

Medium-sized Mexican companies have won some recent infrastructure bids, but many observers doubt their technical ability to complete them successfully, unless they form joint ventures with foreign technology providers. The market is very competitive and municipal BOT projects often attract 20 to 25 proposals.

FOREIGN COMPETITORS

The United States enjoys substantial advantages over other foreign competitors in the Mexican environmental sector. The relationship between the two countries regarding border environmental issues is a major factor, especially since many of the border programs are financed by the United States. The American Environmental Protection Agency (EPA) has a high level of technical credibility, and many Mexican standards are patterned after it. Geographic proximity is also an obvious advantage.

The U.S. 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.

The American government and many European and Asian governments are promoting sales through a variety of technical assistance and financing packages. For example, the North American Development Bank has been providing financial assistance. This is a Mexican-American bilateral arrangement, which provides financing and guarantees for up to US \$3 billion worth of border environmental projects. The Europeans and Japanese are offering soft loans and attractive financing terms.

The most important weakness of American companies is that they tend to offer less technical service and have less local presence than European and Asian competitors. They tend to be generalists, instead of focussing on niche markets. Mexican buyers complain that some American firms are culturally insensitive and less interested than some other sellers in doing business "the Mexican way".

In 1994, a major contract to upgrade Mexico City's water distribution and wastewater collection system was awarded to two French and two British companies. The project is reportedly worth US \$760 million and was financed by the World Bank.