

trained engineers take over leading Mexican industrial firms, they bring with them a demand for foreign equipment as well as the ability to use it effectively.

Constraints

However, to realize the opportunities presented by the Mexican market, exporters will need to be creative in dealing with two major constraints. Many Mexican exporting companies, which would provide the best sales opportunities, are part of multinational alliances and have locked-in sources of supply.

The economic crisis has had a major impact on the demand for advanced manufacturing machinery. Many manufacturers with a domestic focus are operating at reduced capacity. Financial and production problems could put some companies out of business, especially those with no export markets. In addition, the crisis has pushed interest rates to prohibitive levels and dried up some sources of capital entirely.

The crisis has also fostered calls for a return to protectionism. Some industry associations want government agencies to give preference to Mexican-made equipment and to cut back on turnkey agreements with foreign companies. In particular, they want the government to require companies purchasing privatized petrochemical plants and railroad facilities to give priority to Mexican-made equipment. This would violate the terms of the North American Free Trade Agreement (NAFTA) and the government is unlikely to act on this request, at least formally.

Strategy for Market Access

Mexican exporters will continue to lead the client list of capital equipment buyers in Mexico. Canadian equipment providers should research emerging Mexican exporters through sources such as Bancomext (Mexico's export development bank) to find clients that will soon need expansion and modernization machinery. Selling to exporters is relatively easy because of the availability of financing for most Mexican

manufacturing exporters. Given the importance of responsive after-sales service, Canadian exporters selling to this market usually require a Mexican agent or distributor. This is not the case for exporters selling strictly to multinationals on the border area, which can be serviced from the United States or even farther afield.

Action Plan

Market Intelligence and Information

- Meet with government and private sector representatives to discuss trade and policy issues.
- Attend industry seminars in Ottawa and Mexico.
- Report findings on industry trends to related Canadian government agencies and private companies, by phone, fax or e-mail as appropriate.
- Update sector study for Export *i* and Team Canada-Market Research Centre (TC-MRC).
- Enlarge and update lists of local government contacts, importers, distributors and agents.
- Develop list of Canadian companies interested in exporting to Mexico, including details of capabilities.

Market Access

- Provide advocacy and counselling on calls for tenders and Mexican buying procedures.
- Provide counselling on procedures for obtaining permits and certificates.
- Monitor and report on customs issues affecting market access.
- Monitor and report on trade policy issues.

Trade Promotion Activities

- Incoming buyers' missions to:
 - Canadian Manufacturers Week, Toronto, September/October 1998.
 - Plast-Ex '98, May 1998.

- Possible incoming mission from the Guadalajara region of buyers with real purchasing plans; personalized programs will be required, targeted at each buyer's specific needs.
- Co-ordinate participation of Canadian firms at:
 - Instrumentación y Control '98, Mexico, June 1998.
 - Expo Metal '99, Mexico, March 1999.

Other Suggested Trade Shows

- Semana Mexicana de la Manufactura, Mexico City, June 1998.
- Plast Imagen, Mexico City, September 1998.
- ExpoPak, Mexico City, June 1998.

Outreach

- Develop data bank of local speakers to make presentations to visiting Canadian business groups (e.g., those attending local shows).
- Seminar in Guadalajara to provide an overview of Canadian strengths in this sector.

Information Technology (IT)/Telecom and Other Advanced Technology Products and Services

The IT/telecom market in Mexico includes three high-growth segments, all of which offer export opportunities for Canadian companies. These segments are telecom infrastructure equipment, IT office equipment and electronic components. In recent years, Canada's exports in the sector have enjoyed excellent growth. From 1994 to 1996, Canadian telecom equipment sales to Mexico grew 130 percent to US\$41 million per year, while electronics components jumped by almost 5000 percent over the same period to US\$34 million per year.

Opportunities

The market for **telecom infrastructure** is driven by the recent liberalization of Mexico's telecommunications industry and heavy investment by Mexico's existing and emerging carriers. Since January 1, 1997, Mexico's US\$6 billion long-distance market has been open to competition. Long-distance carriers announced investment plans of US\$7 billion for the period 1995 to 2000, 80 percent of which will be spent on infrastructure equipment, almost all of it imported.

The four leading long-distance carriers emerging from the market liberalization are Telmex, Alestra, Avantel and IUSATEL. Together, these carriers will capture over 95 percent of the long-distance market in the short term. Through 1998, Telmex will remain the market leader with a market share of at least 75 percent. As of April 1997, 75 percent of these companies' infrastructure purchases had been programmed. On the other hand, the second-tier long-distance carriers are just beginning to purchase infrastructure equipment. These carriers include Marcatel, Miditel (Korea Telecom), Investcom, Extensa and Bestel. Together, this group of small carriers will invest about US\$1.5 billion in new equipment from 1997 through to 2001.

In 1998, local telephone service will become competitive as Telmex loses its monopoly. Eighteen new carriers are poised to enter the market. The leading new competitors are Telinor, IUSATEL, Extensa, Red de Servicios de Telecomunicaciones, Recetel, Amaritel, MFS, Philips/Lucent Technologies Consumer Products and MCI. Together, they have announced investment plans of US\$5 billion, to be spent primarily on infrastructure equipment between 1997 and 2002. Competition will also be opened to public-phone-booth operators, who can compete with Telmex beginning in 1998. As of June 1997, 11 operators had announced their plans to compete in this market.