

Wireless technology in Mexico is just beginning to boom with the auctioning of trunking, radio telecom and satellite concessions between 1997 and 1998. Trunking and beeper use are expected to grow at 30 percent per year for the next five years. Satellite concession winners will market services to multinationals and large Mexican corporations with multibranch operations. Satellite concessions will be auctioned in late 1997. Personal communications systems (PCS) are not scheduled to launch in Mexico until later this century: Mexican government authorities have chosen to see how PCS perform in the U.S. and Chilean markets before legislating their use at home. The trunking concessions are divided among dozens of regional companies. With the exception of Tricom, Radio Cel and Siemens, many of these are inexperienced. Two-way beeper devices were introduced into Mexico in 1997, and there will be almost one million beeper users by the end of the century. The leading operators in the beeper market are Skytel, Digitel and Radio Beep (Marcatel).

Two of the market leaders in **IT office equipment** are Canadian firms — Nortel for voice systems and Newbridge for data systems. They compete with most of the global equipment suppliers (such as Ericsson, Alcatel, Fujitsu, Panasonic, 3 Com, Cisco and Novell) operating in other markets. Both Canadian firms have worked in the Mexican market for about 10 years and have gained national coverage and significant market share by gradually building a network of high-performance distributors and investing heavily in on-the-ground technical support for their distributors and corporate clients.

Recently, Canadian exporters have increased market share in the computer and peripherals market. In 1996, total exports reached US\$33 million, registering 135 percent growth over two years.

The IT office equipment market in Mexico is highly concentrated among multinational and large

Mexican corporate customers. As few as 300 corporate entities in Mexico purchase as much as 65 percent of the nation's IT office equipment. Close to 50 percent of these contracts originate from headquarters in Mexico City, with Monterrey and Guadalajara making up another 35 percent of the market. After stagnating sales in 1995 and 1996, this segment is expected to grow 40 percent in 1997 and 20 percent a year thereafter until the end of the century. In 1998, the estimated US\$3 billion market is expected to break down as follows: equipment, US\$1.35 billion; data communications, US\$150 million; software, US\$500 million; and services, US\$1 billion.

The fastest-growing Mexican manufacturing segment since the 1994 devaluation has been the **electronic components** industry, which increased production levels more than 25 percent per year in 1995 and 1996. Driving this growth are the competitive prices of Mexican exports and the recent arrival of world-class assemblers in the border region, particularly Japanese and Korean firms. In 1996, electrical and electronic equipment exports surpassed US\$26 billion, or 27.2 percent of Mexico's total exports. In the same year, imports of electronic equipment reached US\$23.8 billion, much of which was assembled in Mexico for re-export.

In Mexico, the electronic components import market is highly concentrated in five industrial segments — computers, audio and video, telecommunications, home appliances and auto parts. Over 95 percent of the industry's components are imported.

Two regions of the country dominate the electronics industry: the border zone (led by Tijuana, Mexicali and Ciudad Juarez), and Guadalajara, the self-styled "Silicon Valley" of Mexico. Along the border region, most industry activity relates to low-cost assembly. Purchasing for these factories is often controlled by affiliate offices in the United States. Most global electronics leaders are present, including Sony,

GE, Panasonic, Sanyo, RCA, Philips, Hitachi, Samsung and Daewoo. The *maquiladoras* (in-bond manufacturers) located along the border account for over 75 percent of Mexico's electronic component imports.

Guadalajara's electronics factories continue to import most of their components (85 percent), but a trend is growing towards more R&D and value-added production in the state of Jalisco. Some of the world's most important computer assemblers are located in and around Guadalajara, including IBM and Hewlett Packard. In 1996, over a million personal computers were assembled in Mexico. Other manufacturers in Guadalajara include AT&T, Motorola, Siemens, Eastman Kodak and NEC.

Constraints

The greatest hurdle for new entrants into the market is finding effective product distributors. Many of the leading established distributors are locked into non-competing exclusivity agreements with suppliers.

Strategy for Market Access

The established infrastructure equipment providers in Mexico are Ericsson, Nortel, Siemens, Harris, Alcatel, Bosch and Fujitsu. These firms offer carriers product selection, installation, training, support and even financing. Many carriers turn to these full-service suppliers to purchase equipment from third parties, particularly imported goods. Most carriers suffer from a shortage of experienced equipment engineers, and new carriers will not buy from suppliers that cannot prove they can offer responsive after-sales support. Canadian companies wishing to sell directly to carriers must invest in a skilled Mexican support staff or sell at lower prices to the established infrastructure equipment suppliers already servicing the carriers.

The best strategy for Canadian component exporters is to follow their clients to Mexico. Many U.S. and Asian electronics assemblers are

moving into the country and, without restrictive sourcing regulations, these global players prefer to keep their present suppliers on board. Few Mexican-owned companies are significant players in the assembly industry, except in the automotive and white goods subsectors that buy electronic components. These clients can often be serviced through a Mexican agent, following a direct sales visit with the Mexican buyer.

The office equipment market requires a long-term approach to building a distributor network, with a strong emphasis on technical transfer and after-sales support.

Action Plan

Market Intelligence and Information

- Meet with government and private sector officials to discuss trade services and policy issues.
- Attend industry seminars in Ottawa and Mexico.
- Identify and subscribe to specialized information sources, such as "Select-IDC Mexico."
- Report findings on industry trends/opportunities to related Canadian government agencies and private companies, by phone, fax or e-mail as appropriate.
- Conduct studies of the cable TV and cellular telephone markets in Mexico; include these in Export **i**.
- Update sector study for Export **i** and Team Canada-Market Research Centre (TC-MRC).
- Maintain and update profiles of buyers of electronic components in the Guadalajara region.
- Enlarge, update and maintain lists of local government contacts, importers, distributors and agents.
- Develop a list of Canadian companies interested in exporting to Mexico, including details of their capabilities.