Canada-Mexico Trade and Investment

For years, trade relations between Canada and Mexico have been broader and more substantial than with any other country in Latin America.

Now, as a NAFTA partner, Canadians have a beneficial tariff advantage, wide scope for investing in Mexican enterprises and a special standing with the Mexican people.

In 1994, Canada's exports to Mexico rose 27.8 per cent, to $1.02 billion; its purchases from Mexico rose by 19.9 per cent to $4.5 billion. Mexico is Canada's thirteenth most important export market and Canada is Mexico's second-best customer.

Between 1990 and 1994, Mexico's imports from Canada increased more than twice as fast as its imports from the U.S. and from the rest of the world. As a result, Canada's share of the Mexican import market doubled to 2.1 per cent. In spite of the Mexican economic crisis and resulting devaluation of the peso, imports from Canada rose by another 8.4 per cent in 1995 (according to preliminary Statistics Canada figures released March 1996). These successes, combined with a relatively low overall market share, suggest substantial opportunities for Canadian enterprises.

Today, private and government enterprises alike are hungry for the technology Canadian firms can supply, and eager to take them on as partners in their operations. The 1995 peso crisis, if anything, amplified this hunger — as the larger Mexican businesses, buoyed by the undervalued peso, achieved a stunning breakthrough in foreign sales.

Now small companies and large are searching for leading-edge processes and products, along with the quality assurance techniques that can enhance their products in the global marketplace.

Open to Investment

Because of an increasingly open attitude towards foreign investment, Mexico had, by 1994, ranked among the world's top 10 recipients of foreign capital. Moreover, the economic crisis has made Mexican companies especially receptive to joint ventures and other forms of investment.

Obstacles to importing specific technologies and services have been removed. For example, the government rescinded the decrees which made imports of computers and related products subject to an import permit system. Another example is the strengthening of intellectual property laws which have improved prospects for exporting computer software and biotechnology products, among others. Beginning in 1990, Mexico's franchising laws were also reformed.

As these examples illustrate, the processes of trade liberalization, deregulation and privatization have facilitated the entry of Canadian capital and technology into Mexico.

Canada's overall investment in Mexico rose from US$350 million in 1989 to more than US$670 million in mid-1994, with commitments totalling approximately US$1.4 billion.

Privatization on Track

The Zedillo government has continued to streamline the bureaucracy. The privatization program launched by the previous government has been aggressively pursued. By 1994, the government had already sold more than 1,000 public enterprises to the private sector. The government has already moved to privatize telecommunications, ports and airports, and recent announcements include similar plans for the petrochemical industry as well as parts of the Mexican National Railway and the Federal Electricity Commission.

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with good technical knowledge — consult the Canadian Embassy in Mexico — because Mexicans much prefer speaking Spanish."

"The Embassy has also provided us with tremendous help in finding business contacts," says Follett, "and overall, Embassy staff are very anxious in promoting Canadian companies in Mexico."

For more information on FGA and its capabilities, contact President Gary Follett. Tel.: (709) 753-2100. Fax: (709) 753-7011.