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MEXICO:

The Market

Dept. of External Affairs
Min. des Affaires extérieures

JUN JUIN 16 1993

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CONTENTS

I. INTRODUCTION

A. MEXICO: THE MARKET POTENTIAL

Mexico offers Canadian business people a wide variety of exciting new export opportunities. The country is experiencing a rapid economic and political transformation that is opening up this market of 85 million people to international trade. An aggressive program of structural reform is stimulating a powerful demand for foreign goods and services while economic stabilization is creating wealth and stimulating consumer demand.

In August of 1992, senior trade officials from Canada, Mexico and the United States announced the conclusion of negotiations on the North American Free Trade Agreement (NAFTA). Once ratified in 1994, the agreement will enhance commercial relations among the three partners and create the largest free trade area in the world. It will make it easier for Canadians and Mexicans to do business by removing barriers and clarifying the rules of the game.

B. OVERVIEW

Mexico has made impressive strides in overcoming economic problems that a decade ago seemed ready to overwhelm it. At that time, the country faced soaring foreign debt, accelerating inflation, a deteriorating infrastructure and serious degradation of the environment. In response, the government renegotiated its arrangements with foreign creditors, reduced government spending, checked the decline of the peso and waged a concerted war against inflation. As part of the process of restoring economic health, it secured the support of labour and the private sector in an agreement known as *El Pacto* designed to hold down wage and price increases.

An integral part of Mexico's economic renewal has been extensive deregulation, privatization and public spending restraint, all of which have created a new and more appealing business climate. The National Development Plan aims at modernizing and expanding the country's infrastructure, especially in communications, transportation, housing and education. Finally, the Mexican government is encouraging foreign firms to do business in Mexico and to participate in the country's infrastructural development. In response, foreign companies are beginning to take a stronger interest in the possibilities there. Many of the Canadian firms which have pursued opportunities in Mexico marketplace have already reaped substantial benefits from their involvement.

With a population estimated at 85 million, Mexico is the largest Spanish-speaking country in the world. Despite its great diversity of natural resources and a rapidly growing labour force that now stands at 31 million, Mexico has long been viewed as a *Third World* country, resembling its Central and South American neighbours more than it resembles either the United States or Canada.

This traditional perception was reinforced by protectionism and state intervention of the kind that was found in many developing countries. Mexico used to be a closed economy, profiting from its oil resources but sheltering its domestic industries behind intrusive regulations and high tariffs. The collapse of oil prices followed by a recessionary slump in the early 1980s threw Mexico into a seemingly irreversible decay. The country was crushed by massive foreign debt and plagued by hyperinflation. Its domestic industries could do little to arrest the decline since they were highly protected, subsidized, inefficient and misdirected. What was worse, as the crisis deepened, the nation's fragile infrastructure fell into a state of increasing disrepair.

The turnaround began in the mid 1980s and was given a strong boost in 1988 when a new government, led by President Carlos Salinas de Gortari, came to power. Since then, economic reforms have been sweeping the country. The new leadership renegotiated the foreign debt, adopted a National Development Plan to revitalize the nation's infrastructure, and secured broad popular support from business, labour and the population at large for voluntary measures to restrain wages and prices as a way of reducing inflation and stabilizing the economy. Other aspects of the reform package include privatization of state-controlled enterprises, deregulation, massive investment in infrastructural development, and the encouragement of foreign participation in building efficient production capacity.

By all estimates, these policies are meeting with success. The rate of inflation has dropped dramatically, the value of the peso has been stabilized, and public finances are on the mend. As a result, the confidence of international investors has risen appreciably. Foreign businesses representing the entire spectrum of industrial and commercial activity are investing in Mexico and the economic and social transformation of the country is well under way.

C. PURSUING BUSINESS IN MEXICO

Success in Mexico should by no means be taken for granted; it requires detailed knowledge of the market, including information about demographic characteristics, current trends and regional variations in advance of your business plans. Potential exporters must also be flexible enough to provide goods and services in a form that matches market requirements. Exporters must also be familiar with the conditions and regulations governing the shipment of products into the Mexican market.

There are many ways of doing business in Mexico. Canadian firms can sell goods, services, expertise, technology, or franchises to Mexican customers. They can sell them directly or go through a variety of agents, distributors, or retailers. They can attempt to do their own marketing, or they can hire someone to do it for them. They can also enhance their exporting efforts through alternatives such as co-marketing, co-production, and even joint ventures. What is common to all of them, however, is the need to have good partners in Mexico and to demonstrate to these partners a commitment to doing business in this market. Approaching the Mexican market without first forming strong local contacts rarely results in sales. Even large companies cannot do it alone.

Your Mexican partner may be an agent, a distributor, a broker, or a retailer. It may be a company that has agreed to market your products. It may be a joint venture partner. It may even be someone willing to invest in your firm. Whatever the specifics of the business relationship, however, all of these forms of partnering depend on finding complementary capabilities, clearly defining common objectives and developing mutual confidence. Sometimes referred to as *strategic alliances,* partnering arrangements between Canadian and Mexican enterprises offer the best chance for Canadian business people to increase their exports and realize some of the vast potential inherent in the Mexican marketplace.

Mexico presents Canadians with a tremendous array of business opportunities. As with every opportunity there are also challenges. However, the Canadian firms who have made a commitment to the Mexican marketplace have been learning how to respond to these challenges and they are already reaping substantial rewards.

* * *

MEXICO AND CANADA: PARTNERING FOR SUCCESS

External Affairs and International Trade Canada in conjunction with the **Bank of Montreal** and the **Atlantic Canada Opportunities Agency** have commissioned a basic primer to assist Canadian firms pursue business in Mexico. ***PARTNERING FOR SUCCESS*** covers not only the opportunities, but the challenges associated with those opportunities. More specifically, it describes how to export to Mexico by providing information on how to develop an export strategy, how to find suitable contacts in Mexico, how to negotiate mutually advantageous agreements, and how to avoid common pitfalls. It also offers information on some of the Mexican laws and regulations that can affect exporting and the conduct of business with Mexican firms. To illustrate these points, the handbook includes a few brief profiles of just some of the many Canadian companies already operating in the Mexican market.

The handbook offers first a general overview of Mexico and the business opportunities and then tells you how best to pursue them.

Chapter I - The Emerging Economy, provides an introduction to Mexico and a summary of its history, economy and public policy. It also discusses how the Government's new National Development Plan addresses the country's economic challenges. The chapter concludes with an examination of the impact of foreign trade and investment on Mexico. It explains the operations of the *maquiladoras*, or foreign production zones, and how the Mexican government is using them to stimulate economic development.

Chapter II - The Mexican Market, offers an overview of the size, demographic characteristics and key trends prevailing in the Mexican marketplace. It also highlights Mexico's most important regional markets as well as its major industrial centres.

Chapter III - Mexico and Canada, reviews the trade and investment relationships between the two countries. The chapter also examines key sectors of the Mexican economy and suggests where to look for opportunities suitable to Canadian strengths.

Chapter IV - Exporting to Mexico, offers a brief overview of the steps involved in exporting from Canada to Mexico. It includes discussions of the role agents play in exporting, modes of transportation, documentation, Mexican tariffs and duties, and export financing.

Chapter V - Partnering for Market Entry, explains the crucial role that various types of partners can play in enhancing your export strategy and penetrating the Mexican market. This chapter looks at different types of partnering arrangements and offers advice on how to go about finding the right people to work with in Mexico.

Chapter VI - Doing Business In Mexico, focuses on the unique aspects of Mexico's business culture and offers advice on how Canadians can overcome cultural differences to build mutually rewarding relationships with Mexican partners. In addition, there is some basic information designed to help the business-traveller in Mexico. The chapter concludes with a discussion of the role played by trade fairs and trade missions in the promotion of Canadian products and services in Mexico.

The second section contains some basic tools designed to help the potential exporter get started in the Mexican marketplace.

Chapter VII - Preparing Your Export Strategy, provides a road-map that will help your company plan for and develop a strategy for doing business in Mexico. It will help you focus on the information you need to gather in order to draw up a detailed action plan for exporting into the Mexican market.

Chapter VIII - The States of Mexico, provides brief descriptions and basic data about each of the 31 states of the Mexican federation, as well as the Federal District where the national capital, Mexico City is located. The descriptions are focused, in each case, on the business opportunities to be found in each state.

Chapter IX - Government Programs, contains descriptions of Canadian government programs and services that can help you penetrate the Mexican market.

Chapter X - Key Contacts, lists some of the most important institutions and offices both in Canada and in Mexico that can help a prospective exporter get started.

Chapter XI - Glossary, includes some of the most frequently used terms relevant to doing business in Mexico.

A special *ExportVision* edition of MEXICO-CANADA: PARTNERING FOR SUCCESS is available at most locations. Copies can also be obtained by writing to:

External Affairs and International Trade Canada
InfoExport Centre (BPTE)
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario
K1A 0G2

Tel: 1-800-257-8376
Fax: (613)-996-9709

II. MEXICO FACT SHEET

A. BASIC DATA

Area	1,958,201 sq. km.
Population (1991)	85 million
Population density per sq.km.	42

B. POLITICAL

Type of Government:	Federal Republic, 31 states, 1 Federal District (Mexico City)
Current Government (elected 1988)	
President	Carlos Salinas de Gortari
Foreign Minister	Fernando Solana
Ruling Party	Institutional Revolutionary Party (since 1929) (PRI)

C. ECONOMY

Per Capita GNP (1991)	US $3,307
Economic Growth Rate	4.0% (1991)
Inflation Rate	18.8% (CPI) (1991)
Total External Debt	US $98 billion (1990)
Debt held by Canada	Commercial Banks: Cdn $5.6 bil EDC & CWB: Cdn $661.3 million ODA: nil
Foreign Reserves	US $16.7 billion (1991)
Unemployment Rate	12-20% (1991)
Underemployment Rate	35-50% (1991)

D.

FOREIGN TRADE (In US$/Bil.)	1989	1990	1991
Total Exports *	$ 22.4	$ 26.8	$ 26.4
Total Imports *	$ 23.4	$ 29.8	$ 37.5
Trade Balance *	$ - 1.0	$ - 3.0	$ -11.2

* Excluding trade conducted in the in-bond (maquiladora) industry, which is mostly with the USA. Inclusion would increase the USA's share of Mexican trade to over 80%.

E. **TRADE WITH CANADA** (C$ mil)

	1989	1990	1991
Exports to Mexico	$ 603	$ 594	$ 441
Imports from Mexico	$ 1698	$ 1730	$ 2574
Balance	$-1095	$-1136	$-2133
Canadian Direct Investment (1991):	US $500 million		

F. **CANADIAN AID**

No CIDA bilateral aid program.
Embassy administers Canada Fund of $350,000

G. **OTHER**

Canadian visitors to Mexico (1991)	550,000 (Mexican Ministry of Tourism)
Mexican visitors to Canada (1991)	75,000
Mexican Immigration to Canada (1990)	1,500 permanent residents (1,500 students)
Work permits for Mexicans per year	7,000 (5,000 of which are for the Mexican Seasonal Agricultural Workers' Program - MEXSWAP)
Diplomatic Relations Established	April 27/44

Canadian Embassy, Mexico City
5 Canadian Trade Commissioners

Canadian Honourary Consulates: Acapulco, Cancun, Guadalajara, Mazatlan, Puerto Vallarta, Tijuana, Oaxaca

III. MEXICO: BACKGROUND

A. GEOGRAPHY

Mexico, the third largest country in Latin America (after Brazil and Argentina) is one-fifth the size of Canada., The extremely varied topography of the country ranges from low desert plains and jungle-like coastal strips to high plateaus and rugged mountains. From a low desert in the north, the plateau rises to 2, 400 metres above sea level near Mexico City.

Mexico climate is generally more closely related to altitude than to latitude. Most of Mexico is dry; only about 12% of the total area receives adequate rainfall in all seasons. Temperatures range from tropical in the coastal lowlands to cool in the higher elevations.

Mineral resources are plentiful, especially silver, gold, copper, lead, zinc, molybdenum and coal. Mexico is a major producer of oil and natural gas.

B. PEOPLE

Mexico is the world's largest Spanish speaking country. It is also distinguished within the Latin American region by being largely (79%) of "mestizo" or of mixed Indian-Spanish origin; 11% of the population is Indian.

Although Mexico has been successful in reducing its rate of population growth in the last 15 years, 53% of Mexicans are less than 20 years old. Both education and health care are theoretically free and universal, but in reality these services are either not available or beyond the financial reach of one-quarter to one-third of the population.

The majority of Mexicans remain outside the economic mainstream, and the gap between the wealthiest and the poorest is widening. The standard of living of the middle class has been declining rapidly.

Mexico is a centralized country with a quarter of the population living in the capital. This creates a number of serious problems: pollution (the federal district is the most polluted urban area in the world), overpopulation, lack of proper public services, delinquency, inadequate housing, etc.

C. HISTORY

An advanced indigenous civilization existed in Mexico prior to the Spanish conquest and this is a source of great pride for modern-day Mexicans. The major cultures were the Olmec, the Maya, the Toltec, and the Aztec. They had made impressive advances in mathematics, astronomy, agriculture and architecture and, in some areas, rivalled or surpassed the highest scientific and cultural achievements known anywhere in the world at the time.

Many of these cultures (Olmec, Maya) were long past their zenith and had virtually disappeared, except for their magnificent stone monuments and cities, by the time the Europeans arrived. The Aztec civilization, centred in Teotihuacan (now Mexico City), was flourishing in the 16th century but was completely destroyed by the Spaniards.

Hernan Cortés conquered Mexico in 1519-21 and founded a Spanish colony which lasted nearly 300 years. Independence from Spain was proclaimed by Father Miguel Hidalgo on September 16, 1819, and the republic was established on December 6, 1822.

Drastic social and economic problems finally erupted in the revolution of 1910. Prominent leaders in this revolution - some were rivals for power - were Francisco I. Madero, Venustiano Carranza, Pancho Villa, and Emiliano Zapata. The Revolutionary Party, under various names and after a number of reorganizations (now known as the Institutional Revolutionary Party) continues to be the most important political force in the nation.

D. GOVERNMENT

The constitution of 1917 established Mexico as a federal republic. The executive branch of government, headed by the president, is dominant and exercises enormous power. There is no vice-president. The president appoints the members of his cabinet, and they enjoy a certain autonomy within their areas of responsibility. They are not chosen from members of the Congress.

The Congress is a bicameral body consisting of the Senate and the Chamber of Deputies. Two senators are elected from each of Mexico's 31 states plus the Federal District (Mexico City), for a total of 64. The Chamber of Deputies consists of 500 members elected for a three-year term. (Two hundred seats are allocated on the basis of proportional representation, thereby guaranteeing opposition representation.)

The legislative branch of government has functioned basically as a rubber stamp for presidential decisions. However, since the beginning of 1987, changes to the electoral laws have somewhat increased the political power of Congress, thereby transforming the Chamber of Deputies into a debating forum. At present, the PRI has 319 seats and the opposition, 181. Since any constitutional reform requires 332 votes, for the first time in history the PRI needs some opposition support to make major legislative changes.

State governors are elected for six-year terms; and even though they exercise considerable local power, they are, in practice, subservient to the president. (The first opposition governor was elected in Baja California in July 1989.) State legislators, mayors and municipal councils are elected for three-year terms and are, in turn, strongly influenced by their state governors.

E. ECONOMY

Mexico is one of the more advanced developing countries. Its primary sector accounts for some 13% of GDP (gross domestic product), manufacturing for 23% and services for 64%. Unemployment and under-employment affect up to 60% of the population and together with fiscal evasion have created a black market economy estimated at 35-40% of GDP.

Mexico has faced major economic problems since the early 1980 (dropping oil rices, high external debt, high inflation) and has been following a comprehensive economic adjustment program since 1987, aimed at reducing inflation and correcting external balances.

1. Gross Domestic Product

Total GDP	1989	19901991
Total GDP ($US billion)	201.4	234.4
280.3		
Growth rate over previous year (%)	3.1	4.4 3.6
GDP per capita ($US)	2,480	2,874
3,307		

Main Economic Activities GDP	1991 % of
Trade and tourism	27
Manufacturing	23
Community, social and personal services	15
Agriculture, forestry, fishing	8

Transport, and communications	7
Financial services, insurance and real estate	11
Mining and quarrying	4
Construction	5
Electricity	2

2. Agriculture and Fisheries

Some 23.4 per cent of the Mexican labour force was employed in the agriculture and fisheries sectors in 1990, numbering almost 5.5 million workers, as compared to 45 per cent in 1970.

The Mexican territory occupies 197 million hectares, but only an estimated 17 per cent is suitable for cultivation. The area under annual crop cultivation is about 23 million hectares, producing a diversity of grain, oilseed and horticultural commodities. However, because of periodically adverse climatic conditions, agricultural sector growth has not been able to match population growth. During the past two decades, population growth has averaged 2.6 per cent annually, while the increase in agricultural crop production between 1980 and 1990 was less than 1 per cent per annum. Recurring difficulties in crop production, due mainly to shortages of water in irrigated and rain-fed areas as well as severe climatic conditions, have forced the government to significantly increase imports of basic commodities. In 1990, imports of agricultural products including corn, sorghum, beans, oilseeds, wheat, barley, fresh and dried fruits, reached $1.8 billion U.S. Agricultural exports comprising vegetables and horticultural products, coffee, fresh fruits, cotton, sesame seed, chickpeas, tobacco, spices had a total value of $1.7 billion U.S. dollars that same year.

New agricultural policies enacted under the Salinas administration are directed toward positioning the sector to function and compete efficiently in context with global trade.

Recent constitutional reforms to the old ejido system represent the most important structural adjustment to land tenure regulations and property rights, allowing for direct participation in agriculture of domestic and foreign private sector interests. The modifications are designed to permit the efficient allocation of resources and increase technology and capital flows to the sector. Under the new reform, ejido (communal) farmers are allowed to buy or rent land, hire labour, associate with other producers, and enter into contracts or joint venture schemes with domestic or foreign private investors.

Despite the large investments directed to the fisheries sector during the 1980's, the catch continues to be low, considering the volume of available resource along its more than 10,000 kilometres of coastline. A recent fishery resource study concluded that Mexico takes below 1 per cent of the potential fisheries harvest from the Gulf coast and only 10 per cent of the potential from Pacific waters. Mexico's fishing output averaged around 1.4 million metric tons between 1980 and 1990. The estimated catch for 1991 of 1.48 million metric tons, was barely 1.5 per cent above the previous year's total. The apparent consumption of fisheries products in Mexico totalled 1.26 million metric tons in 1991, a decline of 0.4 per cent from a year earlier.

3. Energy

The energy sector is almost completely controlled by the government. Production and marketing of hydrocarbons has been the monopoly of PEMEX since 1938, while the Comision Federal de Electricidad (CFE) accounted for 86 per cent of electricity generating capacity and 91 per cent of gross generation.

Mexico has become the world's fifth largest producer of oil from the fifth largest reserves base. The total proven hydrocarbon reserves of Mexico are estimated to be between 25 billion barrels (US Geological Survey) and 65 billion barrels (PEMEX) at the end of 1991. The average production of crude oil was 2.68 million barrels per day in 1991, a 1.96 percent increase over 1990. Natural gas production stands at about 3.5 billion ft. per year. The country's oil sector now contributes 30 percent of the federal government's income.

The government electricity monopoly (CFE) had an installed generating capacity of 25.2 million KW. Currently, of the total gross electricity output in 1991, 20.4 per cent was generated in hydro-electric plants and 79.6 per cent in thermoelectric plants. Future increases in generating capacity will come from further exploitation of Mexico's hydro reserves and increased use of gas and coal for thermal generation.

4. Mining

Mexico's mining sector continues to play an important role in the growth of the Mexican economy. Most of the previously government owned companies have been privatized. Traditionally Mexico has been the world's largest producer of silver and it ranks as one of the top producers of celestite, bismuth, barite, fluorite, sodium sulphate, graphite, antimony, arsenic, mercury, cadmium, lead, molybdenum and zinc. With significant exports, the industry continues to provide over 1.5 billion dollars annually as a net contribution to the country's trade balance and provides employment to over 270,000 people.

Canada has been a traditional supplier of mining equipment and related services to Mexico, selling mostly to the countries six major mining companies, Industrial Penoles, Grupo Industrial Minero de Mexico (IMMS), Empresas Frisco, Corporacion Industrial San Luis, Mexicana de Cobre and Minera Autlan. In addition, Canadian companies such as Placer Dome, Cominco and Corona have found co-investments in specific mining projects to be worthwhile. With almost three-quarters of Mexico's territory having geological characteristics indicating mineral wealth and only 10 per cent of that yet explored in detail, mining prospects look positive.

The current government has amended the Foreign Investment Rules which now permit foreign companies greater freedom to invest in and control mining properties. Further amendments are planned which will open the sector completely. The government has removed itself from direct detailed exploration responsibilities and confines itself to regional mapping. It is also expected to redirect its emphasis and pay more attention to industrial minerals in demand by its own industrial sector and for export.

The Mexican government, and its private sector partners, will likely continue to turn to Canada for its equipment, technology exploration and exploitation know-how, for information on competitive operating environments, and for Canadian investment. Based on past involvement in the mining sector, Canada will have an opportunity for even firmer relations and will continue to share economic benefits.

5. Environmental

Mexico continues to experience the evils of neglect to its environment but it has become increasingly aware of the environmental hazards posed by uncontrolled economic growth. Environmental impact studies are now required for the expansion or building of industrial plants. In addition the training and of environmental inspectors has been increased to support the program for industrial inspection and monitoring. Emphasis has been placed on emission control for vehicles and industry and waste water treatment for municipalities and industry. Further steps are being taken to improve the management and treatment of solid waste from municipalities and industry. There is a strong interest in identifying appropriate technology for use in solving environmental problems.

6. Manufacturing Industries

Manufacturing in 1991 accounted for 23% of the Mexican GDP or $64 U.S. Billion. Mexican industrial policy in the post war period emphasized import substitution. This resulted in a high degree of self sufficiency particularly in the food processing and textile sector but limited international competitiveness. Since 1986 Mexico's trade regime has been extensively liberalized and international competition encouraged. Tariffs and import restrictions have been reduced so that the weighted average trade tariff in Mexico is now less than 10%. This change resulted in a large increase in imports of capital equipment and consumer goods in 1990 and 1991.

Local industry is actively modernizing and is increasing its export activity. Foreign Investment has been encouraged in the manufacturing sector. Major new investments include the automotive, telecommunications and electrical sectors.

While food processing and manufacturing is the single most important manufacturing sector in Mexico, metal products, including automotive, and chemicals - petroleum derivatives, rubber and plastic products - are also major sectors. The chemical industry reflects in part the industrial impulse given by the country's oil wealth. World scale petroleum plants were completed in the late seventies and early eighties and new joint venture investments are being planned in this sector for the early nineties. Crude petroleum exports account for 27% of total exports while exports of petrochemical derivatives account for another 10% of exports.

The automotive sector is one of the fastest growing sectors in Mexico accounting for 8% of the country's GDP and 25% of all exports. There is a high level of integration in the North American car market. Auto components and finished vehicles are imported and exported with Mexico enjoying a favourable balance for the trade in finished vehicles. OEM manufacturers have actively encouraged the establishment of new auto parts suppliers in Mexico to supply their manufacturing operations.

The forestry sector does not play a major role in Mexico's manufacturing sector representing only 0.4% of the country's GDP. The country has substantial forestry resources but these have not been fully exploited because of the lack of infrastructure and land holding/usage regulations. Recent changes in the rural land laws are expected to provide greater incentives for the development of this sector.

The electrical and electronic sector while less than 5% of GDP has shown rapid growth in the last five years. While much of this growth has been concentrated in the maquiladoras (in bond plants) located in the north of Mexico there has also been strong growth for the domestic market. This industry relies heavily on the import of components and offers opportunities for supply and investment.

7. Maquiladora

The relative low cost of Mexican labour and proximity to the U.S. border has led to the growth of in-bond assembly operations in northern Mexico. Employment from this program in 1991 was 476,000. Income from the Maquiladora program in 1991 is estimated at $4.1 billion (almost 9% of total external income for goods and services).

8. Transportation and Communications

By 1991, Mexico had some 240,000 Km. of highways of which 45,000 Km were federal or toll roads, 62,000 Km state roads, 98,000 Km rural and 33,000 Km dirt roads. Approximately 93 per cent of the communities have access to this network; this includes all centres with more than 500 inhabitants. The main method of transporting cargo in the country is via the highway system. Roughly 80 per cent of total cargo overland is transported on the highways.

The principal railroad is the government-owned Ferrocarriles Nacionales de Mexico which operates 26,400 Km of rails. By 1991, the railroad had 1700 engines with a total towing power of 4,200 HP; 47,000 freight cars and 800 passenger cars. Mexico's railroad represents the most economical means of transportation in terms of the displacement of goods and products.

There is regular maritime service between Mexico and U.S. and European ports. In 1990, the total volume of cargo handled in national ports reached 165 million tons of which 103 million were for deep sea transportation and 62 million for coastal transportation. Mexico's main eastern port is Veracruz on the Gulf of Mexico, while the Pacific coast is served by Mazatlan, Manzanillo, Lazaro Cardenas and Acapulco. Minor ports complete the service along Mexico's extensive coastline. There are many port construction and improvement programs under way along both coastlines.

Until 1989, the two Mexican airlines with international routes, Mexicana and Aeromexico, were owned by the government. Both airlines have now been privatized. There are 32 international airports, 40 national airports and 1,280 local airports in the country. Air transportation is primarily for passenger movement. Because of the high costs of air freight, only about one per cent of total cargo is transported by air.

With growing population in urban centres, it has become necessary to invest heavily in public transportation systems. Mexico City already has a 158 Km. subway (rubber tire) network with a further 34 kilometres of light rail transport. Other major urban centres have or are planning to acquire various types of mass transit systems.

As a result of slow growth rates in the eighties, there is an urgent need to modernize Mexico's communications infrastructure. The National telephone company TELMEX with 5.5 million lines and sales of $4.5 billion in 1990 was sold to private investors in December 1990. As part of the conditions of sale the new owners of TELMEX have announced a five year plan that will add 4 million terminal lines, improve telephone service to rural areas, modernize city switching systems through the introduction of digital technology, and build a 13,500 kilometre fibre optic network. The long term objective calls for 20 million lines by the year 2000.

Canadian firms, in particular Northern Telecom, have played an important role in the rapid expansion of cellular telephones in Mexico. Bell Canada is a foreign partner in the operation of cellular phone systems in two of the nine regions of the country. Canadian companies are also involved in the supply and support of two way radio, satellite and microwave equipment. Recently Bombardier of Montreal purchased Concarril, the only domestic manufacturer of railcar and subway locomotive equipment.

9. Tourism

Tourism is Mexico's second most important source of foreign currency with 6.4 million visitors in 1990. Mexico is continuing to develop its Tourism infrastructure with plans to increase hotel accommodation by a further 25,000 rooms and develop new sea coast resorts.

The tourism plan calls for 10 million tourists by 1994. Changes in foreign investment regulation permit increased participation by corporations with foreign capital in the development of tourism projects.

10. Economy in Transition

Started under the presidency of Miguel de la Madrid, the economic policy of openness has been pursued and accelerated under the Salinas de Gortari government. The protectionist policy and the strong hold of the sate on the economy have now been replaced by policy of modernization, liberalization and deregulation.

Equally important, the Government has brought its domestic debt under control. In 1991 this deficit was only 1.3% of GDP and a small surplus is forecast for 1992. Inflation while still high has reduced from 29.9% in 1990 to 18.8% in 1991. Estimates for 1992 range between 10-14 per cent.

The Mexican government has implemented a series of measures to stimulate the economy and carry out structural adjustment. Its adhesion to GATT and the new policy on foreign investment are two examples of the climate currently prevailing in Mexico. It is now possible for foreigners to have majority ownership in companies in most sectors of the economy. As a result of foreign investment in both direct and portfolio investments foreign reserves increased by $6 US billion in 1991 to reach US $16.7 billion.

The government of Mexico has also been very active with its policy of privatization. By 1992 privatization process was almost over. Of 1200 parastatal companies that existed in 1981 more than 900 had been disincorporated. Still, government ownership of companies in key areas of national interest including oil and gas (PEMEX), electricity (CFE), food (CONASUPO), railways (Ferrocarriles Nacionales de Mexico), make it an influential purchaser of goods and services in these sectors.

11. Foreign Trade

a. Foreign Trade Trends (US$ Millions)

Year of Trade	Exports	Imports	Balance
1989	23,764	23,410	- 646
1990	26,773	29,798	- 3,025
1991	27,175	38,357	-11,182

b. Major Exports (Millions of US $)

		1989	1990
1.	Crude Oil	7,292	8,921
2.	Automobiles	1,534	2,614
3.	Automobiles, engines	1,366	1,274
4.	Fresh Vegetables	197	430
5.	Tomatoes	199	429
6.	Spare Parts	397	393
7.	Processing Inf. Machines	377	368
8.	Cattle	212	349
9.	Coffee	514	333
10.	Iron bars	237	320

c. Major Markets

(1990 - percent average)

USA - 70%; Spain 5.4%; Japan 5.4%; France 2.1%; West Germany 1.3%; Netherlands 1.2%; Canada 0.9% (according to Mexican figures but 5.5% on Canada statistics)

d. Major Imports (Millions of US $)

		1989	1990
1.	Assembly Materials for Automobiles	950	2,539
2.	Computer Parts	733	878

3.	Pieces and Parts for Electric Inst.	518	654
4.	Radio & Telegraph Equipment	374	603
5.	Spare Parts for Autos & Trucks	640	581
6.	Radio & TV Receivers & Transmission	539	570
7.	Milk Powder	470	555
8.	Sugar	177	443
9.	Iron or Steel Sheets	416	441
10.	Corn	441	435

e. Major Suppliers

(1990 percent average)

USA 64.4%; West Germany 5.8%; Japan 4.8%; France 2.4%; Spain 1.8%; UK 1.7%; Italy 1.5%; Canada 1% (according to Mexican statistics. Based on Canadian statistics, Canada was 2% of the market).

f. Main Trading Partners

The United States is by far Mexico's largest trading partner. Omitting in-bond industry (Maquiladora) shipments, some 64% of Mexico's 1990 imports were sourced in the United States and 70% of Mexican exports went to the United States. Other major suppliers by order of ranking (based on Mexican statistics) are Federal Republic of Germany (5.8%), Japan (4.8%), France (2%), Spain (1.8%), United Kingdom (1.7%), Italy (1.5%), and Canada (1%). (These figures do not fully report Canadian imports that enter Mexico through the United States.)

IV. DOING BUSINESS WITH MEXICO

A. Market Opportunities

The information in Chapters I and II is intended to familiarize the reader with Mexico so that a preliminary assessment of the country's market opportunities for products and/or services can be made. Canadian exporters will find opportunities in almost all sectors including transportation (rail, ports, urban transit, airports); telecommunications; energy (oil and gas, solar); electric power generation and transmission; environmental equipment, agriculture and food; mining; and consumer goods.

Prior to Mexico's joining GATT in 1986, import and development policies were designed to protect domestic industries and to substitute imports through local production. At the present time, however, and in accordance with GATT stipulations, Mexico is more liberal in allowing the importation of a wide selection of goods which compete directly with those of domestic manufacture. This has encouraged Mexican industries to invest in new production equipment to improve their productivity, quality, and efficiency.

B. Import Controls

With membership in GATT Mexico eliminated a control policy based on import permits. Only in certain instances where imports would seriously injure local producers or disrupt the market are import licences required, i.e. imports of shrimp, milk powder and evaporated milk, cheese, beans, apples and pears, coffee, hard wheat, corn, sorghum, malts, certain oilseeds and others. The list of controlled products is being further shortened and exporters may consult the Commercial Division of the Canadian Embassy in Mexico for information regarding their product line.

C. Foreign Exchange System

Mexico currently (1992) does not maintain currency controls on foreign exchange and there are no federal restrictions relating to the transfer of dollars or other foreign currencies out of the country.

D. Customs

Ad valorem duty rates are based on invoice values. The invoice should indicate costs of the goods, insurance (if applicable) and freight separately so that duties may be calculated on the value of the goods only, and not on the total import cost. A two per cent surtax, customs clearance, handling charges and value-added tax must be paid on most imported items. Canadian exporters may consult the tariff officer of the Latin America and Caribbean Trade Division at External Affairs and International Trade Canada (EAITC) (613-995-0460) in Ottawa, or the Canadian Embassy in Mexico for current information on import tariff requirements.

E. Documentation Requirements

Mexican importers are liable to pay fines and imported goods may be delayed during customs clearance or returned to point of origin if documentation requirements are not complied with exactly. Canadian business people should, therefore, pay careful attention to their customers' instructions in this regard. Local agents or representatives are able to ensure that documentation requirements are met. Commercial invoices should be prepared in Spanish. If the invoice is in another language, a translation signed by the seller, consignee or customs house broker should be attached.

For most products an import permit is not required. However, Mexican importers must obtain sanitary and phytosanitary certificates from the appropriate ministries for food, animal and plant products. Eight copies of the commercial invoice, authorized at the Mexican Embassy or Consulate in Canada, are required. Bills of lading for ocean, railroad and air shipments are also required. All processed foods must be registered with the Health Ministry prior to their distribution.

Customs brokers can provide full details regarding documentation requirements and methods of shipping. The Latin America and Caribbean Bureau of EAITC in Ottawa or the Commercial Division of the Canadian Embassy in Mexico City are also sources of information.

F. Commercial Samples

Samples having no commercial value are not liable for taxation. Commercial, bank, consular or customs declarations must clearly certify that such goods are samples, or sample collections. Materials for display at conventions and trade fairs are allowed duty-free entry into Mexico on a temporary basis. Documentation for such goods should clearly indicate the use and destination for which they are intended. A bond is usually placed on capital goods to be exhibited at such events, returnable on re-export of the goods.

G. Transportation

Truck and railcar are the most commonly used means of transporting Canadian goods to Mexico.Refrigerated cargo moves almost exclusively by truck. Quotations should be f.o.b. U.S. border point, unless otherwise specified by the customer. If delivery into Mexico is required, insurance for transport within Mexico must be obtained from a local insurance company and a 10% value added tax on total freight charges within Mexico must be paid to authorities at border. Most Mexican importers engage the services of experienced customs brokers to facilitate border crossings, Mexican customs clearance and onward forwarding of the goods to their destination. Canadian exporters should comply completely with instructions received from their customers in this regard. For new exporters, the services of an experienced Canadian freight forwarder are also recommended.

1. Rail

Goods move regularly by rail from Canada to Mexico via the U.S. railway systems, which provide service to the principal points of entry along the Mexico-U.S. border - Laredo/Nuevo Laredo, Brownsville/Matamoros, Eagle Pass/Piedras Negras, El Paso/Ciudad Juarez, Nogales and Tijuana. The Mexican railway system then connects through to the principal cities in the interior. With the increase in imported goods in recent years, the national railways have had some difficulty in transporting because of a shortage of locomotives and rolling stock. However, for the most part, the service is satisfactory, especially with the recent addition of a customs pre-clearing system.

2. Truck

Mexican transportation laws require that all goods be transported in the country by a Mexican carrier over national highways. The law does not restrict the use of a foreign trailer to move goods from a border point to a destination inland provided the cab has Mexican registration and the driver is a national. Exporters should use a trucking firm with an interchange agreement in Mexico as this reduces cargo transfer and customs clearance delays at border.

Mexican carriers provide a satisfactory service, although at times there may be delays in delivery due to insufficient equipment. Recent laws introduced by the federal transport authority increased truck service in the border area to facilitate the flow of goods, create more competition and reduce freight costs.

3. Shipping

Service from Canadian ports to Mexico is extremely limited, although some goods, such as pulp and paper, grains and steel rails are sent regularly by charter. In the absence of scheduled liner service from Canada, exporters are obliged to use U.S. Atlantic and Gulf coast ports to reach Mexico. Inducement sailings are available if tonnage is sufficient.

4. Air

Direct scheduled air services for cargo and passengers between Canada and Mexico are available from Vancouver (Japan Airlines) and Toronto (Canadian International) to Mexico City. In addition, important seasonal charter air services, primarily for the tourism market, are provided by the Canadian carriers Worldways, Nationair and Canadian Air.

Direct scheduled air services between Canada and Mexico are supplemented by carriers offering connections at United States points such as Los Angeles, Dallas, Chicago, Miami and New York. Thus, Canadian shippers can increase their capacity and frequency options for access to the Mexican market by utilizing Air Canada or Canadian Air and the interline services of U.S. carriers such as American Airlines, Delta, United and others.

H. Banks

Four Canadian chartered banks - the Bank of Montréal, the Bank of Nova Scotia, the Royal Bank of Canada and the CIBC - haves offices in Mexico. Over the years, they have established close relationships with Mexicans financial institutions. They are not,however, permitted to engaged in retail banking in Mexico.

1. Canadian Bank Representatives in Mexico

Bank of Montreal
Tel: 2 03 83 01, 2 03 84 43
Fax: 2 03 79 63
Horacio 1855 Desp. 301
Loa Morales Polanco
Mexico 11510, D.F.

Antonio Jose Uribe
Senior Representative
Bank of Nova Scotia
Tel: 5 33 39 13
Fax: 2 08 71 82
Hamburgo 213, Piso 10
Col. Juarez 06600

Mexico, D.F.

Canadian Imperial Bank of Commerce
Tel: 5 40 02 77
Fax: 2 02 20 95
Campos Eliseos 400-402-A
Polanco

Paul Friser Frederiksen
Regional Representative
The Royal Bank of Canada
Tel: 5 33 69 56, 5 33 69 57, 5 33 69 59
Fax: 5 33 69 70
Hamburgo 172, Piso 5
Apdo. 6-1020
06600 Mexico, D.F.

Canadian companies which need financial assistance to support their activities in Mexico should initially consult their bank in Canada. It is advisable to provide the name of your Canadian bank to your Mexican client and to suggest that payments be arranged through it.

Two Mexican banks, Banco Nacional de Mexico (BANAMEX) and Banca Serfin, have offices in Toronto.

I. Useful Addresses

The Canadian Council for the America's
145 Richmond Street West
3rd floor
Toronto, Ontario
M5H 2L2
Tel:(416) 367-4313
Fax:(416) 367-0760

This private sector association plays an active role in promoting trade between Canada and Latin America. A Canada-Mexico Committee has been establish which publish a monthly bulletin "Mexicana".

Embassy of Mexico
130 Albert Street
Suite 1800
Ottawa, Ontario

Consulate of Mexico
2000 Mansfield Street
Suite 1015
Montréal, Québec

K1P 5G4
Tel:(613) 233-8988
Fax:(613) 235-9123

Mexican Trade Commission
18 Floor F, Allée Farhnam
Place Bonaventure 305
Montréal, Québec
H5A 1B4
Tel:(514) 393-1758
Fax:(514) 393-3340

Mexican Trade Commission
2 Bloor Street East
Suite 3032
Toronto, Ontario
M4W 1A8
Tel:(416) 922-5548
Fax:(416) 922-1746

Mexican Trade Commission
200 Granville
Suite 1365
Vancouver, British Columbia
V6C 1S4
Tel:(604) 682-3648
Fax:(604) 682-1355

H3A 2Z7
Tel:(514) 288-2502
Fax:(514) 288-8287

Consulate of Mexico
60 Bloor Street
Suite 203
Toronto, Ontario
M4W 3B8
Tel:(416) 922-2718
Fax:(416) 922-8867

Consulate of Mexico
1130 West Pender
Suite 810
Vancouver, British Columbia
V6E 4A4
Tel:(604) 684-3547
Fax:(604) 684-2485

V. MARKET STUDIES

The following are sectoral market studies for Mexico which are available from the Info Export Centre (BPTE) by calling 1-800-257-8376 or fax at 613-996-9709.

6

1. Agricultural Equipment, Seeds and Related Chemicals
2. Automotive Industry and Auto Parts
3. Bottled Water
4. Building Products and Materials
5. Computer Software
6. Consumer Products Distribution System in Mexico
7. Distribution System for Fish and Fish Products
8. Educational Systems
9. Electrical Distribution Equipment
10. Electronic Components
11. Food Processing and Packaging Equipment
12. Forestry Harvesting and Woodworking Equipment
13. Home and Office Furniture
14. Industrial Process Control Instruments and Equipment
15. Iron and Steel Industry
16. Machine Tools and Metalworking Equipment
17. Materials Handling Equipment
18. Meat and Livestock Products
19. Mining Industry
20. Oil and Petroleum Industry
21. Plastics Industry
22. Pollution and Environmental Control
23. Safety and Security Related Products
24. Shipping Documents and Customs Regulations
25. Sporting Goods and Leisure Products
26. Telecommunication Equipment and Systems
27. Tourism, Hotel and Restaurant Equipment

VI. MEXICO: TRADE FAIRS and MISSIONS PROGRAM
October '92 to October '93

(*) = Events organized by others

1.	**NATIONAL SWINE CONGRESS** (Cancun; Info Booth) - Swine Industry event.	30 Sept-04 Oct 92
2.	**CME Manufacturers Services Show** (Monterrey)(*) - companies from B.C., Alberta, Saskatchewan and Manitoba; organized by Western Economic Diversification.	21-23 Oct 92
3.	**EXPO PETRO Y CHEM 92** (Mexico City; Info Booth) - Catalogue show for Oil and Gas industry audience. Up to 15 companies participating.	4-6 Nov 92
4.	**MARITIME PROVINCES MISSION** (*) - N.B./N.S. mission contentrated on industries/services (port related). More than 10 participants.	9-12 Nov 92
5.	**PROCESS CONTROL & ROBOTICS MISSION** (Mexico City & Monterrey) - Meetings planned with key industrial process technology officials. Up to 20 participating companies.	23-27 Nov 92
6.	**OEM AUTO PARTS MISSION** (*) - APMA/EAITC mission to auto plants including new, state of the art Nissan facility. Co-sponsored by the Mexican Investment Board. More than 20 members.	22-27 Nov 92
7.	**MINING EQUIPMENT/SERVICES MISSION FROM BC** (*) - Visit to major contacts in mining sector. More than 10 representatives.	2-4 Dec 92
8.	**EXPOCOMM '93** - Largest annual telecom show in Latin America. Canada has been represented each year for the last five. Over 20 companies will participate.	9-12 Feb 93
9.	**ANTAD EXPO '93** (Guadalajara) - Canada's first major show in will feature food, store fixture and consumer products sectors (hardware/housewares) Up to 100 companies participating.	28-30 Mar 93

10.	**METAL EXPOMEX '93** (Monterrey) - Directed to the rapidly expanding machine tool and metal-working sector and to follow up on the successes of CANADEXPO '92. 12-15 participants are expected.	9-12 Mar 93
11.	**EXPETRO '93** (Mexico City) - Petroleum equipment/services event. 15-20 participants expected.	Apr 93
12.	**EXPOPAK '93** (Mexico City) - Mexico's leading packaging/labelling machinery show. 12-16 participants expected.	18-21 May 93
13.	**PESCA INDUSTRIA '93** (Ensenada; Info Booth) - Event for fish/fish processing equipment.	May 93
14.	**CONFERENCIA GANADERO** (Monterrey; Info Booth) - Event for livestock and poultry.	May 93
15.	**ENVIRONMENTAL PROTECTION FORUM** (Info Booth) - Technical conference with company participation supported.	May 93
16.	**MAQUINAMEX '93** (Info Booth) - Mexico City's only machine tool show. Up to 15 companies expected to attend.	June 93
17.	**TECHNO MUEBLE '93** (Guadalajara) - Furniture industry suppliers event. 7-10 participants expected.	9-11 June 93
18.	**INFORMATICA EXPO '93** (Monterrey) - Principal computer software show for Northern Mexico	10-12 July 93
19.	**EXPO ALIMENTOS '93** (Monterrey) - Food Processing, packaging, labelling, bottling event. 10 participants expected.	2-5 Aug 93
20.	**EXPO RUJAC '93** (Guadalajara) - Aftermarket auto parts/servicing equipment. 8-10 participants	20-22 Aug 93

VII. MEXICO: TRADE FAIRS and MISSIONS PROGRAM
November '93 to March '94

1.	NATIONAL SWINE CONGRESS (Cancun)	Oct 93
2.	TECOMEX '93 (Monterrey) - The major environment equipment event in Mexico. 15-20 participants expected.	26-30 Oct 93
3.	MEXICAN MINING CONGRESS '93 (Acapulco) - Biennial congress/trade show. Canada has participated each time. More than 60 participants are expected.	25-29 Oct 93
4.	CANADEXPO '94 (Monterrey) - Repeat of highly successful '92 Expo, featuring industrial equipment. 350-400 participants expected.	24-27 Jan 94
5.	EXPOCOMM '94 - Mexico City's principal telecoms event. 20 participants expected.	Feb 94
6.	ANTAD '94 (Guadalajara) - Only event directed to the retail industry. More than 50 companies expected.	Mar 94
7.	CANADEXPO '94 (Mexico City) - Planned to be Canada's largest ever commercial trade show. This week long event will showcase Canadian expertise in a wide number of sectors. 450-500 participants expected.	12-18 Apr 94

CANADA-MEXICO MERCHANDISE TRADE EXPORTS JUNE 1992 ($,000 Cdn)

EXPORTS TO MEXICO	Annual 1990	Annual 1991*	Jan-June 1991	Jan-June 1992
Motor Vehicle Parts (incl. Engine Parts)	82,000	153,500	44,400	84,800
Iron and Steel Products	67,700	46,300	19,400	55,900
Wheat	8,400	25,000	0	53,400
Aircraft and Parts	39,100	18,600	1,400	20,800
Milk Powder	72,500	13,400	5,900	18,000
Telecoms, Rel. Equip/Parts	51,500	23,000	900	16,700
Newsprint	16,000	34,500	4,200	15,400
Bituminous Coal	0	2,200	0	15,200
Meat & Livestock	21,600	18,900	10,000	13,500
Copper (Raw)	0	0	0	12,200
Sulphur	28,800	18,900	4,400	7,500
Asbestos	13,400	16,100	6,500	7,300
Barley and Oats	1,500	1,700	600	5,900
Filtering/Purif. Machinery	4,800	2,200	1,100	5,400
Wood Pulp	27,500	15,300	8,300	4,100
Rape or Colza Seeds	0	0	0	3,700
Articles of Rubber	5,900	3,800	900	3,600
Yarns and Fabrics	3,200	4,400	1,100	2,700
Petroleum Oils	5,100	16,100	16,100	0
Sub-Total	449,000	413,900	125,800	346,100
Others	144,700	110,600	81,900	41,000
TOTAL EXPORTS	593,700	524,500	207,700	387,100

Source: Statistics Canada, Merchandise Trade Statistics * Revised (as of July 1992)

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