

# Getting to know SECOFI

Canadians interested in the Mexican market should get to know SECOFI (Secretaria de Comercio y Fomento Industrial) — the Secretariat of Trade, Commerce and Industrial Development.

Yvonne Stinson, Minister for NAFTA and Trade Affairs at the Representative Office to Canada of SECOFI, spends much of her time travelling across Canada speaking to business groups, describing what her office can offer and inviting exporters to make use of it.

As Minister Counsellor in Ottawa, she leads the team that assists Mexican companies interested in entering or growing in the Canadian market. However, SECOFI is equally interested in attracting Canadians to Mexico and in smoothing the way for them wherever possible.

"What we do here is try to build a bridge between Canada and Mexico," says Ms. Stinson.

SECOFI works with a number of bodies to coordinate Mexico's trade promotion. SECOFI itself presents government policy and perspectives.

Bancomext, Mexico's export development bank, serves a similar, though not precisely parallel, function to Canada's Export Development Corporation. "Bancomext is responsible for trade promotion. As a bank, they are the ones who can lead on that." Bancomext has offices in Montreal, Toronto and Vancouver. "They are the ones who organize trade shows in Canada, fairs, missions and the like."

Another major player is the Mexican Investment Board, whose

role is to encourage and advise Canadians interested in Mexico.

Ms. Stinson and SECOFI work in tandem with Compex, the Export Promotion Commission. This is a forum in which the operators of Mexico's foreign trade meet regularly with senior government officials both to solve specific problems related to Mexican exports and to promote export projects. Compex is incorporated in Mexico's foreign trade law with powers including the coordination between private and public sectors on issues relating to the export of goods and services.

Internationally, Compex deals with issues of broad interest to exporters, such as access barriers, tariffs, transport costs and services, standards. Three commissions are installed in Canada, in Montreal, Toronto and Vancouver. They operate from time to time in open forum as a means of liaising with Canadian exporters and bringing information to them in response to timely questions on trading with Mexico.

Minister Stinson also provides advice to Canadian companies on policy issues, and the whole process of Mexico's evolving trade policy strategies. "The business community wants to hear about the legal framework in Mexico, in new trade laws, in the system and in regulations, in anything that has changed since NAFTA. People are also interested in Mexican perceptions of Canada and Canadian business. I talk about large issues, such as energy, or about things such as dispute settlement mechanisms — interpretations of NAFTA Chapter 19."

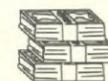
SECOFI issues some publications to the Canadian public. One, **Forging a New Relationship**, was widely circulated about a year ago, and will be updated early in 1995. More importantly, the SECOFI office receives Mexican publications from private and public sector sources. Many are in Spanish, but others, such as an excellent series from the Mexican Investment Board, have been translated.

"This office will help people to find the information they need, or will direct them to the right source," says Ms. Stinson. "We can call to Mexico for information for people."

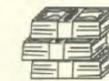
A recent publication from SECOFI, entitled **Legal Framework of Doing Business in Mexico**, can be obtained by faxing a request to the SECOFI office in Ottawa at (613) 235-1129.

Minister Stinson cautions that SECOFI is not a substitute for contracted consultants or representatives, rather a source of information. "In the first instance I would often direct someone to Bancomext," she says. "They have a very good database."

Ms. Stinson, who served as a NAFTA negotiator and then in SECOFI's office in Washington, feels she has come to Canada to "complete the circle. We have to get to know one another, to get familiar, to get things done. I have here a good opportunity to help my country. I can help people get appointments so they can do business — I will help send them on the way. My instructions from my Minister are quite clear: we are to provide solutions."



## SOURCES OF EXPORT FINANCING



### "AM I GOING TO GET PAID?"

It is always on an exporter's mind, especially when dealing with a new market. And particularly if it's a foreign market, where the procedures and methods of doing business are not necessarily the same as our own.

Many Canadian exporters have ventured into the Mexican market in recent years, encouraged by the potential of NAFTA. Many companies are now well established.

But others are a little wary, if only because they wonder whether their customers will pay up on time.

Companies may still have qualms, despite well-reasoned business plans, budgets that allow for research, preliminary "contact" trips, and participation in trade fairs or missions.

Financial uncertainties are legion. The importer cannot control local market conditions. What about wild fluctuations in their currency — or ours? How politically stable is the country, and how will it affect the exchange rates? What about the costs that can't be anticipated? What happens if goods go astray?

These are matters that worry exporters, particularly those in small or medium-size businesses least able to cushion themselves from the financial ups and downs of the market place.

One of the major sources of assistance to exporters is Canada's **Export Development Corpora-**

tion (EDC). The Corporation offers both insurance and financing to suit individual customer needs.

In 1992, Mexico became EDC's fourth-largest insurance market. Through its credit insurance, EDC can protect a Canadian exporter's cash flow in case of a payment default. Your bank may accept EDC credit insurance as collateral for lines of credit.

EDC can also facilitate the purchase of capital goods by providing your customers with medium or long term credit. And your customers can gain access to Canadian financing for their end of a business arrangement through one of more than a dozen lines of credit (LOCs) that EDC has established with Mexican organizations. While most of these are with banks, credit facilities are also in place with CFE, the national energy utility, PEMEX, the Mexican oil company, and TELMEX, Mexico's telephone utility.

"Mexico is a significant market for EDC's customers," said EDC in its 1992 annual report. "In fact, in 1992 EDC supported more than 50 per cent of all visible Canadian merchandise exports destined for Mexico." For 1993, sales supported by EDC's short and medium term insurance totalled C\$466 million.

However, EDC's medium and long term financing is only available for trade in capital goods. Dealing in

consumables, you should be making use of your **private banks**. Your local branch can connect you to a national system that is already interested in Mexico's financial market. Four of Canada's major banks have already established their own beachheads in Mexico.

Most Canadian banks have people who deal with letters of credit and foreign currency transactions. Banks can be helpful in advising you on how to structure your financing. Some will be able to provide letters of introduction to their own Mexican representatives, or to counterparts in Mexican financial institutions. They can also provide you with loans.

Inevitably, you will have to deal with **Mexican banks**. It is a necessary adjunct of exporting successfully. Only Mexican banks will provide you with loans to buy real estate, or to finance costs for a joint venture. Much of the business done by EDC in Mexico is carried out through Mexico's banks. If your business involves the export of Mexican goods to Canada or elsewhere, Mexico, like Canada, has programs and agencies to help, including export loans with preferential rates.

No funding source will knowingly support a venture that has previously proved unviable. But loans are available to the prepared exporter to help a company over the last hurdles to a new market.

### Fashion — from page 1

are offset by the problems in the telecommunications and transportation sectors. As a result, their Canadian operation remains paramount, but the brothers see the need for enlarged markets.

"Canadian exporters who don't move into Mexico right now are ignoring the fastest growing market in North America," says Eduardo Lulka. He points out that as Mexican

plants become more efficient and competitive, and when American apparel manufacturers enter the Mexican market in force, Canadians will have to fight harder for market share. Getting in now, he says, is the key.

Eduardo Lulka notes that Canada has "a fantastic image" outside its borders, and that Mexican consumers love foreign labels. Given economic disparities in Mexico, Lulka estimates that their middle-class market is approximately the same

size as Canada's — "25 or 26 million actual consumers, but with free trade the other 60 million or so will gradually gain jobs and enter the market."

"It's the time for Canadian design," says Ms. Outram. "People are interested in this country: the ecology, aboriginal issues, our research and technology. They are interested in things that are prepared in Canada, and we mean to make the most of it."