

SECTOR OPPORTUNITIES

Opportunities Still Plentiful

No individual sector has escaped the forces of change that have swept through Mexico since the late 1980s. Manufacturers are rationalizing and modernizing their operations to meet the influx of foreign competition. Service providers are struggling to become more efficient and to offer their customers the latest innovations. Government agencies have been forced to consider new approaches for the first time in decades as they react to budget cutbacks. And on a broader scale, the federal and state governments have embarked

on ambitious plans to modernize Mexico's outdated infrastructure. Increasingly, they are turning to the private sector to make this happen.

This environment offers many opportunities for Canadian suppliers, as well as for investment and technology, throughout the Mexican economy. The rationalization initially brought about by economic reforms has been accelerated by the recent peso crisis. Both elements are forcing Mexican buyers and decision makers to consider alternative methods and new suppliers.

The following five sectors offer substantial, but largely untapped, opportunities — where there is a good fit between Canadian capabilities and Mexican needs.

Advanced Manufacturing Technology and Industrial Machinery

Manufacturing is at the centre of Mexico's economy, accounting for one-quarter of the country's gross domestic product (GDP). Manufacturers must upgrade their processes and products if they are to compete successfully at home or abroad.

Exporting companies are urgently looking for advanced equipment for process and inventory control as well as equipment for "just-in-time" linkages with their suppliers. Canadian firms with the expertise to help manufacturers modernize to meet these requirements will be able to find interesting niche opportunities.

New tax incentives have opened up further opportunities for suppliers of advanced manufacturing equipment. For example, the assets tax has been suspended and a 100-per-cent depreciation allowance on the first year of new investment has been introduced.

There is strong potential for increased sales of all types of manufacturing equipment. Mexican companies understand the benefits of flexible manufac-

turing, and most want to achieve ISO 9000 standards.

Beyond normal distribution arrangements, enterprising Canadian firms can gain a presence

in this market through joint ventures, co-manufacturing arrangements, turn-key solutions and creative financing.

Agriculture and Agri-food

Agricultural production, including forestry and fishing, makes up about 7 per cent of Mexico's GDP, and food imports have been rising in Mexico, pushed along by a rapidly growing population and increased urbanization.

Agricultural imports totalled US\$3.3 billion in 1994, and imports of all food products were nearly US\$7 billion. The U.S. dominates the market, supplying 71 per cent in 1994 with Canada accounting for 5.7 per cent of the total.

Mexico is Canada's seventh-largest agri-food market with sales of \$346 million. Under the NAFTA, Mexico offers good market opportunities for wheat, barley, canola, beef and dairy cattle and genetics, live swine and pork, animal feeds,

processed foods and beverages.

Wheat exports represent about 40 per cent of Canada's total agri-food exports to Mexico. The country does not produce enough wheat to meet its needs, and there is evidence to believe that Canada could double its sales to 2 million tonnes annually.

Mexican food processors are restructuring to serve the country's growing and increasingly sophisticated market. A wave of corporate mergers has produced larger, better-capitalized companies that are moving to rationalize their production processes. There are also substantial opportunities for higher value-added products, including yogurt, cheese, milk and confectionery products.