

credibility, and many Mexican standards are patterned after the EPA's. Geographic proximity is also an obvious advantage.

The United States claims about two-thirds of the Mexican market, followed by Germany with an 18 percent share. Other major importers are Japan, France and the United Kingdom. The Canadian share is small, but growing rapidly.

TRENDS AND OPPORTUNITIES

ECONOMIC TRENDS

In late December 1994, the peso was sharply devaluated, leading to a series of reactions, known in Mexico as *la crisis*. As a result, many government-funded environmental programs have been put on hold. No programs have been officially cancelled, but the lack of money has brought government activity almost to a standstill. The devaluation has also led to a relaxation of enforcement of environmental standards, especially as they apply to small companies and municipalities.

On the other hand, the crisis is forcing government agencies, particularly the *Comisión Nacional del Agua (CNA)*, National Water Commission, to consider alternate forms of financing. A variety of privatization schemes, especially build-operate-transfer (BOT) packages, are being considered for new facilities.

MARKET TRENDS

There has been a major trend towards proactive marketing for sales to state and municipal governments, rather than waiting for bid requests. This is especially true for potential build-operate-transfer (BOT) water projects. Foreign and Mexican companies alike are defining potential projects and completing the feasibility studies at their own

risk. According to interviews with government officials, Canadian companies have not been active in this type of promotion.

The shortage of funds is driving a trend towards broadly-based regional projects encompassing the needs of more than one municipality. The state governments are also encouraging the integration of water supply and wastewater treatment projects.

SOLUTIONS INTEGRATION

The Mexican environmental market is in the midst of a shift towards the purchase of integrated solutions rather than specific equipment and technologies. Buyers are no longer looking for technologies. They want a complete financial and technological package. This means that the provision of competitive financing has become a key success factor. Build-operate-transfer (BOT) arrangements are particularly popular for wastewater and solid waste facilities, including hazardous waste.

WATER AND SEWAGE TREATMENT

The government is now placing emphasis on privatization schemes

including build-operate-transfer (BOT) and operate and maintain (O&M) concessions. It is possible that planned government spending might be cancelled altogether if concession plans are successful. According to officials of the *Comisión Nacional del Agua (CNA)*, National Water Commission, as of July 1994, some 50 existing wastewater plants were considered candidates for upgrading and management by concessionaires.

In the industrial sector, an estimated 100 water treatment facilities, with an average value of US \$2 million each, were installed in 1993. When the economic and enforcement environments have stabilized, substantial growth is expected.

AIR POLLUTION CONTROL

Most improvements in air quality will result from government-initiated programs to reduce automobile emissions though the use of unleaded gasoline and catalytic converters. *Paraestatales*, state-owned companies — especially *Petróleos Mexicanos (PEMEX)*, the national oil company, and the *Comisión Federal de Electricidad (CFE)*, Federal Electricity

**The Trend Towards Integrated Solutions
US \$ millions, 1994**

	Traditional	Non-traditional	Total
Market opportunity	Product and technology oriented	BOTs¹, O&M², and other investment-oriented packages	
Wastewater (excluding <i>Petróleos Mexicanos (PEMEX)</i> , the national oil company BOTs)	311.0	530.0	841.0
Air pollution	30.4	330.0	360.4
Solid and hazardous waste	60.5	250.0	310.5
Total	401.9	1,110.0	1,511.9

¹BOT: build-operate-transfer

²O&M: operate and maintain

Source: United States Agency for International Development (USAID), 1995.