award multiple service contracts for gas development. These "fee-for-service" contracts will improve PEMEX's efficiency by integrating some 30 services into individual project bids (i.e. processing and seismic interpretation, gas fields engineering, and production).

For its part, CFE announced this year a 10-year investment program of almost \$85 billion, including \$32 billion for generation (to add 28,000 MW of power to the national grid) and \$28 billion to expand the transmission system. Canada is well established as a supplier to CFE; Transalta has already built two large power generation stations for CFE.

Additional information on the investment programs of CFE and PEMEX can be found at www.cfe.gob.mx and www.pemex.gob.mx respectively. Information on procurement opportunities can also be found at these sites, and at the general Mexican Government site at www.compranet.gob.mx.

"The Mexicans really want to deal with Canadian companies, but prior to the NAFTA there were trade obstacles, most of which have now been removed."

ARIE VAN DER LEE, Vice-President
Alternative Fuel Systems Inc., Calgary, Alberta

