

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 second 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.

TRANSPORTATION EQUIPMENT

Demand in Mexico for all types of transportation equipment has increased exponentially, what with the substantial industrial development during the last few years.

Moreover, with the rapid growth in urban population in all major centres, there has developed a significant demand for reliable and environmentally clean urban transit services.

The transportation sector now is a priority of the Mexican government, representing an essential element of the country's continuing development.

With transportation being seen as the cornerstone of commerce and tourism — two pillars of the Mexican economy — the Mexican government, through the involvement of the private sector, has undertaken a vast program of modernization of the transportation infrastructure (airports, railways, roads, public transit).

The government has also greatly liberalized imports in the increasingly important automotive sector. Industries in Mexico also are relying more on their own means of transportation, creating potential for the purchase of planes, helicopters and buses.

Motor Cars

Mexico's modernization offers significant opportunities for Canadian companies, particularly given the needs on the part of Mexicans to purchase large quantities of steel rail, locomotives and spares, rolling stock (including its repair and overhaul) and track machinery — all areas of Canadian capability.

In road transport, Mexico's system is old and inefficient. The country has fallen behind in its replacement of worn out vehicles. (Motor carriers, on average, have been in service for more than 12 years). The market for new and used buses is large and growing. In addition, many Mexican motor carriers repair their vehicles with used parts. The size of the potential market increases considerably when one considers that, in addition to trucks and buses, local freight and passenger service vehicles are also aging.

Motor Car Parts

Automotive parts is the most important element of Canada-Mexico trade relations. Canadian auto parts exports to Mexico grew from C\$50.3 million in 1988 to C\$89.8 million in 1989, a growth rate of 78.5 per cent. In 1990, Canadian exports grew another 117 per cent to C\$194.5 million.

In the past few years, total apparent consumption of auto parts in Mexico has been increasing at an average annual rate of 21 per cent. The total market for auto parts amounted to over US\$9.7 billion in 1990. Preliminary data for 1991 place apparent consumption as high as US\$15.4 billion, reflecting a 58 per cent increase. Imports are expected to grow 16 per cent annually and represent 33 per cent of total consumption by 1994, as opposed to 24 per cent in 1989. This process is due, basically, to a rapid growth in imports — both of engines and automobiles — by local assembly plants. In the future, imports destined to the local market and to the aftermarket will grow in importance.

During the last four years, Canada has consistently increased its market share of Mexico's transport sector and, at 5 per cent, is now equal to the main suppliers (Japan, Germany, France and Brazil) of such goods. This augurs well for the future.

Editor's Note

The notice in the September 15 issue of *CanadExport* on the availability of NAFTA Information Sheets generated a very good response. However, on some faxed requests, names and addresses were illegible. If your requests have not been answered, please phone Info Export (see box at the bottom of page 8).