Capital Goods

Many Mexican manufacturers lack the technology they need to take advantage of the current export boom. Canadian expertise with flexible manufacturing and electronic design systems have wide application. Capital equipment tends to incorporate relatively sophisticated technology, and the overriding demand placed on the distribution system is the need to provide a high level of service.

The large Mexican *grupos*, family-controlled conglomerates, have been able to lead the market because they have access to foreign capital through affiliations in other countries, most notably with the United States. The *grupos* are important customers for many Canadian products. They tend to deal directly with foreign suppliers for relatively large deals and with exclusive agents or distributors for smaller sales. If an agent is involved, it must have a high level of technical expertise and be thoroughly familiar with the product. Some Canadian companies in this category import through distributors but establish their own service departments in Mexico. Others set up their own operations, including showrooms, in Mexico.

Sales of capital goods are often limited because many Mexican firms do not have access to capital and cannot afford the latest technology. Joint ventures with small- to medium-sized Canadian companies are one solution. In these cases, Canadian companies exchange technology for immediate access to an established market. The provision of capital is usually a large component of this type of deal.

Co-Manufacturing

AMPTech

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While technical support comes from Canada and the US, the Mexican partners are responsible for dealing with Mexican suppliers or customers. This takes maximum advantage of their proximity to the market. The general manager of the operation, to whom all staff report, is a Mexican, hired for his local knowledge. Technical staff from AMPTech and Triquest are almost always on-site and report to the general manager of Phoenix.

Mr. Shorten's advice to other Canadian businesses entering the Mexican market is to research their potential partners carefully. Pay special attention to their degree of local knowledge. At the same time, the Canadian firm must be able to devote substantial resources to understanding both the local market and Mexican ways of doing business.

Services

A typical service exporter is a consulting company which provides engineering, design, software or other technical services for business and government. A market is emerging for services to consumers but so far there have been relatively few opportunities for foreign companies. Language schools are one example of consumer service where Canadian companies have been successful.

Delivering services involves considerable interaction with the end user. Many Canadian companies contract their services directly to the end user, including government entities and large companies. This, however, involves language and cultural barriers, and many companies choose to set up joint ventures with Mexican service providers. For example one Canadian company is working with a Mexican partner to provide exclusive travel management services to *Cementos Mexicanos (Cemex)*.

Canadians providing services in Mexico are subject to Mexican immigration and taxation laws. However, if they remain in Mexico for less than 183 days and receive their income from a business that does not have a permanent establishment in Mexico, they will be considered non-residents and will not be taxed. But they will require a migration permit known as the *Forma Migratoria 3 (FM3)*. These issues are described in detail in the publication *Marketing Your Services in Mexico*, which is part of the Department of Foreign Affairs and International Trade (DFAIT) Export *i* Mexico series and available through the InfoCentre.