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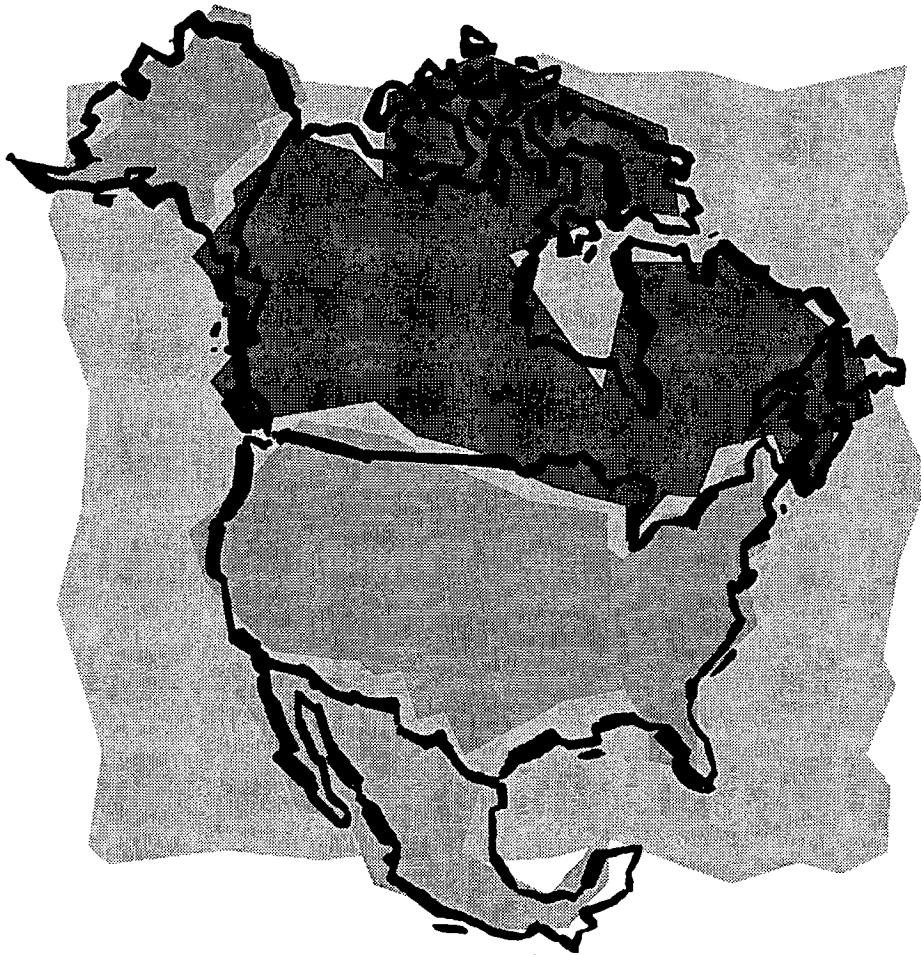


HOME
AND OFFICE
FURNITURE



MEXICO MARKET PROFILE

Canada



HOME AND OFFICE FURNITURE

Department of Foreign Affairs
and International Trade

Canadian Embassy
Mexico
June 1992

(Disponible également en français)

Dept. of External Affairs
Min. des Affaires extérieures

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Table of Contents

INTRODUCTION.....2

1. BACKGROUND.....3

2. ECONOMIC ENVIRONMENT.....3

3. MARKET ASSESSMENT.....4

4. DISTRIBUTION PRACTICES8

5. END USERS10

6. MARKET ACCESS.....11

APPENDICES

 Appendix A : Abbreviations12

 Appendix B : Where to Go for Assistance13

 Appendix C: Mexico in Brief.....25

INTRODUCTION

This market study has been prepared to assist Canadian firms interested in exporting to Mexico. While an effort has been made to examine the most important aspects of the sector, the study is not exhaustive. Companies will have to tailor their marketing approach according to their particular interests and circumstances.

1. BACKGROUND

Mexican imports of consumer products have increased dramatically in the past four years as a result of Mexico's trade liberalization policies. In 1988, all import duties were reduced and many items which had been protected by permit requirements could now be imported.

This liberalization had a particularly strong effect on consumer products because these had been protected by the highest duties and by more import permit requirements. Total imports of consumer goods increased by 82.1 percent in 1989, 44.4 percent in 1990 and 10.6 percent in 1991. Consumer products, which in 1988 represented 10.2 percent of total imports, increased to 14.9 percent of the total in 1989, 16.3 percent in 1990 and then fell to 14.8 percent in 1991.

Mexican consumers are very much influenced by the U.S. market. Many have been to border communities and are familiar with U.S. products. This familiarity has created an attraction for imported products that has been further reinforced by the fact that these items were not available in Mexico because their import was either prohibited or non-competitive.

The trade liberalization resulted in a short-term boom that is giving way to a stabler growth pattern. More reasonable purchasing programs are developing that are mostly based on a close relationship between local chains and major foreign distributors or representatives. Consumers no longer favour imports over locally-made items only because they are imported. Rather, they shop for a price and quality balance. Brand and company names are also being recognized.

2. ECONOMIC ENVIRONMENT

In 1988, the Mexican government implemented the Economic Solidarity Pact with the objective of reducing the inflation rate. The Pact features traditional austerity measures, entailing tight fiscal and monetary policies, and unorthodox measures, such as price, wage and exchange rate controls. This program, which has been the cornerstone of Mexico's economic policy for the past four years and has recently been extended to January 1993, has resulted in a drastic reduction of the inflation rate from an annual rate of 159 percent in 1987 to 19.7 percent

in 1989. Although inflation rebounded to 29.9 percent in 1990, it was brought down to 18.5 percent in 1991 and is expected to be 10 percent to 12 percent in 1992. At the same time, interest rates have fallen substantially to the present 17 percent (as of June 1992) and the peso-dollar devaluation rate has been set at Mex\$0.2 pesos a day or 2.4 percent per annum.

Mexico's 1992 macroeconomic policy aims to consolidate the progress made with regard to price stabilization and to reaffirm gradual and sustained economic recuperation. This will be achieved by establishing the conditions necessary to encourage national and foreign investment and by stimulating local demand. The government also hopes to strengthen the improvement in living standards of the poorest segment of society by means of the Solidaridad program.

In 1989, domestic economic activity improved for the third consecutive year, following the 1986 recession, with a gross domestic product (GDP) growth rate of 3.1 percent. In 1990, the GDP increased by 3.9 percent and by another 3.6 percent in 1991 to reach \$280.3 billion. In 1991, Mexico had a population of 82.8 million and per capita GDP was estimated at \$3,385. Additionally, manufacturing output grew by 5.2 percent in 1990 and 3 percent in 1991 in real terms, private investment and consumption expanded by 13.6 percent and 5.2 percent respectively, and public investment was up by 12.8 percent. During the 1992-1994 period, the GDP is expected to maintain an average annual growth rate of 4 percent to 5 percent. Preliminary figures place the GDP growth at 4 percent for 1992.

In an effort to revitalize and open the Mexican economy, the Mexican government undertook a series of structural changes. These included the accession to the General Agreement on Tariffs and Trade (GATT) on August 24, 1986, which in turn led to an extensive trade liberalization process. Import permits were eliminated on all but 325 of the total 11,950 tariff items, as listed in the Harmonized System adopted in 1989. Official import prices and the 5 percent export development tax are no longer applicable. In addition, import duties were lowered from a maximum of 100 percent in 1982 to 20 percent in January 1988. The weighted average tariff rate is now 10.4 percent. The automotive and computer industries have also been liberalized through the elimination of prior import permits. The North American Free Trade Agreement will further

strengthen trade between Canada, the United States and Mexico.

According to official data from the Mexican Secretariat of Commerce and Industrial Development (SECOFI), Mexico's trade balance dropped once again in 1991 to a \$10.4 billion deficit from a decrease of \$3 billion in 1990. Exports increased by 2.6 percent in 1991, from \$26.8 billion to \$27.6 billion, while imports grew 22.2 percent, from \$29.8 billion to \$38 billion in 1991. Imports to Mexico had already increased 27.2 percent in 1990 from \$23.4 billion in 1989.

3. MARKET ASSESSMENT

The total Mexican market for office and household furniture and lighting fixtures amounted to \$435.4 million in 1988. This amount increased by 24 percent in 1989 in response to the economic recovery and the increase in disposable income as inflation fell. In 1990, the market grew again by 12 percent to \$605 million, prompted by a 36.8 percent increase in imports and a 6 percent increase in local production (see Table 1). During 1991, demand increased by an estimated 6 percent to \$642.2 million.

This market is expected to grow at an average annual rate of 5 percent and total \$741.7 million in 1994. Imports are expected to grow at a faster pace than domestic production, and increase their market participation from 8.6 percent in 1988 to 22.3 percent in 1994.

Table 1: APPARENT CONSUMPTION OF FURNITURE AND LIGHTING FIXTURES (U.S. \$, Millions)

	1988	1989	1990	1991 ^e	1992 ^p
Production	450.2	508.7	539.2	560.8	630.8
+ Imports	37.5	85.8	117.4	131.5	165.6
- Exports	52.3	54.5	51.6	50.1	54.7
	435.4	540.0	605.0	642.2	741.7

Source : Secretaría de Comercio y Fomento Industrial (SECOFI) and Instituto Nacional de Geografía, Estadística e Informática (INEGI).

Note : e = estimated, p = predicted

Table 2: APPARENT CONSUMPTION IN 1990

Category	Value	% of total	Import Share (%)
Metal Furniture	179.2	29.6	17.8
Wood Furniture	152.2	25.2	33.2
Bedding	109.2	18.0	4.0
Lamps & lighting fittings	102.2	16.9	20.8
Furniture and other materials	62.2	10.3	10.1
	605.0	100.0	19.4

The largest segment of the market for office and household furniture and lighting fixtures is metal furniture, dominated by the demand for such items as filing cabinets, desks and chairs, which accounted for \$179.2 million. Wood furniture, mostly home furniture including tables, chairs, cabinets, bookcases and sofas, amounted to \$152.2 million. Mattresses, box springs and other bedding totalled \$109.2 million, lighting fixtures \$102.2 million, and plastic and other furniture \$62.2 million.

3.1 Imports

While imports represented only 8.6 percent, or \$37.5 million, of total apparent consumption in 1988, by 1990, they accounted for 19.4 percent of total consumption and were valued at \$117.4 million, having increased by 129 percent in 1989 and another 36.8 percent in 1990 (see Table 1). For 1991, imports reached \$131.5 million, reflecting a decreasing growth rate estimated at 12 percent for that year. Imports are expected to continue growing at a faster pace than local production, estimated at 8 percent per annum, and total \$165.6 million by 1994. Table 3 illustrates the total imports by category between 1988 and 1990.

Table 3: FURNITURE IMPORTS (U.S. \$000)

	1988	1989	1990
Swivel seats	561.1	1,682.4	3,614.2
Seats convertible into beds	234.3	888.3	1,095.1
Seats of cane, bamboo, etc.	442.1	709.5	1,172.4
Upholstered seats, wood frame	2,428.0	8,807.9	10,975.9
Other seats, wood frame	805.8	1,764.1	1,895.8
Upholstered seats, metal frame	757.1	3,253.2	4,585.3
Other seats, metal frame	491.6	1,073.3	1,422.5
Other seats	1,215.8	3,470.7	4,338.3
	6,935.8	21,649.4	29,099.5
Parts of seats	977.2	892.8	2,321.4
Office furniture	471.8	1,899.6	3,886.7
Other furniture	2,629.2	8,056.0	12,304.2
	3,101.0	9,955.6	16,190.9
Office furniture	782.4	2,615.2	5,492.8
Kitchen furniture	1,477.1	2,891.9	3,949.6
Bedroom furniture	3,980.8	8,596.8	9,056.9
Other furniture	5,956.0	12,733.8	16,821.8
	12,196.3	26,837.7	35,321.1
Plastic furniture	1,900.1	3,109.4	4,171.9
Furniture, other materials	1,153.4	1,731.6	2,100.0
	3,053.5	4,841.0	6,271.9
Parts of furniture	926.4	1,392.2	2,498.2
Beds & mattresses	653.4	902.2	1,178.8
Sleeping bags	60.1	101.1	128.7
Pillows & cushions	554.4	1,480.8	2,036.1
Other bedding	533.9	1,581.5	1,047.9
	1,801.8	4,065.6	4,391.5
For ceiling or wall			
Lamp batteries/plugs/switches	228.3	328.6	374.9
Lamp stands & other fittings	255.9	927.0	664.9
Chandeliers	415.2	921.5	1,159.5
Lamps of iron or steel	1,854.8	2,468.3	3,014.7
Other for ceiling & wall	2,102.0	3,522.8	5,810.5
For table, desk floor			
Bedside/office/inside lamps	2,536.81	4,436.8	4,333.5
Other lamps	177.3	744.8	869.0
Other electric lighting fixtures	678.9	2,447.3	4,585.2
Non-electric lighting	235.7	399.0	457.7
	8,484.9	16,196.1	21,269.9
	37,476.9	85,830.4	117,364.4

Source : SECOFI

The largest import category (see Table 3) corresponds to wood furniture, which accounts for 30 percent of the total imports. Imported wood furniture is also responsible for 33.2 percent of total apparent consumption (see Table 2). For these two reasons, this segment represents the best opportunities for foreign suppliers wishing to enter the Mexican furniture market.

The second most important import category is seats, in particular, wood frame sofas, sofa beds and swivel chairs, which are mostly used in offices. Imports in this area are estimated at about 15 percent and it is considered a potentially good and growing market for foreign suppliers.

Metal furniture imports are estimated to be about 14 percent of total apparent consumption. This market has been growing rapidly and is beginning to represent a significant part of total consumption.

Imports of lamps and lighting fixtures also have increased rapidly and represent 20.8 percent of the market. Here also, imported high-tech designs and technology have good market opportunities.

Imports of furniture made of plastics and other materials play a small role in this market and imports are still not very significant.

In the bedding segment, domestic production satisfies almost all the total demand. Imports are relatively few and have not increased as fast as other sectors.

The United States has traditionally been the most important supplier of furniture to Mexico, enjoying an 85.5 percent market share. Several other competitors have also been present in the market, including Italy, Spain, France, Germany, China, Japan and Canada among the stronger ones.

Table 4: IMPORT MARKET SHARE
(Percentage)

Category	United States	2nd Competitor	Canada
Seats	83.3	Italy 7.7	0.2
Metal furniture	89.9	China 3.7	0.3
Wood furniture	87.6	Spain 3.9	0.1
Furniture, other	75.9	Italy 6.0	0
Parts of furniture	82.8	Italy 9.4	0.1
Bedding	97.3	Italy 0.7	0.3
Lamps & lighting	82.9	Italy 3.8	0
	85.6	Italy 5.7	0.2

Source : SECOFI

As can be seen in Table 4, Canada's participation in this market has been very low. Nonetheless, there are good opportunities in Mexico for Canadian suppliers, especially for wood furniture if a more aggressive market strategy is used.

Canadian exports, as reported by the Canadian International Trade Division, fell from Cdn\$666,000 in 1988 to Cdn\$281,000 in 1989. However, in 1990, they almost doubled to Cdn\$569,000. In 1991, exports rocketed to Cdn\$2.1 million. The category of parts for seats, which includes seats for cars and other vehicles, is the largest. Nonetheless, excluding seat parts, Canadian exports to Mexico amounted to Cdn\$702,000 in 1991, up 51 percent from 1990's Cdn\$464,000. (Table 5 provides a breakdown of Canadian trade with Mexico).

Table 5: CANADIAN TRADE OF FURNITURE WITH MEXICO
(Cdn \$000)

Canadian Exports to Mexico	1988	1989	1990	1991
Upholstered seats	0	15	0	0
Other seats	0	16	0	0
Parts of seats	407	57	105	1,452
Metal furniture	31	18	120	190
Wood furniture	29	0	0	54
Plastic furniture	16	0	0	6
Furniture, other materials	134	110	0	0
Furniture parts	4	0	15	0
Bedding articles	10	24	327	441
Chandeliers	10	0	2	8
Electric lamps	25	41	0	3
	666	281	569	2,154

Canadian Imports from Mexico	1988	1989	1990	1991
Upholstered seats	0	0	27	41
Other seats	13	23	43	78
Parts of seats	6,268	8,038	6,358	15,652
Metal furniture	143	169	661	1,089
Wood furniture	386	779	690	4,376
Plastic furniture	8	0	0	0
Furniture, other materials	24	21	31	46
Furniture parts	161	84	82	74
Bedding articles	237	88	154	99
Chandeliers	55	39	108	84
Electric lamps	83	401	92	563
Non-electric lamps	0	73	66	92
	7,378	9,715	8,312	22,194

Source : Statistics Canada, International Trade Division

Canadian imports from Mexico have a much greater value than Canadian exports. They totalled Cdn\$22 million in 1991. Excluding the category of parts for seats, total Canadian imports from Mexico have grown steadily from Cdn\$1.1 million in 1988 to Cdn\$6.5 million in 1991.

Canadian manufacturers have not penetrated the Mexican consumer market to any significant degree. They have lagged behind the United States, and Europe and Asian countries in supplying the growing demand for imported furniture in Mexico. Several factors have been responsible for this:

- Mexican consumers' familiarity with U.S.-made products;
- Mexican retailers' familiarity with doing business with the United States and many of them have exclusive representatives or distributors in that and other countries;
- Geographical proximity with the United States, which reduces freight and other costs, and allows for faster delivery;
- A longstanding relationship of local distributors with U.S. manufacturers and/or distributors in the U.S.;
- Mexican perception that European products are of high quality and Asian exports are generally lower priced and offer better financing terms;
- Mexican retailers and consumers have little or no knowledge of Canadian products; and

- Perception by Mexican retailers that Canadian manufacturers have very little interest in marketing their products in Mexico. The retailers reported that they have received very few catalogues, calls or visits by Canadian producers or traders.

There is a growing market in Mexico for imported furniture with a potential for Canadian products. Useful strategies for export to Mexico include:

- Participating in existing trade shows or staging an all-Canadian consumer products exhibition in Mexico. Among the most important furniture shows in Mexico is the TECHNO MUEBLE (furniture, hardware & accessories, and furniture manufacturing equipment show). TECHNO MUEBLE attracts over 8 500 retail executives. The next TECHNO MUEBLE show will be held in Guadalajara, July 8-10, 1994.
- Periodically visiting or corresponding with the top buyers of Mexico's largest chain stores. This is probably the most useful strategy because much business in Mexico is made through this type of contact.
- Direct-mail campaigns presenting catalogues and product lines to the top buyers. This strategy would be more useful after a first visit and personal contact with executives.
- Having a good representative or distributor in Mexico who has proven relationships with top retailers. A close supervision of the operation will have to be maintained, at least during the initial period.
- Competitive pricing, novelty and/or quality are crucial to successful sales in Mexico. These are very similar to the standard required by U.S. consumers. If the Canadian product is sold and/or competitive in the United States, the probability is high that it will have a market in Mexico.
- There is no special "need" for any particular consumer product in Mexico. It is more common that the supply creates its own demand. It is,

therefore, important to identify the "right" store(s) for a certain product in terms of consumers' income and taste, which are similar to those found in Canada or the United States, and to market the product aggressively with these stores. Once the product is accepted by a large chain, it will be easier to market elsewhere.

3.2 Domestic Production

The domestic wood furniture manufacturing industry represents 1.6 percent of total manufacturing GDP and only 0.4 percent of total GDP. Metal furniture manufacturing accounts for 0.08 percent. Between 1970 and 1986, the industry grew at an average rate of 3.2 percent, as compared to a 4.6 percent overall GDP growth rate.

Furniture manufacturing is a very fragmented industry. It is estimated that there are about 2,200 furniture manufacturers in Mexico, excluding small shops. Most of these (62 percent) are very small establishments with an average of six workers. About 33 percent of the furniture manufacturers are small firms with 25 workers. Only one percent of the firms are considered large, employing, on average, 226 workers.

Most of the furniture manufacturers (40 percent) are located in the Mexico City area, and in the northern (20 percent) and western (20 percent) regions of the country near Mexico's largest consumer centres, Guadalajara and Monterrey.

The Mexican furniture industry still has a very low automation level, especially for the production of wood furniture for which portable equipment is still predominantly used.

With regard to the total of wood furniture manufacturing, about 50 percent is household furniture, 7 percent is kitchen furniture, and 25 percent is so-called loose pieces, such as chairs, bookcases, chests of drawers, etc. that are used in the private home. Office furniture represents another 14 percent, do-it-yourself furniture 1 percent and components 3 percent. Within the category of household furniture, 55 percent corresponds to living room, 28 percent to dining room and 17 percent to bedroom furniture.

Most wood furniture is made of pine, mahogany and cedar wood, as well as agglomerate, particularly

for kitchen furniture. Metal furniture is basically for office and commercial establishments.

Table 6: PRODUCTION LEVELS OF WOOD FURNITURE IN 1987

	Number of items or sets
Living room.....	15,641
Bedroom.....	8,564
Dining room.....	11,892
Kitchen	2,679
Chairs.....	19,609
Bookcases.....	9,174
Desks	7,322
Filing cabinets	4,409
Components.....	31,683
Loose pieces	414,286

Source : INFOTEC - Industria de Muebles de Madera, 1988

Prompted by increased competition from abroad, over the past three years, most Mexican manufacturers have been investing in improvements, mostly machinery and equipment plant expansion and refurbishing and technology. Manufacturers are expected to continue doing so. Imports will, however, continue to play an important role because:

- Fragmentation of the industry does not allow large-scale operations;
- Automation levels in the local industry are still relatively low, therefore increasing costs;
- Production is usually made on a relatively small scale;
- There is a lack of qualified labour;
- Quality control is generally only visual and therefore superficial;
- No set standards are used;
- Innovation is scarce and design is limited to adapting or copying existing designs; and
- Availability and quality of raw materials are usually insufficient and prices high.

Mexico's domestic furniture industry has also been consolidating its exports, which in 1990 reached \$51.6 million or almost 10 percent of production (see Table 7).

Table 7: MEXICO'S EXPORTS OF FURNITURE (U.S. \$000)

	1988	1989	1990
Seats	7,098.4	6,061.7	6,677.8
Metal furniture	10,818.8	13,502.4	11,867.6
Wood furniture	14,531.8	17,099.4	14,995.8
Furniture, other materials	1,624.9	1,519.8	1,300.9
Parts for furniture	3,847.9	4,475.9	5,054.3
Bedding	701.7	689.5	593.4
Lamps & lighting fittings	13,709.0	11,104.1	11,114.8
	52,332.5	54,452.8	51,604.6

Source : SECOFI

4. DISTRIBUTION PRACTICES

Distribution channels are similar to those found in other parts of the world: producers sell to wholesalers and distributors, and directly to the retailers, normally in the case of supermarkets, department stores and chain stores. Wholesalers and distributors then sell to the retailers, including supermarkets. The most common distribution channels for furniture are wholesalers, chain stores specializing in furniture, department stores and very large supermarkets. A small proportion is distributed directly from the manufacturer to retail outlets.

Table 8: FURNITURE SALES IN 1987 (\$000)

	Wholesale			Retail		
	S	E	\$	S	E	\$
Mexico City	38	38	2,402	170	27	900
Guadalajara	6	17	629	24	63	2,260
Monterrey	16	33	1,081	33	31	1,255

Notes : S = number of stores for furniture distribution;
E = number of employees

Source : A survey carried out by INEGI in Mexico's largest cities.

Table 9: FURNITURE DISTRIBUTORS

Chain	Area	# of Stores	Square Metres	Sales
Department stores				
Palacio de Hierro	Mexico	4	63,500	\$215 MM *
Puerto de Liverpool	National	8	136,000	\$421 MM *
Sears	National	37	134,000	
Almacenes García	National	18	21,320	
Almacenes Zaragoza	Northwest	7	15,700	
Casa Rodoreda	Centre	3	10,337	
Central Detallista	Northwest	12	29,000	
José Ramírez	Gulf	12	7,900	
Puerto de Guaymas	Northwest	10	31,150	
Grupo Acevedo	Gulf	8	16,100	
Grupo del Sureste	Southeast	7	12,200	
Importaciones Comer.	Caribbean	5	8,300	
Ciudad de París	North	4	12,000	
Sanborn's	National	54	55,042	
Super del Bajío	Centre	5	7,950	
Woolworth	National	46	69,947	
Chain stores				
Salinas Y Rocha	National	87	108,171	
Singer	National	117	23,424	
Super Hogar	Mexico	12	10,250	

The areas listed include the following states:

North: Nuevo León, Chihuahua, Durango and Coahuila;
 Northwest: Baja California, Baja California Sur, Sonora and Sinaloa;
 Northeast: Tamaulipas; Centre: Jalisco, Nayarit, Guanajuato, San Luis Potosí and Michoacán;
 Gulf: Veracruz and Tabasco; Caribbean: Yucatán, Quintana Roo.

* The sales are of the largest department stores that participate in the Mexican Stock Exchange

Source: ANTAD

In the case of imported products, the exporter usually ships the products to a distributor or a representative in Mexico. In some cases, the supermarket or department store chain or the specializing chain store imports the product directly, often through a representative or broker in the United States. Imported products are sold mostly in Mexico City and other large urban areas through supermarkets, department stores and chain stores. This accounts for some 80 percent of imported products sales. Small retail stores in Mexico carry only limited inventories, if any, of imported products.

Promotion of furniture is mostly done through use of a direct sales force, followed by participation in national and international exhibitions, and the use of newspaper, radio, TV and magazine advertisements.

The commercial profit margin is usually about 42 percent on the cost and 30 percent on the sales price. Distributors purchase household goods with either cash or credit, in similar proportions. Final sales are usually made in cash or with credit cards. Credit is usually granted for periods of 30 days.

The private sector distribution channel, which accounts for 90 percent of sales (the remainder is through government or union stores), is strong and adequate. It is, however, very centralized in the Mexico City area.

To get their products to national markets, many companies maintain regional warehouses and some have plants in different areas of the country. Most national chain stores have their main purchasing offices in Mexico City, where the initial sale and contact is made, but regional purchasing offices are responsible for re-supplying. Others operate their own fleet of trucks to deliver to major market areas where products then move into wholesale/distribution channels. Some companies even ship directly to their clients through the normal transportation network.

The cities which show the highest consumer indexes of non-durable goods are Mexico City (39 percent), Guadalajara (7 percent), Monterrey (6 percent), Puebla (4 percent), and León, Tampico and Culiacán (2 percent).

Commercial establishments are grouped in several chambers of commerce and associations, the most important of which are the national chambers of commerce, which are all associated within the National Confederation of Commercial, Services and Tourism Chambers (CONCANACO-SERVYTUR); Mexico City Commerce, Services and Tourism Chamber (CANACO); and ANTAD.

According to a survey made by CONCANACO in the Mexico City area, most furniture stores source themselves directly from the producer, although some 30 percent purchase from wholesalers. At the same time, about 50 percent of stores that purchase imported furniture do so from local distributors rather than by importing directly.

5. END USER SECTORS

Mexico's population is approximately 86 million, of which 70 percent are under 30 years of age. With an estimated annual growth rate of 2 percent (during the last three decades, population growth averaged 3.2 percent), total population in Mexico will reach 100 million by the year 2000. Fifty-two percent of Mexico's total population live in towns with more than 15,000 inhabitants. Mexico City alone has 16 million inhabitants, followed by Guadalajara (4 million), Monterrey (3 million) and Puebla (2 million).

There were 16 million housing units throughout the country, based on the 1980 census. As of 1989, there are an estimated 17.6 million housing units. Of these, 68 percent are owned by their inhabitants, while the remainder are rented or belong to someone else. Only 6 percent of housing units have more than five rooms; 27 percent have between three and five rooms, and 68 percent have fewer rooms.

In order to cover the needs of an increasing population and to replace old housing, over 8 million units will have to be constructed between 1988 and 2000. Of these, 74 percent will be of low-income housing, 21 percent of middle-class housing and 5 percent of high to luxury housing.

According to the Centro Impulsor de la Construcción y la Habitación A.C. (CIHAC), private investment in construction has increased from \$11.9 billion in 1988 to \$15.4 in 1990, to \$16.7 million in 1991, a further 8.5 percent (see Table 10).

Public investment in construction was estimated at \$7 billion in 1990, of which 34 percent was for the construction of office buildings (11.6 percent), industrial and commercial buildings (8.7 percent), hospitals (6.9 percent), schools (5 percent) and housing (2 percent).

**Table 10: PRIVATE INVESTMENT
IN CONSTRUCTION**

	1990 Units	1991 Units	1990 (US\$,million)	1991 (US\$,million)
Residential buildings				
One-family housing	77,100	82,500	5,355.9	6,333.3
Luxury	2,100	2,500		
Middle	27,000	29,000		
Social	48,000	82,500		
Multiple-family housing	67,775	75,400	2,150.8	2,620.0
Luxury	1,575	1,600		
Middle	13,200	13,800		
Social	53,000	60,000		
Self-construction	330,000	360,000	1,312.9	1,786.7
Suburban	180,000	200,000		
Rural	150,000	160,000		
TOTAL			8,819.6	10,740.0
Remodelling & maintenance of residential construction				
Luxury	15,000	16,000		
Middle	110,000	115,000		
Social	160,000	470,000		
TOTAL	585,000	601,000	812.2	985.0
Commercial buildings				
Luxury Offices	28	30		
Middle Offices	70	60		
Malls	11	20		
Supermarkets	21			
Stores	420			
TOTAL	550	110	1,236.8	1,122.7

Source : Catálogo CIHAC de la Construcción 1991

A study prepared by CIHAC, based on census data, indicated that the annual production of housing units increased by 3.8 percent or 600,000 per year. Only 300,000 of these are acceptable, that is, of private ownership, and have three or more rooms, proper walls, floors and roofs, electricity, running water, bathroom and kitchen. Of these, 75 percent are so-called economic or social-interest housing that are built and/or financed by Infonavit, Fonhapo, Fovissste or other government agencies specifically created to encourage and finance economic housing for the working class. These houses usually have an average of 55 square meters, consisting of a living/dining room, bathroom, kitchen and two bedrooms. Middle-class housing, which represents approximately 15 percent of the total, has between

60 and 120 square meters, and includes an additional bedroom and bathroom. Luxury houses are about 5 percent of the total. These units average 250 square meters in size with five bedrooms and three or four bathrooms.

6. MARKET ACCESS

As a result of Mexico's accession to GATT, the Mexican government has gradually opened the economy to the international marketplace. Tariffs have been lowered from a maximum 100 percent in 1983 to 20 percent since December 1988. The official price system has been totally eliminated and import permits are required on only 198 of the total 11,812 items in the Mexican Harmonized Tariff System.

The import climate for furniture has improved significantly as a result of this liberalization. Furniture imports are subject only to an *ad valorem* duty of a maximum 20 percent assessed on the invoice value. A customs processing fee of 0.8 percent is also assessed on the invoice value. A 10 percent value added tax (recently reduced from 15 percent) is then assessed on the cumulative value of both taxes in addition to the invoice value. Furniture is classified under numbers 9401 to 9405 of the Harmonized System Nomenclature.

Formerly, in order to bid on tenders and sell to a government agency or decentralized company, foreign manufacturers were required to have a local resident agent, and to have the foreign supplier registered and accepted by the Secretariat of Planning and Budgeting (Secretaría de Programación y Presupuesto [SPP]). As of July 1991, the requirement for prior registration with SPP has been eliminated.

The new procedures now in force require the foreign supplier to have a local agent or representative. The foreign supplier must also be registered through the local representative as an accepted supplier with each government ministry and/or decentralized agency, according to the international tender requirements. These requirements are currently under review.

International tenders financed by the World Bank or the International Development Bank are open to all member countries of these institutions. Recently, the World Bank, in cases where it has supplied

credit, has required that bid documents should include an affidavit confirming that the bidder is a bona fide Canadian company with an official residence in Canada and that Canada is recognized as a contributing member to the World Bank.

There are no official metric requirements applicable to imports into Mexico. However, the metric system of units is, by law, the official standard of weights and measures in Mexico. Importers will usually require metric labelling for packaged goods, although the English system is also used. Dual labelling is acceptable.

Imported products should be labelled in Spanish and contain the following information, as applicable: name of the product, trade name and address of the manufacturer, net contents, serial number of equipment, date of manufacture, electrical specifications, precautionary information on dangerous products, instructions for use, handling and/or product conservation, and mandatory standards.

Mexico adheres to the International System of Units (SI).

Electric power is 60 cycles with normal voltage being 110, 220 and 400. Three-phase and single-phase 230 volt current is also available.

Appendix A – ABBREVIATIONS

ANTAD	Asociación Nacional de Tiendas de Autoservicios y Departamentales [National Association for Supermarkets and Department Stores]
CANACO	Cámara Nacional de Comercio, Servicios y Turismo de la Ciudad de México [México City Commerce, Services and Tourism Chamber]
CIHAC	Centro Impulsor de la construcción y la Habitación [Construction and Housing Promoting Centre]
CONCANACO-SERVUYTUR	Confederación de Cámaras Nacionales de Comercio, Servicios y Turismo [National Confederation of Commerce, Services and Tourism]
C.V.	Capital Variable [Variable Capital]
GATT	General Agreement on Tariffs and Trade [Acuerdo General Sobre Aranceles Aduaneros y Comercios]
GDP	Gross Domestic Product [Producto Interno Bruto]
INEGI	Instituto Nacional de Geografía, Estadística e Informática [National Institute of Geography, Statistics and Information]
S.A.	Sociedad Anonima [Stock Company]
SECOFI	Secretaria de Comercio y Fomento Industrial [Mexican Secretariat of Commerce and Industrial Development]
SI	Sociedad Internacional de Unidades [International System of Units]
SPP	Secretaria de Programación y Presupuesto [Secretariat of Planning and Budgeting]

Appendix B – WHERE TO GO FOR ASSISTANCE*

**CANADIAN GOVERNMENT
DEPARTMENTS AND SERVICES
IN CANADA**

**DEPARTMENT OF FOREIGN AFFAIRS AND
INTERNATIONAL TRADE (Ottawa)**

Department of Foreign Affairs and International Trade (DFAIT) is the Canadian federal government department most directly responsible for trade development. The **InfoEx Centre** is the first contact point for advice on how to start exporting; it provides information on export-related programs and services; helps find fast answers to export problems; acts as the entry point to DFAIT's trade information network; and provides interested companies with copies of specialized export publications.

InfoEx Centre

Tel.: 1-800-267-8376 or (613) 944-4000
Fax: (613) 996-9709

Latin America and Caribbean Trade Division promotes trade with Mexico. There are several trade commissioners at the Embassy of Canada in Mexico City, and there is a satellite office in Monterrey. Trade commissioners can provide a range of services including introducing Canadian companies to potential customers in Mexico, advising on marketing channels, assisting those wishing to participate in trade fairs, helping identify suitable Mexican firms to act as agents, and compiling credit and business information on potential foreign customers.

**Latin America and Caribbean Trade
Division (LGT)**

Department of Foreign Affairs and
International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Fax: (613) 943-8806

INTERNATIONAL TRADE CENTRES

International Trade Centres have been established across the country as a first point of contact to support the exporting efforts of Canadian firms. Co-located with the regional offices of Industry Canada, the centres operate under the guidance of DFAIT and all have resident trade commissioners. They help companies determine whether or not they are ready to export; assist firms with marketing research and market planning; provide access to government programs designed to promote exports; and arrange for assistance from the Trade Development Division in Ottawa and trade officers abroad. Contact the International Trade Centre nearest you:

British Columbia

Scotia Tower
900-650 West Georgia Street
P.O. Box 11610
Vancouver, B.C.
V6B 5H8
Tel: (604) 666-0434
Fax: (604) 666-0617

Yukon

Room 210
300 Main Street
Whitehorse, Yukon
Y1A 2B5
Tel: (403) 667-3921
Fax: (403) 668-5003

Alberta

Canada Place
Suite 540
9700 Jasper Avenue
Edmonton, Alberta
T5J 4C3
Tel: (403) 495-4782
Fax: (403) 495-4507

11th Floor
510-5th Street S.W.
Calgary, Alberta
T5P 3S2
Tel: (403) 292-6660
Fax: (403) 292-4578

* Source: *Canada-Mexico: Partnering for Success*
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Ottawa, Ontario.

Northwest Territories

Precambrian Building
10th Floor
P.O. Box 6100
Yellowknife, NWT
X1A 2R3
Tel: (403) 920-8578
Fax: (403) 873-6228

Saskatchewan

Suite 401
119-4th Avenue South
Saskatoon, Sask.
S7K 5X2
Tel: (306) 975-4400
Fax: (306) 975-5334

4th Floor
1955 Smith Street
Regina, Sask.
S4P 2N8
Tel: (306) 780-7520
Fax: (306) 780-6679

Manitoba

7th Floor
330 Portage Avenue
P.O. Box 981
Winnipeg, Manitoba
R3C 2V2
Tel: (204) 983-4090
Fax: (204) 983-2187

Ontario

Dominion Public Building
4th Floor
1 Front Street West
Toronto, Ontario
M5J 1A4
Tel: (416) 973-5000
Fax: (416) 973-8714

Quebec

Stock Exchange Tower
Suite 3800
800 Victoria Square
P.O. Box 247
Montréal, Québec
H4Z 1E8
Tel: (514) 283-7907
Fax: (514) 283-8794

New Brunswick

Assumption Place
770 Main Street
P.O. Box 1210
Moncton, N.B.
E1C 8P9
Tel: (506) 857-4782
Fax: (506) 851-6429

Prince Edward Island

Confederation Court Mall
Suite 400
134 Kent Street
P.O. Box 1115
Charlottetown, P.E.I.
C1A 7M8
Tel: (902) 566-7400
Fax: (902) 566-7450

Nova Scotia

Central Guarantee Trust Tower
5th Floor
1801 Hollis Street
P.O. Box 940, Station "M"
Halifax, N.S.
B3J 2V9
Tel: (902) 426-4782
Fax: (902) 426-2624

Newfoundland

Atlantic Place
Suite 504
215 Water Street
P.O. Box 8950
St. John's, Nfld.
A1B 3R9
Tel: (709) 772-4782
Fax: (709) 772-5093

**WORLD INFORMATION NETWORK
FOR EXPORTS**

The World Information Network for Exports (WIN Exports) is a computer-based information system designed by DFAIT to help Canada's trade development officers abroad match foreign needs to Canadian capabilities. It provides users with information on the capabilities, experience and interests of more than 30,000 Canadian exporters. To be registered on WIN Exports, call: (613) 996-5701.

PROGRAM FOR EXPORT MARKET DEVELOPMENT (PEMD)

This program seeks to increase export sales by sharing the costs of industry-initiated activities aimed at developing export markets. PEMD is administered by Industry Canada regional offices and funded by DFAIT. Activities eligible for PEMD financial support (up to 50 per cent of the costs) include:

- participation in recognized foreign trade fairs outside of Canada;
- trips to identify export markets and visits by foreign buyers to Canada;
- project bidding or proposal preparation at the precontractual stage for projects outside Canada;
- the establishment of permanent sales offices abroad in order to undertake sustained marketing efforts; and,
- special activities for non-profit, non-sales food, agriculture and fish organizations, marketing boards and agencies, trade fairs, technical trials, and product demonstrations (for example).

Support is also provided for certain types of government-planned activities, such as outgoing trade missions of Canadian business representatives and incoming missions to Canada of foreign business and government officials who can influence export sales.

For Information, call: (613) 954-2858.

INTERNATIONAL FINANCING

DFAIT helps Canadian exporters interested in pursuing multilateral business opportunities financed by international financing institutions (IFI). Canadian exporters and trade associations can access market data, obtain a better understanding of the competition, and determine if an IFI-funded market opportunity is practical and worth pursuing. DFAIT can provide information and advice on the availability of Canadian government-funded assistance programs and can assist companies in developing effective export marketing. For further information contact:

International Finance Division
Department of Foreign Affairs and
International Trade
Tel: (613) 995-7251
Fax: (613) 943-1100

TECHNOLOGY INFLOW PROGRAM

Managed by DFAIT and delivered domestically by the National Research Council, this program is designed to help Canadian companies locate, acquire and adopt foreign technologies by promoting international collaboration. Industry Canada also helps in program promotion. The program officers respond to requests to identify technology sources and opportunities for cooperation between Canadian and foreign firms. The program will also help Canadian firms make exploratory visits abroad to identify and gain first-hand knowledge of relevant foreign technologies as well as to negotiate to acquire them.

INVESTMENT DEVELOPMENT PROGRAM

This program helps Canadian companies find the investment they need. It actively promotes investments that take the form of new plant and equipment, joint ventures or strategic partnerships. It is especially interested in attracting investment that introduces new technology into Canada, a key to creating new jobs and economic opportunities. Investment officers make contact with foreign investors and bring them together with Canadian companies. For information, call: (613) 996-8625.

INDUSTRY CANADA

Industry Canada was created with a broad mandate to improve the competitiveness of Canadian industry. In the area of small business, it has been given specific responsibility to:

- develop, implement and promote national policies to foster the international competitiveness of industry; the enhancement of industrial, scientific and technological development; and the improvement in the productivity and efficiency of industry;

- promote the mobility of goods, services, and factors of production within Canada;
- develop and implement national policies to foster entrepreneurship and the start-up, growth and expansion of small businesses;
- develop and implement national policies and programs respecting industrial benefits from procurement of goods and services by the government of Canada;
- promote and provide support services for the marketing of Canadian goods, services and technology; and,
- promote investment in Canadian industry, science and technology.

INDUSTRY CANADA REGIONAL OFFICES

The regional offices work directly with Canadian companies to promote industrial, scientific and technological development. They help clients recognize opportunities in a competitive international marketplace by providing services in the areas of business intelligence and information, technology and industrial development, and trade and market development. They also promote and manage a portfolio of programs and services.

The following are areas in which Industry Canada regional offices have special competence:

- access to trade and technology intelligence and expertise;
- entry points to national and international networks;
- industry sector knowledge base;
- co-location with International Trade Centres connected to DFAIT and Canadian posts abroad;
- client focus on emerging and threshold firms; and,
- Industry Canada Business Intelligence

THE BUSINESS OPPORTUNITIES SOURCING SYSTEM (BOSS)

BOSS is a computerized databank that profiles over 26,000 Canadian companies. It lists basic information on products, services and operations that is useful to potential customers. The system was established in 1980 by Industry Canada in cooperation with participating provincial governments. BOSS was originally established so that trade commissioners posted around the world by DFAIT could find Canadian companies that might be able to take advantage of foreign market opportunities. Today, more than 11,000 domestic and international subscribers use the system not only to locate Canadian suppliers but also to obtain market intelligence and identify market opportunities. The majority of subscribers are Canadian companies.

For information call: (613) 954-5031.

MARKET INTELLIGENCE SERVICE

This service provides Canadian business with detailed market information on a product specific basis. The service assists Canadian companies in the exploitation of domestic, export, technology transfer, and new manufacturing investment opportunities. The intelligence is used by Canadian business in decisions regarding manufacturing, product development, marketing, and market expansion. The information includes values, volume and unit price of imports, characteristics of specific imports (e.g. material, grade, price range, etc.), names of importers, major countries of export, identification of foreign exporters to Canada, Canadian production, Canadian exports, and U.S. imports. Two-thirds of the clientele for this service are small businesses. Call: (613) 954-4970.

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

An important possible source of financing for Canadian ventures in Mexico is the special fund available through the Canadian International Development Agency (CIDA) under the Industrial Cooperation Program or CIDA/INC. CIDA's Industrial Cooperation Program provides financial contributions to stimulate Canadian private-sector involvement in developing countries by supporting long-term business relationships such as joint ventures and licencing arrangements. INC supports the development of linkages with the private sector in Mexico encouraging Canadian enterprises to share their skills and experiences with partners in Mexico and other countries. A series of INC mechanisms help enterprises to establish mutually beneficial collaborative arrangements for the transfer of technology and the creation of employment in Mexico. There are five INC mechanisms which help eligible Canadian firms to conduct studies and provide professional guidance and advice to potential clients. Where a project involves environmental improvement, technology transfer, developmental assistance to women, job training, or job creation, early contact with CIDA's Industrial Cooperation Division is suggested.

An important CIDA criterion is that the project creates jobs in Mexico without threatening jobs in Canada. In fact, most CIDA-assisted projects have produced net increases in Canadian jobs.

Industrial Cooperation Division
Canadian International Development Agency
200, Promenade du Portage
Hull, Québec
K1A 0G4
Tel: (819) 997-7905/7906
Fax: (819) 953-5024

ATLANTIC CANADA OPPORTUNITIES AGENCY

Atlantic Canada companies seeking to develop exports to Mexico may be eligible for assistance from the Atlantic Canada Opportunities Agency (ACOA). The agency works in partnership with entrepreneurs from the Atlantic region to promote self-sustaining economic activity in Atlantic Canada.

The ACOA Action Program provides support to businesses as they look to expand existing markets

through the development of marketing plans. Efforts include monitoring trade opportunities arising from global economic change, communications efforts to promote the region, trade missions and associated activities, as well as better coordination with federal and provincial bodies that influence trade and investment opportunities.

ACOA Head Office

Blue Cross Centre
644 Main Street
P.O. Box 6051
Moncton, N.B.
E1C 9J8
Toll free: 1-800-561-7862
Fax: (506) 851-7403

Newfoundland and Labrador

Suite 801, Atlantic Place
215 Water Street
P.O. Box 1060, Station C
St. John's, Nfld.
A1C 5M5
Tel: (709) 772-2751
Toll free: 1-800-563-5766
Fax: (709) 772-2712

Nova Scotia

Suite 600
1801 Hollis Street
P.O. Box 2284, Station M
Halifax, N.S.
B3J 3M5
Tel: (902) 426-8361
Toll free: 1-800-565-1228
Fax: (902) 426-2054

Prince Edward Island

75 Fitzroy Street
3rd Floor
Charlottetown, P.E.I.
C1A 1R6
Tel: (902) 566-7492
Toll free: 1-800-565-0228
Fax: (902) 566-7098

New Brunswick

570 Queen Street
P.O. Box 578
Fredericton, N.B.
E3B 5A6
Tel: (506) 452-3184
Toll free: 1-800-561-4030
Fax: (506) 452-3285

**WESTERN ECONOMIC
DIVERSIFICATION CANADA**

Western Canadian companies interested in Mexico may be able to secure assistance from Western Economic Diversification Canada (WD). This agency provides financial assistance for projects which contribute to the diversification of the western economy. It acts as a pathfinder to ensure that western businesses are aware of and receive assistance from the most appropriate source of funding, federal or other, for their projects. It acts as an advocate for the west in national economic decision-making and it coordinates federal activities that have an impact on economic growth in the west. It also plays a role in promoting trade between western Canada and markets around the world. Inquiries about Western Economic Diversification Canada and other activities of the department can be directed to any of the following regional offices:

Manitoba

P.O. Box 777
Suite 712
The Cargill Building
240 Graham Avenue
Winnipeg, Manitoba
R3C 2L4
Tel: (204) 983-4472
Fax: (204) 983-4694

Saskatchewan

P.O. Box 2025
Suite 601
S.J. Cohen Building
119-4th Avenue South
Saskatoon, Sask.
S7K 5X2
Tel: (306) 975-4373
Fax: (306) 975-5484

For Regina residents: (toll free)
Tel: (306) 780-6725

Alberta

Suite 1500
Canada Place
9700 Jasper Avenue
Edmonton, Alberta
T5J 4H7
Tel: (403) 495-4164
Fax: (403) 495-7725

For Calgary residents: (toll free)
Tel: (403) 292-5382

British Columbia

P.O. Box 49276
Bentall Tower 4
1200-1055 Dunsmuir Street
Vancouver, B.C.
V7X 1L3
Tel: (604) 666-6256
Fax: (604) 666-2353

For B.C. residents: (toll free)
Tel: 1-800-663-2008

EXPORT DEVELOPMENT CORPORATION

Companies exporting to Mexico will need suitable financing and insurance for the transaction. The Export Development Corporation (EDC) may be able to help with both. EDC is a Canadian crown corporation whose purpose is to facilitate and develop Canada's export trade. The corporation provides insurance, guarantees and export financing which, combined with advice and the organization of financial services packages, facilitate the sale of Canadian goods and services abroad. EDC offers the following services:

Export Insurance and Related Guarantees

- global comprehensive insurance
- global political insurance
- selective political insurance
- specific transaction insurance
- specific transaction guarantees
- loan pre-disbursement insurance
- foreign investment insurance
- performance security insurance
- performance security guarantees
- consortium insurance
- surety bond insurance
- bid security guarantees
- specific sub-supplier insurance
- equipment (political risk) insurance
- bid-bond insurance
- medium-term agricultural guarantees

Export Financing and Related Guarantees

- loans
- line of credit allocations
- note of purchases
- protocols
- loan guarantees
- specialized credit

EDC's head office is located in Ottawa. Regional offices are maintained in Halifax, Montreal, Toronto, London, Winnipeg, Calgary, and Vancouver. General inquiries regarding EDC services can be channeled through the regional offices maintained by the Corporation in several major cities. Export services, however, are handled only by the Ottawa office. Inquiries about export financing for Mexico should be addressed to the Export Financing Group for Mexico and South America in Ottawa.

Ottawa (Head Office)

151 O'Connor Street
Ottawa, Ontario
K1A 1K3
Tel: (613) 598-2500
Fax: (613) 237-2690

Public Information

Tel: (613) 598-2739

Vancouver

Suite 1030
One Bentall Centre
505 Burrard Street
Vancouver, B.C.
V7X 1M5
Tel: (604) 666-6234
Fax: (604) 666-7550

Calgary

Suite 1030
510-5th Street S.W.
Calgary, Alberta
T2P 3S2
Tel: (403) 292-6898
Fax: (403) 292-6902

Winnipeg

8th Floor
330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4
Tel: (204) 983-5114
Fax: (204) 983-2187
(Serving Manitoba and Saskatchewan)

Toronto

Suite 810
National Bank Building
150 York Street
P.O. Box 810
Toronto, Ontario
M5H 3S5
Tel: (416) 973-6211
Fax: (416) 862-1267

London

Suite 1512
Talbot Centre
148 Fullarton Street
London, Ontario
N6A 5P3
Tel: (519) 645-5828
Fax: (519) 645-5580

Montreal

Suite 4520
800 Victoria Square
P.O. Box 124
Tour de la Bourse
Montréal, Québec
H4Z 1C3
Tel: (514) 283-3013
Fax: (514) 878-9891

Halifax

Purdy's Wharf, Tower 2
Suite 1410
1969 Upper Water Street
Halifax, Nova Scotia
B3J 3R7
Tel: (902) 429-0426
Fax: (902) 423-0881

NATIONAL RESEARCH COUNCIL

Canadian companies hoping to succeed in the Mexican marketplace may require additional technology to improve their competitiveness. The National Research Council (NRC) works with Canadian firms of all sizes to develop and apply technology for economic benefit. The Council supervises the Industrial Research Assistance Program (IRAP), a national network for the diffusion and transfer of technology.

The IRAP network supports the process of developing, accessing, acquiring, implanting, and using technology throughout Canadian industry. IRAP has been in existence for 40 years and has acquired a reputation as one of the more flexible and effective federal programs. IRAP takes advantage of an extensive network that includes more than 120 regional and local offices, 20 provincial technology centres, the Council's own laboratories and research institutes, federal government departments, and technology transfer officers in Canadian universities. The IRAP network also extends abroad through the technology counsellors attached to Canadian posts in some 18 foreign countries. For more information or the name of the IRAP officer nearest you, contact:

IRAP Office
National Research Council
Montreal Road
Building M-55
Ottawa, Ontario
K1A 0R6
Tel: (613) 993-5326
Fax: (613) 952-1086

KEY CONTACTS IN CANADA

BUSINESS ASSOCIATIONS

The Canadian Council for the Americas (CCA) is a non-profit organization formed in 1987 to promote business interests in Latin America and Caribbean countries. The CCA promotes events and programs targeted at expanding business and building networking contacts between Canada and the countries of the region. It also publishes a bimonthly newsletter.

The Canadian Council for the Americas (CCA)

Executive Offices, Third Floor
145 Richmond Street West
Toronto, Ontario
M5H 2L2
Tel: (416) 367-4313
Fax: (416) 367-5460

Canadian Exporters' Association (CEA)

99 Bank Street, Suite 250
Ottawa, Ontario
K1P 6B9
Tel: (613) 238-8888
Fax: (613) 563-9218

Canadian Manufacturers' Association (CMA)

75 International Boulevard, Fourth Floor
Etobicoke, Ontario
M9W 6L9
Tel: (416) 798-8000
Fax: (416) 798-8050

The Canadian Chamber of Commerce (CCC)

Suite 1160
55 Metcalfe Street
Ottawa, Ontario
K1P 6N4
Tel: (613) 238-4000
Fax: (613) 238-7643

MEXICAN GOVERNMENT OFFICES

The Embassy of Mexico, Mexican trade commissioners in Canada, and Mexican Consulates can provide assistance and guidance to Canadian companies in need of information about doing business in Mexico.

Embassy of Mexico

130 Albert Street, Suite 1800
Ottawa, Ontario
K1P 5G4
Tel: (613) 233-8988
Fax: (613) 235-9123

Mexican Consulate in Ottawa

Tel: (613) 235-7782

SECOFI

130 Albert Street, Suite 1700
Ottawa, Ontario
K1P 5G4
Tel: (613) 235-7782
Fax: (613) 235-1129

OTHER MEXICAN CONSULATES

GENERAL IN CANADA

Consulate General of Mexico

2000, rue Mansfield
Suite 1015
Montréal, Québec
H3A 2Z7
Tel: (514) 288-2502/4916
Fax: (514) 288-8287

Consulate General of Mexico

60 Bloor Street West
Suite 203
Toronto, Ontario
M4W 3B8
Tel: (416) 922-2718/3196
Fax: (416) 922-8867

Consulate General of Mexico

810-1139 West Pender Street
Vancouver, B.C.
V6E 4A4
Tel: (604) 684-3547/1859
Fax: (604) 684-2485

Mexican Honorary Consulate

380, Chemin St. Louis
No. 1407
Québec, Québec
G1S 4M1
Tel: (418) 681-3192

Mexican Honorary Consulate

830-540 5th Avenue, S.W.
Calgary, Alberta
T2P 0M2
Tel: (403) 263-7077/7078
Fax: (403) 263-7075

For the Mexican Trade Commission offices in Montreal, Toronto and Vancouver see the following listing for Bancomext.

MEXICAN BANKS WITH OFFICES IN CANADA

Bancomext offers credits, export guarantees and counselling services for those seeking to do business in Mexico. Credits are available for export, import and project financing. Counselling covers fiscal, financial, marketing and legal aspects of commercial transactions. Bancomext also sponsors trade fairs, international exhibitions and trade missions.

Bancomext

Trade Commission of Mexico

P.O. Box 32, Suite 2712
TD Bank Tower
66 Wellington Street
Toronto, Ontario
M5K 1A1
Tel: (416) 867-9292
Fax: (416) 867-1847

Bancomext

Trade Commission of Mexico

200 Granville Street
Suite 1365
Vancouver, B.C.
V6C 1S4
Tel: (604) 682-3648
Fax: (604) 682-1355

Bancomext

Trade Commission of Mexico

1501 McGill College
Suite 1540
Montréal, Québec
H3A 3M8
Tel: (514) 287-1669
Fax: (514) 287-1844

Banamex and Banca Serfin are private-sector banks which offer specialized services through their international trade information centres. The centres participate in a computerized communications network with access to numerous economic, governmental and financial data bases throughout the world. These banks are located throughout Mexico, and maintain offices in Toronto.

Banamex (Banco Nacional de México)

Suite 3430
1 First Canadian Place
P.O. Box 299
Toronto, Ontario
M5X 1C9
Tel: (416) 368-1399
Fax: (416) 367-2543

Banca Serfin

161 Bay Street
BCE Place
Canada Trust Tower
Suite 4360
P.O. Box 606
Toronto, Ontario
M5J 2S1
Tel: (416) 360-8900
Fax: (416) 360-1760

**CANADIAN GOVERNMENT
DEPARTMENTS AND SERVICES
IN MEXICO**

**COMMERCIAL DIVISION
THE EMBASSY OF CANADA IN MEXICO**

The Commercial Division of the Canadian Embassy in Mexico can provide vital assistance to Canadians venturing into the Mexican market. The trade commissioners are well informed about the market and will respond in whatever measure possible to support a Canadian firm's presence in Mexico.

Note: To telephone México, D.F. dial: 011-52-5 before the number shown below; for contacts in other cities in Mexico, consult the international code listing at the front of your local telephone directory for the appropriate regional codes.

**Commercial Division
The Embassy of Canada in Mexico**

Schiller No. 529
Col. Polanco
Apartado Postal 105-05
11560 México D.F.
México
Tel: 724-7900
Fax: 724-7982

Canadian Consulate

Edificio Kalos, Piso C-1
Local 108A
Zaragoza y Constitucion
64000 Monterrey
México
Tel: 443-200
Fax: 443-048

KEY CONTACTS IN MEXICO

MEXICAN GOVERNMENT

**Secretariat of Budget & Programming
*Secretaría de Programación y Presupuesto***

Palacio Nacional Patio de Honor, Piso 4
Col. Centro
06740 México, D.F.
México
Tel: 542-8762/8763
Fax: 542-1209
Information Department: 286-1000/1900

**Secretariat for Commerce and Industrial
Promotion**

***Secretaría de Comercio y Fomento
Industrial***

**Dirección General de Servicios al
Comercio Exterior**

Alfonso Reyes No. 30 Piso 10
Col. Hipódromo de la Condesa
06170 México, D.F.
México
Tel: 286-1757
Fax: 286-1543

**Secretariat of Finance and Public Credit
*Secretaría de Hacienda y Crédito Público***

Dirección General Técnica de Ingresos

Palacio Nacional
1er. Patio Mariano
Col. Centro
06066 México, D.F.
México
Tel: 518-5420 through 29
Fax: 542-2821

CHAMBERS AND ASSOCIATIONS

Mexico has a number of Chambers of Commerce and professional associations that can provide assistance and guidance to Canadian companies in Mexico. Their standards of service vary widely and you should consult with Canadian Embassy officials to determine which organization would best suit your needs.

Mexican Automotive Industry Association
Asociación Mexicana de la Industria Automotriz
Ensenada No. 90
Col. Condesa
06140 México, D.F.
México
Phone: 272-1144/515-2542
Fax: 272-7139

National Association of Maritime Agents
Asociación Nacional de Agentes Marítimos
Homero No. 1425, Piso 3
Col. Chapultepec Morales
11510 México, D.F.
México
Phone: 395-8931
Fax: 520-7165

Mexican Business Council for International Affairs
Consejo Empresarial Mexicano para Asuntos Internacionales (CEMAI)
Homero No. 527, Piso 7
Col. Polanco Chapultepec
11560 México, D.F.
México
Phone: 250-7033/7539
Fax: 531-1590

Chamber of the Restaurant Industry
Cámara de la Industria Restaurantera
Aniceto Ortege No. 1009
Col. del Valle
03100 México, D.F.
México
Phone: 604-0418

Management Coordination Council
Consejo Coordinador Empressarial
Homero 527, Piso 5
Chapultepec Morales
11570 México, D.F.
México
Phone: 250-6977/7750
Fax: 250-6995

Mexican Confederation of Employers
Confederación Patronal de la República Mexicana
Insurgentes Sur No. 950, Piso 1 y 2
Col. del Valle
03100 México, D.F.
México
Phone: 687-6465/6467
Fax: 536-2160

National Chamber of Commerce
Cámara Nacional de Comercio (CANACO)
Paseo de la Reforma No. 42, Piso 3
Col. Juárez
06600 México, D.F.
México
Phone: 592-2677
Fax: 592-3403

National Chamber of the Construction Industry
Cámara Nacional de la Industria de la Construcción
Periférico Sur No. 4839
Col. Parques del Pedregal
14010 México, D.F.
México
Phone: 665-0424/6440
Fax: 606-8329

National Chamber of the Garment Industry
Cámara Nacional de la Industria del Vestido
Manuel Tolsá No. 54
Col. Centro
06740 México, D.F.
México
Phone: 588-3934/7822
Fax: 578-6210

National Institute for Statistics, Geography and Information
Instituto Nacional de Estadística, Geografía e Informática (INEGI)
Av. Heroe de Nacozari No. 2301
Fracc. Jardines del Parque
20290 Aguascalientes, Ags.
México
Phone: (49)-18.00.34

Jalisco Furniture Manufacturers Association

Asociación de Fabricantes de Muebles
de Jalisco

Niños Héroes 2663
Col. Jardines del Bosque
44520 Guadalajara, Jal.
México

Phone: (36) 22-7-1-78 / 21-50-35

Fax: (36) 22-71-03

National Importers and Exporters Association

Asociación Nacional de Importadores
y Exportadores de la República

Mexicana (ANIERM)

Monterrey 130
Col. Roma
06700 México D.F.
México

Phone: 564-93-79 / 584-95-22

Fax: 584-53-17

**National Supermarkets and Department Stores
Association**

Asociación Nacional de Tiendas de Autoservicios y
Departamentales, A.C. (ANTAD)

Homero 109 - Piso 11
Col. Polanco
11560 México D.F.
México

Phone: 545-88-03 / 254-62-20

Fax: 203-44-95

**Mexico City Commerce, Services and
Tourism Chamber**

Cámara Nacional de Comercio, Servicios y Turismo
de la Ciudad de México (CANACO)

Reforma 42
Col. Centro
06048 México D.F.
México

Phone: 58\92-26-77 / 592-26-55

National Manufacturing Industry Chamber

Cámara Nacional de la Industria de Transformación
(CANACINTRA)

San Antonio 256
Col. Ampliación Nápoles
03849 México D.F.
México

Phone: 563-34-00 / 563-05-11

Fax: 598-94-67

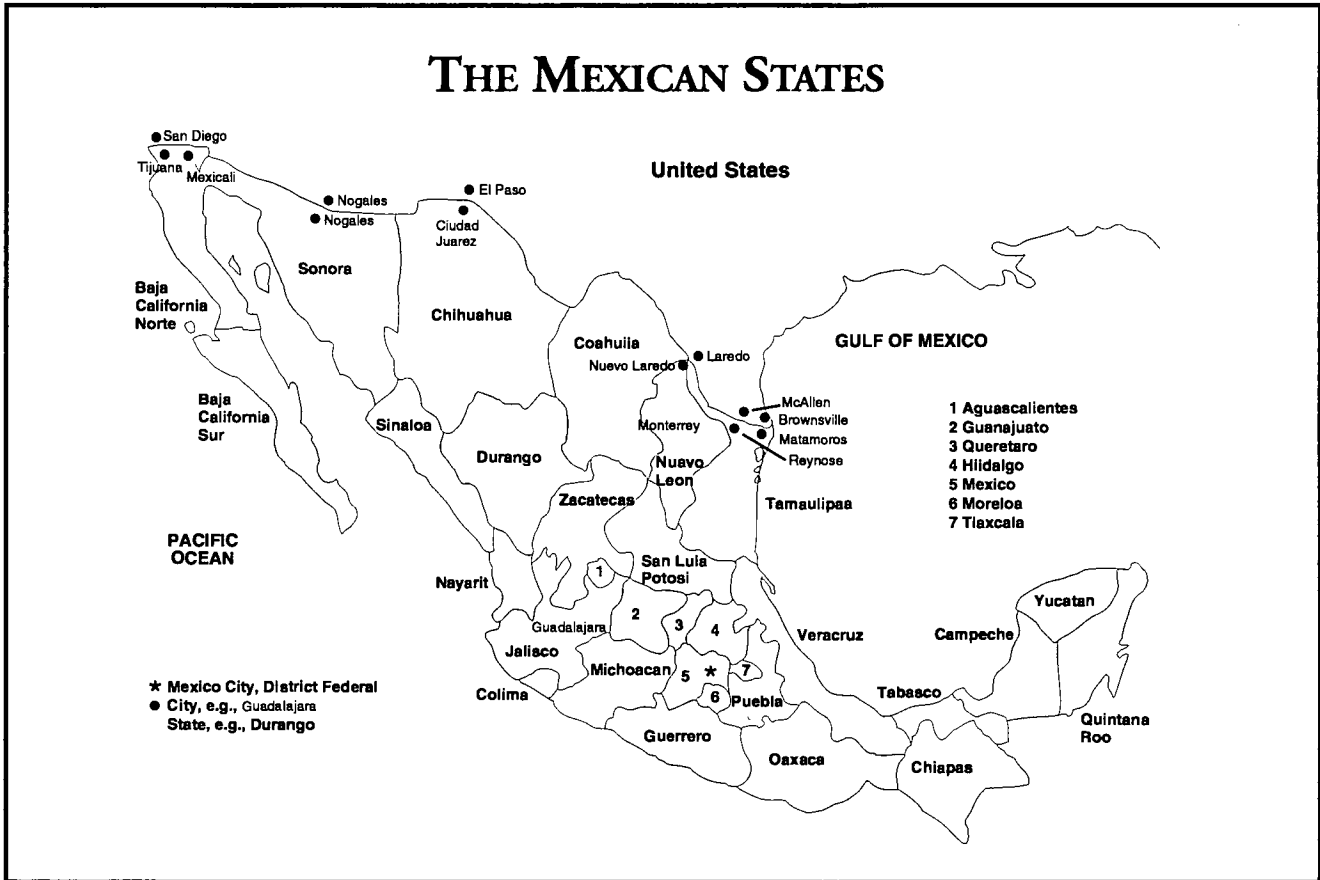
**National Confederation of Commercial, Services
and Tourism Chambers**

Confederación de Cámaras Nacionales de
Comercio, Servicios y Turismo
(CONCANACO-SERVYTUR)

Balderas 144 piso 4
Col. Centro
México D.F. 06079
México

Phone: 709-15-59 / 709-11-19

Fax: 709-11-52



Appendix C – MEXICO IN BRIEF

Mexico is a country that is both a near neighbour and an unknown quantity. Perceptions of the largest Spanish-speaking country in the world are surprisingly dated, generally formed in literature and films of the 1940s, and it is hardly surprising that they do not have even the dubious accuracy they had then.

Mexico's economy was long closed and protectionist, which did not spur the sort of exploration that opened people's eyes. "Poor Mexico — so far from God, so close to the United States," in the words of Porfirio Diaz, was for many years a mantra for preventing what Mexicans saw as further encroachment on their sovereignty by their nearest neighbour.

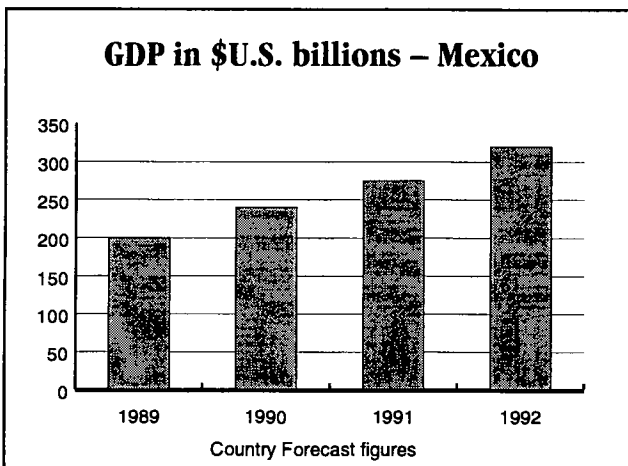
Changes in Mexico's economy were dramatically forced by the oil price collapse in the early 1980s, which followed a brief boom that

saw Mexico begin to achieve some real growth for the first time in decades. The recession of the period hit Mexico too, and the government of Carlos Salinas de Gortari, elected in 1986, was spurred into activity in order to recapture some of the prosperity that had seemed so close only a few years before.

The Salinas government negotiated Mexico's accession to the GATT, which meant accepting GATT disciplines. From there, Mexico introduced a sweeping series of economic reforms. The government renegotiated the foreign debt, created a National Development Plan to revitalize the nation's infrastructure, and secured broad popular support from business, labour and the general population for voluntary measures to restrain wages and prices in order to reduce inflation and stabilize the economy. Other key elements in reform have included privatization of state-controlled enterprises, deregulation, massive investment in infrastructure, and the encouragement of

foreign participation in building a modern and efficient industrial capacity.

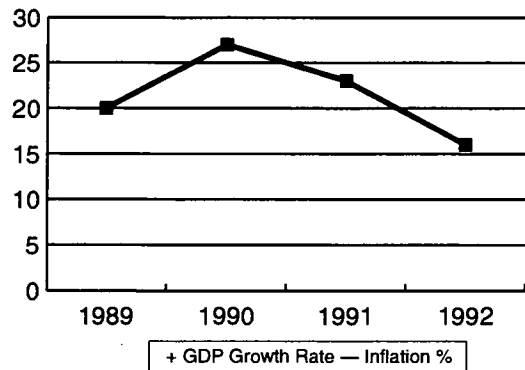
Mexico's debt reduction has been one of its signal achievements. In 1986, it was costing over 46% of GDP to service the debt; by 1994, it will be down to about 30%. Growth continues to be strong since reforms were begun, with about 4% in 1993 and stable patterns averaging around 2% predicted for the next few years. Most major forecasters see Mexico as sustaining a strong growth throughout the coming decade. About 85% of government-owned enterprises have been or are being divested. The process has brought the government about



\$20 billion in revenue, as well as removing its responsibility for running some unprofitable enterprises. Tariffs have been reduced on a wide range of products, with most now below 20%; the majority of Canadian goods enter Mexico at a tariff level of 13.5%.

There have been some costs to Mexico in its fast turnaround: poverty is still very widespread, and environmental standards are not yet as good in practice as they are on paper. But the Solidarity program initiated by President Salinas and his ruling party has made some inroads in the quality of life of particularly rural Mexicans. Inflation has dropped substantially, the peso is fairly stable, public finances are improving. Consequently, foreign business representing a broad spectrum of industrial and commercial activity is investing in Mexico and

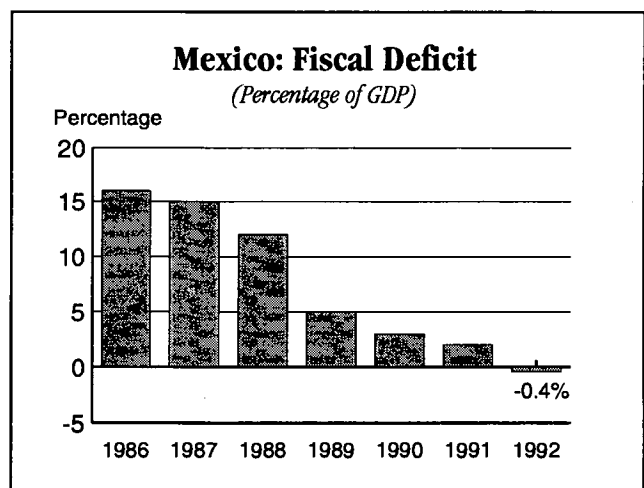
GDP Growth Rate & Inflation - Mexico



EIU & Country Forecast figures

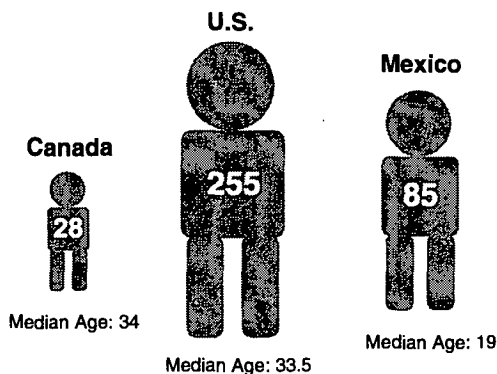
developing new markets. Canadian firms there to explore the potential in recent years have been returning with reports of a vibrant economy and a welcoming attitude from their Mexican counterparts. Mexico has begun on a path toward progress from which it is not planning to turn back.

Gross Domestic Product grew by 2.6 percent to reach \$U.S. 320 billion in 1992, following a 3.6 percent increase in 1991. As a result, Mexico is now one of the 20 largest economies in the world. Commerce and the hospitality industries comprise the largest sector by percentage, with manufacturing a close second.



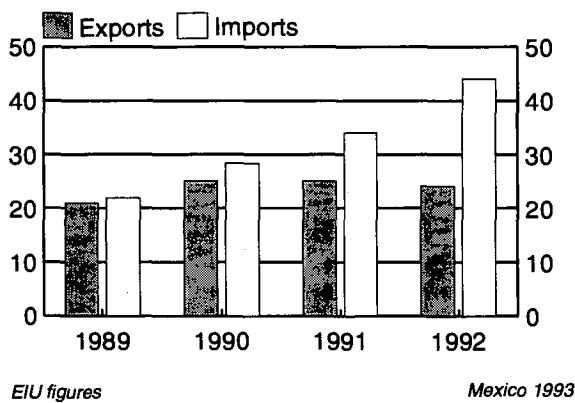
The Mexican government's Pact for Stability and Economic Growth (El Pacto) has persuaded labour and business to accept general

**North America: 1992 Population/
Median Age Comparison**



guidelines for increases in wages and prices, and negotiates exemptions with a Follow-Up and Evaluation Commission. In large part as a result of this approach, Mexico's inflation rate has dropped from 159 percent in 1987 to a projected estimate of 7.0 percent to 9.5 percent in 1993. Economic growth rates for 1993 are projected at 2.5 percent to 3.0 per cent, after a growth rate of 2.6 percent in 1992.

Total Foreign Trade in \$U.S. billions

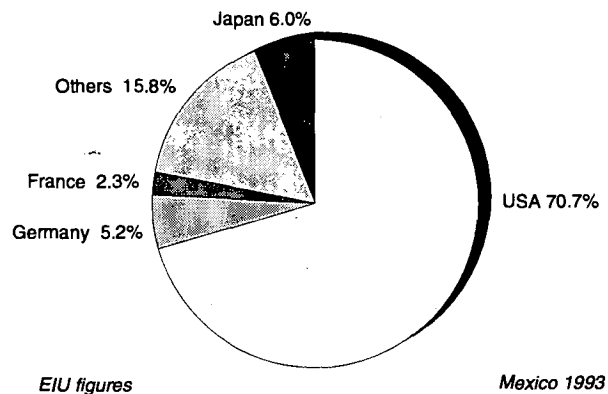


By broadening the tax base, the government of Mexico has been able to reduce tax rates while increasing total income. Spending cuts and fiscal reform have also been put in place by government, and the result has been that the public sector actually ran a surplus in 1992.

Compared to Canada and the United States, Mexico is a very young country. Last year, it was estimated that 57% of its population was under 29; by the year 2000, when the total Mexican population will exceed 100 million, it is anticipated that 41% will be under the age of 20.

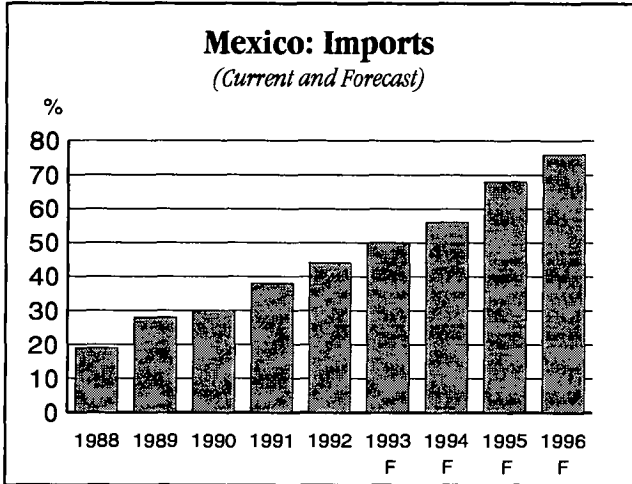
Total exports from Mexico reached about \$U.S. 27.5 billion in 1992, a 1.5 percent increase over 1991. Total imports in the same period were about \$U.S. 48 billion, a 26 percent increase over the previous year. The trade deficit accordingly rose from \$U.S. 11.182 billion in 1991 to \$U.S. 20.6 billion in 1992.

Major Markets – Origin of Imports

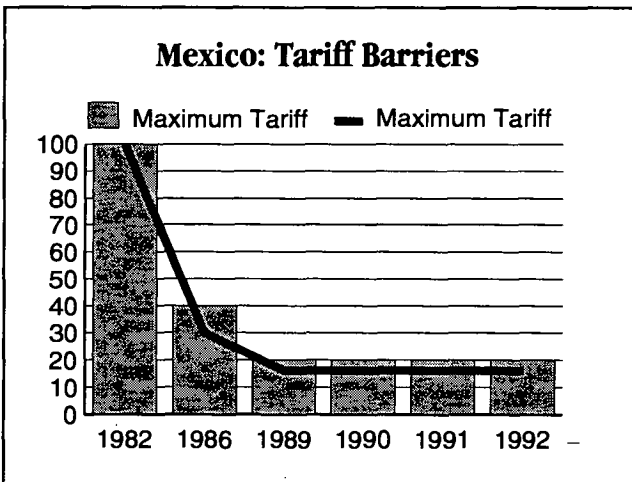


The United States was far and away the largest receptor of Mexican exports, at 74.5 percent estimated for 1993. Japan and Spain share the next places, well behind. Exports to Canada are reckoned differently by Mexican and Canadian methods of calculation, with about a 10% differential in their statistical estimates, Mexico's being the lower.

The United States is Mexico's principal supplier of imported goods, with just over 70 percent of 1993 sales. Japan and Germany are closest, though far behind. Again there is a discrepancy in Mexican and Canadian calculations of Canada's import share in Mexico, with the Mexican figures one and one-half times higher than Canada's estimation.



With its economy projected to enjoy stable growth over the coming years, with its liberalized market conditions, with a young and growing population, Mexico will steadily increase its volume of imports over the foreseeable future. From \$19 billion to about \$50 billion in five years has been a remarkable leap, making it one of the fastest-growing economies in the world in this period.



Tariff barriers in Mexico have been decreasing since 1982, with a distinct drop since

Mexico's accession to the GATT in 1986. The average is now below 20% for most products and services. At the same time, many import restrictions have been removed. The average tariff currently applied to 80% of Canadian goods entering Mexico is 13.1%.

Canada and Mexico have only just begun to develop their trading partnership to its full potential. In 1992, Mexico ranked fifth as a

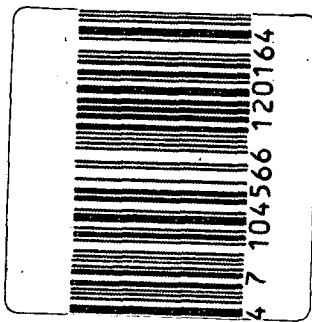


source of imports to Canada, and fourteenth as a destination for Canadian exports. Less than 2 percent of Canada's 1992 imports came from Mexico, and less than 1 percent of Canada's exports went there. Two-way trade totalled about \$3.5 billion, and trends suggest it could double in the next five years. The liberalized trade climate is already taking effect, with exports virtually doubled in six years. The trucking image was chosen to illustrate how close the market is to Canada. After 1997, Canada will be able to truck directly into Mexico and will be able to remove goods for drop-off in the U.S., or pick up U.S. products for delivery in Mexico.

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