

In late 1994, the Mexican construction firm *Ingenieros Civiles Asociados (ICA)* was awarded a BOT contract for a new electric train service in the City of Tijuana. Ownership of the line will be transferred to Tijuana after 20 years. Initially, 11.5 kilometres will be built, followed by two extensions of eight kilometres each.

Mexico's inter-city railway system is another potential source of BOT projects. The system has been allowed to deteriorate for a number of years, and ridership has declined. Recent government initiatives have given *Ferrocarriles Nacionales de México (FNM)*, Mexican National Railway, a mandate to modernize and privatize many of its services. The *FNM* has already begun to privatize its maintenance work by concessioning its 10 general workshops. The recently-announced stabilization program for the peso includes tentative plans to fully privatize the *FNM*.

FINDING A MEXICAN PARTNER

Most Canadian firms entering the Mexican market do so through an arrangement with a local partner. In fact, a local partner is a must. Some companies contract with agents to provide a local presence in Mexico. But many companies involved in build-operate-transfer (BOT) projects go beyond agency agreements and use various other forms of partnering, sometimes called strategic alliances.

THE BENEFITS OF PARTNERSHIP

Partnerships are essential in order to overcome the many obstacles to doing business in Mexico. They include cultural factors, corporate concentration and unfamiliarity with customer needs, as well as government regulation of foreign ownership. A local partner can complement a company's capabilities, and provide the expertise, insights and contacts that can mean the difference between success and failure.

Mexican companies generally welcome the interest of foreign partners. Such arrangements allow them to extend their horizons, learn international business techniques and gain access to new technology. Many Mexican companies already have alliances with foreign firms, and increasingly capital is replacing technology as the most essential contribution of the foreign partner. Particularly since the devaluation of the new Mexican peso, even the largest Mexican construction companies are experiencing problems raising funds.