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GOVERNMENT PROCUREMENT

Opportunities Under NAFTA

One of the key achievements of the NAFTA is the opening to Canadian suppliers of government procured services in the United States and Mexico. While the U.S.-Canada Free Trade Agreement (FTA) provided some access to these markets, NAFTA expands the range of opportunities greatly. These procurement markets are worth approximately \$70 billion annually.

A very significant addition under NAFTA is that construction suppliers will now be permitted to sell their goods as well as their services to government buyers, which means Canadian materials can now be used on U.S. federal construction projects estimated to be worth more than U.S.\$6.5 million. ("Buy America" provisions still apply on transit and highway projects receiving U.S. federal transportation grants.)

A giant market opportunity is emerging in two agencies, and NAFTA permits Canadian firms to compete for their business. The U.S. Army Corps of Engineers and the Department of Energy are both responsible for billions of dollars of site remediation and hazardous waste cleanup of all sorts. Canadian

NEW OPPORTUNITIES IN THE U.S.

- Canadian materials used in construction projects above US\$6.5 Million
- Services providers
- Firms selling to the Army Corps of Engineers, Department of Energy, and more

companies may now bid on opportunities to supply both services and technology — as prime or sub-contractors — on these projects. Construction contracts tendered by the Corps of Engineers have an anticipated 1994 budget of U.S.\$11.2.

These projects will offer opportunities for Canadian consulting engineers, and firms offering environmental cleanup technologies, products and services.

Among the other agencies offering market access since NAFTA came into force are the Federal Aviation Agency, the Coast Guard, the Agency for International Development, and the Department of Transportation. Projects will include the cleanup of nuclear waste, and many construction projects.

Canadian services exporters are

now able to compete equally alongside American firms on U.S. federal contracts. The U.S. government contracts for practically every service in the market, with a significant proportion of its spending going to services such as architecture, engineering, construction, computer consulting and management consulting. The embassy in Washington can provide short reports on the market for specific services, upon request.

Doing business with the U.S. government is not the simplest thing in the world — many American firms will be the first to acknowledge that red tape knows no borders. But the rewards for diligence are great; information is the key, and it is abundant. Canadian suppliers will now have access to published opportunities in all three NAFTA markets, as the Agreement requires publication of contract opportunities (and, if necessary, a bid-challenge procedure). Both Canada and the United States have always exercised a good degree of transparency in their government-procurement, and Mexico has, since NAFTA implementation, introduced more transparent practices.

In Mexico, the most important new

Continued on Page II

Government Procurement — from page 1

markets are found in what are called parastatal enterprises, which are similar to our Crown corporations. Government departments are also open, but they spend only about 9.5 per cent of their budget on goods and services, while the parastatals spend close to 60 per cent. Four enterprises purchase 65 per cent of all public goods and services in Mexico, worth about U.S.\$8.2 billion: PEMEX, the state oil company; CFE, the Federal Electricity Commission, IMSS, the Mexican Social Security Institute, and Conasupo, the National Company of Popular Subsistence.

Key opportunities in Mexico will include water infrastructure programs; the education sector, requiring schools, portable classrooms and equipment for schooling at every level of technology from blackboards to software; and the environment, where opportunities will abound for suppliers of air, water and ground pollution control equipment, environmental engineering services, and recycling and waste control systems.

Canadian companies already operating in the Mexican government and parastatal markets advise that, as in all other markets explored in Mexico, maintaining a constant presence in Mexico is a key. This means either having a branch office in the country, or having a local partner or representative. Aside from the need to be on-site in order to hear about opportunities in a timely way, it has been increasingly clear since Canadian firms began to do business in Mexico on a large scale that their Mexican associates are very sensitive to the demonstration of commitment that on-site representation entails.

As Mexico continues to privatize state-run enterprises, companies will find that they are doing more of their business with private-sector

agents. PEMEX, for one, can now contract out construction projects that previously would have been handled internally.

It is worth noting that in the large and complex world of government procurement, not only the mighty need apply. Much sub-contracting will be done in all the sorts of projects that come under the aegis of PEMEX or the U.S. Army Corps of Engineers. Not only the company

Key opportunities in Mexico will include the water infrastructure program, the education sector, and the environment

that builds the superstructure will find opportunities — a new building will require windows, or elevators, or particular door hinges. There will be many areas in which to compete for business, no matter what your product or service. The task is to discover where these opportunities exist.

In Mexico, internal responsibility for publishing information on government contracts will be handled by *El Diario Oficial de la Federacion*, a government publication comparable to the Canada Gazette. In the near term, each government secretariat and parastatal would have responsibility for making bid information available throughout North America. It is anticipated that a central publication for bid tenders will be implemented.

For details on markets, local sources of information, profitable approaches to the market, and other planned programs that may help a potential exporter, please contact the embassy or the consulate that handles the territory where an opportunity arises.

Government procurement is a labyrinthine area, and to succeed in these new markets, it will be necessary to do a lot of preparation and research. Foreign Affairs and International Trade staff at the Embassy and consulates are ready to answer questions about specific opportunities. In the meantime, the following materials are now available to help you take advantage of these opportunities:

Selling to the U.S. Army Corps of Engineers (A Procurement Guide for Canadian Construction Firms);
The U.S. Federal Market for Architecture and Engineering Services; and
The U.S. Federal Solicitation: A Guide for Canadian Firms are available by faxing your request to Mr. W.P. Molson at (613) 944-9119.

The U.S. Federal Acquisition Regulations were amended on 5 January, 1994. To get a copy of the new rules, please fax your request to Judy Bradt at the Canadian Embassy in Washington, (202) 682-7619. For more information on contacts and opportunities, fax David Weiner at the same number.

This article just offers introductory highlights on government procurement opportunities: there are some agencies, products, services and contracts for which Canadian firms cannot compete. The embassy and consulates in the United States welcome calls from firms wanting to check out the kind of treatment they can expect for their bids.

For information on the opportunities in Mexico, the document, *Government Procurement in Mexico*, from the Mexico Market Profile series, is available by faxing a request to InfoEx at 1-800-267-8376 (Ottawa, 944-4000). Further inquiries may be made by fax to the Latin American and Caribbean Trade Branch (LGT) at (613) 943-8806.

CANADA EXPO '94 MEXICO

Export Showcase Largest Ever

The largest Canadian trade show ever held will open in Mexico City in just a few weeks. The second Canada Expo in Mexico will showcase the goods and services of between 300 and 400 Canadian companies.

Canada Expo will be held the week of March 22-25 in Exhibimex, Mexico City's largest exhibition hall. The Canadian government has rented 82,000 square feet of its interior as the main site of the Expo. All the exhibitors will be accommodated in 2m.x3m. booths in one covered space. In addition, outside sites will be employed by companies including Atco Ltd. and Thomas Equipment, for demonstrations or exhibitions of their respective products outdoors.

Altogether, it is expected that 1,000 Canadian business people will attend the show. What can they expect when they get there?

According to representatives of the Department of Foreign Affairs and International Trade (DFAIT), the largely technical show will have a very professional atmosphere. There is no admission charge, and anyone presenting a business card, students, anyone with legitimate interest, will be admitted by reception.

Although participants may make their own arrangements, most will be taking flights coordinated by DFAIT on the 19th or 20th of March, and registering in one of three hotels: the Fiesta Americana, the Sevilla Palace or the Maria Isabel Sheraton. Shuttle service will be laid on from these hotels to Exhibimex. Move-in date for the exhibits will be Monday, March 21, and the inauguration of the Expo will be conducted on the evening of March 22.

The opening event will feature a cocktail reception, and, to kick off the Expo with panache and style, a

CANADA EXPO '94 MEXICO

March 22-25, 1994

Exhibimex, Mexico City

fashion show featuring the 30 or so Canadian fashion houses taking part in Canada Expo. On Wednesday, the Canadian government will offer a barbecue lunch at Exhibimex to the registrants and the guests — clients, representatives, Mexican contacts — they have named to the organizers. Wednesday through Friday, March 23-25, the show will be open from 3:00-9:00 p.m. These hours reflect Mexican practices, which include a later lunch hour than is usual in Canada, and the general pattern of late dining.

The Canadian Embassy will provide briefing notes to registrants, to give newcomers to Mexico a general orientation and to run over the details of the show itself. Interpreters and hostesses with language capabilities will be available at the exhibition site: most will probably be students from the universities of polytechnics.

At the end of February, the Embassy is holding a Catalogue show, to which many distributors, agents and representatives in Mexico City will be invited. Companies that have submitted their catalogues or other literature will have them displayed for a very interested audience, and the Embassy will mount a

panel of text and graphics introducing each of the companies that sent their material. It is a chance for the Mexican business community to acquaint themselves with the companies coming down, before they meet in March.

The majority of those registered for Canada Expo 94 at this printing are from Quebec and Ontario, although there will be some companies from throughout the country. About 60 per cent of those firms do not yet have their own representatives in Mexico, and about half are going to Mexico for the first time. Some companies more established in Mexico are participating, of course, in part to reaffirm their continuing presence there, in part to back up the program of trade shows in Mexico. The value of such trade shows is perhaps highest for new or early exporters into Mexico, who now have a golden opportunity to break into an opening market.

For further information on the show, those interested may call the Canada Expo Hot Line at 1-800-565-2295.

Upcoming Events

CANADA EXPO 94 (Mexico City) March 22-25, 1994 — Canada's largest ever trade show.

EXPO-PAK '94 (Mexico City) May 17-20, 1994 — Fair for suppliers/manufacturers in the packaging and labelling industries.

TECNO MUEBLE (Guadalajara) July 8-10, 1994 — Furniture hardware/accessories, furniture manufacturing equipment show.

INFORMATICA EXPO 94 (Monterrey) 10-12 July 1994 — Principal computer show for Northern Mexico

Details on these and other events may be obtained from Latin American and Caribbean Trade Division, Department of Foreign Affairs and International Trade. Facsimile: (613) 944-0479.

MEXICO: How Government Works

Much export business with Mexico will deal with the private sector, but in the end the government, there as here, is the ultimate arbiter of how its international trade is conducted. It is perhaps worth introducing the structure of the Government of Mexico in order to let our exporters understand what they are dealing with.

Mexico is a federal democratic republic with 31 states and a Federal District (Mexico, D.F.), more familiarly known as Mexico City. The public sector is composed of three branches: the Executive, headed by the President; the Legislative, directed by Congress; and the Judicial, directed by the Supreme Court. As is evident, the structure bears a distinct resemblance to that of the United States.

The federal government conducts elections for President and Congress every six years; the President may not stand for re-election. 1994 is an election year, with the vote being conducted in August. The new President and Congress will be sworn in December 1.

The central government is composed of 19 Secretariats, organized on a functional or sectoral basis, similar to Canadian Ministries or American Cabinet departments. The Secretaries are appointed by the President.

These Secretariats, and their acronyms, are: Office of the Attorney General (PGR); Secretariat of Agriculture and Water Resources (SARH); Secretariat of Communications and Transport (SCT); Secretariat of National Defense (SDN); Secretariat of Trade, Commerce and Industrial Development (SECOFI); Secretariat of the Office of the Comptroller General (SECOGEF); Secretariat of Tourism (SECTUR); Secretariat of Social Development and Housing (SEDESOL); Secretariat of the Navy (SEMAR); Secretariat of Energy,

Mines and Parastate Industries (SEMIP); Secretariat of Public Education (SEP); Secretariat of Fisheries (SEPECSA); Secretariat of the Interior (SG); Secretariat of Finance and Public Credit (SHCP — commonly referred to as Hacienda); Secretariat of Agrarian Reform (SRA); Secretariat of External Affairs (SRE); Secretariat of Health (SSA); and Secretariat of Labour and Social Security (STPS). The nineteenth Secretariat is the Presidency, which has no acronymic form.

The government has responsibility for a number of *Empresas Publicas*, usually known as parastatals and comparable to our Crown corporations. Government may have majority (50 per cent or more) or minority (25-49 per cent) equity interests in these enterprises. Parastatals have separate legal status, but some are considered to be directly government-controlled, regardless of equity participation, because the government has the authority to name the majority of Board or Executive members.

Parastatals fall into two categories, depending upon the degree of control exercised by the Secretariat of Finance and Public Credit, Hacienda, over the company budget. The companies do have considerable autonomy over their own budgets, but senior officials of the appropriate Secretariats will sit on the Boards or Executive committees

of those parastatals reporting through their Secretariat. The President has the authority to decide to which Secretariat each parastatal will report; this Secretariat is effectively the administrative authority over that company.

Parastatals encompass a wide range of activities, from the Mexican Coffee Institute to Telecommunications of Mexico. The most important, economically and strategically, tend to be controlled by Hacienda: those dealing with petroleum and by-products (PEMEX); electricity (CFE); railway transport (FERRONALES); medical social security (IMSS); grain marketing (CONASUPO) and airports (ASA), among others. But some major parastatals are not under Hacienda's control: these include telephones and communication (TELECOM); school construction (CAPFCE); and R&D for the oil industry (IMP).

The department responsible for trade, SECOFI, is the most relevant to Canadian exporters in general terms, in that it sets policy and regulations in this field. Individual firms may wish to learn more about specific Secretariats or parastatals in their own fields of interest. InfoEx can provide a text on Government Procurement in Mexico that includes more details on the Mexican government, lines of authority and methods of proceeding. Call 1-800-267-8376.

Access

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

Your feedback is welcomed; correspondence should be sent to *Access*, BCT, Department of Foreign Affairs and International Trade, Ottawa, Ont., K1A 0G2, or by fax, (613) 992-5791.

For further information or a copy of a brochure on Access North America, contact InfoEx at (613) 992-5791 (In Ottawa 944-4000).

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