International Trade

Mexico
Trade Action Plan
1998

Canada

Team Canada • Équipe Canada

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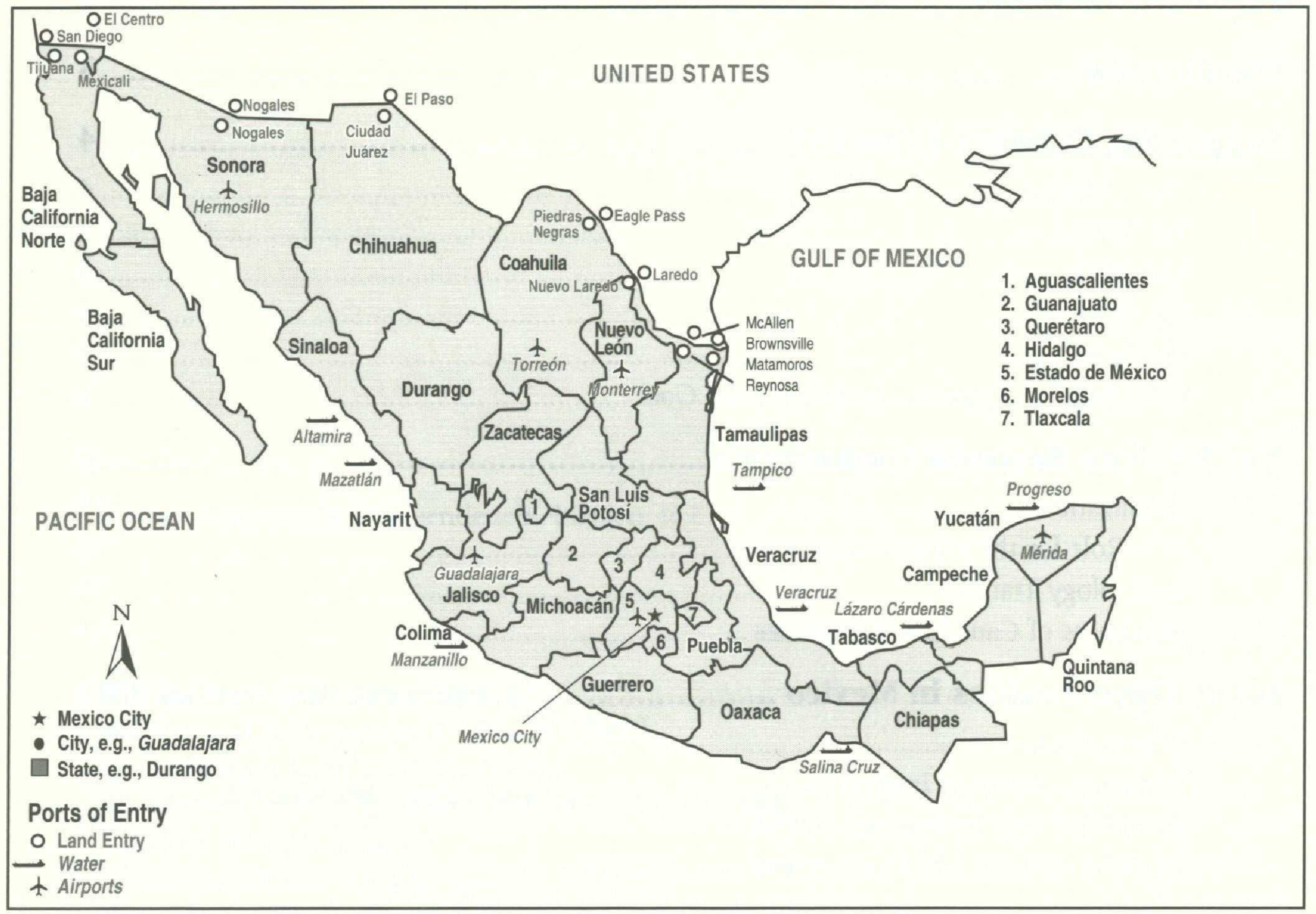


Executive Summary

The Opportunity

Mexico offers excellent opportunities for Canadian exporters. Trade has increased steadily since Mexico implemented a series of sweeping economic reforms in the mid-1980s. Decades-old protectionist regulations were abandoned and parallel policies of privatization and deregulation contributed to a massive restructuring of the economy. This created unprecedented demand for various kinds of goods, services and technologies. As a result, Mexican imports from Canada more than doubled during the five years ending in 1996.

The Challenge

The rapid increase in the number of Canadian companies that export to Mexico or are considering doing so, has placed considerable strain on the government's ability to support exporters. The Action Plan for Mexico was developed to make more effective use of scarce resources.

The Team

The Team Canada concept, introduced by Prime Minister Chrétien in 1995, underlies this new approach to trade promotion. Canada's Trade Commissioner Service is the delivery arm for co-ordinated trade promotion efforts by various government departments and the private sector. The Enquiries Service in Ottawa and the regional International Trade Centres provide local service to businesses located in all parts of the country.

The Plan

The Action Plan provides integrated information on Mexican markets to enable Canadian businesses to prepare their export strategies at home, taking advantage of the activities to be undertaken by federal government departments and agencies outlined in the Action Plans that accompany the industry sector profiles. Armed with this information, they are equipped to take full advantage of the knowledge and skills of the trade commissioners in Mexico.

The Plan distinguishes between market information and market intelligence, and delivers these products through different means. It focuses more on information-driven activities than on event-driven programs. And it emphasizes helping small to medium-sized enterprises (SMEs) become export-ready before they leave Canada.

Sectors of Opportunity

To maximize trade promotion efforts, the Action Plan identifies five priority sectors. These sectors offer substantial opportunities in areas where major demand is expected to develop over the medium term.

In addition, five emerging sectors of interest are identified where there is already significant Canada-Mexico trade. These sectors provide opportunities for SMEs to offer complementary products and services, and to take advantage of Canada's existing track record.

Priority Sectors

- Advanced manufacturing technology and industrial machinery
- Information technology and other advanced-technology products and services
- Agriculture and agri-food
- Automotive maintenance equipment and aftermarket parts
- Oil and gas equipment and services
- Electric power equipment and services
- Transportation equipment and services

Emerging Sectors

- Environmental equipment and services
- Mining equipment and services
- Cultural and educational products and services

Future Growth Sectors

- Geomatics
- Medical/pharmaceutical/biotechnology
- Safety and security

To Help Us Serve You Better

A questionnaire is included at the end of this publication to elicit reactions to the Action Plan for Mexico. The information provided will be useful in guiding future improvements to this trade promotion program.

Introduction

The Government of Canada has clearly identified the promotion of jobs and growth as one of the main objectives in the conduct of its international relations in the years ahead. This is a priority shared by all levels of government and by industry – the "Team Canada" partners.

In pursuit of this objective, the federal government launched an International Business Development (IBD) strategy in October 1995 to help Canadian business capture global market opportunities while creating jobs at home. This strategy is also intended to build strong partnerships among the three levels of government and the private sector, to attract and retain investment in all regions of Canada, to ensure that maximum benefit is derived from the resources available, and to eliminate overlap and duplication among governments in supporting international business development.

The IBD strategy stipulates that the government must choose market and sector priorities to which it will provide enhanced commitment of resources and support services, and, more specifically, that comprehensive, government-wide Country Action Plans (CAPs) are to be developed for key markets. Using the Team Canada partnership, CAPs have been developed through a consultation process involving such partners as the different levels of government, the private sector, and private sector associations. Markets selected for this in-depth analysis include China, the United States, India, Germany, Japan, Mexico, the United Kingdom, France, Chile and Taiwan.

Canada's International Business Strategy (CIBS) sets overall strategies and direction for support, while the CAPs, a major component of CIBS, build on these strategies for selected markets. In particular, the CAPs strive to bring greater strategic direction to Canada's IBD efforts by integrating government policies, instruments and programs. The private sector has been involved in developing these plans, along with federal departments and agencies, and the provinces and territories.

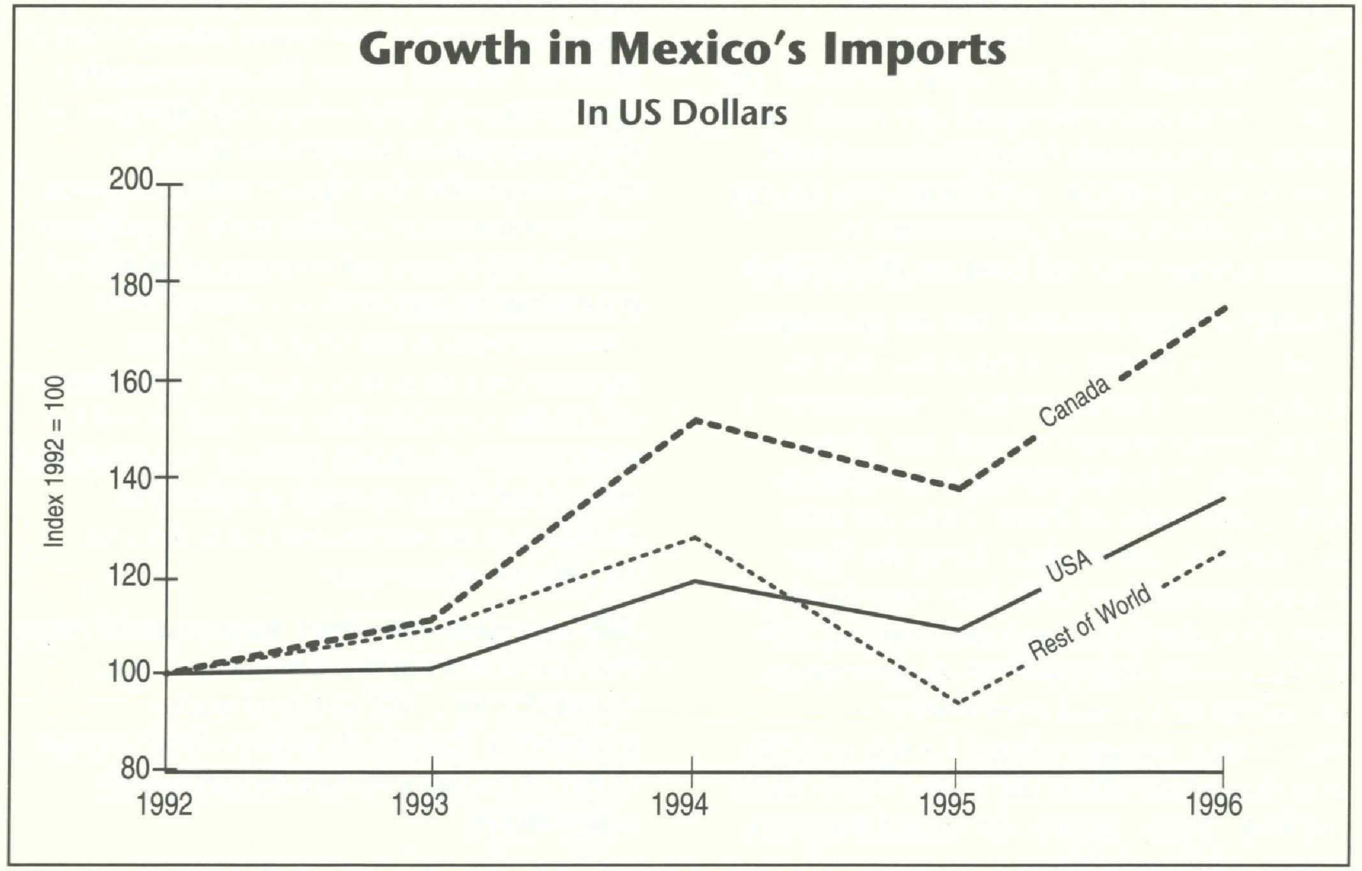
This Country Action Plan identifies key sectors that offer the most promising opportunities for Canadian exporters and directs enhanced levels of service to these sectors. Exporters targeting opportunities in other sectors will continue to receive support on a responsive basis, as resources permit. The Plan includes integrated market information to assist in the preparation of export strategies and in taking advantage of the knowledge and skills of Canada's trade commissioners. It will help experienced exporters as well as new exporters committed to the market to realize their potential. It will be periodically revised and reissued, in consultation with stakeholders, in order to reflect the evolution of the market and to incorporate appropriate adjustments.

Although efforts have been made to avoid errors and inaccuracies in this document, it is not intended to be a sole source of market information. Readers should use the document as one of several resources for commercial undertakings.

Supporting Canada's Exporters

The Challenge

Canada's trade with Mexico has increased steadily since Mexico unilaterally liberalized its trade regulations, beginning in the late 1980s. Between 1990 and 1996, Canada's exports to Mexico rose by 270 percent, according to Statistics Canada data. Exports surged by 36 percent in 1994 alone, the first year of the North American Free Trade Agreement (NAFTA). During the past few years, Mexico's imports from Canada have increased faster than imports from the United States and from the rest of the world (see chart below). As a result, Canada's share of the Mexican import market rose to 2.0 percent in 1996 from about 1.5 percent in 1992. Mexico's imports showed strong growth in 1996, reflecting the relative stability of the peso. Assuming the currency remains stable, the increase in imports suggests substantial long-term opportunities.



Sources: Statistics Canada, World Trade Statistics 1992-94; and World Trade Atlas 1995-1996.

The potential of the Mexican market has been recognized by many Canadian companies. Still, many other Canadian firms offering products and services that could meet emerging Mexican needs have not yet discovered that market.

For companies aware of the opportunities, moving into Mexico can be a daunting endeavour. Although distance is no longer a real barrier — Mexico City is no further from Montréal than is Vancouver — language and cultural differences can create significant obstacles. Moreover, Mexico has only recently emerged from decades of protectionism. As a result, many Mexican companies are unaccustomed to an open market, and their management techniques are slow to adapt to the newly liberalized trading environment. Market information is also much more difficult to obtain in Mexico than it is in Canada.

The need to deal with rapidly expanding opportunities presents Canada's Trade Commissioner Service with a major challenge. In response to this challenge, the Latin America and Caribbean Bureau of the Department of Foreign Affairs and International Trade (DFAIT) is reorienting its programs to make better use of its resources. The Action Plan for Mexico reflects a major re-engineering of the entire process of trade promotion.

The Team

The Team Canada concept underlies the new approach to supporting Canada's exporters. It stresses the use of DFAIT's Trade Commissioner Service as the delivery arm for co-ordinated trade promotion efforts by various federal government departments. DFAIT's role within the team is to identify and assess newly emerging markets, to improve Canadian access to those markets and to provide market intelligence and support in Mexico. These functions mesh closely with those of DFAIT's Team Canada partners, including other federal government departments and agencies (such as Environment Canada, Industry Canada, Agriculture and Agri-food Canada, the Atlantic Canada Opportunities Agency, the Federal Office of Regional Development-Quebec and Western Economic Diversification) and the provincial governments. These domestic partners help exporters become export-ready before they leave Canada. Improved links between the Mexico- and Canada-based members of the team will ensure that timely market information prepared by DFAIT reaches users who access delivery systems based in Canada.

Trade commissioners are located in Canada's Embassy in Mexico City, in consulates in Monterrey and Guadalajara, and in the Mexico and Inter American Division in Ottawa. In addition, Industry Canada trade specialists are found in the International Trade Centres (ITCs) located in every Canadian province. Canada Business Service Centres (CBSCs) are also located in every province to provide a broad range of information and referral services. The DFAIT Enquiries Service in Ottawa and the ITCs and CBSCs in the regions are often the first points of contact for companies seeking export information on Mexico.

Team Canada has a major job ahead. The number of Canadian companies exporting to Mexico is expected to double over the next few years. As well, the needs of Canadian exporters have become more sophisticated and more diverse. Some companies are experienced exporters with very specific needs for assistance in expanding their Mexican base. Others are small to medium-sized enterprises (SMEs) with excellent products and services but little export experience; these need exposure to Mexican opportunities, culture and practices. Team Canada's challenge is to use the limited resources available to provide both types of exporters with the support they need and expect.

The Goal

The ultimate goal of the Action Plan is to accelerate the entry of Canadian exporters into the Mexican market and to help them take maximum advantage of opportunities throughout Mexico. This means understanding the needs and expectations of current and prospective Canadian exporters, large and small. It means collecting and disseminating advanced market information and intelligence focused on emerging opportunities, market dynamics and access issues. It means representing the interests of Canadian companies in Mexico, collectively and individually. And it means developing the human and technical resources to present Canada's substantial capabilities, in their best possible light, to potential Mexican buyers.

The Plan

The Action Plan for Mexico responds to these challenges and goals with practical measures to help exporters succeed. The essence of the Plan is to provide integrated information about Mexican markets in Canada so that businesses can prepare their export strategies at home. They will then be equipped to take full advantage of the knowledge and skills of the trade commissioners in Mexico. Four main principles underlie the Plan's design and describe a new approach to carrying out the trade commissioners' mandate.

Principles

- A clear distinction between market information and market intelligence. The former can be packaged and disseminated in Canada on a sectoral basis. The latter requires on-the-ground support in Mexico and a detailed knowledge of each company's unique capabilities.
- A move away from event-driven activities, such as national pavilions at major Mexican trade shows, and towards information-driven activities based on emerging economic and market trends. Incoming missions that bring prospective Mexican buyers to Canada will receive greater priority.
- A greater emphasis on helping small to medium-sized Canadian companies become export-ready before they leave Canada. This will put them in the best position to take advantage of the intelligence-gathering capabilities of the Trade Commissioner Service.
- A special focus on providing customized business advice to Canadian companies that have a high probability of success in exporting. This principle is designed to accelerate their export development, thereby creating more jobs and stimulating economic growth in Canada.

Mandate

Market Information and Analysis

Understanding Mexican markets requires accurate and timely data, but in raw form this information is often not relevant to business needs. The Action Plan therefore stresses value-added market research. DFAIT's Export ***i*** market information publications feature concise evaluations of emerging opportunities and market-access issues, as well as profiles of customers, competitors and regulatory agencies. Statistics, while helpful in describing last year's market, reveal nothing about next year. Export ***i*** strives to present a realistic outlook on emerging markets over the near to medium term. The objective is to orient Canadian companies to the Mexican market in their sectors, before they develop their own market-entry strategies. The use of current but pre-packaged information for this purpose enables trade commissioners to focus on providing market intelligence and other counselling services to Canadian businesses.

Market Intelligence

Market intelligence differs from market information in that it relates to the specific market position of an individual company or product rather than to the market in general. It typically involves confidential information needed to implement a company's market-entry strategy. Intelligence is therefore not usually disseminated on a sectoral basis.

Each company has its own unique products and capabilities, which may or may not find a niche in Mexico. Upon request, the trade commissioners can provide advice to help companies gather their own market intelligence. Trade commissioners can also point exporters in the right direction by facilitating contacts with customers, agents, potential partners and local consultants, who can provide more detailed market intelligence.

Market Access

Sometimes, even a perfect match between a Canadian product or service and a Mexican need is not enough to ensure success. Although the main obstacles to exports and investment have been eliminated or reduced under the NAFTA, some barriers remain. Eliminating trade impediments for specific products and services requires constant vigilance and advocacy by the Trade Commissioner Service and trade policy officials.

The advocacy role of Canadian officials in Mexico also extends to logistical issues such as facilitating the flow of goods across the Mexico-U.S. border. Most Canadian goods enter Mexico at Laredo, Texas, and bottlenecks there have been an impediment for some exporters. The monitoring of border issues is just one of the responsibilities of the Canadian consulate in Monterrey.

Interaction between Canadian businesses and Canadian officials in Mexico is essential to ensure that the efforts of the latter are closely linked to real problems experienced in the marketplace. Trade commissioners are available to troubleshoot specific problems faced by individual companies.

Outreach and Awareness

One obstacle to expanded Canadian trade with Mexico is lack of awareness of Mexican opportunities. Another is lack of familiarity with Mexican business culture and practices. The Trade Commissioner Service works with the other members of Team Canada to disseminate information in both of those areas. The Export ***i*** Mexican Knowledge Base is the centrepiece of this effort. The publications in this knowledge base provide not only market information, but also guidance on a wide range of marketing, financing and logistical issues, with special emphasis on the cultural dimension of doing business in Mexico. Continuous updating is a key feature of the Mexican Knowledge Base, and the Action Plan includes systematic efforts to publicize its availability.

Outreach activities also include export preparation. Although DFAIT does not deliver training directly, it develops practical training tools and provides these to members of Team Canada as well as to some business organizations.

Training material is available on:

- Understanding Mexican Business Culture: Keys to Success
- Shipping Goods to Mexico
- Marketing Your Services in Mexico: First Steps
- Negotiating and Concluding a Contract

In addition to prepared training materials, a speaker service and other types of training support are available from the Department's Mexico and Inter American Division.

Trade Promotion Events

Successful Canadian companies are familiar with trade fairs as a means of expanding business. DFAIT has sponsored many events in Mexico. As Canada's trade promotion efforts in Mexico have matured, this role is evolving towards facilitation rather than sponsorship.

Canadian information booths at some trade fairs will continue to provide a way to participate for Canadian companies that choose not to enter as exhibitors in their own right. The information booths will also continue to provide a base from which trade commissioners can gather market intelligence and identify matchmaking opportunities. But in the future, incoming trade missions for potential Mexican buyers will be the key activity in the Action Plan.

Specific trade promotion activities are planned annually during the Canadian International Business Strategy (CIBS) consultation process. A copy of the CIBS is available through DFAIT's Enquiries Service, tel.: 1-800-267-8376 or (613) 944-4000; fax: (613) 996-9709. The Mexico and Inter American Division, Latin America and Caribbean Bureau, maintains an up-to-date listing of all its trade promotion events in or from Mexico, tel.: (613) 996-5547; fax: (613) 996-6142; Internet: http://www.dfait-maeci.gc.ca

Canada enjoys a very positive general reputation in Mexico. But the quality and sophistication of specific Canadian technologies and capabilities are not well understood. As a result, good impressions made by visiting Canadians in Mexico may not translate into immediate orders. Too often, Mexican buyers prefer more familiar brands from the United States. The knowledge gap can be bridged by bringing Mexican customers to Canada, where they can see, first-hand, Canada's products and services. Incoming missions will feature tours of Canadian plants and technical facilities, as well as visits to Canadian trade shows. This selective matchmaking approach ensures that scarce resources are allocated to sectors where Canada has the best sales prospects.

Changing the Approach to Achieve the Goal

The components of the Action Plan described in the previous sections are not isolated endeavours. They are part of a new approach designed to ensure a close match between the needs of Canadian exporters and the capabilities of Team Canada. Ensuring that every inquiry from a Canadian business person is dealt with promptly and effectively is a key element of the overall plan.

DFAIT's Mexico and Inter American Division in Ottawa and the Canadian Embassy in Mexico are taking several initiatives to develop a customer-service culture, despite reduced financial and human resources.

These initiatives include:

- Providing easy access (fax, Internet, hard copy) to the most up-to-date market information on Mexico to interested business persons through the Department's Enquiries Service;
- Retraining officials in Canada and at the Embassy to offer value-added analysis based on proactive intelligence gathering rather than mere market information. A key element of this initiative will be to establish more effective links between business clients in Canada and local experts in Mexico who possess knowledge of specific sectoral and regional markets;
- Obtaining regular feedback from clients to improve services; and
- Reorienting event organization towards activities that most effectively promote matchmaking and the acquisition of market intelligence.

The Mexican Business Environment

Nineteen ninety-seven marked the mid-point of President Zedillo's six-year term. After two years of agonizing adjustment for most Mexican industries, the macro-economic figures are once again positive. The Mexican economy has shown strong growth for two successive quarters, and there are solid grounds for growth to continue. Most economists predict steady growth and declining inflation until the year 2000. While the impact of the 1994 devaluation, with subsequent high inflation and low-wage growth, has harmed consumer purchasing power through 1996, gradual improvement has been observed in 1997. As a result, Mexico's most attractive export opportunities will continue to be dominated by commercial and industrial markets rather than consumer markets. Nonetheless, there will be opportunities to meet the growing consumer demand of the wealthiest 10 percent of Mexicans, whose spending habits rebounded quickly in 1997.

Mexico's gross domestic product (GDP) grew 5.1 percent in 1996, following a contraction of 6.8 percent in 1995; it is expected to grow by 7 percent in 1997. In dollar terms, the GDP remains about 25 percent lower than its peak in 1994. For the next four years (1997-2000), the GDP should continue to grow at approximately 5 percent per year. Inflation in 1997 will drop to about 17 percent; it will continue to shrink (12 percent for 1998), stabilizing at about 10 percent by the end of the century.

The peso, which lost so much value in 1995, has remained stable for almost two years and has even appreciated in real terms when factors such as inflation are taken into account. However, under a free-floating currency regime, the peso should soon begin to depreciate at 7-10 percent per year against the U.S. dollar. If the market allows for such an ongoing rationalization, the Mexican trade balance will maintain a slightly positive level in 1997 and slip slowly into negative figures in 1998 and 1999. It is estimated that Mexico will continue to attract US$8 to 10 billion per year in foreign investments. This will help offset any future current account deficit.

In August 1997, Mexico's reserves stood at US$22.7 billion, of which US$7.1 billion belonged to the International Monetary Fund, leaving a net reserve total of US$15.6 billion. This level of reserves provides a healthy buffer against any foreseeable trade imbalances. However, with over US$40 billion of foreign investment in the Mexican stock exchange, capital flight is always a risk, particularly in light of the evolving political situation.

The July 1997 elections proved historic with respect both to their credibility and to the changes they will bring about. Most importantly, the governing PRI (Partido Revolucionario Institucional) lost its absolute majority in the national Congress. The opposition, composed of two strong parties — the PAN (Partido Acción Nacional) and the PRD (Partido de la Revolución Democrática) — and several small parties, will now wield real negotiating power in Mexican politics. New legislation promoted by the executive branch must now meet the approval of at least one opposition party. This will slow the development of new laws but will create better-debated and more durable legislation. The much-publicized victory of

Cuauhtemoc Cárdenas of the PRD in Mexico City is part of the change currently taking place on the nation's political scene, but its impact on the city's residents is difficult to predict. The PRD will try to demonstrate to the voting public that it can govern Mexico City as a prelude to a three-way political battle for the presidency in 2000. Little change is expected in the treatment of foreign investment in Mexico's privatization policies or in the negotiation of free trade with global partners. The North American Free Trade Agreement (NAFTA), since it has already been passed through the Congress, should not be affected, and in any case is the purview of the Senate, where the PRI maintains a majority. Some measures may be introduced, such as the reduction of the value-added consumption tax, but all three of Mexico's parties support free competition and fair business practices. Since the elections, the stock and money markets have both reacted favourably to what foreign investors see as a positive new direction for Mexican democracy.

Investor confidence has returned to Mexico, at both the portfolio and direct levels. Mexican government and corporate entities have succeeded in raising international capital in the United States, Europe and Japan. Mexico repaid its debt to the U.S. government far ahead of schedule, and has been successful in restructuring and lowering its external public debt.

Direct investment since 1995 has focussed on export manufacturing and a handful of key sectors that are opening up to foreign investors. These include the automotive, energy, transportation, environmental and telecommunications industries. This investment is driving the growth of niche markets in the Mexican economy, which has evolved from a consumer market to an industrial and commercial market. Over the next three years, consumer markets, with the exception of the upper-class segment, will continue to grow slowly at approximately 3.5 percent per year. Much of Mexico's domestic growth and demand for imports will be driven by investment and exports, both of which will grow at 10 percent or more per annum to the end of the century.

Stabilization

Several political factors will contribute to an improved business climate in coming years. The Zedillo administration has embarked on an ambitious program of legislative reforms. The President is promoting a "new federalism," which will decentralize the government and give more power to the states. The opposition parties are already playing a larger role, after some 70 years of domination by the PRI. While continuing with economic reforms (privatization, deregulation, liberalized trade), President Zedillo has pressed ahead with political and electoral reforms, evidenced by the generally clean, successful manner in which mid-term elections were held in 1997. Mexico provides a generally positive example of progressive liberalization maintained over an extended period of serious macro-economic shocks. Its persistence in carrying through this process has begun to pay dividends, and the bases are now in place for achieving long-term, sustainable economic growth.

New Role for the Private Sector

The Zedillo government continues to streamline the bureaucracy. The sweeping privatization program launched by the previous government has been aggressively pursued. By 1994, the government had already sold more than 1000 public enterprises to the private sector. Recent announcements include privatization plans for telecommunications, ports and airports. Parts of the Ferrocarriles Nacionales de México (Mexican national railway) and the Comisión Federal de Electricidad (federal electricity commission)

have already been opened to private sector activity. Several major projects have been put up for tender under build-operate-transfer and build-lease-transfer financing arrangements. The Zedillo administration is also pressing ahead with major reforms to the nation's antiquated land-tenure system.

Because of an increasingly open attitude towards foreign investment, by 1994 Mexico ranked among the world's top 10 recipients of foreign capital. Moreover, the economic crisis has made Mexican companies especially receptive to joint ventures and other forms of Canadian investment, and it has lowered the dollar cost of acquiring physical assets. On the other hand, some foreign investment regulations are still pending and certain areas of the law are not clear.

Technology Transfer

Obstacles to the import of specific technologies and services have also been removed. For example, in 1991, the government rescinded the decrees making imports of computers and related products subject to an import permit system. Although this system applied only to hardware, it had a chilling effect on the market for technological services. Another example is the strengthening of intellectual property laws, which have improved prospects for exporting items such as computer software and biotechnology products. Beginning in 1990, Mexico's franchising laws were reformed to recognize this form of technology transfer for the first time.

As these examples illustrate, the processes of trade liberalization, deregulation and privatization have facilitated the entry of Canadian capital and technology into Mexico. Mexico desperately needs new technology, both to modernize its manufacturing industry and to replace its deteriorating public infrastructure. Neither sector has the capital to do this on its own.

Awareness of Canadian Companies

The publicity surrounding the NAFTA and associated Canadian government trade-promotion efforts have increased Mexico's awareness in individual Canadian suppliers and investors. The higher profile of Canadian companies has enabled them to make new inroads into the Mexican market. For example, more than 100 Canadian mining companies are now active in Mexico.

Other factors contributing to growing awareness of Canadian suppliers include Mexico's rising imports from Canada, which increased about 9 percent in 1996; Mexico's continued dependence on imported technology, including Canadian technology, to meet domestic needs; and Mexico's export boom, which has Mexican manufacturers scrambling to modernize to meet international quality standards.

Most Canadian companies that have succeeded in Mexico have found that partnering with a Mexican firm is the best way to enter this market. In today's economic environment, Canadian companies may have to consider contributing capital as well as technology to such partnerships.

Major Opportunities in Mexico

Opportunities exist for Canadian suppliers in many Mexican sectors. Ten sectors have been identified for specific action.

No industrial sector or public enterprise has escaped the forces of change that have swept Mexico since the late 1980s. Manufacturers are rationalizing their operations and modernizing to meet the influx of foreign competitors. Service providers are struggling to become more efficient and to offer their customers the latest innovations. For the first time in decades, government agencies have been forced to consider new approaches as they react to budget cuts. And, on a broader scale, the federal and state governments have embarked on ambitious plans to modernize Mexico's outdated infrastructure. Increasingly, they are turning to the private sector to help make this happen.

This environment offers many opportunities for Canadian companies. The rationalization initially brought about by economic reforms has been accelerated by the recent peso crisis. Both elements are forcing Mexican buyers and decision makers to consider alternative methods and new suppliers.

Priority Sectors

Priority sectors offer substantial but largely untapped opportunities where there is a good fit between Canadian capabilities and Mexican needs. To focus Team Canada's efforts on markets with the greatest growth potential, five priority sectors have been selected for special attention:

- advanced manufacturing technology and industrial machinery;
- information technology and other advanced technology products and services;
- agriculture and agri-food;
- automotive maintenance equipment and aftermarket parts; and
- oil and gas equipment and services.

The opportunities in each of these sectors are discussed in the following sections, along with the action planned to overcome constraints facing Canadian exporters.

Advanced Manufacturing Technology and Industrial Machinery

Manufacturing is at the centre of Mexico's economy, representing a quarter of the country's total gross domestic product (GDP). Companies that are experiencing export-led growth are expected to continue the modernization trend established before the devaluation. The higher cost of equipment can be more than offset by the dramatic rise in dollar export sales.

In the post-devaluation economy, perhaps no sector has been forced to adapt as quickly as the manufacturing sector. In simple terms, the devaluation meant "export or perish." Those serving the domestic market found themselves saddled with debt from dollar-based expansion purchases, paying astronomical rates of interest and earning pesos suddenly worth half their previous value. Export manufacturers, on the other hand, found themselves with decreases in operational costs of 30-40 percent, which enabled them to lower prices and expand off-shore sales. Border towns in Mexico became booming manufacturing zones, while the interior industrial belts around Mexico City, Monterrey and Guadalajara faced closures and bankruptcies. The financial community was knocking on exporters' doors, hoping to lend money while they were foreclosing on bad loans made to domestic market manufacturers.

As a result, from 1995 to 1996, 90 percent of new manufacturing equipment purchases in Mexico were made in the border states, where most export manufacturers are located. Over the last two years (1995-96) Mexican imports of Canadian manufacturing technology have increased 56 percent, with purchases worth US$43 million in 1996. Since 1995, up to 30 percent of manufacturing machinery purchases in Mexico have been made by the purchasing offices of multinationals located in third countries.

Leading export manufacturing sectors include electronics, textiles, auto parts, furniture assembly and steel products. All of these industries have invested heavily in modernization over the last few years, pressured by the demands of the global market in which many are competing for the first time. In all of these sectors, Mexico maintained a trade deficit prior to the devaluation. Now Mexico boasts a trade surplus in all these segments.

Eighty percent of Mexico's manufactured exports are produced by only 300 firms, many of which are owned by foreign holding companies. Many of Mexico's leading opportunities in manufacturing technology sales begin with a phone call to a U.S., Japanese, Korean, Canadian or European office.

The most important locations in Mexico for export-oriented manufacturing are Tijuana, Mexicali, Ciudad Juárez and Matamoros, which are along the border, and various companies located in Monterrey, Guadalajara, Aguascalientes, the state of Guanajuato and near Mexico City.

The strongest suppliers in this sector are the Americans and Europeans. American suppliers work closely with regional banks to find customers and help their clients obtain financing. The European suppliers offer excellent technology levels in their equipment and often finance sales through government export-development programs or through their own credit offerings.

Opportunities

In the short term, demand from smaller domestic manufacturers will be severely curtailed by the low value of the peso. Nonetheless, Canadian companies that can use their expertise to help Mexican manufacturers modernize to meet export requirements will find interesting niche opportunities despite the devaluation.

New tax incentives have opened a further window of opportunity for suppliers of advanced manufacturing equipment. The initiatives suspended the assets tax and permitted a depreciation allowance on new investment in year one of up to 92 percent, depending on the item. These tax benefits were due to expire at the end of 1996, but remained in place for 1997 and can be expected to continue, although perhaps modified, in 1998. Any changes to the existing program will be published in the *Diario Oficial* in late December 1997.

In the longer term, there is strong potential for increased sales of all types of manufacturing equipment. Mexican companies have come to understand the benefits of flexible manufacturing. Compliance with ISO 9000 standards is widely discussed and is the goal of most Mexican manufacturers. Concepts such as total quality management and just-in-time production are catching on. As young, foreigntrained engineers take over leading Mexican industrial firms, they bring with them a demand for foreign equipment as well as the ability to use it effectively.

Constraints

However, to realize the opportunities presented by the Mexican market, exporters will need to be creative in dealing with two major constraints. Many Mexican exporting companies, which would provide the best sales opportunities, are part of multinational alliances and have locked-in sources of supply.

The economic crisis has had a major impact on the demand for advanced manufacturing machinery. Many manufacturers with a domestic focus are operating at reduced capacity. Financial and production problems could put some companies out of business, especially those with no export markets. In addition, the crisis has pushed interest rates to prohibitive levels and dried up some sources of capital entirely.

The crisis has also fostered calls for a return to protectionism. Some industry associations want government agencies to give preference to Mexican-made equipment and to cut back on turnkey agreements with foreign companies. In particular, they want the government to require companies purchasing privatized petrochemical plants and railroad facilities to give priority to Mexican-made equipment. This would violate the terms of the North American Free Trade Agreement (NAFTA) and the government is unlikely to act on this request, at least formally.

Strategy for Market Access

Mexican exporters will continue to lead the client list of capital equipment buyers in Mexico. Canadian equipment providers should research emerging Mexican exporters through sources such as Bancomext (Mexico's export development bank) to find clients that will soon need expansion and modernization machinery. Selling to exporters is relatively easy because of the availability of financing for most Mexican manufacturing exporters. Given the importance of responsive after-sales service, Canadian exporters selling to this market usually require a Mexican agent or distributor. This is not the case for exporters selling strictly to multinationals on the border area, which can be serviced from the United States or even farther afield.

Action Plan

Market Intelligence and Information

- Meet with government and private sector representatives to discuss trade and policy issues.
- Attend industry seminars in Ottawa and Mexico.
- Report findings on industry trends to related Canadian government agencies and private companies, by phone, fax or e-mail as appropriate.
- Update sector study for Export ***i*** and Team Canada-Market Research Centre (TC-MRC).
- Enlarge and update lists of local government contacts, importers, distributors and agents.
- Develop list of Canadian companies interested in exporting to Mexico, including details of capabilities.

Market Access

- Provide advocacy and counselling on calls for tenders and Mexican buying procedures.
- Provide counselling on procedures for obtaining permits and certificates.
- Monitor and report on customs issues affecting market access.
- Monitor and report on trade policy issues.

Trade Promotion Activities

- Incoming buyers' missions to:
  - Canadian Manufacturers Week, Toronto, September/October 1998.
  - Plast-Ex '98, May 1998.
- Possible incoming mission from the Guadalajara region of buyers with real purchasing plans; personalized programs will be required, targeted at each buyer's specific needs.
- Co-ordinate participation of Canadian firms at:
  - Instrumentación y Control '98, Mexico, June 1998.
  - Expo Metal '99, Mexico, March 1999.

Other Suggested Trade Shows

- Semana Mexicana de la Manufactura, Mexico City, June 1998.
- Plast Imagen, Mexico City, September 1998.
- ExpoPak, Mexico City, June 1998.

Outreach

- Develop data bank of local speakers to make presentations to visiting Canadian business groups (e.g., those attending local shows).
- Seminar in Guadalajara to provide an overview of Canadian strengths in this sector.

Information Technology (IT)/Telecom and Other Advanced Technology Products and Services

The IT/telecom market in Mexico includes three high-growth segments, all of which offer export opportunities for Canadian companies. These segments are telecom infrastructure equipment, IT office equipment and electronic components. In recent years, Canada's exports in the sector have enjoyed excellent growth. From 1994 to 1996, Canadian telecom equipment sales to Mexico grew 130 percent to US$41 million per year, while electronics components jumped by almost 5000 percent over the same period to US$34 million per year.

Opportunities

The market for **telecom infrastructure** is driven by the recent liberalization of Mexico's telecommunications industry and heavy investment by Mexico's existing and emerging carriers. Since January 1, 1997, Mexico's US$6 billion long-distance market has been open to competition. Long-distance carriers announced investment plans of US$7 billion for the period 1995 to 2000, 80 percent of which will be spent on infrastructure equipment, almost all of it imported.

The four leading long-distance carriers emerging from the market liberalization are Telmex, Alestra, Avantel and IUSATEL. Together, these carriers will capture over 95 percent of the long-distance market in the short term. Through 1998, Telmex will remain the market leader with a market share of at least 75 percent. As of April 1997, 75 percent of these companies' infrastructure purchases had been programmed. On the other hand, the second-tier long-distance carriers are just beginning to purchase infrastructure equipment. These carriers include Marcatel, Miditel (Korea Telecom), Investcom, Extensa and Bestel. Together, this group of small carriers will invest about US$1.5 billion in new equipment from 1997 through to 2001.

In 1998, local telephone service will become competitive as Telmex loses its monopoly. Eighteen new carriers are poised to enter the market. The leading new competitors are Telinor, IUSATEL, Extensa, Red de Servicios de Telecomunicaciones, Recetel, Amaritel, MFS, Philips/Lucent Technologies Consumer Products and MCI. Together, they have announced investment plans of US$5 billion, to be spent primarily on infrastructure equipment between 1997 and 2002. Competition will also be opened to public-phone-booth operators, who can compete with Telmex beginning in 1998. As of June 1997, 11 operators had announced their plans to compete in this market.

Wireless technology in Mexico is just beginning to boom with the auctioning of trunking, radio telecom and satellite concessions between 1997 and 1998. Trunking and beeper use are expected to grow at 30 percent per year for the next five years. Satellite concession winners will market services to multinationals and large Mexican corporations with multibranch operations. Satellite concessions will be auctioned in late 1997. Personal communications systems (PCS) are not scheduled to launch in Mexico until later this century: Mexican government authorities have chosen to see how PCS perform in the U.S. and Chilean markets before legislating their use at home. The trunking concessions are divided among dozens of regional companies. With the exception of Tricom, Radio Cel and Siemens, many of these are inexperienced. Two-way beeper devices were introduced into Mexico in 1997, and there will be almost one million beeper users by the end of the century. The leading operators in the beeper market are Skytel, Digitel and Radio Beep (Marcatel).

Two of the market leaders in **IT office equipment** are Canadian firms — Nortel for voice systems and Newbridge for data systems. They compete with most of the global equipment suppliers (such as Ericsson, Alcatel, Fujitsu, Panasonic, 3 Com, Cisco and Novell) operating in other markets. Both Canadian firms have worked in the Mexican market for about 10 years and have gained national coverage and significant market share by gradually building a network of high-performance distributors and investing heavily in on-the-ground technical support for their distributors and corporate clients.

Recently, Canadian exporters have increased market share in the computer and peripherals market. In 1996, total exports reached US$33 million, registering 135 percent growth over two years.

The IT office equipment market in Mexico is highly concentrated among multinational and large Mexican corporate customers. As few as 300 corporate entities in Mexico purchase as much as 65 percent of the nation's IT office equipment. Close to 50 percent of these contracts originate from headquarters in Mexico City, with Monterrey and Guadalajara making up another 35 percent of the market. After stagnating sales in 1995 and 1996, this segment is expected to grow 40 percent in 1997 and 20 percent a year thereafter until the end of the century. In 1998, the estimated US$3 billion market is expected to break down as follows: equipment, US$1.35 billion; data communications, US$150 million; software, US$500 million; and services, US$1 billion.

The fastest-growing Mexican manufacturing segment since the 1994 devaluation has been the **electronic components** industry, which increased production levels more than 25 percent per year in 1995 and 1996. Driving this growth are the competitive prices of Mexican exports and the recent arrival of world-class assemblers in the border region, particularly Japanese and Korean firms. In 1996, electrical and electronic equipment exports surpassed US$26 billion, or 27.2 percent of Mexico's total exports. In the same year, imports of electronic equipment reached US$23.8 billion, much of which was assembled in Mexico for re-export.

In Mexico, the electronic components import market is highly concentrated in five industrial segments — computers, audio and video, telecommunications, home appliances and auto parts. Over 95 percent of the industry's components are imported.

Two regions of the country dominate the electronics industry: the border zone (led by Tijuana, Mexicali and Ciudad Juarez), and Guadalajara, the self-styled "Silicon Valley" of Mexico. Along the border region, most industry activity relates to low-cost assembly. Purchasing for these factories is often controlled by affiliate offices in the United States. Most global electronics leaders are present, including Sony, GE, Panasonic, Sanyo, RCA, Philips, Hitachi, Samsung and Daewoo. The *maquiladoras* (in-bond manufacturers) located along the border account for over 75 percent of Mexico's electronic component imports.

Guadalajara's electronics factories continue to import most of their components (85 percent), but a trend is growing towards more R&D and value-added production in the state of Jalisco. Some of the world's most important computer assemblers are located in and around Guadalajara, including IBM and Hewlett Packard. In 1996, over a million personal computers were assembled in Mexico. Other manufacturers in Guadalajara include AT&T, Motorola, Siemens, Eastman Kodak and NEC.

Constraints

The greatest hurdle for new entrants into the market is finding effective product distributors. Many of the leading established distributors are locked into non-competing exclusivity agreements with suppliers.

Strategy for Market Access

The established infrastructure equipment providers in Mexico are Ericsson, Nortel, Siemens, Harris, Alcatel, Bosch and Fujitsu. These firms offer carriers product selection, installation, training, support and even financing. Many carriers turn to these full-service suppliers to purchase equipment from third parties, particularly imported goods. Most carriers suffer from a shortage of experienced equipment engineers, and new carriers will not buy from suppliers that cannot prove they can offer responsive after-sales support. Canadian companies wishing to sell directly to carriers must invest in a skilled Mexican support staff or sell at lower prices to the established infrastructure equipment suppliers already servicing the carriers.

The best strategy for Canadian component exporters is to follow their clients to Mexico. Many U.S. and Asian electronics assemblers are moving into the country and, without restrictive sourcing regulations, these global players prefer to keep their present suppliers on board. Few Mexican-owned companies are significant players in the assembly industry, except in the automotive and white goods subsectors that buy electronic components. These clients can often be serviced through a Mexican agent, following a direct sales visit with the Mexican buyer.

The office equipment market requires a long-term approach to building a distributor network, with a strong emphasis on technical transfer and after-sales support.

Action Plan

Market Intelligence and Information

- Meet with government and private sector officials to discuss trade services and policy issues.
- Attend industry seminars in Ottawa and Mexico.
- Identify and subscribe to specialized information sources, such as "Select-IDC Mexico."
- Report findings on industry trends/opportunities to related Canadian government agencies and private companies, by phone, fax or e-mail as appropriate.
- Conduct studies of the cable TV and cellular telephone markets in Mexico; include these in Export ***i***.
- Update sector study for Export ***i*** and Team Canada-Market Research Centre (TC-MRC).
- Maintain and update profiles of buyers of electronic components in the Guadalajara region.
- Enlarge, update and maintain lists of local government contacts, importers, distributors and agents.
- Develop a list of Canadian companies interested in exporting to Mexico, including details of their capabilities.

Market Access

- Provide advocacy and counselling on calls for tenders and government buying procedures.
- Provide counselling on procedures for obtaining permits, certificates and concessions.
- Monitor and report on customs issues and trade barriers.
- Update and expand listing of consultants/experts familiar with local government proceedings.
- Monitor and report on trade policy issues.

Trade Promotion Activities

- Incoming missions of potential Mexican buyers to:
  - TEMIC seminar, Montreal, June 1998.
  - SoftWorld 98, St. John's, September 1998.
  - CATA 98 Convention, Toronto, June 1998.
  - Inter-Comm98, Toronto, April 1998.
- Co-ordinate participation of Canadian firms at Comdex-Latinet 98, Mexico City, February 1998.
- Canada Infobooth at Mexitrónica 98, aimed at suppliers to the electronics industry, particularly manufacturers of computers and peripherals, Guadalajara, October 98.

Other Suggested Trade Shows

- Expo Comm Telecomunicaciones, Mexico, February 1998.
- Expo Internet, Mexico, October 1998.
- Expo Software, Mexico, November 1998.

Outreach

- Search for and develop a data bank of Mexican speakers to make presentations to visiting Canadian business groups (e.g., those attending local shows).
- Attend industry conventions such as the Information Technology & Telecommunications, and Cable and Television (CATV).

Agriculture and Agri-food

Mexico's agri-food sector cannot produce enough food to feed the country's population of 93 million. Agricultural production makes up only 5.4 percent of the GDP and is declining as the economy develops and diversifies. This has made Mexico a net agricultural importer. Only in 1995 did the agricultural trade deficit temporarily correct itself, when Mexico recorded US$3.9 billion in exports and US$2.6 billion in imports. Imports were dominated by the United States, which holds approximately 70 percent of the market, followed by Canada, at 7 percent. By the end of 1997, Mexico is expected to return to being a net food importer.

Mexico's food-production shortfall is attributed to outdated technology, insufficient infrastructure and lack of access to financing. Over 70 percent of Mexican farms are subsistence or community farms lacking economies of scale. Mexico has 27 million productive hectares, but the average farm area is 5 hectares and fewer than 7 million hectares have access to irrigation. Rough terrain and adherence to traditional labour-intensive cultivation impede mechanization and the adoption of improved technologies.

Small farms are the result of the *ejido* land-tenure system. The rigid ownership laws associated with the *ejido* system, coupled with a reliance on government subsidies and loans, have kept Mexican agriculture from modernizing. However, recent legal and administrative corrections are providing incentives to small farms to form alliances that improve their access to technology and credit lines. These changes will translate into Canadian joint-venture opportunities for technology and services.

Opportunities

Close to 80 percent of Mexico's arable land produces bulk commodities but accounts for less than 50 percent of crop value. As the NAFTA makes exporting high-value horticultural crops to Canada and the United States increasingly attractive, it is likely that less land will be used to produce bulk commodities. Mexico's food-trade deficit will improve as the country becomes increasingly reliant upon imported bulk commodities. Mexico already offers excellent opportunities for grains and oilseeds, and further opportunities exist for pulses, beef, pork, temperate climate fruits, fish, dairy products and seed potatoes.

Mexico's swine and cattle populations have dwindled over the last three years as demand for domestic production rose following the peso devaluation and as droughts in the northern states hurt stock sizes. Further depleting swine inventories is the recent passage of U.S. Food and Drug Administration regulations allowing, for the first time, sales of Mexican pork in the U.S. market. The demand for swine and cattle genetics is driven by all of these factors. Given the embryonic nature of the Mexican genetics industry, Canadian suppliers will find a ready market among Mexican producers. Assisting stock-replenishment efforts is a US$110-million EDC (Export Development Corporation) line of credit available to Canadian cattle and genetics exporters for sales to Mexico.

However, Mexico is not just an agricultural products market. The processed-food industry at both the consumer and institutional levels is growing again. Although imports of bulk commodities since 1988 grew 41 percent, intermediate goods did just as well at 45 percent and consumer food products grew an astounding 238 percent over the same period. Consumer demand was severely checked by the peso devaluation of 1994, but imports that dropped significantly after the devaluation are now recovering and demand for imported processed-food items is growing again. Most major multinational food processors now manufacture some product lines in Mexico to feed a market whose eating habits are modernizing.

The mix of imported bulk and consumer products has already affected the diets of most Mexicans. An estimated 75 million lower- and middle-class Mexicans eat imported bulk commodities (e.g., milk powder, beans and rice). At the same time, Mexico's growing middle and upper classes (estimated at 20 million) regularly demand and purchase imported consumer-ready products, with seasonal peaks during the holiday seasons.

Mexican retail food-distribution channels are roughly divided into two segments — modern and traditional. The modern channels bring products to market through supermarket and superstore chains, which distribute 40 percent of total food value. These chains handle up to 80 percent of Mexico's processed food items, given their focus on middle-class consumers. Three groups dominate this segment — Grupo Cifra, which includes a joint venture with Walmart and Sam's; Comercial Mexicana, which is allied with Price Club; and Gigante, the largest supermarket chain in the country. New entries include H.E.B. from the United States, Carrefour from France and Metro from Switzerland.

The traditional retail market is highly fragmented, consisting of hundreds of thousands of small and independent food retailers as well as informal food markets scattered across Mexico's urban centres. Most of these value-added retailers (VARs) buy their supplies from the *centrales de abastos*, the government-owned but privately run food-distribution centres found in all major cities. The *centrales de abastos* distribute 80 percent of the nation's fresh produce and meats, and about 20 percent of the country's processed foods. In total, they handle 60 percent of the country's food sales.

The *centrales de abastos* also distribute the bulk of food items to the food service sector. This sector includes 140 000 restaurants; 10 000 hotels; 10 000 hospitals; 6000 industrial cafeterias; 6800 high schools; 20 000 junior high schools; and 1000 university campuses. It also includes airlines, bus lines and an enormous informal market of least 300 000 street vendors.

Constraints

Certain barriers to entry affect food imports.. These include strictly enforced sanitary and phytosanitary regulations and more stringent labelling requirements as of November 1997. Many products require prior import authorization, and Canadian companies are advised to contract a Mexican customs broker to expedite entry.

Another constraint facing Canadian suppliers is the inefficient distribution of food products in Mexico. Government agencies that deal with agri-food imports lack the infrastructure to facilitate shipments. Large supermarket chains typically expect individual delivery to each store and demand extensive after-sales support from the supplier. This provides an advantage for U.S. chains that have joint ventures with Mexican retailers. To establish reliable delivery channels, Canadian firms should choose Mexican distribution partners with strong warehousing capabilities and solid national or regional networks. Joint ventures with Mexican manufacturers are another solution.

Canadian companies also face strong competition from established U.S. multinationals and from Latin American countries that have free-trade agreements with Mexico. Chile often competes directly with Canada for space on Mexican food shelves.

Strategy for Market Access

Canadian exporters should present themselves to potential Mexican clients as a responsive and more flexible alternative to the large U.S. exporters. The Mexican market requires constant attention and personal contact, so Canadians should be careful to follow up initial contacts quickly. The growing competition from Chilean and other third-country products requires Canadian exporters to maintain consistent contact with customers and to ensure a sufficient supply of goods. Flexible payment schemes or Letters of Debt (LDs) with Canadian banks can also help lure Mexican clients.

Action Plan

Market Intelligence and Information

- Develop market-intelligence report on seed potatoes.
- Update list of Mexican buyers/importers.
- Publish bi-monthly Canada-Mexico agriculture and agri-food newsletter, including trade and investment leads.
- Publish a practical guide to doing business in the agri-food sector in Mexico; include in Export ***i***.
- Update product-specific market information studies: special crops and pulses, oilseeds, beef, pork, processed foods, beef genetics, swine genetics, horticulture products, Christmas trees. Include these in Export ***i***.

Market Access

- Provide advocacy and counselling on customs issues.
- Update and maintain NAFTA tariff rate and quota information.
- Participate in NAFTA private sector working group on commercial dispute settlement.
- Provide advocacy and counselling on sanitary and phytosanitary health issues.

Trade Promotion Activities

- Canada-Mexico agribusiness matchmaking event, Mexico City.
- Incoming food buyers' mission to the Canadian Food and Beverage, Toronto, February 1998.
- Incoming livestock buyers' mission to the Royal Winter Fair, Toronto, November 1998.
- Incoming buyers' mission to Agribition, Regina, November 1998.
- Antad/info booth, food show, Guadalajara, March 13 to 16, 1998.
- Expo de las Américas, info booth - food show, Mexico City, April 28 to 30, 1998.
- Incoming food buyers/distributors' mission to Toronto, August 1998.
- Incoming trade commissioners, responsible for the agriculture sector, from Mexico and Latin America for cross-Canada tour, February 1998.
- Outgoing mission to the Hotel and Restaurant Institutions show in Mexico, spring 1998.

Outreach

- Promote the superiority of Canadian grains and oilseeds, using promotional tools developed by the Canadian International Grains Institute.
- Foro de Ganado Bovino/Lechero.
- Seminars on canola oil and canola meal.
- Foreign Investment Review Agency/Bancomext livestock outreach event.
- Agro-industrial and processed-food market intelligence/market access and outreach seminar from western Canada to northern Mexico.
- Participate in the Joint Agricultural Committee Meeting.
- Participate in the NAFTA Agriculture and Sanitary and Phytosanitary (SPS) working group and Free Trade Area of the Americas SPS working group.
- Work with the Export Development Corporation to ensure competitive financing for Canadian exporters.

Automotive Maintenance Equipment and Aftermarket Parts

The Mexican automotive sector is dominated by five multinational corporations. The North American operations of the "Big Three" U.S.-based companies are highly integrated. Canadian producers participate in the Mexican OEM (original equipment manufacturer) parts market, mainly through their affiliations with the "Big Three" in Canada. There are also opportunities for relatively large companies interested in investing in Mexico. For example, the MAGNA corporation has a large operation in Mexico, with a close relationship to Volkswagen.

The aftermarket, as the industry calls it, refers to all parts and accessories sold to consumers and mechanics after a car is assembled. Mexico has an estimated 10 million vehicles, of which 3 million are located in Mexico City. The average Mexican vehicle is about 9.5 years old, almost twice as old as the typical Canadian automobile. The Mexican aftermarket in 1997 will total approximately US$3.5 billion, of which about 55 percent will be imported. The aftermarket is a traditional industry, with hundreds of small and medium-sized suppliers, a multichannel distribution system and relatively few market-entry barriers.

Canada's market share in the industry has historically been very small. In 1995 and 1996, however, Canadian exports grew an impressive 218 percent and in 1996 amounted to US$84 million. The growth is the result of two factors. First, the 1994 peso devaluation severed many of the relationships between import suppliers and Mexican distributors that had flourished over the preceding five years of growth. Many U.S. suppliers neglected to return to Mexico and looked for other export markets.

Moreover, Canadian industry associations and government agencies continued promoting the Mexican market, and Canadian suppliers discovered unserviced clients looking for product.

In 1995, the industry rapidly adjusted to the devaluation and a rationalization process began that should continue for some time to come. The number of Mexican manufacturers shrank 25 percent as their market share grew from 30 percent in 1994 to 50 percent in 1995, and total sales grew from US$1.2 billion to US$1.3 billion. Now, many of these Mexican producers are exporting and the pricing and quality of their production is globally competitive.

Imported aftermarket parts sales in Mexico dropped from a historical high of US$3 billion in 1994 to US$1.2 billion in 1995. The Mexican market all but stopped buying non-essential parts and accessories when the economic crisis hit. However, certain segments did grow at alarming rates, due in large part to soaring car thefts, particularly in Mexico City. All forms of security products, from simple anti-theft bars to sophisticated electronic tracking devices, have thrived in the post-devaluation market. Also, those parts and accessories most often stolen, such as radios, antennas, bumpers and hub caps, have become hot-selling replacement items. Now that the peso has returned to normal market values and some of the purchasing power has been restored, imported accessories and non-essential parts will begin to rebound.

Opportunities

For small and medium-sized enterprises (SMEs), most opportunities exist in the markets for maintenance and repair equipment and for aftermarket parts and accessories. The high average age of Mexican automobiles and the pressure to reduce emissions have contributed to a substantial and growing demand for both types of product. This market has been further expanded by the economic crisis, which has drastically cut new vehicle sales and motivated consumers to keep old cars running even longer.

Mexico City has a mandatory program of environmental controls and twice-yearly vehicle testing. This has spurred heavy demand for gas analysers and other diagnostic equipment. Mexico has little capacity to produce such equipment, and imports account for about three-quarters of the market.

Opportunities for aftermarket parts and accessories have also grown rapidly. Automobiles are a luxury in Mexico and consumers tend to take good care of them, creating a substantial market for parts and accessories. Car owners who buy these from retail stores frequently take them to small garages or individual mechanics for installation. Some mechanics work in the streets and buy parts as they need them. For this reason, independent retailers and wholesalers have a substantial share of the replacement parts market. Other potential niche markets include car-wash machines and mechanics' tools. Mexican firms in this sector are looking for foreign partners that can contribute technology and financing.

Constraints

Mexican suppliers dominate the essential-parts segment of the aftermarket — including windshields, motors, transmissions, anti-lock braking systems and steering systems — which restricts imports of these parts.

Although the second-hand market in Mexico is quite large, it is difficult to service from outside the country. Exporters seeking to sell used Canadian car parts will face excessive red tape and import restrictions. Furthermore, the Mexican distribution channels of used car parts are often informal, cash-only markets that are difficult to penetrate.

The Mexican automotive aftermarket has two distinct distribution channels — traditional and emerging. The traditional market is serviced through a close-knit group of about 40 wholesalers, who in turn sell to 20 000 auto repair shops and 6000 auto parts stores. These wholesalers, members of the Asociación Nacional de Mayoristas de Partes Para Automobiles A.C. (ANAMAPA), provide an essential service to foreign suppliers, who could not service such a fragmented distribution network without them. At the same time, the rapid growth of mega-retailers and auto specialty chains is providing new, more direct links to the consumer. Large U.S. retailers such as Walmart, Price Club and Sam's, along with leading Mexican retailers such as Grupo Cifra, Comercial Mexicana and Gigante, all devote significant shelf space to consumer aftermarket goods, particularly accessories and safety products. Most of these retailers prefer to buy directly from the foreign supplier but have access to a Mexican agent or distributor for sales support.

Strategy for Market Access

The aftermarket is a traditional industry where relationships are long established and vital to market entry. The most important success factor for Canadian suppliers is finding the right agent or distributor with relationships in place. One way to find a good candidate is to ask industry buyers for the names of agents they like to work with. It is also important to talk to distributors and importers directly, since they usually know the needs of various buyers.

Action Plan

Market Intelligence and Information

- Consolidate database of importers of auto parts, using information available in WIN Exports and other databases, first quarter of 1998-99.
- Compile a list of Canadian companies active in Mexico and their capabilities, first quarter of 1998-99.
- Continue contact with Mexican associations, private industry and buyers, using outside calls/participation in local fairs and seminars (see "Outreach").
- Update market study for Export **i**, third quarter of 1998-99.

Market Access

- Compile a report listing the most relevant regulations for the automotive sector — changing standards known as Normas Oficiales Mexicanas (NOMs), import restrictions, etc. — by consulting, for example, the *Diario Oficial*, government sources and newspapers, second quarter of 1998-99.

Trade Promotion Activities

- Incoming buyers' mission to Canadian International Auto Show, Toronto, April 1998.
- Encourage Canadian exporter presence at PAACE 98.

Outreach

- Participate at Society of Automotive Engineers (SAE) in Detroit/Windsor for the trade commissioners' meeting; outreach visit to area companies. Meet with Automotive Industries Association of Canada (AIA) and Automotive Parts Manufacturers Association (APMA) representatives.
- Participate in local association trade fairs and seminars; calls on potential Mexican buyers to provide information on Canadian capabilities.

Oil and Gas Equipment and Services

Energy is the most important sector of the Mexican economy. The nation holds about 5 percent of the world's oil reserves and about 1 percent of its natural gas reserves. It accounts for 4.5 percent of world petroleum production. Some of Mexico's oil fields are as prolific as any in the world.

PEMEX (Petróleos Mexicanos), the national oil and gas company, is the only producer of oil and gas in Mexico. Under Article 27 of the

Mexican constitution, it has exclusive authority for all exploration and production of petroleum products.

Recent buoyancy in oil prices and a need to generate foreign currency have emboldened the expansion plans of Mexico's energy sector. PEMEX has announced aggressive investment and modernization plans in an effort to expand oil and gas production, increase operating efficiencies and promote the use of cleaner natural gas.

Mexico's energy sector suffered several politically inspired setbacks with the planned privatization of PEMEX's secondary refinery assets. Mexico's constitution protects the state ownership of the country's energy fields. The interpretation of how such sovereignty legislation affects downstream refining assets was tested in Mexico's Congress in 1996. Political posturing forced the government to repackage the sell-off and limit foreign ownership of PEMEX's existing secondary petrochemical assets.

While secondary petrochemical assets became a political football for battling congressional parties and factions, the privatization of the natural gas transportation and distribution system has proceeded with few problems since enabling legislation was enacted in 1995. Both domestic and foreign investment is encouraged in these activities, as well as in storage, which is becoming a priority for PEMEX.

Opportunities

Reform in the gas sector was needed to meet expanding demand. Gas consumption in Mexico will rise to 4.2 billion cubic feet per day by the year 2005. Demand growth is led by efforts to convert oil-burning power plants to gas, by the promotion of gas as the new industrial energy source of choice, and by extending access to natural gas to all regions of the country, especially the energy-hungry industrial northern border area.

Planned distribution and transportation projects are expected to attract close to US$10 billion in private sector investment over the next five years, concentrated in pipeline technology, construction and engineering services. Ten permits for the transportation of natural gas have either been awarded recently or are due to be awarded in the short term. The privatization of four local gas distribution systems — in Monterrey, Mexico City (two) and Toluca — will go to bid shortly. These projects are expected to generate investment of US$1.3 billion. A further four distribution regions, worth US$294 million will come up for tender in the next year and others are under discussion. Additionally, concessions will be granted to build and operate six regional gas ducts, connecting production to consumption areas. These include Rosarito, San Agustín, Valdivia to Samalayuca; Hermosillo to Guaymas; Monterrey to Alemán City; and Palmillas to Toluca. Also, two cross-border pipeline installation projects are being studied — San Diego to Rosarito and San Luis to Río Colorado. Transportation permits can also be granted upon application by an interested company, provided that a strong business case is presented. Permits are non-exclusive, are granted for an initial 30-year period and entail mandatory third-party access.

The expansion and modernization of PEMEX over the next three years will focus on three areas — exploration and production, maintenance and safety, and modernization and expansion of refining capacity.

At present, PEMEX's total energy production reaches 8 quadrillion Btu (British thermal units) per year and is projected to reach 10 quadrillion Btu by the year 2010. To achieve that growth, in 1997 PEMEX will invest almost US$6 billion in exploration, production and upgrading projects, a 75 percent increase over the 1996 budget. It expects to spend an equivalent amount in each of the next three years. More than half the budget will be dedicated to two enormous

projects — Cantarell in Campeche Sound and Burgos Basin in the north. Mexican construction companies are expected to lead international consortia of financial and technical partners to capture the public tenders issued over the next few years. In turn, these consortia will seek niche suppliers of, for example, drilling equipment and services (50 percent of Mexico's wells are drilled by foreign suppliers), engineering services and extraction equipment to meet PEMEX's ambitious public tender deadlines.

In 1996, PEMEX suffered a series of high-profile industrial accidents, causing both human and facility losses. Under political and public pressure, PEMEX revised its budget planning and made maintenance and safety a top priority. In 1996, the total maintenance budget reached US$1.5 billion, a 73 percent increase over 1995. The PEMEX Gas budget for industrial safety programs rose from US$6.4 million to US$21.9 million in the same period. These newly raised levels should be maintained over the next few years.

Now that PEMEX has decided to maintain a controlling interest in its secondary petrochemical assets, it must invest heavily in modernizing these facilities. The investment focus over the next few years in these plants and other processing assets will be on improving production efficiency by reducing waste and automating operating systems.

Constraints

The public tendering process in PEMEX continues to be highly centralized. PEMEX began quietly announcing plans to decentralize its operations and purchasing structure in 1995. However, little official movement has begun. To effectively decentralize PEMEX, the organization's subsidiaries must become independent profit centres. Also, a decentralized PEMEX will force decision-making power to move closer to production facilities, a change that many high-ranking officials resist. In spite of the challenges of such change, decentralization is needed to improve operational efficiency. For suppliers, it will mean fewer market-entry barriers but a more complex and expensive environment in which to market products and services.

PEMEX remains a complex and cumbersome organization. Potential suppliers must be registered in advance, and understanding the unique business practices followed by PEMEX typically requires personal connections. Most Canadian firms will need a Mexican agent or partner with extensive PEMEX contacts to penetrate this market.

Strategy for Market Access

PEMEX's public tendering has become more transparent over the last few years. Greater corporate scrutiny at the purchasing level has honed PEMEX's buying habits, and the state monopoly can afford to be more demanding in its quality standards. Foreign suppliers are encouraged to seek out a Mexican partner or agent prior to entering a bidding process. Finding a Mexican partner with the right technical and sales skills remains the most difficult challenge to market entry for foreign suppliers.

Action Plan

Market Intelligence and Information

- Establish a flash fax service to provide information on specific opportunities to industry associations and interested Canadian companies.
- Attend American Chamber of Commerce energy conferences/seminars.
- Publish a quarterly Canada-Mexico energy newsletter including upcoming tenders, Canadian success stories, regional industrial profiles, privatization progress, etc.

- Develop and maintain databases of:
  - Canadian companies active in oil and gas equipment and services;
  - Canadian companies active in the Mexican market; and
  - Key contacts in PEMEX, both at the national and regional levels.
- Prepare market study on opportunities for equipment and services; add to Export ***i***.
- Prepare market study on opportunities in the supply of off-shore services; add to Export ***i***.
- Update sectoral study for Export ***i***.

Market Access

- Develop and maintain contacts within PEMEX and the Comisión Reguladora de Energía (CRE) at both the policy and working levels.
- Work with EDC to improve use of credit line established with PEMEX.
- Participate in Canadian Chamber (Mexico) Energy Committee.
- Participate in National Sector Team country working group on oil and gas.

Trade Promotion Activities

- Development of an Internet site specific to the oil and gas equipment and services sector. Export-ready Canadian companies will be able to post descriptions of their products and services on the site and receive requests directly from interested Mexican buyers. Mexican buyers will be able to post specific project opportunities or equipment/ service requirements on the site and receive responses from Canadian companies. Access to the site can be protected, to allow only Canadian companies to access the opportunities. Information posted on the site should include updates on new Canadian technologies, information on ongoing projects in Canada, Canadian sectoral expertise, success stories, etc. The project could be modelled on the "Forestry Gateway" site, with Mexico serving as the pilot site (completion by the third quarter of 1998).
- Canada booth at Expetro 98, April 15 to 19, 1998. Possibly charge Canadian companies a fee to exhibit at the booth; follow up with exhibitors on market opportunities generated.
- Incoming buyers' mission to National Petroleum Show, Calgary, June 11 to 13, 1998.
- Small incoming mission, including site tours, to Society of Professional Engineers (SPE) Gas Technology Symposium, Calgary, March 15 to 18, 1998.

Outreach

- Attendance at Expoducto, Veracruz, December 3 to 5, 1997.
- "Access Mexico" one-day event in Calgary, March 1998, primarily to update SMEs on new opportunities in the Mexican oil and gas sector, highlight Canadian success stories and provide specific information on promoting companies to PEMEX and CRE. Outreach activities to individual SMEs in conjunction with this event and SPE show.
- Seminars on Canadian technologies to be held at the Embassy and in the regions, specifically targeted at the Mexican private sector, throughout 1998-99.
- Quarterly newsletter in Spanish on Canadian industry innovations, technological advances, new products, success stories, etc., focussing on the energy sector as a whole, starting the first quarter of 1998-99.

Emerging Sectors of Interest

Environmental Equipment and Services

Mexico's environmental technology market is driven by funded projects, not environmental needs. Successful technology providers understand this harsh fact. No one who has visited the industrial north or Mexico City can deny that Mexico sorely lacks basic water, air and solid-waste treatment technology. In spite of the enormous needs, limited funding can only support a nascent market.

The 1994 devaluation had a serious impact on the Mexican environmental market. Municipal governments and private companies that planned to invest in water and solid-waste treatment facilities could no longer afford the almost totally imported content of environmental technology. The change of government at the federal level froze several projects and the ensuing crisis weakened the resolve of government to enforce stronger environmental laws on Mexican industry. In 1994, the environmental technology market was estimated at US$3 billion. In 1995, it dropped to less than US$1 billion.

In 1995 and 1996, much industry activity focussed on environmental studies and pilot programs, many of them funded by foreign governments and non-governmental organizations (NGOs). The main source of technology sales has been newly installed multinational manufacturing sites, which purchase waste treatment systems for Mexico City (partly funded by the Inter American Development Bank [IADB]) to comply with both Mexican legislation and their own internal quality standards, such as those mandated in ISO 14000.

Opportunities

In 1998 the private sector will continue to purchase treatment technology for heavy industry plants. Leading clients are Japanese, European and U.S. manufacturers, as well as a handful of high-profile Mexican exporters.

PEMEX, the national oil and gas company, has responded to recent public criticism about environmental neglect by authorizing major spending increases on environmental technology. Over the next five years, PEMEX will spend close to US$15 million per year on a mixture of studies, consulting and equipment purchases.

On April 18, 1996, President Zedillo announced an executive policy to double spending in environmental programs by the year 2000. That policy has partly come to fruition through the formulation of two megaprojects — a comprehensive wastewater treatment system for Mexico City, and a plan for establishing hazardous waste treatment centres throughout the country. Mexico City's leak-ridden wastewater infrastructure will get a short-term boost as several international consortia bid for the right to build four new drainage systems at an estimated cost of US$1 billion.

Even more ambitious is the program designed by SEMARNAP (Mexico's environment ministry) to build three to five solid-waste management facilities throughout the country. In all, 81 potential CIMARI (Centros Integrales de Manejo y Reciclaje de Residuos Industriales) sites (regional hazardous waste treatment facilities) have been identified for further study. With only 12 percent of hazardous wastes now treated, companies should enjoy tremendous market growth rates for at least a decade. Each CIMARI will cost from US$0.5 billion to US$1.5 billion to implement. All CIMARIs will be privately funded and operated.

Constraints

Mexican environmental authorities have been lenient in their enforcement efforts in many areas. Enforcement officials have concentrated on exporting industries with the necessary cashflow to make improvements; they have also extended the time frame for municipalities to achieve waste treatment goals. This has postponed many large projects.

Most future infrastructure projects are likely to involve build-operate-transfer financing. Canadian companies that want to enter this market may have to participate in consortia that finance and build major facilities.

Strategy for Market Access

Successful entry into the relatively uncharted Mexican environmental market requires a three-pronged approach. First, export manufacturers should determine the need for their equipment, installation and maintenance. Second, foreign governments and other bodies, such as the World Bank and the IADB, should be researched to determine where project funding will be directed in Mexico. Third, Mexican environmental authorities should be monitored and visited to detect opportunities in future budgets and priority projects.

Action Plan

Market Intelligence and Information

- Conduct market research to assess the impact of new environmental legislation.
- Establish market contacts to identify business opportunities (appointments with government officials, private sector companies and associations).
- Update buyers directory as required.
- Provide information to Canadian companies about market-entry strategies, business methods and upcoming projects; place inserts in Canadian Environmental Industry Association chapter newsletters.
- Attend relevant American-Mexican Chamber of Commerce committee monthly meetings.
- Track World Bank and IADB reports for early notice of upcoming projects.

Market Access

- Provide advocacy and counselling on customs issues.
- Monitor calls for tender and government procurement procedures.
- Provide counselling on how to obtain necessary certification (e.g., for laboratories).
- Update and maintain NAFTA tariff rate information.

Trade Promotion Activities

- Incoming mission of buyers and government decision makers to Globe 98, Vancouver, March 18 to 20, 1998; site visits.
- Canadian information booth at EnviroPro 98, Mexico City, September 1998; Canadian companies will be encouraged to participate.
- Incoming buyers' mission to the Water Technology Show, Ontario, summer 1998; visits to demonstration sites.
- Outgoing mission of Canadian companies in one or more of the following high-need areas: wastewater treatment, hazardous waste and solid waste.
- Incoming missions to Canada to pursue specific project opportunities with the following Mexican companies: Hylsa, Cervecería Cuauhtemoc and UCAR, which are looking for emissions control and water treatment technologies.
- Possible incoming mission to Water Quality International 1998, Vancouver, June 21 to 26, 1998.
- Incoming buyers' mission to the Canadian Environmental Technology Showcase, Toronto, September 29 to October 1, 1998.
- Incoming buyers' mission to Americana 99, Montreal, March 1999.

Outreach

- Prepare hand-outs with specific sector information.

- Develop a data bank of Mexican speakers to make presentations to visiting Canadian business groups.
- Organize environmental business opportunity workshops.

Mining Equipment and Services

Mexico's mining sector is perhaps the biggest beneficiary of the nation's broad economic reforms. Deregulation has opened up tens of thousands of hectares of mineral reserves to development. New ownership laws have opened the doors to foreign investors, while restrictions on repatriation dividends have been eliminated.

Mexico is a leading mineral producer of silver, celestite, bismuth, cadmium, fluorite, antimonic, lead, graphite and zinc. One of the great Canadian success stories in Latin America is the enormous presence of Canadian mining firms and equipment producers in Chile. Mexico should be the next focus for Canada's mining industry. At present, 130 Canadian mining companies are operating in Mexico, of which about 90 percent are exploring and 10 percent are extracting. Canadian companies' holdings of mineral reserves, both proven and estimated, represent about US$30 billion. Many of these mining firms are proven customers for Canadian mining equipment producers. Once extraction activities begin in earnest, these mines will begin making large purchases of equipment.

Mexico's six largest mining companies — Penoles, Industria Minera México, Luismin, Frisco, Minera Autlán and Acero del Norte — are responsible for 80 percent of production. The industry as a whole has announced plans to invest US$5 billion over the next four years. Most of those funds will go towards exploration activities.

Canadian exports to Mexico of mining equipment are still small — only US$12 million in 1996 — but they are growing at over 200 percent per year. This represents a 5 percent market share in an estimated US$250 million mining equipment market, of which about 63 percent is imported. Mexican equipment producers focus on the production of light and low-tech equipment.

For the next three years, most equipment opportunities will arise in the sale of exploration technology and consulting. Beginning early next century, extraction activity in Mexico could double from its present levels, presenting opportunities for foreign suppliers of extraction equipment.

Constraints

Opportunities have been limited by Canadian firms' lack of a long-term presence in Mexico. Although mining firms now have a relatively high profile, equipment and services suppliers are not as well known. Mexican firms are eager to acquire foreign technology to boost their productivity in an increasingly competitive market. But personal relationships are a prerequisite for the development of both sales and partnership prospects. Establishing contacts within government, especially at the state and local levels, is also considered essential in entering this market.

Strategy for Market Access

Traditionally, imported mining equipment has been distributed in Mexico through local agents or representatives. However, some large mining companies prefer to buy directly from foreign manufacturers. Buyers contend this is the best way to ensure that service requirements are met, especially where used equipment is involved. Canadian firms are advised to invite their Mexican agents to Canada for product training. Most Mexican agents collect commissions of 10-15 percent.

Action Plan

Market Intelligence and Information

- Meet with government and private sector officials to discuss trade and policy issues.

- Attend Canada-Mexico Mining Chamber committee meetings.
- Compile and maintain a database of Canadian companies active in the Mexican market.
- Prepare sector updates for Export ***i***.
- Compile and maintain a list of key Mexican mining equipment imports.
- Consult regularly with the Canadian Association of Mining Equipment and Services for Export (CAMESE).

Market Access

- Develop and maintain contacts with the six largest Mexican mining companies.
- Expand the list of Mexican mining equipment agents and send these to Canada for product training.
- Identify niche Canadian mining technologies that may be of interest to the Mexican mining industry.
- Monitor state mining activity.

Trade Promotion Activities

- Incoming mission to the Prospectors and Developers Association of Canada Convention, March 1998.
- Participate in Mexican Mining Congress, October 1998.
- Organize matchmaking events to put Canadian mining equipment suppliers in contact with Mexican mining companies.

Outreach

- Visits to Mexican companies and Chambers of Commerce to promote Canadian mining/mining equipment interests.
- Follow up the January 1998 Team Canada visit with Canadian and Mexican companies.
- Work extensively with CAMESE to increase Mexican market penetration.

Educational and Cultural Products and Services

The restructuring of the Mexican economy is driving demands for educational services and products in the technical, business and language fields. Canada's image as a safe, clean country with solid cultural and educational institutions and simple visa requirements has contributed to its excellent reputation in Mexico. However, Canadian educational and cultural institutions do little promotion and their profile remains low.

In 1996, 13 000 Mexican students were registered in graduate and undergraduate degree programs abroad. Most were studying in the United States, mainly in the border cities. Canada attracted roughly 1100 full-time Mexican students during 1996, or 8.5 percent of the Mexicans studying abroad. This number is significantly below market potential. Bilateral aid programs with the Mexican government are used successfully by European and U.S. universities, and the availability of fellowships, grants and scholarships often determines a Mexican student's choice of foreign institution.

Opportunities

Language schools are Canada's most successful **educational** segment. An estimated 45 000 Mexicans were taking non-university ESL (English as a second language) courses. Nearly 10 percent of these were studying abroad. An estimated 5000 Mexicans are studying FSL (French as a second language); 15 percent of these are studying abroad. Canadian schools hold close to 40 percent of the ESL market and almost 60 percent of the FSL market of Mexicans studying abroad. Summer programs that combine home stay and outdoor activities, and that stress the safety of Canada are the focus of promotion to Mexican parents.

The newly opened Canadian Education Centre (CEC), managed by the CEC Network, provides services to Canadian educational institutions on a cost-recovery basis. Subscribing institutions can have their services and products marketed in Mexico by the Centre. Canadian universities, language schools, colleges, vocational and training centres, secondary schools and other interested institutions can contact the CEC Network by telephone at any of its regional offices: Vancouver, (604) 684-5986; Regina, (306) 787-6083; Toronto, (416) 869-0541; Montreal, (514) 499-2166. The CEC can also be contacted directly at the same address as the Embassy.

Mexico is working hard to expand its public education base and infrastructure. This has increased demand for consulting services and academic materials. It has also created a niche within the small market for English and French publications, especially for suppliers of ESL and FSL material. Despite high up-front costs, Mexican schools are responding to government initiatives and setting up distance-learning centres. These centres present opportunities both for technology suppliers and for Canadian institutions that wish to establish links with Mexican counterparts.

Canada's excellent reputation for educational institutions and services should be complemented by efforts to familiarize Mexico with Canada's capabilities in educational applied technology. In June 1996, Industry Canada and the Secretaría Educación Pública, Mexico's education ministry, signed an Agreement on Parallel Development of Educational Networks (education networking, community access, electronic learning technologies and distance education). This program is using Industry Canada's SchoolNet experience to develop Mexico's educational computer network.

Increasingly, technical education is acquiring greater importance, not only in Mexico City, but also at the state level. The opportunities created by this trend within the technical education institutions should be explored, especially in the fields of equipment, software and telecommunications. Another promising area that could benefit from Canadian capabilities and new technologies is that of specialized institutions, such as medical schools, which are showing increasing interest in virtual surgery technology for training and in software for the early detection of foetal anomalies.

The Mexican market for **cultural** products provides two important opportunities for Canadian producers. It can be used as a springboard to other Latin American markets and also to the more than 40 million Latin Americans in the United States. The economies of scale offered by these two opportunities should be factored into any decision to penetrate the Mexican market.

The Mexican market for cultural products is composed of commercial and non-commercial sectors. The commercial sector includes the pop music, major concert and international events whose promotion and distribution are directed by international entertainment corporations. "Canada Rocks" is a program of Canadian rock music marathons that brings Mexican music industry executives to Canada and Canadian rock bands and their albums to Mexico. Mexico's major rock radio and television stations extensively promote Canadian bands, and two major national distributors are negotiating to import the compact disks of the participating bands prior to their arrival. This "strategic triangulation" is designed to ensure that the momentum generated by live performances is complemented by significant airplay and that distributors have products on hand to meet the demand generated by these activities. While Mexican demand for Canadian superstars (Céline Dion, Brian Adams) remains high, Mexican interests are expanding to include younger Canadian performers.

The non-commercial sector is driven by Mexican government buyers and, in certain cases, foreign government promoters. This segment includes classical and non-pop music, dance and other theatrical arts, cinema and the plastic arts.

The Mexican government heavily supports the activities of museums, cultural festivals and performing arts concerts, although budgets are expected to contract during the next few years. Canadian theatre and contemporary dance continue to attract buyer interest in Mexico. This past year, Allegra Fulton has performed *Frida K!* and a Mexican theatre company has translated and will bring Brad Fraser's *Unidentified Human Remains and the True Nature of Love* to the Mexican stage. There is an active market for good Canadian plays, and interest in buying performance and translation rights.

Each year, government cultural buyers receive proposals from Mexican artists, foreign artists or their agents, and foreign governments. Mexico is thus a market driven as much by the tastes of promoters as by consumer demand.

The Embassy hosts one or two breakfasts every year where buyers from major festivals and performing centres can view the videotapes and CD-ROMs of Canadian artists.

Mexico provides varied settings and tax incentives to film producers. However, local production crews often lack the technical expertise to create world-class products. Television production is dominated by Televisa and TV Azteca, both of which co-produce with U.S. studios. Both Mexican studios have met with Canadian television producers and expressed interest in co-production projects. The success of the Mexican audiovisual mission to the Toronto Film Festival has put this festival on the map as a place where serious business can be done. The advent of direct-to-home television — Mexico's Televisa-Sky Television and Multivision-Direct TV are playing major roles in this evolving sector — has created a market for a broad range of niche television products, as has the expansion of educational television.

Music video and CD-ROM production in Mexico is a fragmented market, with dozens of small creative houses competing for its growing returns. Technical expertise in both areas is in large demand and can be supplied in part by experienced Canadian production studios. The same technicians who produce films can also produce multimedia entertainment and educational products. Strategic partnerships can lead to greater penetration of not only the Latin American market but also the lucrative and growing Hispanic market in the United States.

Mexican interest in Canadian literature has grown during the past few years, increasing even more after Canada's successful showcase participation at the Guadalajara International Book Fair in November 1996. The huge success of the film *The English Patient* created a market for the Spanish version of the book and also helped place Canadian literature in the public eye.

Constraints

The principal obstacle to larger participation in these markets is the low profile of individual Canadian educational and cultural institutions. The main providers of information about Canadian universities complain that calendars and other literature are hard to get. (This issue is being addressed with the opening of the CEC in Mexico City.) Moreover, Canadian educational products and technological capabilities are hardly known in the Mexican market. Industry observers say that Canadian industrial trainers have been less adept than their American competitors in adapting their products and services to Mexican needs. Steps should be taken to assess the Canadian industry's interest in, and commitment to, penetrating the Mexican market. Publishing opportunities are primarily associated with co-publishing arrangements, since the market for English and French publications is small. Contacts with potential Mexican partners are therefore a critical market-entry strategy.

Strategy for Market Access

Canadian universities and colleges will find a receptive audience in Mexico if they are prepared to market their services aggressively.

A four-pronged marketing strategy includes i) contacting the Secretary of Education to register schools in the scholarship program; ii) supplying the Canadian Embassy and consulates with brochures; iii) sending literature to Mexico's private universities, whose student body can realistically afford to study in Canada; and iv) subscribing to the CEC in Mexico.

The major manufacturers and distributors of educational products should be identified. Canadian capabilities should be brought to the attention of users and government institutions, as well as private and public educational institutions.

Penetrating the Mexican market for Canadian literature requires a judicious mix of strategic marketing and cultural outreach — strategic marketing because the market is relatively undeveloped; cultural outreach because distributors and consumers must be exposed to Canadian cultural products before they commit to purchase.

Canadian artists are encouraged to pursue contracts proactively and to use new technologies to reach global decision makers effectively and efficiently.

Action Plan

Market Intelligence and Information

- Identify Canadian companies already in the market.
- Compile a database of Canadian capabilities, services and products.
- Research existing and evolving needs in the Mexican education market for inclusion in Export ***i***.
- Develop a list of importers, distributors and representatives of educational products with help from contacts in the software, high-tech and cultural industries.
- Identify Canadian educational conferences, seminars and fairs for possible incoming missions combining government officials, representatives and users from Mexico.
- Monitor potential IADB and World Bank projects.
- Identify the demand in the Mexican market for i) delivery of custom-tailored corporate training by Canadian universities; ii) transfer of technology by Canadian universities beyond education-related technologies; iii) packaging of ESL/FSL with other services offered in Canada; iv) off-shore delivery of Canadian university programs in Mexico.

Trade Promotion

- Information booth at Expodidáctica 98 and Canadian Pavilion for Expodidáctica 99. This education fair includes products ranging from kindergarten materials to high tech. Also offered are technical conferences on software packages, new technologies and products.
- Guadalajara International Book Fair, organized by the Association for the Export of Canadian Books, November 1998.
- Incoming buyers' mission to Canada (education ministry and private sector) to introduce buyers to Canadian producers of textbooks and other educational books and products.
- Incoming audiovisual buyers' mission to coincide with the Toronto Film Festival, summer 1998.
- Incoming buyers' missions (public and private sectors) to:
  - Théâtre des Amériques, Quebec City, May 1998.
  - Festival de la Nouvelle Danse, Montreal, October 1998.
  - NICARS, Montreal, December 1998.

- Invite Mexican buyers to Canadian Music Week (March) and North by Northeast (June) to consolidate two-year marketing effort.
- Rent three booths at the International Children's Book Fair to feature and sell books, videos and compact disks for children. Many items will already be in Spanish; others will be of interest not only to Hispanic publishers but also to parents looking for English- and French-language material for their children. Participation will be offered on a cost-recovery basis.

Outreach

- Follow up with Canadian educational industries and associations participating in Expodidáctica.
- Conduct outreach activities focussed on areas outside Mexico City, such as a series of seminars on "Studying in Canada," directed at potential students/parents in, for example, Guadalajara.
- Develop guides and brochures on Canadian capabilities in education products.
- Establish "hot links" between the Embassy Internet home page and the home pages of Canadian artists and performers, which are effective multimedia marketing tools.

Electric Power Equipment and Services

Electric power transformation, transmission, supply, distribution and marketing activities intended to serve the public are the responsibility of the Comisión Federal de Electricidad (CFE) and to a lesser extent of the Luz y Fuerza del Centro (LFC) company. Both are decentralized government agencies. The CFE owns over 90 percent of generating capacity in Mexico. However, in 1992 the government instituted legal reforms intended to attract private investment in power generation activities.

Private ownership of generating facilities can take one of four forms — independent power production, self-supply generation, co-generation and small-scale production (under 30 megawatts). Except for small producers, the electricity generated by these private projects must either be used by the owners or sold back to the CFE. Transmission and distribution remain the responsibility of the CFE, although the CFE is required to negotiate wheeling agreements. Other new generating facilities will also rely on private sector investment for their development; the CFE plans to add most of its new capacity through build-lease-transfer projects.

Mérida III is the first project to be awarded for independent power production. Under this ownership structure, the winning consortium builds, finances and independently operates the facility and can negotiate its own fuel prices, cut labour costs and charge a price for power that produces a reasonable rate of return. The winning bid was awarded to the bidder offering the lowest electricity sales price — in this case, US$0.025 per megawatt.

The *Prospectiva del Sector Eléctrico, 1997-2006*, published by the Secretaría de Energía (Ministry of Energy) in October 1997, forecasts that an additional 13 189 megawatts of installed capacity must be added by the year 2006, to meet a yearly projected increase in electricity demand of 5.5 percent nationwide. The peak demand increases will occur in the highly industrialized northeast (6.7 percent per year), the Yucatan peninsula (7.2 percent per year) and Baja California (7.6 percent per year). Furthermore, PEMEX's 2000 megawatts of generating capacity will need to be expanded by as much as 20 percent over the next five years. According to some estimates, Mexico will require US$24.3 billion in power project investment over the next decade.

To meet these demands, the CFE plans to tender 23 power projects with a total capacity of 9767 megawatts, to be constructed between 1997 and 2005. In the short term, the construction of seven facilities (496 megawatts) under the build-lease-transfer scheme will be up for tender, as will four facilities (1550 megawatts) intended to be owned by independent power producers. Additional increases in capacity are expected to come from co-generation, self-generation or small-scale private sector production initiatives.

The CFE is placing increasing emphasis on reducing its reliance on heavy fuel oil. Most new facilities will be of the combined-cycle type, but new capacity is also planned using hydroelectricity, geothermics and other alternatives. Examples of some forthcoming projects are shown in the following table.

Although a number of co-generation permits have been granted since 1992, these projects have been slow to develop because of the CFE's unwillingness to commit to contracts to purchase excess power and of the prices it is willing to pay. However, in recent months private sector interest has been increasing, this time focussing on attracting enough industrial users to make the projects attractive without selling power back to the CFE. In addition, the Comisión Reguladora de Energía (CRE), the regulatory body, will be overseeing the setting of new energy tariffs that are intended to bring an end to hidden subsidization.

Opportunities

The infrastructure projects highlighted above entail long-term investment commitments on the part of the participants. However, other opportunities exist for Canadian suppliers of goods and services, particularly for those with proven technologies that will enhance efficiency, to sell their products either directly to the government or to private operators.

Forthcoming Power Generation Projects

Project	Capacity	Type	Expected Tender Date
El Sauz	450 MW	combined cycle — IPP	1997
Hermosillo	225 MW	combined cycle — IPP	1997
Río Bravo	450 MW	combined cycle — IPP	1997
Saltillo	225 MW	combined cycle — IPP	1997
San Rafael	24 MW	hydroelectric	1997
El Cajón	636 MW	hydroelectric	1998
Tuxpan	900 MW	combined cycle	1998
Altamira	1350 MW	combined cycle/coal (will use combined coal/gas if not enough natural gas is available)	1998

Legend:
MW = megawatts
IPP = independent power producer

To meet new environmental regulations due to take effect in 1998, the CFE plans to convert up to eight heavy fuel-oil generating facilities to natural gas, creating opportunities for suppliers of equipment and services, including instrumentation, metering and testing.

Continuing interest in alternative fuel for electricity generation provides opportunities for Canadian companies to approach small communities with proposals for small-scale production (under one megawatt) using alternative sources, or to propose small-scale (under 30 megawatts) generating projects based on alternative fuels to sell power to the CFE.

The Comisión Nacional para el Ahorro de Energía (CONAE, Commission for the Conservation of Energy) has estimated that the potential for co-generation projects could be anywhere from 7000 to 14 000 megawatts. However, progress has been hampered by difficulties in forming associations of enough users to reach economies of scale and by the uncertain economics of selling excess back to the CFE grid. Nonetheless, there is increasing industry and power sector interest in these types of projects, because of the enhanced reliability of power supply and the possibility for cost savings.

Attention is also focussing on using energy from waste/alternative fuel projects to supply industrial users. The Mexican Integrated Fuel Policy aims to encourage companies to reduce their reliance on heavy oils, and a new environmental law, to come into effect in 1998, will provide the regulatory back-up. Industry and municipal users are starting to explore energy from waste/gas injection to accomplish emission and fuel-cost reductions and to reduce waste disposal costs.

Constraints

Electricity generation projects have been slow to develop because of uncertainties surrounding the pricing and supply of fuel and the pricing and uncertainty of contracts to sell excess power back to the CFE. The CRE has been implementing regulations intended to remove hidden rate subsidization, set rate ceilings, open transmission and distribution networks to third-party use, and provide other measures intended to level the playing field and attract needed investment.

Canadian manufacturers and suppliers of electrical power equipment are required to have this equipment certified by the CFE prior to bringing it to the Mexican market. This process is similar to the CSA (Canadian Standards Association) certification procedures, but can take many months if not handled correctly. Mexican buyers will not consider products that are not certified.

Strategy for Market Access

To take advantage of the opportunities, Canadian companies must be registered with the CFE. Equipment manufacturers and suppliers must have their products certified by the CFE prior to selling them in the Mexican market.

A Canadian SME can improve its chances of penetrating the Mexican market by developing a business relationship with a credible, well-known Mexican partner, usually as an agent or distributor. Generally, the Canadian company should arrange for this partner to visit Canada to become familiar with its products and service capabilities. Moreover, the Canadian company must be prepared to invest time and money in demonstrating its products and capabilities to Mexican decision-makers and to provide on-site technical expertise to support the first bids, sales and installations.

Action Plan

Market Intelligence and Information

- Establish a flash fax service to provide information on specific opportunities and policy updates to industry associations and interested Canadian companies.
- Publish a quarterly Canada-Mexico energy newsletter that includes upcoming tenders, Canadian success stories and regional industrial profiles, and covers all energy sector activities.
- Attend American-Mexican Chamber of Commerce seminars and conferences on the energy sector.
- Develop and maintain databases of:
  - Canadian SMEs active in the electrical power equipment and services sector and interested in exporting;
  - Canadian companies active in the Mexican market.
- Conduct a study on secondary market opportunities for equipment and services; add this to Export ***i***.
- Conduct a study to identify regional industrial concentrations — types of industry, power requirements, current arrangements, industry and regional government contacts etc.
- Develop a buyers' list for the power equipment sector.
- Update the sectoral study in Export ***i***.

Market Access

- Develop and maintain contacts within the CFE and the CRE, as well as with regional governments in high-demand growth regions, at both the policy and working levels.
- Work with EDC to improve the use of lines of credit for power sector projects.
- Participate in Canadian Chamber (Mexico) Energy Committee.

Trade Promotion Activities

- Regional seminars for private- and public-sector decision-makers to promote specific Canadian technologies and to identify potential interest in co-generation.
- Seminars on small-scale hydroelectric production for regional government buyers (outgoing Canadian supplier or incoming mission of regional decision-makers for Canadian site visits), second quarter of 1998.
- Canada booth at IEEE Potencia in Acapulco, July 1998. The goal in the first year is to assess the show's usefulness to Canadian vendors, make contact with CFE and LFC technical buyers and showcase the products of Canadian SMEs.
- Incoming buyers' mission to Electricity 98, Toronto, April 26 to 29, 1998, including site visits and meetings.

Outreach

- Invitation to key CFE/CRE officials and large Mexican infrastructure developers to participate in the Independent Power Developers' Workshop in Washington, D.C., January 26 to 27, 1998.
- Regional seminars to promote Canadian expertise in alternative energy technologies.
- Promote links between Canadian and Mexican associations interested in alternative energy for small communities.
- Meet with industry associations and SMEs in Canada to discuss Mexican market opportunities and access issues, possibly in conjunction with sectoral seminars.
- Identify potential Canadian candidate(s) to present technical paper(s) at IEEE 98.
- Promote links between Canadian and Mexican industry associations.
- Publish quarterly newsletter in Spanish on Canadian industry innovations, technological advances, new products, success stories, etc., aimed at the energy sector as a whole, starting the first quarter of 1998-99.

Transportation Equipment and Services

Mexico's challenging terrain and inadequate transportation infrastructure have been historical handicaps to the nation's productivity. The last two administrations have recognized this and have authorized sweeping privatization programs. Under the previous administration, new highways were built with private funds, providing a windfall for the construction industry and imposing a financial burden on highway concession operators.

Since 1996, the privatization of most of Mexico's federal transportation infrastructure has begun in earnest. In ports, Mexico is beginning to privatize the 21 Integral Port Administrations (IPAs) — chartered corporations that assume all the administrative functions of a port, including construction, planning and promotion — and is concessioning most port services, such as container terminals and dredging and towing services. The railway system has been divided into three major sections, two of which have already been successfully sold. Many short lines will also be sold. An announcement is expected before the end of 1997 on the proposed sale of approximately 35 of the nation's 58 airports. Restrictions on foreign investment vary from sector to sector.

Opportunities

Opportunities in Mexico's transportation sector have traditionally been concentrated in public transportation systems. The privatization process in the transportation sector, however, has resulted in many other opportunities for Canadian companies in transportation equipment and services, particularly in railways, ports and airports.

The privatization of Mexico's **railways** includes three major concessions, as well as the central terminal in Mexico City and several short lines. In December 1996, the government successfully sold the northeast line, the jewel in the crown, which handles 40 percent of the nation's cargo and covers most of the country's industrial corridor. That sale yielded US$1.4 billion from a Transportación Marítima Mexicana (TMM)-Kansas City Southern Industries (KCS) (USA) joint venture. The railway concession sales include 1400 locomotives and 31 000 rail cars. Most of this equipment is considered obsolete and will need replacing or renovating immediately. Furthermore, communication systems will need to be replaced to bring logistical efficiencies up to global standards. New investment in railway technology and construction services by the private concessionaires is expected to reach US$2.5 billion over the next four years. Such investment is needed to reverse declining cargo tonnage trends and boost annual traffic from its present 58 000 tons per year to 100 000 tons by the end of the century.

In July 1997, the Grupo Ferroviario Mexicano (GFM), a consortium of Grupo México, ICA and Union Pacific Southern, won the bid for the North Pacific line, a 6200-kilometre line accounting for 25 percent of all rail cargo and the second most important line in Mexico. Grupo México holds 73 percent of the new consortium, with Union Pacific and ICA each holding equal portions of the remaining stock. GFM's strategy to develop a program to operate on a level equivalent to that in the United States will involve an investment of over 5 billion pesos over the next 10 years, and GFM will have to acquire a minimum of 70 locomotives.

Two of the three short lines that had been tendered by the government were successfully sold in October. Grupo Acerero del Norte and Industrias Peñoles won the bid to operate the Coahuila-Durango (707 kilometres) short line, with an offer of 180 million pesos. The Tijuana-Tecate line (70 kilometres), important because of its connection to the *maquiladora* industry, went to Medios de Comunicación y Transporte de Tijuana. The tender for the Nacozari line (318 kilometres), however, was declared null and void, since the offer from Grupo México, the only bidder for the line, was considerably less than the reference price established by the government.

Still to be sold is the southeast line, which could go on the market before the end of 1997. There will be restrictions on the amount of foreign investment allowed in this sector because of its strategic importance in the Tehuantepec Isthmus.

In 1996, Mexico began the privatization of its **ports**. There are two aspects to the privatization process. The government is selling operational rights for the IPAs and is concessioning the various services offered by each port. To date, the only IPA to be fully transferred to private hands is Acapulco, which is managed by TMM. A decision on the sale of Puerto Vallarta is expected soon. Up to 49 percent foreign investment in IPAs is permitted, while up to 100 percent may be allowed in terminals, facilities and services. The private companies will inherit largely outdated, inefficient port facilities in need of modernization.

Port investment will attract more non-North American shipping activity, much of which now takes place in U.S. ports such as Houston and Galveston. This should spur new purchases in shipping and port technology, one of Canada's niche exports. The port of Veracruz is partly privatized and is managed by ICA (Ingenieros Civiles Asociados), Latin America's largest construction firm.

Mexico operates 58 federally owned **airports**, of which approximately 35 (the most profitable) will be sold off in regional packages. The government has announced that as part of its privatization strategy for the sector, the airport system will be divided into four regional companies. The first is the Pacific group, with its centre in Guadalajara; the second is the northern group, with the Monterrey Airport as its hub; the third is the southeast group with Cancún as its centre; and the fourth is the Mexico City International Airport. Once these groups have been created, the government will tender operating contracts for all four. The stock options for these companies will also be sold, with no one company permitted to retain more than 20 percent of the stock. As for the Mexico City Airport, the government has decided to postpone plans for an alternative airport, and has apparently chosen to expand the current facilities by adding an additional runway.

There will be opportunities for large Canadian companies to participate in the tenders for operational contracts for the airport systems that will be sold off. There will also be opportunities for equipment and service providers for the airports that are not sold but need to be upgraded by the government.

Constraints

Opportunities in the transportation sector are developing out of the privatization process; however, this is not yet clearly defined in some sectors and is incomplete in others. Close monitoring is required to identify new opportunities. For interested Canadian suppliers and investors, access to government contracts will require a Mexican partner who understands the government procurement process.

Strategy for Market Access

This sector is dominated by large companies, including some from Canada. Partnering with large Mexican and international firms to form consortia capable of bidding on major infrastructure projects is an essential strategy even for larger Canadian firms. Canada has a distinct advantage over European or other non-U.S. suppliers in the railway sector since Mexican and Canadian rail standards are the same. The railway companies are only just beginning to identify their needs, and this is an opportune time for Canada to become involved.

Action Plan

Given the dynamic privatization process surrounding railways, ports and airports in Mexico, expanded contacts with the appropriate government officials as well as with the private companies being formed to run these activities will be necessary to ensure that investment opportunities for Canadians are identified and reported.

Market Intelligence and Information

- Determine Mexican requirements for products and services as railway, port and airport privatization evolves. For railways, this activity will take place from November 1997 to March 1998 as new companies are established to take over the formerly state-owned railway system; for ports, visits to several Mexican ports are planned over the year, depending on the availability of the Mexican authorities, to improve understanding of Mexican capabilities in the sector.
- Develop and maintain a database of the new players in the railway, port and airport sectors in Mexico, as each of these is broken up and privatized. Contacts will be established within each of these new companies to identify persons responsible for purchasing.
- Prepare a market intelligence report on Mexico's railway sector, ideally in the spring of 1998, once the bulk of the privatization process has been carried out; add this to Export *i*.
- Publish a weekly Trade and Economic Policy report, to provide information and intelligence on all sectors of the Mexican market, including transportation.
- Prepare a bi-monthly Privatization Update, to provide information and intelligence on the process as it unfolds in all sectors. This report will be posted on the Canadian Embassy's Internet home page.
- Identify Canadian capabilities in railways, ports and airports, and identify products and services in which Canada has a competitive advantage.

Market Access

- Improve understanding of the trade policy framework for the transportation sector, including the NAFTA; monitor access issues as they relate to the transportation sector.
- Report on market access issues as necessary; providing advocacy when required.
- Pursue access under the NAFTA for Canadian truckers.
- Monitor the privatization process as it unfolds in the railway, port and airport sectors.
- Participate in the Land Transportation Standards Subcommittee (LTSS) annual meeting (in Ottawa in June or July 1998); undertake appropriate follow-up.

Trade Promotion Activities

- A visit to Canada by new Mexican rail companies to see Canadian capabilities first-hand. The visit will be organized in the spring of 1998 in conjunction with Industry Canada and the National Sector Team responsible for the transportation sector.
- Similar visits may be organized for the port and/or airport sectors, as the privatization process develops.
- Matchmaking events to put Canadian companies in contact with Mexican counterparts.
- Incoming mission of railway companies to Canada, spring 1998.
- Possible visit to Mexico by Canadian suppliers to tour Mexican ports.

Outreach

- Visits to Mexican companies and chambers related to each sector to promote Canadian capabilities and raise awareness of similarities between Canada and Mexico, and determine where these can be exploited for mutual benefit.
- Follow-up of January 1998 Team Canada visit with Canadian and Mexican companies.
- Implementation of Annex I (on Land Transportation) and Annex II (on Marine Transportation) of the Memorandum of Understanding (MOU) on Technical Co-operation. This MOU allows for an exchange of technical people between Mexico and Canada and also provides Canada with a forum for promoting goods and services. The Canadian Embassy is considering a truck-driver certification program.
- Promotion of the Mexican transportation sector during the LTSS meeting in Ottawa in June or July 1998.
- Identification of other trade shows in transportation (e.g., urban transportation in Guadalajara) and co-ordination with Guadalajara and Monterrey to identify potential markets and fairs.
- Embassy participation at the Railmex International Railway Exhibition in Mexico City, March 1998.

Investment and Technology Transfer

Canada's interest in international trade is not confined to exports of goods and services. Foreign investment has long played a pivotal role in the development of the Canadian economy, bringing not only capital, but also technology, expertise and innovation. Liberalized trade has been supported by government initiatives to build a stronger role for an increasingly competitive private sector. These trends are creating an even more attractive environment for investors in both Canada and Mexico.

The trade commissioners at the Canadian Embassy and the consulates in Monterrey and Guadalajara promote Canadian exports of goods and services and assist investors in both countries to find compatible partners. Increasingly, investment goes hand-in-hand with new trade opportunities, so these activities are complementary elements of the same overall mandate. Investment in both directions plays an important role in supporting Canada-Mexico partnerships and joint ventures, which in turn lead to trade in goods and services.

Depending on the nature of a partnership, investment in either direction may be called for. In many cases, smaller Mexican firms are looking for Canadian technology and capital in exchange for access to the Mexican market. But larger Mexican firms are often looking for opportunities to invest abroad, to fill gaps in their product lines or to improve their own capabilities.

The process of trade liberalization has led to increased industrial concentration in Mexico. According to a report in *El Financero*, 17 conglomerates are responsible for two-thirds of manufacturing output. Many of these large and growing companies have their own technologies and capital to offer Canadian partners. Trade commissioners promote this type of exchange by providing background information on the Canadian business environment as well as details of the capabilities of specific industries and companies.

The following sections describe the major sectors where investment, technology transfer and partnering are leading to improved opportunities for Canadian exporters in Mexico.

Private Industry

In the primary and manufacturing sectors, joint ventures with Mexican companies are the principal mechanism for the exchange of capital and technology. Typically, the Mexican partner has a good knowledge of the local market, along with an established clientele. But it usually lacks sophisticated product or process technologies. The Canadian partner, on the other hand, has technology and expertise, in addition to capital, but faces formidable cultural barriers to moving into Mexico. Technological joint ventures provide a way of bringing these capabilities together. In sectors such as mining, where the product is a commodity not particularly vulnerable to cultural influences, Canadian companies tend to be the project leaders.

The modernization of Mexican industry has been impeded to some extent by the fact that, after decades of operating in a protected environment, many Mexican companies do not really understand their own limitations or how technology can improve their operations. They tend to see cheap labour as an inherent asset and to focus modernization efforts on management information and financial systems rather than on production. It takes time and patience to show them the power of product and process technologies.

Competitive factors will ultimately overcome these obstacles. Family-owned Mexican firms are being overtaken in the marketplace by multinational corporations and the *grupos*, huge Mexican holdings. Industrial concentration is increasing rapidly. Improving productivity and quality to take advantage of Mexico's export boom is the principal survival tactic in this environment.

Public Infrastructure

Mexico's public infrastructure is in desperate need of expansion and modernization. Roads, telecommunications, electric power, water supply, waste treatment, natural gas transportation and distribution, housing, schools, health care, railways and urban transit systems are all areas of major need. In the past, the construction of these facilities has been a public responsibility, but the tendency to use public enterprises as a job-creation tool, combined with an over-reliance on domestic technologies, has left the nation with an infrastructure that cannot meet the needs of its rapidly growing population.

Two developments are likely to provide solutions to this crisis. First, the Mexican government has already acted in several areas to reduce its reliance on home-grown solutions and to obtain foreign technology. For example, in 1992 Montréal-based Bombardier bought out Constructora Nacional de Carros de Ferrocarril (Concarril), the state-owned rail and subway car manufacturer. As a result, Canadian technology is being used in mass-transit developments in Mexico. In 1994, the CFE — the federal electricity commission — announced that it would be relying on private sector developers for 60 percent of its new electrical power projects. It has also allowed industrial customers to self-generate or co-generate their own power. Decision making for local projects has been decentralized, and state and municipal governments have been free to buy imported technology. Public-housing authorities are now acting as developers and financiers rather than construction firms. These examples reflect a pervasive change in policy. Privatization has supported the trend, as newly privatized companies such as Telmex have switched to more productive technology, much of it from foreign sources.

The second development has been a new attitude on the part of the government towards innovative financing mechanisms. The law has allowed public infrastructure projects to be built on a build-lease-transfer (BLT) or build-operate-transfer (BOT) basis for some time. A shortage of capital, exacerbated by the economic crisis, has made officials much more willing to put these tools to work. Dozens of concessions have been let for several types of infrastructure projects and many more are planned.

So far, the BOT approach has not completely lived up to expectations. This is partly because it is a new concept for government officials, who have not always been able or willing to negotiate mutually acceptable terms, especially for future price increases. Another problem is that after many years of highly subsidized public services, the Mexican public is not very receptive to market pricing. To make matters worse, government demand projections do not usually take into account the effects of future price increases on consumption.

In spite of these hurdles, most observers believe that innovative financing will continue to be the basis of most large public infrastructure projects. Some consider BLT arrangements to be more feasible than BOT in the current environment. Canadian companies that can bid on these projects, most likely as part of an international consortium, will find opportunities for both investment and sales of technology-based services.

Electric Power

Concessions for electricity generating plants have been granted on both BLT and BOT terms, although no plants have yet been built. Early in 1995, a consortium of American and Mexican utility and engineering companies received a concession for Samalayuca II, a 700-megawatt thermoelectric plant in northern Chihuahua state. The consortium will design, build and finance construction of the plant, which will then be leased back to the CFE. This is reported to be the first plant financed entirely with private funds and without government loan guarantees. Another new electricity generating facility in the planning stages is the gas-fuelled Mérida III plant, whose construction is due to begin soon. Mérida III will differ from Samalayuca II in that private companies will be hired to manage and operate the facility following construction. The electricity generated at the 440-megawatt plant will then be sold to the CFE.

Industry experts believe that the BLT option is the most feasible for these new plants because it does not require the concession owner to control product prices. Carbón II, a proposed BOT project in Coahuila state, was scrapped because the major partners had demanded the right to set rates for electricity generated at the plant in order to pay for costly antipollution equipment.

Water Supply and Treatment

The Comisión Nacional de Agua (CNA), the national water commission, has designated 104 municipalities as priority areas for upgrading existing water and sewage facilities or building new plants. The CNA's first objective will be primary sewage treatment. Secondary and tertiary treatment will follow in later phases.

The larger state enterprises are also potential customers. Both PEMEX and the CFE are investing in water treatment plants. In July 1994, PEMEX awarded BOT contracts, worth up to US$50 million each, to four private companies.

Canadian companies that have participated in BOT water projects in Mexico say that competition is stiff, especially from Mexican companies. Municipal BOT projects often attract 20 to 25 proposals. The Monterrey conglomerate Cydsa is one of the top companies in the industry. According to a company spokesperson, the firm is designing, constructing and operating two municipal BOT water treatment plants in Chihuahua, as well as two more located at refineries owned by PEMEX. The predominance of local companies stems from the fact that the civil-engineering component of most water projects is much larger than the advanced-technology element. Several Canadian companies with innovative environmental technologies have found Mexican partners that can handle the lower-technology elements.

Mexican Government Procurement

One of the major achievements of the NAFTA negotiations is a chapter on government procurement. The Mexican government is a major user of goods and services. The most promising sectors are advanced-technology equipment and related consulting services.

Canadian companies achieved some successes in these areas, even before the NAFTA. But purchasing by the Mexican government has traditionally been an arcane process, dominated by insiders. The new rules provide access to the bidding process for Canadian companies for most types of procurement. But learning about upcoming bids can still be a time-consuming process. The NAFTA working group on procurement is striving to ensure access to the government bidding system and to improve its transparency.

In Canada, the federal government provides information about its own procurements through the Open Bidding System (OBS), an electronic bulletin board service. To help Canadian companies, the Department of Foreign Affairs and International Trade has arranged to include information on Mexican government procurement in the OBS. Mexican procurement notices are now translated into English and French and posted on the OBS within two days of their publication in Mexico. More than 27 000 Canadian suppliers from all industrial sectors are now using this system. For more information on how to access this service, contact: MERX in Charlottetown, Prince Edward Island, tel.: 1-800-964-6379 or fax: 1-888-235-5800.

Making the Action Plan Work for You

Moving into Mexico requires detailed market research, a clear focus on the target market, and creative use of the resources available from Canada's Trade Commissioner Service.

The Mexican market offers many opportunities for Canadian companies. But taking advantage of them can be difficult and time-consuming. Market information is much more difficult to obtain in Mexico than it is in Canada. Moreover, Mexico has only recently emerged from a long period of protectionism, and many businesses have not yet fully adapted to the new market environment. Communications can be slow and unreliable, but the situation is improving rapidly, with competition for long-distance services now available in all major cities.

There are also many language and cultural obstacles. Potential buyers and partners like to do business with people they know personally. Canadian firms may have to make several trips to Mexico before serious business begins. Mexicans do not like to offend visitors, and it can be difficult to judge whether "yes" means "yes," "maybe" or, perhaps, "no." Government procurement and regulatory practices can seem complex to a company that is new to the market.

Products, services and promotional materials must be adapted to Mexican tastes. To compound these problems, business conditions are changing rapidly as Mexico's economic reforms take hold. Labelling must be in Spanish before products enter the country — unlike the Canadian practice, which requires bilingualism only when products hit the shelf.

In this environment, careful preparation and the ability to adapt to constantly changing circumstances are key success factors. In Mexico, there is no substitute for first-hand market research combined with networking and contact building. To make these efforts as productive as possible, the Action Plan for Mexico provides assistance in Canada and in Mexico.

Export *i* Mexican Knowledge Base

Assistance to potential exporters starts with the Export ***i*** Mexican Knowledge Base (some 90 publications in all). This is a continuously updated collection of market summaries, market profiles, business guides and business tools. These publications are available through the Department of Foreign Affairs and International Trade's web site (http://www.dfait-maeci.gc.ca), Enquiries Service at 1-800-267-8376, International Trade Centres across Canada and the ExportSource internet site (http://exportsource.gc.ca). A catalogue of Export ***i*** Mexican Knowledge Base publications is available from the Enquiries Service or the Mexico and Inter American Division, tel.: (613) 996-5547, fax: (613) 996-6142.

Market Summaries (48 publications)

Market summaries are short overviews, generally less than 10 pages long. They are formatted for transmission by fax but are also available in printed form. In most cases, they are summaries of existing market profiles. In a few sectors, they are based on a review of published research reports that have been gathered to support forthcoming market profiles.

Market Profiles (28 publications)

Market profiles are comprehensive reports, usually in the 60-page range. They are bound for distribution as printed handbooks if required. The profiles are based on a thorough review of published research reports, combined with in-depth personal interviews with market players and government officials in Mexico. Each one targets a key industrial sector and includes a consistent package of practical business information, including:

- highlights of the unique aspects of the sector;
- a sectoral overview;
- details of the major subsectors;
- a statistical review of Mexico's imports;
- a review of recent market trends and emerging product opportunities;
- profiles of major customers and competitors;
- a summary of the regulatory environment;
- suggested market-entry strategies, including the role of intermediaries;
- sources of assistance in Canada; and
- initial contacts in Mexico.

Companies investigating Mexican opportunities can follow up on these reports by contacting the sources listed and requesting copies of more recent reports. Fully verified contact information is provided.

Business Guides (9 publications)

Business guides are handbooks covering the broader issue of entering the Mexican market. Each one concentrates on an aspect of the business environment that Canadian companies have found to be an obstacle to market entry. They include such topics as export documents and regulations, government procurement and export financing.

Business Tools (11 publications)

Business tool publications provide reference information about the North American Free Trade Agreement (NAFTA), tariff structures, legal issues, promotion opportunities and Canadian government assistance programs. Also included are a general overview of the Mexican economic and business environments and a variety of export-market access tools.

Market Research

The market summaries and profiles included in the Export *i* Mexican Knowledge Base provide general market information, but they do not include market intelligence. Market intelligence requires a detailed understanding of a company's products, expertise and strategic plans. (See the Exporter's Checklist, pp. 49-50.)

Canada's Trade Commissioner Service is an important tool for Canadian exporters. Its resources include trade commissioners in Mexico, as well as in DFAIT's Mexico and Inter American Division in Ottawa. The division is responsible for the overall management of the bilateral relationship with Mexico in all its dimensions, including trade and investment promotion. To use these resources effectively, companies should consider them an integral part of their overall trade strategy. This means providing trade commissioners with the information they need to do their jobs effectively. It also means developing an overall market plan before asking for their help, and keeping them informed as the market-entry strategy is implemented.

The first step is to select the target market. Some companies try to tackle too many markets at a time and waste their own resources as well as those of the trade commissioners. Canadian companies that have succeeded in Mexico invariably say that the best approach is to select target markets carefully, matching the company's capabilities to well-defined Mexican needs. This targeting process involves consideration of current Mexican trends. Moving into Mexico will take a year or more, so it is next year's market not last year's that matters. Registering with WIN Exports will facilitate access to information that can help to guide this initial decision. Information about WIN Exports is provided in the "Contacts" section of this document.

The next step is for the company to conduct preliminary market research based on information available from the Export *i* Mexican Knowledge Base. Typically, the company might read the relevant market summary, which is available by fax. If further action is warranted, it might read the market profile for any relevant sectors and possibly some of the business guides.

If the company decides that it wants to pursue an opportunity in Mexico, it should contact a trade commissioner, who will need detailed information about the company and its expectations. (A checklist of the information needed is reproduced at the end of this section.) If possible, promotional literature should also be provided, ideally in Spanish. This material will help the trade commissioner introduce the company to Mexican contacts. Additional information about the company and its goals in Mexico can help make the trade commissioner's efforts more productive. This might include copies of press releases, price lists and other information that will present the company in its best light. The trade commissioner should also be aware of any existing contacts or agents that the company may have in Mexico.

Communications with the trade commissioner should be by telephone, fax, e-mail or courier. Mail service to Mexico can be slow, and months can pass before two or three two-way communications are completed by that means. In spite of recent improvements, Mexico's phone lines are still unreliable, and faxes are sometimes lost in transmission. This leaves e-mail and courier as the preferred methods of communication. Companies making inquiries should also be aware that complex questions can take time to answer in the Mexican business environment. Trade commissioners do not have ready access to the types of information considered commonplace in Canada. Corporate disclosure and public accountability by government agencies are only vague concepts. Information is often considered proprietary and is jealously hoarded. Thus, personal contacts are a much more important research tool in Mexico than they are in Canada. Even when contacts are established, information may not be easy to get, since Mexican executives are often out of their offices for a large part of the day. For all these reasons, it is best to do as much research as possible before leaving Canada and to allow ample time for information collection.

Visiting Mexico

Personal visits to Mexico are essential for a company to finalize its market-entry strategy. Several trips are usually required. Before embarking on a move into Mexico, Canadian companies should be sure that they are prepared for the major investment of time and money that is required. Companies that have succeeded in Mexico almost always comment that the venture took longer and cost more than they expected. This kind of long-term commitment requires the full support of senior management. It also takes patience and perseverance to develop a business relationship in Mexico's relatively formal business environment.

Some Canadian firms that have made a good first impression in Mexico have wasted it by failing to follow up. This can harm Canada's reputation in Mexico and hamper the progress of more serious exporters. Moreover, failure to follow good business etiquette can reflect badly on the trade commissioner who arranged the contact, and can impair his or her ability to use personal contacts in the future. As the company proceeds with its Mexican market-entry strategy, it should keep the trade commissioner informed of its progress.

Understanding the Mexican business culture and learning to operate in that environment are important success factors for prospective exporters. When visiting Mexico, company representatives should be on time for appointments and formally cancel any that they cannot keep. A follow-up letter to the Mexican contact is always appropriate, and a copy to the trade commissioner will help to promote a team relationship. Further information about the cultural aspects of doing business in Mexico is included in the Export *i* Mexican Knowledge Base.

Exporter's Checklist for Briefing Information for Overseas Trade Posts

Note: This faxable checklist is designed to help summarize the information that an exporting company must furnish to an overseas trade commissioner in order to enlist assistance in setting up overseas markets. The list, when completed and sent to the Canadian trade post in the target area, will constitute a briefing document for the trade commissioner. For further information, see the brochure entitled *Working with your trade commissioner*, published by DFAIT, available through the Enquiries Service, tel.: 1-800-267-8376 or (613) 944-4000, fax: (613) 996-9709.

Company name ....

Address ....

City ....

Postal code ....

Contact information

Telephone ....

Fax ....

E-mail ....

Company president ....

Other agents or export contacts in Mexico ....

Company profile

Date established ....

Number of employees ....

Sales (optional) ....

Export sales ....

Products or services

Describe the product or service and list two or three key selling points.

....

....

....

Sample of key Canadian customers

....

....

....

Company export experience

List countries in which you are currently active and comment on your success. Also, where applicable, indicate the kind of agent you are seeking.

....

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....

Exporter's Checklist for Briefing Information for Overseas Trade Posts (cont'd)

Company sales pitch

List five or six key points about your company that would be of interest to prospective agents (e.g., service support policy, agent training, etc.).

Competitors

List the brand names, company names, city and country of your main competitors.

Market projections

List your projected sales for the next three years. List key target industry sectors and potential customers in as much detail as possible.

Method of distribution for products

Describe how you would like to distribute your product (e.g., directly or through agents or distributors).

Indicate the price structure you have in mind.

Characteristics of an effective agent for products

Describe in detail the characteristics/experience/background that a good agent for your product should have.

Comments

List any additional information about your company you feel would be helpful in establishing overseas contacts.

Contacts

Canadian Government Departments and Services in Mexico

The **Trade and Economic Division of the Embassy of Canada** in Mexico and the Canadian consulates in Monterrey and Guadalajara can provide vital assistance to Canadians venturing into the Mexican market. There are several trade commissioners at the Embassy and in the two consulates. They are well informed about the market and will respond in any way possible to support a Canadian firm's presence in Mexico. They 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 to identify suitable Mexican firms to act as agents and compiling strategic business intelligence on potential foreign customers.

Embassy of Canada
Trade and Economic Division
Schiller No. 529
Col. Polanco
Apartado Postal 105-05
11560 México, D.F.
México
Tel.: (011-525) 724-7900
Fax: (011-525) 724-7982

Canadian Consulate
Edificio Kalos, Piso C-1
Local 108-A
Zaragoza y Constitución
6400 Monterrey, Nuevo León
México
Tel.: (011-528) 344-3200
Fax: (011-528) 344-3048

Canadian Consulate
Hotel Fiesta Americana
Local 30-A
Aurelio Aceves No. 225
Col. Vallarta Poniente
44100 Guadalajara, Jalisco
México
Tel.: (011-523) 616-5642
Fax: (011-523) 615-8665

Canadian Government Departments and Services in Canada

Department of Foreign Affairs and International Trade (DFAIT)

DFAIT is the Canadian government department responsible for trade development abroad. The **Enquiries Service** and **ExportSource** (http://exportsource.gc.ca) should be the first contact points for information on export markets. ExportSource provides literature on export-related programs and services, acts as an entry point to DFAIT's trade information network, and can provide copies of specialized export publications and market information.

Enquiries Service

Tel.: 1-800-267-8376 or (613) 944-4000
or (613) 996-9136 (hearing impaired)
Fax: (613) 996-9709
FaxLink: (613) 944-4500
Internet: http://www.dfait-maeci.gc.ca
or http://www.infoexport.gc.ca

DFAIT's Mexico and Inter American Division, Latin America and Caribbean Bureau is responsible for the overall co-ordination of relations with Mexico. As part of this mandate, the Division, in concert with the missions in Mexico, Monterrey and Guadalajara, and other stakeholders, is responsible for co-ordinating the development and implementation of a trade strategy for Mexico, and for ensuring that Canada's policy towards Mexico takes full account of commercial interests.

Mexico and Inter American Division (LMR)
Latin America and Caribbean Bureau
Department of Foreign Affairs
and International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Tel.: (613) 996-5547
Fax: (613) 996-6142

WIN Exports Database

WIN Exports is a computer database of Canadian exporters and their capabilities. The database is designed to find export leads for Canadian companies by providing essential information about these companies to the 1200 Canadian trade officials stationed around the world. Managed by DFAIT, WIN Exports is the computer equivalent of having an endless supply of a company's marketing brochures on each trade officer's desk.

The system is used by trade commissioners to share information, keep track of services provided and match companies to foreign purchase requirements. A WIN-registered company can access over 1500 market studies and automatically receives *CanadExport*, DFAIT's business newsletter.

To register, contact:
Tel.: 1-800-551-4WIN (4946)
(613) 944-4946 (Ottawa-Hull region)
Fax: 1-800-667-3802
(613) 944-1078 (Ottawa-Hull region)

Canada's International Business Strategy (CIBS)

Canada's International Business Strategy (CIBS) is a consultative process that brings together government and the private sector to identify emerging trends, opportunities and challenges in major markets and to develop strategies for successful pursuit of international business by Canadian industry. The **CIBS Compendium** is an on-line list of government-sponsored trade events and promotions, in Canada and abroad, that have been identified as a result of the CIBS process.

Internet: http://www.dfait-maeci.gc.ca/english/trade/cibs/english

Strategis Internet Site (Industry Canada)

Strategis, Canada's largest business Internet site, offers a wealth of export information that can help companies decide about growth opportunities, explore new markets and assess the risk of new ventures, all on-line. Trade Data Online, an information database accessible through Strategis, provides Canadian and U.S. information on trade trends, import market shares and other key data to help firms forecast new markets, assess the competition and plan production.

Contact:
Tel.: 1-800-328-6189; (613) 954-5431
Fax: (613) 954-5031
e-mail: TDO@ic.gc.ca
Internet: http://strategis.ic.gc.ca
(also accessible through **ExportSource)**

International Business Opportunities Centre (IBOC)

IBOC has been established jointly by DFAIT and Industry Canada (IC) to match business leads provided by trade commissioners abroad with the business interests of capable Canadian firms, particularly small and medium-sized businesses.

The Centre uses electronic databases such as DFAIT's WIN Exports and IC's Canadian Company Capabilities, to search out and engage Canadian firms. Canadian companies are then contacted by IBOC to determine which ones are interested in, and capable of, responding to specific business leads. Canadian companies that indicate an interest will be asked to contact the foreign buyers either directly or through the trade commissioner who originated the business lead.

To receive these benefits, companies may register with the WIN Exports database at their nearest Canada Business Service Centre.

International Business Opportunities Centre (IBOC)
Department of Foreign Affairs
and International Trade
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Tel.: (613) 944-6000
Fax: (613) 996-2635

International Trade Centres (ITCs)

International Trade Centres co-located with Industry Canada offices across the country help Canadian exporters take advantage of opportunities in foreign markets. ITC officers provide current information on international markets, joint ventures and technology transfer opportunities, trade fairs and missions, and trade-related conferences and seminars. ITCs can be particularly useful in helping export-ready companies prepare their marketing plans prior to contacting trade commissioners abroad.

Canada's ITCs connect Canadian firms with international business opportunities through a network of trade commissioners in 128 cities around the world.

ITCs can also provide copies of the **Guide to Export Services**, an overview of export services available to Canadian businesses. Contact:

	Telephone	Fax
St. John's	(709) 772-5511	(709) 772-5093
Charlottetown	(902) 566-7443	(902) 566-7450
Halifax	(902) 426-7540	(902) 426-5218
Moncton	(506) 851-6452	(506) 851-6429
Montreal	(514) 283-6328	(514) 283-8794
Toronto	(416) 973-5053	(416) 973-8161
Winnipeg	(204) 983-5851	(204) 983-3182
Regina	(306) 780-6325	
	(306) 780-6124	(306) 780-8797
Saskatoon	(306) 975-5315	(306) 975-5334
Calgary	(403) 292-4575	(403) 292-4578
Edmonton	(403) 495-2944	(403) 495-4507
Vancouver	(604) 666-0434	(604) 666-0954

Canada Business Service Centre Network

The **network**, made up of Canada Business Service Centres in each province, has been created to provide small businesses with a single access point for information on federal and provincial government programs, services and regulations related to business.

Each Canada Business Service Centre offers a combination of products and services tailored to the needs of its distinctive client base:

- a toll-free telephone information and referral service;
- the Business Information System, a comprehensive database of information on the services and programs of participating federal and provincial departments and private sector organizations;

- a FaxBack system;
- pathfinders, which briefly describe the services and programs available by topic (e.g., exporting); and
- leading-edge business products, including videos, publications, business directories, how-to manuals, CD-ROM products and external database access.

To access these services, contact a local Canada Business Service Centre:

Newfoundland
Canada Business Service Centre
Tel.: (709) 772-6022 or 1-800-668-1010
Fax: (709) 772-6090
Info-FAX: (709) 772-6030

Prince Edward Island
Canada/P.E.I. Business Service Centre
Tel.: (902) 368-0771 or 1-800-668-1010
Fax: (902) 566-7377
Info-FAX: (902) 368-0776 or 1-800-401-3201

Nova Scotia
Canada/Nova Scotia Business Service Centre
Tel.: (902) 426-8604 or 1-800-668-1010
Fax: (902) 426-6530
Info-FAX: (902) 426-3201 or 1-800-401-3201

New Brunswick
Canada/New Brunswick Business Service Centre
Tel.: (506) 444-6140 or 1-800-668-1010
Fax: (506) 444-6172
Info-FAX: (506) 444-6169 or 1-800-401-3201

Quebec
Info entrepreneurs
Tel.: (514) 496-4636 or 1-800-332-4636
Fax: (514) 496-5934
Info-FAX: (514) 496-4010 or 1-800-322-4010

Ontario
Canada/Ontario Business Call Centre
Tel.: (416) 954-4636 or 1-800-567-2345
Fax: (416) 954-8597
Info-FAX: (416) 954-8555 or 1-800-240-4192

Manitoba
Canada Business Service Centre
Tel.: (204) 984-2272 or 1-800-665-2019
Fax: (204) 983-3852
Info-FAX: (204) 984-5527 or 1-800-665-9386

Saskatchewan
Canada/Saskatchewan Business Service Centre
Tel.: (306) 956-2323 or 1-800-667-4374
Fax: (306) 956-2328
Info-FAX: (306) 956-2310 or 1-800-667-9433

Alberta
The Business Link
Tel.: (403) 422-7722 or 1-800-272-9675
Fax: (403) 422-0040
Info-FAX: (403) 495-4138 or 1-800-563-9926

Northwest Territories
Canada/Northwest Territories Business Service Centre
Tel.: (867) 873-7958 or 1-800-661-0599
Fax: (867) 873-0101
Info-FAX: (867) 495-0575 or 1-800-661-0825

British Columbia
Canada/British Columbia Business Service Centre
Tel.: (604) 775-5525 or 1-800-667-2272
Fax: (604) 775-5520
Info-FAX: (604) 775-5515 or 1-800-667-2272

Yukon
Canada/Yukon Business Service Centre
Tel.: (867) 633-6257 or 1-800-661-0543
Fax: (867) 667-2001
Info-FAX: (867) 633-2533 or 1-800-841-4320

Agriculture and Agri-food Canada

The Agri-food Trade Service (ATS) has been developed as a single window to a complete package of federal services that assist Canadian agri-food exporters directly or that serve to identify and take advantage of opportunities in foreign markets. There is no need to search through a maze of numbers at DFAIT or Agriculture and Agri-food Canada: both departments are partners in this service.

A single phone call to the ATS means access to:

- **Customized market information and intelligence** provided by the Agri-food Trade Network, a Canada-wide, operator-assisted computer information system, and by agri-food specialists stationed in key markets around the world. Hundreds of experts, libraries and data banks are ready to provide enhanced information and advice to industry on trade opportunities. The ATS, which can provide a wealth of market reports, is arranged by country and commodity.
- **Agri-food Trade 2000** is a vital component of the ATS, amalgamating previous contribution programs for trade and market development; the major portion of its budget is channelled to market development initiatives through industry associations or alliances.
- **New Look Materials** tell international customers that Canadian foods and beverages are made in the spirit of the land — natural, wholesome and pure — and meet their highest expectations for quality, purity and safety. The new look provides a uniform and enhanced presence for Canadian agri-food products in export markets.
- **Industry Trade Shows and Food Promotion:** DFAIT and Agriculture and Agri-food Canada have joined forces to mount sophisticated international trade show exhibits and food promotions. Training is also provided to make sure that Canadian agri-food firms are properly prepared for these events.
- **Export Training** is aimed at increasing the number of Canadian firms that are export-capable and export-ready. Agriculture and Agri-food Canada, in co-operation with the provinces, is developing teaching materials to form the basis of a specific agri-food export training system.
- **New Exporters Program to Latin America** will increase and diversify Canadian agri-food exports by encouraging and preparing potential new exporters to the Latin American region. Also included in this initiative are information and training, in Canada or on-site, as appropriate.
- **A Team Canada Approach** with a proven track record to ensure that Canada reaches its goal of $20 billion in agri-food exports by the year 2000. Canada's international business strategy means better co-ordination of federal and provincial activities tailored to industry needs, including the design of the new image to market Canadian food products abroad.

The **Agri-food Trade Network (ATN)**, one initiative under the ATS, provides on-line access to agri-food trade information, including country/market profiles, Canadian supply capability and trade shows and missions. The ATN also contains a directory of federal government trade contacts around the world. It can be found under "Trade Contacts" at http://atn-riae.agr.ca/

Interested firms may also contact an information co-ordinator in their region:

Newfoundland	(709) 772-4063
Prince Edward Island	(902) 566-7310
Nova Scotia	(902) 893-0068
New Brunswick	(506) 452-3706
Quebec	(418) 648-4775
Montreal	(514) 283-8888
Ontario	(519) 837-9400
Manitoba	(204) 984-4409
Saskatchewan	(306) 780-5452
Alberta	(403) 495-6775
British Columbia	(604) 666-3054

Canadian International Development Agency (CIDA)

An important possible source of financing for Canadian ventures in Mexico is the special fund available through CIDA's Industrial Co-operation Program (CIDA/INC). This program aims to stimulate Canadian private sector involvement in developing countries by supporting long-term business relationships such as joint ventures and licensing arrangements. CIDA/INC fosters the development of business linkages by encouraging Canadian enterprises to share their skills and experiences with partners in Mexico and other countries. A series of CIDA/INC mechanisms help enterprises establish mutually beneficial collaborative arrangements for technology transfer and job creation in developing countries.

CIDA/INC has five mechanisms that help eligible Canadian firms to conduct studies and that provide professional guidance to potential clients. Where a project involves environmental improvement, technology transfer, development assistance to women, job training or creation, early contact with CIDA's Industrial Co-operation Division is suggested. An important CIDA criterion is that the project create jobs in Mexico without threatening jobs in Canada. Most CIDA-assisted projects have produced net increases in Canadian jobs. For more information, contact:

Industrial Co-operation Division
Canadian International Development Agency
200 Promenade du Portage
Hull, Quebec K1A 0G4
Tel.: (819) 997-5006
Fax: (819) 953-6088
e-mail: info@acdi-cida.gc.ca
Internet: http://www.acdi-cida.gc.ca

Export Development Corporation (EDC)

EDC is a customer-driven financial services corporation dedicated to helping Canadian businesses succeed in the global marketplace. EDC provides a wide range of risk management services, including insurance, financing and guarantees to Canadian exporters and their customers around the world.

EDC's products fall into four main categories:

- export credit insurance, covering short- and medium-term credits;
- performance-related guarantees and insurance, providing cover for exporters and financial institutions against calls on various performance bonds and obligations normally issued either by banks or surety companies;
- foreign investment insurance, providing political risk protection for Canadian investments abroad; and
- export financing, providing medium- and long-term export financing to foreign buyers of Canadian goods and services.

EDC has established relationships with leading commercial and public sector institutions in Mexico and Latin America. Exporters can call (613) 598-2860 for more information.

Exporters with annual export sales under $1 million should call the Emerging Exporter Team, tel.: 1-800-850-9626 or (613) 598-2500; fax: (613) 237-2690; e-mail: export@edc4.edc.ca; Internet: http://www.edc.ca.

Exporters in the information technology sector can call EDC's Information Technologies Team at (613) 598-6891.

For information on the full range of EDC services, contact any of the following EDC offices:

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

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

Vancouver
Export Development Corporation
One Bentall Centre
505 Burrard Street, Suite 1030
Vancouver, British Columbia
Tel.: (604) 666-6234
Fax: (604) 666-7550

Winnipeg
Export Development Corporation
330 Portage Avenue, Eighth Floor
Winnipeg, Manitoba R3C 0C4
Tel.: (204) 983-5114
Fax: (204) 983-2187
(office also serves Saskatchewan)

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

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

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

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

Canadian Commercial Corporation (CCC)

The CCC, a Crown corporation, provides assistance to Canadian exporters that are selling to foreign governments or international organizations. In such sales, CCC acts as a prime contractor and guarantor for the sale of Canadian goods and services to the foreign customer.

CCC certifies the Canadian exporter's financial and technical capabilities, and guarantees the foreign buyer that the terms and conditions of the contract will be met. CCC's participation in a sale provides Canadian suppliers with the tangible backing of their own government, enhancing their credibility and competitiveness in the eyes of foreign customers. This can often lead to the negotiation of more advantageous contract and payment terms.

The Progress Payment Program, developed by CCC in co-operation with Canada's financial institutions, makes pre-shipment export financing more accessible for small and medium-sized exporters. The program allows an exporter to draw on a special line of credit, established by his or her principal banker for a particular export sale. In most instances, the borrowing costs will approximate those associated with a typical demand line of credit.

The program is available for transactions with foreign government and private sector buyers. For more information, contact:

Canadian Commercial Corporation
50 O'Connor Street, Eleventh Floor
Ottawa, Ontario K1A 0S6
Tel.: (613) 996-0034
Fax: (613) 995-2121
e-mail: info@ccc.ca
Internet: http://www.ccc.ca/index-e.htm

ExportSource

ExportSource is Team Canada Trade Network's on-line resource for export information. It provides a single access point from all trade-related government departments and agencies on subjects such as: Market Research; Trade Statistics; Export Financing; Export Contacts; Export Regulations/Logistics; Trade Shows and Missions.

ExportSource was developed by a partnership of Industry Canada, the Department of Foreign Affairs and International Trade, and Agriculture and Agri-food Canada.

Internet: http://exportsource.gc.ca

Atlantic Canada Opportunities Agency (ACOA)

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

ACOA provides support to business 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 co-ordination with federal and provincial bodies that influence trade and investment opportunities. For more information, contact:

Atlantic Canada Opportunities Agency (ACOA)
Blue Cross Centre
644 Main Street
P.O. Box 6051
Moncton, New Brunswick E1C 9J8
Tel.: 1-800-561-7862
Fax: (506) 851-7403

Western Economic Diversification (WED)

WED is responsible for federal economic activities in western Canada. The department works in partnership with the western provinces, business, industry associations and communities to stimulate the western Canadian economy.

The department seeks innovative partnerships within both the public and the private sectors. These partnerships will address the needs of small and medium-sized enterprises for information, business services and capital, particularly for high growth industries essential to western Canada's economic diversification.

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

The Federal Office of Regional Development (Quebec) (FORD Q)

FORD Q is a federal economic development organization that supports the development of the economic potential of all regions of Quebec and the creation of viable jobs by promoting a business climate in which small and medium-sized enterprises (SMEs) can grow and prosper. FORD Q uses the relevant and sought-after expertise of the federal government to work with the entrepreneurial spirit of Quebeckers in every region and improve their competitive position. It also seeks, through strategic activities and partnerships in the community, to improve the business climate, an essential factor in the growth of SMEs.

FORD Q provides access to Team Canada export services and programs in the areas of awareness, export preparation, information, networking, advice and counselling, funding and access to funding.

Small Business Access Centres:

Montreal:
Île de Montréal
800 Place Victoria Tower, Suite 3800
P.O. Box 247
Montreal, Quebec H4Z 1E8
Tel.: (514) 283-2500
Fax: (514) 496-8310

Quebec City:
Quebec City/Chaudière/Appalaches
905 Dufferin Avenue, Second Floor
Quebec City, Quebec G1R 5M6
Tel.: (418) 668-3084
Fax: (418) 668-7584

Forum for International Trade Training (FITT)

FITT is a partnership between the private and public sectors that provides Canadians with training in international trade. FITT was established in 1992 with the support of the federal government through Human Resources Development Canada, DFAIT and Industry Canada, and of provincial governments. Other founding partners include the Canadian Chamber of Commerce, the Alliance of Manufacturers and Exporters Canada, the Canadian Federation of Labour, the Canadian Importers Association, the Canadian Professional Logistics Institute, the Canadian Professional Sales Association and World Trade Centres Canada.

FITT's objective is to provide practical, current, skill-building training for people who are or expect to be involved in international trade and need to develop or enhance skills and knowledge. FITT training is designed and delivered by experienced practitioners. FITT has developed a comprehensive program of international trade training that is delivered through universities, community colleges, CEGEPs and private institutions across Canada.

The FITTSkills program is composed of eight modules, each of which takes 45 hours to complete — entrepreneurship; marketing; trade finance; trade logistics; market entry and distribution; trade research; legal aspects of international trade; and trade management. Each module may be taken separately; however, successful completion of all eight courses leads to an internationally recognized diploma.

A second program, GeoFITT, has been developed to focus on the mechanics of a specific national or regional market such as Mexico. GeoFITT is delivered via an intensive two-day workshop.

CustomFITT consists of sector-specific training that takes into account the particular characteristics and needs of individual sectors and subsectors of the Canadian economy in doing business internationally. In collaboration with — and with funding from — Agriculture and Agri-food Canada, and DFAIT, FITT will be implementing AgFITT, a program designed specifically for the Canadian agri-food sector.

Forum for International Trade Training
155 Queen Street, Sixth Floor
Heritage Place
Ottawa, Ontario K1P 6L1
Tel.:1-800-361-FITT or (613) 230-3553
Fax: (613) 230-6808
e-mail: fitt@achilles.net

Mexico on the Internet

Where to get information on Mexico and Canada-Mexico Relations

General Information

(Sites available in both English and French)

- Travel and Tourism
- Bilateral Relations
- Culture
- Business and Export Information

The Department of Foreign Affairs and International Trade (DFAIT)

www.dfait-maeci.gc.ca

- for **general information** on Mexico, including recent political and economic updates, look under **The World** and click onto **Latin America**, then **Mexico**;
- for information on **travel** in Mexico, look under the heading **Travel**, click onto **Travel Reports**, then **Mexico**;
- if you are interested in **trade** with Mexico, including a copy of this Plan, look under the heading **Trade**.

"Export *i*"

www.dfait-maeci.gc.ca/exporti

The Mexican Embassy in Canada

www.DocuWeb.ca/Mexico

The Canadian Embassy in Mexico

www.Canada.org.mx

Mexican Media

(All are in Spanish and are available at no charge)

***La Jornada* (daily)**

serpiente.dgsca.unam.mx/jornada/index.html

***Revista Proceso* (weekly)**

www.proceso.com.mx

***Excelsior* (daily)**

www.excelsior.com.mx

***La Cronica de Hoy* (daily)**

www.cronica.com.mx

News Services (via e-mail)

To subscribe to either of the following services, send an e-mail note to the address with the word "subscribe" in the subject box.

Mex 2000

majordomo@mep-d.org

- news articles, opinion, and discussion on Mexico in English and Spanish.

Mexpaz

anaysis-request@uibero.uia.mx

- English periodical with commentary on major events in Mexico.

If you have any questions, please call the Mexico and Inter American Division of DFAIT at (613) 944-1154.

To Help Us Serve You Better

An important goal of the Country Action Plan for Mexico is to develop a closer fit between Canadian capabilities and the needs of client companies. Companies with experience in Mexico can help by providing feedback about their successes and failures. This information will help guide future improvements. Please complete the following questionnaire and return it to:

Deputy Director, Trade Relations
Mexico and Inter American Division (LMR)
Latin America and Caribbean Bureau
Department of Foreign Affairs
and International Trade
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Tel.: (613) 996-5547
Fax: (613) 996-6142

DFAIT is also interested in learning more about Canadian commercial successes in Mexico. Moreover, DFAIT is keenly aware that this is not an easy market to operate in; any comments about problems or obstacles encountered would be gratefully received. The information received will be used to adjust trade promotion activities from year to year, and to support Canadian corporate efforts in this market.

Help Us Serve You Better

What product or service does your company export?

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....

Have you used Canada's Trade Commissioner Service or any other government export assistance program in your Mexican endeavours?

....

If so, which ones?

....

....

What was your reaction to the service you received?

....

....

Did it meet your needs?

....

....

Was it promptly and courteously provided?

....

....

How could the service provided to you be improved?

....

....

Keeping in mind that the Action Plan operates within limited resources, what additional products or services would you like to see?

....

....

Do you have any other comments or suggestions concerning our services?

....

....

May we contact you to discuss this evaluation? If so, please fill in your name, address and tel./fax numbers below.

Name: ....

Address: ....

Tel./Fax: ....

Notes

Canada's international business strategy : a trade action plan for Mexico