

Some Canadian companies have been successful in selling directly to large Mexican firms. For example, Pro-Eco Limited of Oakville, Ontario has an office in Monterrey and has signed an agreement to build an electrolytic cleaning line for the steel producer *Hysla*, which is part of *Grupo Alfa*. The Canadian consulate in Monterrey has been actively promoting Canadian capabilities to the *grupos*.

On the other hand, many Canadian firms in the region have entered the market through joint ventures with local companies that supply the *grupos* and multinationals in the region. There are growing opportunities for small-to-medium sized Mexican firms to become suppliers to larger exporting operations. This is especially true now that the *maquiladora* tax and duty advantages are being phased out under the North American Free Trade Agreement (NAFTA), and since in-bond plants are integrating into the regional economy. In fact, the Monterrey region already leads the nation in the proportion of *maquiladora* inputs that are sourced locally. Nuevo León officials estimate the current proportion at up to 25 percent. This compares with an estimated 10 percent in Jalisco, a comparable industrialized region, and about 2 percent nationally.

To take advantage of these opportunities, small- to-medium sized suppliers need to upgrade their standards of quality and consistency to meet the requirements of export markets. The major exporting companies demand such capabilities as just-in-time (JIT) delivery, electronic data interchange (EDI) for order management, and exchange of electronic CAD/CAM designs. Many smaller Mexican firms also lack adequate financing to expand. This creates many openings for Canadian companies to enter into joint ventures to help them upgrade to take advantage of Mexico's export boom.

ADVANCED MANUFACTURING TECHNOLOGY AND INDUSTRIAL MACHINERY

As a major industrial centre, the Monterrey region was hit hard by the peso devaluation of December 1994. According to Nuevo León government data, industrial production fell by 11 percent during 1995, compared with 7 percent for the nation as a whole.

The manufacturing companies that prospered during the crisis were those that were able to adapt and take advantage of the export boom resulting from the cheap Mexican peso. Some companies were able to increase overall sales in 1995,