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Joint Ventures One Option

PARTNERING APPROACHES IN MEXICO

Almost everyone you talk to about entering the Mexican market is going to advise you to find yourself a partner in Mexico. For small- and medium-sized businesses, this is sound advice in many cases, although there are bound to be exceptions.

What can you gain by taking on a partner in Mexico? For one thing, no matter how well you know your product or service, and no matter how much market research you have done, a local associate is going to have knowledge that exceeds your own. This is true in any new market, and it is particularly pertinent in a country with another language. A partner in the market country understands nuances that a visitor rarely grasps.

From the legal and tax systems to how to get the best transportation, distribution, warehousing deals to the subtleties of presenting yourself and your product, a local connection provides valuable insight above and beyond what he or she has contracted to do.

Sharing the financial costs, and the risks, of doing business makes partnering an attractive proposition to many firms. This may have to be weighed against the loss of some

control where responsibilities and roles are shared.

In Mexico there is an almost universal predilection for doing business face-to-face rather than by phone or fax. You will make personal contacts during market research visits, deal-making meetings and major events. Still, you are unlikely to want to zoom down from Medicine Hat to Monterrey or from

be split in any agreed way, depending upon the relative size, contributions or financial investment by each. Joint ventures have the advantage of complying more easily with the rules on foreign ownership, although in Mexico this is a diminishing factor as the economy is much more open than in the past.

Joint production agreements allow companies to cooperate in producing goods. By bringing their own expertise and resources to bear on particular elements of production, two companies can combine to make something on a scale and with their own agreed specifications, minimizing their

reliance on outside suppliers.

Other forms of more limited partnering that can be advantageous include cross-licensing, by which firms license products or services for use by one another; cross-manufacturing, by which companies agree to manufacture each other's products; and co-marketing, which lets firms with complementary products fill out a product line and take advantage of an ally's distribution networks.

Franchising is growing fast in Mexico, and works with the franchiser controlling products, services or

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CANADIAN BUSINESS CENTRE
 CENTRO CANADIENSE DE NEGOCIOS
 CENTRE D'AFFAIRES CANADIEN

See page III

Vaudreuil to Veracruz every time a business contact wants direct engagement with your firm. Your on-site partner can carry that part of the business.

There are several approaches to partnering, and which suits you best will depend upon the nature of the business, the needs of your company, and the benefits a foreign partner or associate can offer.

Joint ventures are a suitable arrangement for many firms. Generally, that entails creating a separate corporate entity from two parent companies. Ownership may

GETTING TO KNOW BANCOMEXT

Canadians interested in doing business in Mexico should acquaint themselves with one of the three offices of *Bancomext* (Banco Nacional de Comercio Exterior) in Canada. This institution, whose functions combine those of our own Export Development Corporation and, to some extent, the commercial sections of our embassies and consulates abroad, are located in Montreal, Toronto and Vancouver.

Bancomext is a state financial institution and a development bank. Its main objectives are to promote non-oil exports and foreign investments in Mexico, and to finance foreign trade transactions.

As such, the majority of its concerns are directed to Mexicans seeking to enter foreign markets and to assist those abroad who wish to import from or invest in Mexico. But with a broad promotional mandate in its foreign offices, *Bancomext* willingly provides assistance to exporters requiring information or guidance on how to do business in Mexico.

"Promotion is the biggest aspect of the foreign offices," says Marcela Orozco, a Commercial Attache in the Montreal office. "We are often like brokers, arranging introductions. A Canadian investor might come in looking for a partner. We can provide lists of people in the field. We have a big library, and an excellent database. We have offices all over Mexico. If someone wants to find an associate in Tijuana, or Michoacan, we can contact the local office and generate useful information for the interested Canadian."

Bancomext works with SECOFI, the trade wing of the Mexican embassy (see *Access*, September 1994). Officials of *Bancomext* take part in seminars, trade shows and conferences. They are in touch with Chambers of Commerce, trade associations and individual companies.

The Bank also brings missions from Mexico to Canada, and occasionally vice versa, where useful mutual interests have been identified. "We buy the tickets and organize the groups, arrange their itineraries, help set up contacts. Those travelling to such events only have to

"We are often like brokers, arranging introductions."

pay for their hotels and food."

A group came recently from Monterrey to Montreal for a multi-sectoral show, with their arrangements made by *Bancomext*. "It's a lot of work in a multi-sectoral, making sure everyone's interests are represented, and that there is a good reason for everyone to be there."

The Bank plays an important role as the Mexican government's financial agent in foreign markets, and takes part in negotiations between private- and public-sector agencies. It has lines of credit with leading international financial institutions, commercial banks, governmental import-export agencies in industrialized countries, and institutions such as the World Bank.

Among its consultative functions, *Bancomext* is continuously assessing the range of exportable goods by identifying Mexican companies entering the export field for the first time and those with the potential to meet foreign demand efficiently. It also provides advisory services on technical, commercial, financial and legal matters in order to adapt Mexican products to international demand requirements. These and other counselling services are available upon request to Canadian firms and individuals interested in engaging in trade or making productive investments in Mexico.

There are *Bancomext* offices in every major city in Europe and oth-

ers in Asia and Latin America — an information network that is truly global in scale. *Bancomext* also produces some publications, and circulates others prepared by both the Mexican and Canadian governments on specific aspects of trade between the two countries. These publications, which are free of charge, may be obtained by contacting the nearest *Bancomext* office.

Marcela Orozco also recommends a volume entitled *Trade Directory of*

Mexico, an annual compendium listing over 4,000 Mexican companies and offering information on the firm's size, number of employees and export and import product lines as well as up-to-date contact names. It also contains material on government support programs, buyers' credit information, financial institutions offering export/import support and a reference guide to products by harmonized tariff code, among many other useful data.

For information on how to order (print copies are U.S.\$70, plus U.S.\$15 for shipping/handling) call 1-800-835-7480.

Ms. Orozco, who has been in Canada about three years, feels the presence of *Bancomext* and the increasing mutual interest between Canada and Mexico since NAFTA have led to much clearer understanding. "When I first came, people were a little sceptical about Mexico," she recalls. "I have seen in this time — slowly — that Mexico is gaining a different image, that Canadians are interpreting Mexico in a new way. I love Canada," she adds, "and we are all learning more about each other."

To request *Bancomext* publications, you may fax:

Montreal: (514) 287-1844
Toronto: (416) 867-1487
Vancouver: (604) 682-1355

First Show at Canadian Business Centre

On September 21, the Canadian Business Centre in Mexico City opened for business, holding a solo show by the tourism industry.

Ten companies, chiefly from Western Canada, presented materials aimed at the burgeoning Mexican market for winter holidays, particularly skiing packages. Representatives of the firms gave presentations, held meetings, established contacts in Mexico and generally worked in a focussed way to show Mexican counterparts how to market Canada as a winter destination.

With a growing middle class, Mexico is seeing those in search of vacations outside the country venturing further afield than the traditional destinations in Latin America, Spain and the United States. As many Canadians know, Mexico is itself an attractive vacation spot, with everything from beautiful beaches to colonial architecture to ancient indigenous sites. Mexico has not, however, developed winter sports domestically, and the western Canadian tourism officials recognized a very significant niche opportunity and moved to fill it.

In its first outing, the Centre provided an excellent venue for its clients. With the flexibility and variety of spaces available in the Polanco site, Canadian tourism was able to showcase itself in a suitable and productive light.

Staff realize that the Centre will never look the same two weeks run-



CANADIAN BUSINESS CENTRE
CENTRO CANADIENSE DE NEGOCIOS
CENTRE D'AFFAIRES CANADIEN

ning, as each sector uses its offerings in a different way. But the colourful posters and slides of some of Canada's most beautiful sites made

an attractive and vibrant first application of the Centre, and did much to increase awareness of Canada in the Mexican market.

Coming soon at the CBCM are several solo food shows, featuring the products of Atlantic Canada, the central region and western Canada. These will take place throughout the fall and early winter.

For Your Reference Shelf...

As part of the Access North America program, Industry Canada has prepared a series of sector-specific booklets to help business take advantage of the opportunities NAFTA offers.

Each booklet provides product-specific information on tariff rates, tariff phase-outs and rules of origin. Each also includes an overview of the industry in the North American context, and looks at potential market opportunities in Mexico and other provisions relevant to manufacturers and distributors in each sector.

Booklets in the series may be ordered, in either English or French, by fax at (613)952-0540. They are also electronically accessible through Internet (DEBRA.DGBT.DOC.CA), or on disc from the NAFTA Information Desk, Industry Canada, 5th Floor, East Tower, 235 Queen St., Ottawa K1A 0H5.

NEW RULES FOR PRODUCT CERTIFICATION

The Mexican Trade Department (SECOFI) has announced new rules for certification of products intended for sale in Mexico.

All products subject to compliance must be certified by a government-accredited certification body or by the Direccion General de Normas (DGN) branch of SECOFI.

200 organizations are being accredited to undertake the certifications; those products not covered by a certified organization must be cer-

tified by DGN. The procedure for certification requires sampling, testing and/or obtaining a quality assurance certificate.

The new rules are described in a SECOFI document, "Notice of Official Certification Policy for Products Subject to Compliance with Mexican Official Standards." It is available from the Standards Council of Canada in Ottawa (tel. 613-238-3222; fax 613-995-4564).

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trademarks by contractual agreement. Most franchises currently prospering in Mexico are in the fast-food or hotel sectors, but new intellectual property laws may encourage growth in other sectors.

A well-structured and appropriate form of partnership can be extremely beneficial to both parties. Each company can focus on its own strength. When a trustworthy alliance has been formed, risks are shared and capacities are strengthened. The creative exchange that will inevitably take place can expand each compa-

ny's ability to venture into new fields and new markets.

For more on partnering, readers might consult the volume *Canada-Mexico: Partnering for Success*, an invaluable introduction to the overall picture of trading with Mexico.

For copies, call Prospectus at (613) 231-2727.



Canadian Exporters: Profile

Christian Dubé, Executive Director • **CardioMed Supplies Inc.** • Gormley, Ontario

One company that will be making use of the Canadian Business Centre in Mexico City (CBCM) in the near future is **CardioMed Supplies Inc.**, a manufacturer and distributor of highly specialized medical supplies.

A family-owned firm located in Gormley, Ontario, just north of Toronto, *CardioMed* is run by Christian Dubé and his wife, Vera. It was begun in 1979 to manufacture products for use in open heart surgery. About six years ago, having established themselves in this area, they began to produce items for hemodialysis. Products such as their kidney-cooling jackets, for use during delicate kidney transplant surgery, are unique in the world.

The Dubé family attended Canada Expo in Mexico City last March. The company had been exporting for years — to Japan, Turkey and Brazil, among other places. They had entered the Mexican market in the mid-eighties, but suffered a setback when a client who had taken delivery of a large inventory of their products was forced into bankruptcy as a result of the earthquake in central Mexico City.

"That was a bad experience for *CardioMed*, of course," Dubé recalls. "The entire facility of our client was destroyed. But we tried to maintain a relationship with physicians we had met. It was difficult to ship or get through the customs regulations. That's why we were so glad to participate in Canada Expo, which was a well-organized showcase, and we are still interested in Mexico, especially since NAFTA."

It was a successful trip for the Dubé family. "Things are already developing. We had dialogues with four companies we met there; two

have placed trial orders for the product I was exhibiting, which was from the hemodialysis arm of the business. I think there will be further contact with the other two, and I hope others who took our product information, and who have the intention of representing us in Mexico, will have visited medical institutions so we can organize our distribution deals."

Christian Dubé plans to return to Mexico City in January, to attend a medical supplies show at the CBCM, renewing these contacts and developing others. "I'm helping form an association for Ontario medical manufacturers — there wasn't one before, yet almost all of the exhibitors at Canada Expo in this field were from Ontario. The January event will be a follow-up for us."

At the moment, Dubé and his wife, who is import/export manager of the company, are going through the enormous amount of paperwork required to sell to Mexico's Social Security Department. "To do that — to tender for government procurement — you have to have the product registered. Also, we have to generate samples — they actually want to see the products."

CardioMed is looking further afield in Latin America. Christian Dubé visited his reps in Sao Paulo and Rio de Janeiro in August, and is eyeing other South American countries. "They are developing fast," he

notes, specifying interest in Venezuela and Argentina. "They are growing, and sophisticated, but don't yet have the sorts of advanced medical products we produce."

CardioMed operates in what is a kind of "Medicon Valley" in Gormley, a small community "with clean air" that has also attracted such firms as Cook Manufacturing, Lilley, and MacNeill Laboratories. The 15,000 square foot facility includes factory space and "clean rooms" — laboratories pristine enough for the necessary sterile conditions of medical manufacturing.

"They say a husband and wife can't work together, but Vera and I have been in this from the beginning, 17 years ago," Dubé chuckles. Son Raphael, "a rookie in the marketing department," according to his father, was also along "to take a first-hand look at the export scene." Raphael is planning to study Spanish, as the company will certainly be developing more links with Latin America. An older son, Ross, is involved in the Canadian endeavours of the firm, and daughter Christine, who is still at university, spent part of her summer working in the office.

So, as a family business, *CardioMed* seems set for at least another generation. "Everyone in the family is involved," says Christian Dubé, "except the two cats."

Access

Access, the newsletter of the new Access North America (ANA) program, is published monthly and only in *CanadExport*. Subscribers to *CanadExport* automatically receive *Access*. It examines opportunities for Canadian businesses, introduces some Canadians already operating in the Mexican and U.S. markets, profiles specific sectors, and notifies readers of forthcoming events related to doing business in Mexico.

Your feedback is welcomed; correspondence should be sent to *Access*, BCT, Department of Foreign Affairs and International Trade, Ottawa, Ont., K1P 6L1, fax, (613) 992-5791.

For further information on the copy of a brochure on Latin America, contact InfoCentre (613) 8376 (In Ottawa 944-4000).

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