

- land and the rights to land;
- facilities and equipment;
- personnel, managerial expertise;
- technology and technological expertise, proprietary technology or processes;
- name brands, trade marks, copyrights, patents;
- access to preferential financing;
- access to distribution channels;
- access to government or other types of contract opportunities;
- a network of valuable contacts;
- regulatory approval and certification; and
- corporate identity, reputation and good will.

Each side may value these assets in different ways. They may also account for them and depreciate them in different ways. The value set on each side's contribution will affect how the venture is structured, what taxes are likely to be incurred and how proceeds are distributed. And, as if this were not complex enough already, there are the fluctuations in the exchange rate between the Canadian dollar and the Mexican peso that can have dramatic consequences for any financial arrangement.

***Policies and Procedures:*** It is inevitable that Canadian and Mexican firms will exhibit different approaches to the task of operating the partnership. In negotiating the partnership, make sure that you come to some explicit understanding about how you propose to handle the following issues:

- accounting practices;
- budgeting and financial reporting;
- health and safety guidelines;
- environmental protection;
- personnel practices;
- public relations and communications;
- sourcing of raw materials, components, and other inputs;
- transfer pricing and evaluating profitability;
- reinvestment or dividend payouts;
- conflict resolution; and
- maintaining the confidentiality of proprietary information.

Clarification of these points at the outset will save much time and energy later on in the relationship. Partnerships can only succeed if both sides are willing and able to devote enough time, energy, resources, financing, and skilled people to make them work. They also require surrendering a certain amount of independence. Only when both sides are prepared to make concessions and display flexibility can the partnership prosper. If you find that there is little understanding or flexibility on these points during the negotiation process, you may be well advised to cut your losses, look for another partner, or try a different market entry strategy because it is not likely that the relationship will work.

## **Experience in Mexico: A Large Canadian Company – Noranda Minerals Inc. (Toronto, Ontario)**

Noranda Minerals Inc. began its involvement in Mexico in the mid-1950s. It purchased and then developed a fluorspar mine in San Luis de Potosi. The company was the sole owner of the mine until the 1970s. At that time, the Mexican government changed its foreign investment laws to require that there be Mexican participation to a minimum of 51 percent in mining and natural resource projects.

Noranda found joint venture partners who included Noranda's resident Mexican managers, legal advisors and manufacturing partners and sold them a 51 percent share in the venture. Noranda remained responsible for external financing, marketing and technical advice. The Mexican partners assumed the responsibilities of relations with the government, management of the mine, expansion of activities in Mexico, and internal financing requirements for the venture. During this period, Noranda supported expanded investment in down-stream activity. An associate company, Minnova, located in Panama, kept an eye on other Mexican market developments for Noranda Minerals. Noranda, through its former subsidiary, Canada Wire and Cable, was also involved in producing conductors in Monterrey until 1981.

In 1991, when the Mexican government opened up new foreign investment opportunities in the mining sector, the company took a renewed interest. Foreign investors were empowered to own 100 percent of a mining operation. Noranda started exploring for minerals in late 1991 from an office in Hermosillo, in the State of Sonora. Its vehicle for this activity is Noranda Exploración de México, S.A. de C. V., a wholly-owned Mexican company, which prospects for gold, copper, zinc, and silver.