Canada

A Trade Action Plan for Mexico

Canada's International Business Strategy

Team Canada • Équipe Canada

Government of Canada   Gouvernement du Canada

A Trade Action Plan for Mexico was developed by the Mexico Division, Latin America and Caribbean Branch, Department of Foreign Affairs and International Trade (DFAIT) in consultation with its trade colleagues in the Canadian Embassy in Mexico, and from the consulates in Monterrey and Guadalajara, as well as with some of its Team Canada partners and selected Canadian companies involved in the Mexican market.

This publication is part of Canada's International Business Strategy (CIBS), a key element of the federal government's commitment to a "Team Canada" partnership with the private sector and the provinces. It is designed to provide a guide to the trade promotion policy for the Mexican market. The objective of this Trade Action Plan is to intensify and accelerate export development in Mexico with a view towards creating jobs and stimulating economic growth in Canada.

Although efforts have been made to avoid errors and inaccuracies in this document, it is not intended to be used as the only source of market information on this region. We encourage the reader to use this publication as one of several resources for commercial dealings with Mexico.

Any errors, omissions or opinions found in this market profile should not be attributed to the Government of Canada. Neither the authors, the publishers nor the collaborating organizations will assume any responsibility for commercial loss due to business decisions made based on the information contained in this book.

Catalogue No. E74-80/1996E

ISBN 0-662-24456-7

Printed in Canada.

Disponible en français.

A Trade Action Plan for Mexico

A TEAM CANADA APPROACH

43.280-425

ACKNOWLEDGEMENTS

The Mexico Division of the Latin America and Caribbean Branch, Department of Foreign Affairs and International Trade (DFAIT), wishes to thank the Canadian companies, the Team Canada partner organizations and all of its colleagues in Mexico City, Monterrey, Guadalajara, and in Canada, that collaborated with them in the consultation process to develop this document.

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Opportunity

Mexico offers excellent opportunities for Canadian exporters. Trade has increased steadily since Mexico implemented a sweeping series of economic reforms in the mid-1980s. Decades-old protectionist regulations were abandoned and parallel policies of privatization and deregulation have 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 tripled during the five years ending in 1995.

The Challenge

The rapid increase in the number of Canadian companies exporting to Mexico, or considering doing so, has placed considerable strain on the government's ability to support exporters. The Trade 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 coordinated trade promotion efforts by various government departments and the private sector. The InfoCentre in Ottawa and regional International Trade Centres provide local service to businesses located in all parts of the country.

The Plan

The Trade Action Plan provides integrated market information in Canada so that businesses can prepare their export strategies at home. Armed with this information, they will be 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 shifts emphasis from event-driven programs towards information-driven activities. And it places greater emphasis on helping small- to medium-sized enterprises (SMEs) to become export-ready before they leave Canada.

Sectors of Opportunity

Opportunities for Canadians are concentrated in particular sectors. In order to maximize trade promotion efforts, the Trade Action Plan identifies five priority sectors. These sectors offer substantial — but largely untapped — opportunities in areas where major demands are expected to develop over the medium term.

Five additional sectors of interest are identified where there is already significant Canada-Mexico trade. There are opportunities in these sectors for SMEs to offer complementary products and services, and take advantage of Canada's existing track record.

Priority Sectors

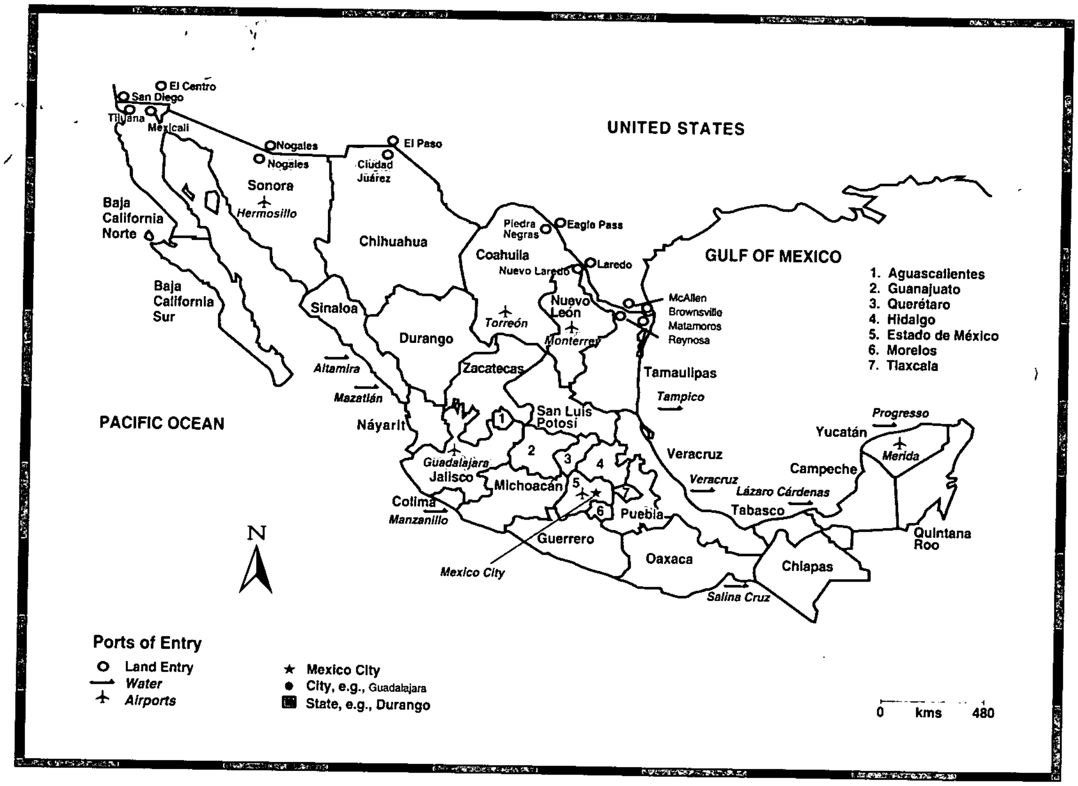
- Advanced Manufacturing Technology and Industrial Machinery
- Agriculture and Agri-food
- Cultural and Educational Products and Services
- Electric Power Equipment and Services
- Oil and Gas Equipment and Services

Additional Sectors of Interest

- Environmental Equipment and Services
- Information Technology and Other Advanced Technology Products and Services
- Mining Equipment and Services
- Automotive Maintenance Equipment and Aftermarket Parts
- Transportation Equipment and Services

Help Us to Serve You Better

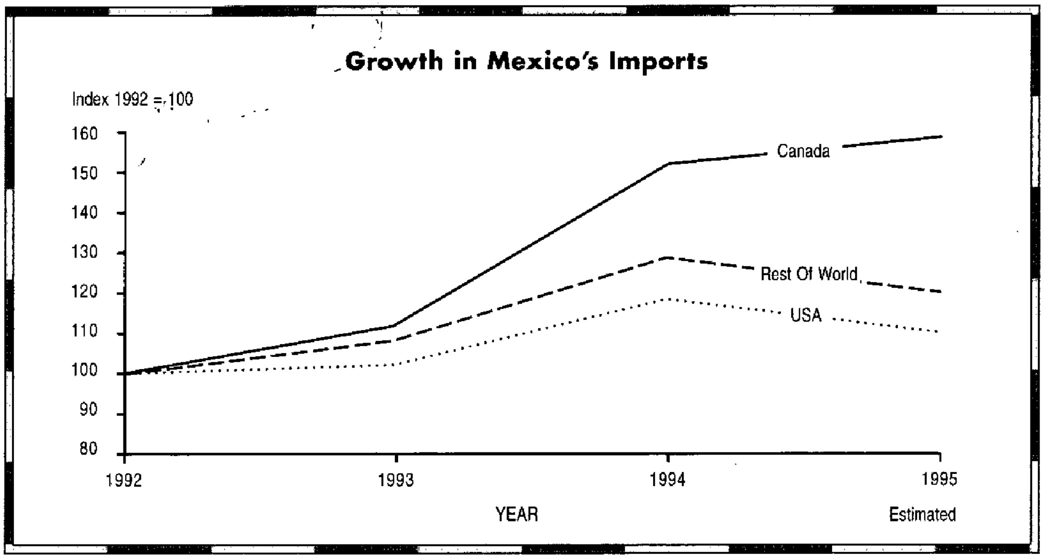
A questionnaire is included at the end of this publication to elicit reactions to the Trade Action Plan for Mexico. The information provided will be very useful in guiding future improvements to this trade promotion program.



SUPPORTING CANADA'S EXPORTERS

THE CHALLENGE

Canadian trade with Mexico has increased steadily since Mexico unilaterally liberalized its trade regulations, beginning in the late 1980s. Between 1990 and 1994, Canada's exports to Mexico rose by 233 percent, according to Statistics Canada data. Exports surged by 36 percent in 1994 alone, which was the first year of the North American Free Trade Agreement (NAFTA). Over the past few years, Mexico's imports from Canada have increased considerably faster than imports from the United States and from the rest of the world. As a result, Canada's share of the Mexican import market rose to 2.1 percent in 1995, from about 1.5 percent in 1992. During the same period, the U.S. share fell from 74.5 percent to 72.9 percent. The Mexican economic crisis, and the resulting devaluation of the peso, led to a substantial decrease in imports from most other countries during 1995. In spite of this downward trend, imports from Canada rose by another 5 percent according to Statistics Canada export data. These successes, combined with a relatively low overall market share, suggest substantial long-term opportunities. For example, a doubling of Canada's market share to 4 or 5 percent would mean exports worth more than US $3 billion. [Statistics Canada catalogue no. 65-003-XPB]



Statistical note: Data for 1990 to 1994 are from the Statistics Canada World Trade Database (WTDB), which is based on US dollars. The estimate for 1995 percentage growth is from Statistics Canada export data for Canada, (catalog no. 65-003) which is expressed in Canadian dollars. Import and export estimates between trading partners rarely agree, and Statistics Canada substitutes corrected Mexican import data for its own export statistics once the former becomes available. Since import data is reported to the United Nations expressed in United States dollars, Statistics Canada retains this convention and publishes the entire WTDB for the world on that basis. Prior to 1994, Mexican imports from Canada were underestimated because of the mis-counting of some transshipments through the United States. Some of the 1994 increase is probably due to better reporting based on NAFTA certificates of origin.

The potential of the Mexican market has been recognized by many Canadian companies. Still, there are many Canadian producers with products and services that could meet emerging Mexican needs who have not yet discovered Mexico.

Even for those companies that are aware of the opportunities, moving into Mexico can be a daunting endeavor. While distance is no longer a real barrier — Mexico City is no further from Montreal than Vancouver — language and cultural differences can create significant obstacles. Moreover, Mexico has only recently emerged from a decades-long period of protectionism. As a result, many Mexican companies are not yet accustomed 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 a rapidly growing number of opportunities presents Canada's Trade Commissioner Service with a major challenge. This is especially true in light of the declining resources available to government agencies generally. In response to this challenge, the Latin America and Caribbean Branch of the Department of Foreign Affairs and International Trade (DFAIT) has taken bold action to reorient its programs and to make better use of its resources. The Trade Action Plan for Mexico reflects a major re-engineering of the entire process of trade promotion.

THE TEAM

The Team Canada concept underlies this new approach to supporting Canada's exporters. It stresses the use of DFAIT's Trade Commissioner Service as the delivery arm for coordinated trade promotion efforts by various federal government departments. DFAIT's role within the team is to identify and assess emerging new 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 (Industry Canada, Agriculture and Agri-food Canada, ACOA, FORDQ, WD) and provincial governments. Those domestic partners help exporters to 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 Division in Ottawa. Industry Canada trade specialists are also found in the International Trade Centres (ITCs) located with the Canada Business Service Centres (CBSCs) in every Canadian province. The InfoCentre in Ottawa and the ITCs in the regions are often the first points of contact for companies seeking export information on Mexico.

These agencies have worked directly with many thousands of Canadian companies to help them evaluate opportunities and, in many cases, enter Mexican markets. But the available resources have been severely stressed. The Canadian Embassy in Mexico City received in excess of 6,000 enquiries from Canadian companies in 1995.

Team Canada has a major job ahead of it. The number of Canadian companies exporting to Mexico is expected to double over the next few years. 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, which must be exposed to Mexican opportunities, culture and practices. Team Canada's challenge is to use the limited resources available to provide both types of exporter with the support they need and expect.

THE GOAL

The ultimate goal of the Trade 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 focussed on emerging opportunities, market dynamics and access issues. It means representing the interests of Canadian companies in Mexico, both 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

Our Trade 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 commissioner's 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 to become export-ready, before they leave Canada. This will put them in the best possible position to take advantage of the intelligence-gathering capabilities of the Trade Commissioner Service.
- A special effort will be made to provide customized business advice to Canadian companies, who exhibit 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. Our market information publications feature concise evaluations of emerging opportunities and market-access issues, as well as profiles of customers, competitors and regulatory agencies. Statistical data is helpful in describing last year's market, but it does not say anything about next year. We strive 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 to help them do this frees up 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 market position of an individual company or product rather than the market as a whole. 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. When asked, our trade commissioners can provide advice and counselling to help companies gather their own market intelligence. While only the companies themselves have an intimate knowledge of their particular strengths and weaknesses, trade commissioners can 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. Mexico has only recently emerged from decades of protectionism, and barriers to both exports and investment remain. Although the main obstacles have been eliminated or reduced under the terms of the North American Free Trade Agreement (NAFTA), 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 presently enter Mexico at Laredo, Texas, and bottlenecks at that location 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 business and Canadian officials in Mexico is essential to ensure that these efforts are closely targetted 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 a lack of awareness of Mexican opportunities. Another is a 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 these areas. The Export *i* Mexican Knowledge Base is the centerpiece of this effort. This system includes not only market information, but also business guides covering 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 Knowledge Base, and our Action Plan also includes systematic efforts to publicize its availability.

Export preparation is the other major part of the outreach component. Practical training tools are developed by the Department of Foreign Affairs and International Trade (DFAIT) and provided to members of Team Canada as well as some business organizations. Although we do not deliver training directly; training material covering several aspects of entry into Mexican markets is available:

- Understanding Mexican Business Culture: Keys to Success (three hours)
- Shipping Goods to Mexico (six hours)
- Marketing Your Services in Mexico: First Steps (six hours)

In addition to prepared training materials, we offer a speaker service and other training support.

DFAIT is also a partner with the Forum for International Trade and Training (FITT), which includes a two-day Mexico seminar. Information about FITT is provided in the contacts section of this document.

Trade Promotion Events

Successful Canadian companies are familiar with the use of trade fairs as a means of expanding business. In the past, the Department of Foreign Affairs and International Trade (DFAIT) has sponsored numerous 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 focal point for the participation of Canadian companies who chose not to enter as exhibitors in their own right. The information booths also provide a base for trade commissioners to 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 the InfoCentre: tel.: 1-800-267-8367 or (613) 944-4000; fax: (613) 996-9709. The Mexico Division, Latin America and Caribbean Branch, maintains an up-to-date listing of all of its trade promotion events in or from Mexico: tel.: (613) 996-5547; fax: (613) 996-6142; Internet: http:\\www.dfait-maeci.go.ca

Experience has shown that while Canada enjoys a very positive general reputation among Mexicans, there is a lack of understanding of the sophistication of specific Canadian technologies and capabilities. The result is that good impressions made by visiting Canadians in Mexico are often not followed by immediate orders. Too often, Mexican buyers prefer more familiar brands from the United States. This gap can be filled 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 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 Trade Action Plan described in the previous sections are not isolated endeavors. 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 expeditiously and effectively is a key element of our overall plan. Assisting companies to access the system in the most efficient way possible is the principal method for making this happen.

In order to achieve these aims, the Mexico Division, DFAIT in Ottawa and the Embassy in Mexico are taking several initiatives to develop a customer service culture, despite the reduced financial and human resources available. 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 InfoCentre.
- 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 available services.
- Reorienting event organization toward activities that most effectively promote matchmaking and the acquisition of market intelligence.

THE MEXICAN BUSINESS ENVIRONMENT

Mexico is heavily dependent on imported technology. And "la crisis" has forced buyers to consider alternative technologies, products and services.

Mexico entered 1995 in a state of economic crisis. The country is undergoing profound political and economic change. President Carlos Salinas (1988 to 1994) implemented sweeping economic reforms and took Mexico into the Asia Pacific Economic Cooperation Council (APEC), the Organization for Economic Cooperation and Development (OECD) and the North American Free Trade Agreement (NAFTA). However, 1994 brought with it a dramatic series of events, most notably the January uprising in impoverished Chiapas State and two high-level assassinations. The new government of President Ernesto Zedillo came to power in December 1994 in an atmosphere of political and economic instability.

The Peso Crisis

The atmosphere deteriorated in the early days of the Zedillo administration. These political events exacerbated Mexico's economic problems. Trade liberalization and an over-valued peso had already led to a steep rise in the merchandise trade deficit. The atmosphere of political uncertainty compounded the problem by accelerating capital outflows. Foreign currency reserves fell to dangerously-low levels. Over the Christmas holidays of 1994, the government abruptly stopped supporting the peso. Within a few days, the currency had lost half of its value relative to the American dollar. The annual rate of inflation soared to more than 50 percent as higher import prices rippled through the economy. This in turn precipitated a sharp drop in industrial production and employment. The finance secretary was forced to resign. The government set in place a recessionary policy to stem burgeoning inflation. Within the first weeks of 1995, these events had become known in Mexico as *la crisis*.

Wealthy Mexicans and foreign portfolio investors accelerated the flight of capital as they tried to cut their losses. But for the most part, foreign direct investors and exporters adopted a wait-and-see attitude. By the beginning of 1996, the situation had begun to stabilize. Although overall gross domestic product (GDP) fell by 6.9 percent in 1995, exporting industries were booming, and Mexico posted a merchandise trade surplus of US $7.4 billion. This is compared to a trade deficit of US $18.5 billion in 1994. The current account balance improved to a surplus US $502 million in the third quarter of 1995, and a small surplus is predicted for the year as a whole. Estimates of GDP growth for 1996 range from about 1 percent to 3 percent. The inflation rate is targetted by the government to fall to 20.5 percent in 1996, although private sector forecasts are closer to 30 percent.

Stabilization

Several political factors will contribute to an improved business climate during 1996. The Zedillo administration has embarked on an ambitious program of legislative reforms and is committed to eliminating electoral corruption. 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 of the *Partido Revolucionario Institucional (PRI)*, Institutional Revolutionary Party. The 1994 election was the most honest in the history of the country, and the recent orderly elections in the states of Jalisco, Guanajuato and Yucatán have contributed to an increasingly positive political mood. The government has signed a peace accord as a first step towards a resolution to the conflict in Chiapas.

New Roles for the Private Sector

The Zedillo government continued 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 one thousand public enterprises to the private sector. Recent announcements include privatization plans for telecommunications, ports and airports, and the secondary petrochemical industry. Parts of the *Ferrocarriles Nacionales de México (FNM)*, Mexican National Railway, and the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, will also be opened to private sector activity. Several major projects have been put up for tender under build-operate-transfer (BOT) and build-lease-transfer (BLT) 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, Mexico had, by 1994, ranked among the world's top ten 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 importation of specific technologies and services have also been removed. For example, in 1991, the government rescinded the decrees which made 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 computer software and biotechnology products, among others. 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

Although Canada has long enjoyed a good general reputation in Mexico, buyers have traditionally had little knowledge of individual suppliers and investors. The publicity surrounding the NAFTA and associated Canadian government trade promotion efforts have begun to change this situation. The higher profile of Canadian companies has allowed them to make new inroads into the Mexican market. For example, some 60 Canadian mining companies are now active in Mexico.

Mexico's overall imports fell during 1995 because of the economic crisis, but in the same period, imports from Canada rose by 8.4 percent [Statistics Canada, March 1996]. Many projects have simply been postponed. Mexico is still heavily dependent on imported technology to meet the needs of its rapidly-growing population. In addition, the crisis has disrupted traditional lines of supply and forced buyers to consider alternative technologies and products. Mexican manufacturers are scrambling to modernize to meet international quality standards so they can take advantage of the export boom. These developments have led to a growing awareness of Canadian suppliers. 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.

Opportunities for Canadian suppliers can be found for products and services, as well as for investment and technology, throughout the Mexican economy. No industrial sector or public enterprise has escaped the forces of change that have swept through Mexico since the late 1980s. Manufacturers are rationalizing their operations and modernizing to meet the influx of foreign competition. Service providers are struggling to become more efficient and to offer their customers the latest innovations. Government agencies have been forced to consider new approaches for the first time in decades as they react to budget cutbacks. 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 to 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
- Agriculture and agri-food products
- Cultural and educational products and services
- Electric power equipment and services
- Oil and gas equipment and services

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

Advanced Manufacturing Technology and Industrial Machinery

The devaluation of the peso has had a predictable effect on foreign trade. During 1995, non-petroleum exports surged by 33 percent. Total imports fell by 8.7 percent, while imports of capital goods were cut almost in half. The gross domestic product (GDP) fell by 6.9 percent during the year, and this has undermined most domestic markets. In January, imports recovered some

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.

Action Plan

The keys to capitalizing on this potential market are joint ventures, co-manufacturing, turnkey solutions, and creative financing. The action plan includes Canada booths at several Mexican trade shows. In addition, two incoming trade missions are planned, one to Canada Manufacturing Week, and one to the Canadian Packaging Show, both to be held in Toronto.

Agriculture and Agri-food

Mexico's agriculture sector, which includes forestry and fisheries, has accounted for a declining share of national income as the economy has developed and diversified. At one time, Mexico was a net agricultural exporter, but declines in production have reversed the situation.

Agricultural production, including forestry and fishing, makes up about 7 percent of Mexico's gross domestic product (GDP). In 1994, Mexico exported US $2.7 billion worth of agricultural products. Coffee, cotton, sugar, fresh vegetables and fruit are the key export products. Nonetheless, the nation has had difficulty producing adequate food supplies for its rapidly growing population. Agricultural imports totalled US $3.3 billion in 1994, and imports of all food products were nearly US $7 billion. About 71 percent of this came from the United States and 5.7 percent from Canada. Sixty percent of Canada's food exports consisted of grains and oilseeds.

The agricultural sector is inefficient, largely because of the *ejido* system of land tenure. The average farm is only about 5 hectares. Small producers dominate production of corn and dry beans in the central plateau. Large privately-owned farms in the northwest grow vegetables, wheat and soybeans. The north-central and gulf areas are the main producers of beef, dairy products and sorghum.

Shortages of high-quality feed and modern genetics have constrained meat production. Much of the country's farmland consists of rough terrain, not suitable for mechanization. A severe drought in the northern states during 1995 further limited production. And, food processors are hard pressed to meet the growing demand for attractively-packaged convenience products.

Opportunities

There are excellent opportunities in Mexico for a wide range of Canadian agricultural and processed food products. Mexico was Canada's seventh largest agri-food market in 1994, with sales of $346 million. This was a 42 percent increase over 1993.

Wheat and canola seed are the most important export products, since Mexico does not produce enough of either to meet its own needs. Canadian wheat has excellent milling properties, and observers believe that Canada could double its exports to 2 million tonnes annually. Mexicans are large consumers of cooking oil and canola oil is increasingly popular. Other plant products considered to have good potential include barley, apples and seed potatoes as well as pulses such as coloured beans, lentils and peas.

Mexico has a growing need for imported livestock and genetics, especially by dairy and swine producers. Herds have been reduced because of the drought and there will be a strong demand for replacement stock in the near future. Government assistance programs have been implemented in the drought-affected states.

Mexico lacks the technology needed to improve agricultural productivity. Recent agrarian reforms have made it feasible for small farm operators to form cooperatives, lease or sell land, and to increase economies of scale. But they will need foreign expertise to improve productivity. Capital shortages and high interest rates are hampering modernization efforts, and this is creating new opportunities for joint ventures.

There are also opportunities for Canadians in the Mexican processed food industry. The Mexican food processing sector has not grown fast enough to keep up with population growth. Moreover, the demand for packaged foods has grown relative to the population. Much of the Mexican industry is devoted to processing meat and dairy products, along with corn and flour milling.

There are substantial opportunities for higher value-added products, including low-fat yogurt and cheese, ultra-pasteurized milk, flavoured milk and confectionery products. Although high prices for imported products have sharply curtailed sales in the short run, Mexico's high rate of internal inflation is expected to restore competitiveness for some products. Processed meat offers good possibilities, especially pork. Mexican pork is expensive because of inefficiencies in the production and distribution systems, and much of it does not match Canadian quality standards.

Canadian bakery products and pasta are highly regarded in Mexico. They are made from high-quality Canadian wheat flour and, until the devaluation, were competitively priced. The rising cost of wheat in Mexico is expected to offset the price effects of the devaluation over the medium term.

Fish products are another area of opportunity for Canadian producers. Demand for innovative canned fish products has been increasing. Salmon for processing in Mexico also has considerable untapped potential.

Constraints

The main constraints limiting increased Canadian exports of agricultural and food products are the high cost of financing, non-tariff trade barriers and an inefficient distribution system.

Government regulations, in particular sanitary and phytosanitary regulations, present significant barriers to trade. Many products require prior import authorization. Where there is an established business relationship, the importer can often expedite shipments. But this does not help the prospective exporter who wants to send food samples to Mexico, which can require considerable paperwork.

In 1994, Mexico began to replace its system of guaranteed fixed crop prices with a program of direct rural support known as *PROCAMPO.* The program covers corn, wheat, dry beans, soybeans, rice, cotton and sorghum. The objective of this 15-year program is to gradually align domestic prices with international prices. Analysts have predicted that in the long run, this will benefit Canadian exporters, as Mexican producers shift away from wheat, towards more valuable horticultural products. In the short run, it was expected that an overall increase in production would reduce imports. Since the devaluation, however, peso prices have risen above the support levels, and the system has no appreciable effect on import markets.

The distribution of food products in Mexico is not very efficient. 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 is an advantage for American chains that have joint ventures with Mexican retailers. Canadian firms who enter this market will need help from a Mexican partner, ideally one with warehousing facilities. Joint ventures with Mexican manufacturers are another way around these constraints.

Action Plan

The action plan includes an information booth at ANTAD, one of the most important promotional trade shows for suppliers of processed foods to the retail industry. The Department of Foreign Affairs and International Trade (DFAIT) will also organize and sponsor Canada Food Week, a "table top" solo show to be held for one day each in Mexico City, Monterrey and Guadalajara, annually in September. As in other sectors, the emphasis will be shifted towards incoming trade missions to Canada. This includes incoming buyers' missions at Agribition in Regina, as well as the Royal Agriculture Winter Fair and Grocery Showcase Canada in Toronto. Seminars will be presented on grain quality, in addition to canola oil and meal processing, to familiarize Mexican buyers with the technical aspects of Canadian products. Bilateral, trilateral and North American Free Trade Agreement (NAFTA) committee meetings aimed at reducing trade barriers will continue. Finally, targetted market research will be conducted to identify business opportunities and to create a buyer profile directory.

Cultural and Educational Products and Services

The process of trade liberalization has encouraged Mexicans to look beyond their borders more than ever before. In particular, the need to adopt foreign technologies and business methods is driving a strong demand for technical, business and language training. President Zedillo, who was formerly the Secretary of Public Education, included education as a major element of the National Development Plan for his six-year term.

In 1994, Canada hosted almost 1,600 Mexican degree students, which represents 17 percent market share. Although the number was lower in 1995, Canadian educational institutions continue to enjoy a good reputation in Mexico. Relatively low costs, simple visa requirements, safe and clean urban communities, and a reputation for quality could lead to an even stronger position if individual Canadian universities were better known.

Cultural activities are also an important part of Mexican society. Canada has an advantage over competitors in this sector, because Canadians are perceived as being culturally sensitive. Moreover, since the implementation of the North American Free Trade Agreement (NAFTA), Mexicans have become much more interested in developing links with Canada.

Opportunities

The book publishing sector is a particularly promising market. Publications from Spain are widely used, but they are not always appropriate for Mexican readers because of differences in the language and culture. There are opportunities for Canadian publishers to obtain the Mexican rights to Spanish-language manuscripts and publish them in Mexico using Mexican editors. Adaptations for the Mexican market are sometimes marketable in other Latin American countries, where markets are too small to warrant local editions. Mexico also offers good opportunities for literature for children and teenagers, as well as "how-to" handbooks.

Mexico is rapidly expanding its education system and there is an ongoing need for books for public and academic libraries. The market for CD-ROM publications is promising but constrained by the limited availability of computer equipment.

Mexico has two IMAX movie theatres and there are opportunities for co-productions. The Mexican film industry also needs access to new technologies, expertise and equipment.

In the visual arts market, Mexico has many private collectors, which creates an important opportunity for Canadian galleries. Mexican museums may be interested in Canadian technology.

The restructuring of the Mexican economy is driving demands for increased industrial training. About 10,000 Mexicans pursued some form of industrial training abroad during 1995. There is a strong need for train-the-trainer programs so that Mexicans who travel abroad for training can transfer their new knowledge to others upon their return. A preoccupation with costs is also leading to increased demand for packaged courseware.

Mexico is making major efforts to expand its public education infrastructure. The proportion of gross domestic product (GDP) spent on education is projected to rise from just over 5 percent in 1993 to about 8 percent by the turn of the century. Particular efforts are being directed at reducing the primary school drop-out rate, which is almost 40 percent nationally and much higher in the poorest states. This is creating demands for consulting services, especially on major projects sponsored by the World Bank and the Inter-American Development Bank.

In response to government initiatives, public and private schools are actively seeking alternatives to traditional methods of education, especially distance learning, in order to make education more accessible at lower cost.

Language training is another emerging market. There are some 600 language schools registered in Mexico, and the market there is considered saturated by most observers. But immersion training abroad represents an important opportunity. Even after the devaluation, an estimated 43,000 students were enrolled in non-university English-as-a-second-language (ESL) programs in Mexico and abroad during 1995. About 10 percent of them studied in other countries. French is less popular as a second or third language for Mexicans, but it is still an attractive market for Canadian French-as-a-second-language (FSL) providers.

Obstacles

The principal obstacle to larger participation in these markets is that although Canada enjoys an excellent general reputation, individual educational and cultural institutions have a low profile in Mexico. The relatively large market share is spread across a large number of institutions. The main providers of information about Canadian universities complain that calendars and other literature are hard to get. Industry observers say that Canadian industrial trainers have been less adept than their American competitors in adapting their products and services to the Mexican market. Publishing opportunities are primarily associated with co-publishing arrangements, since the market for English and French publications is very small. Contacts with potential Mexican partners are therefore a critical market entry strategy.

Action Plan

The action plan is aimed at achieving greater exposure to the Mexican market for Canadian providers of cultural and educational products and services. Canada will be the focus country at the Guadalajara Book Trade Show in December 1996. This will provide an excellent opportunity to raise Canada's cultural profile. Targetted market research will be conducted to identify specific business opportunities.

The Department of Foreign Affairs and International Trade (DFAIT) has developed an educational trade fair called EduCanada. Its purpose is to promote Canadian educational and training services and products (including distance education products and technologies), and to improve Mexican awareness of Canada as a prime destination for a high-quality, financially-accessible education. The promotion of stronger linkages with Mexican educational institutions is another priority. To assist Canadian educational institutions and organizations in their promotional efforts in the Mexican market, the establishment of a Canadian Education Centre, located within the Embassy, is presently under consideration.

Electric Power Equipment and Services

In a dramatic reversal of past policies, the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, will now rely on private sector turnkey projects for about 60 percent of its expansion program. Until recently, energy was excluded from the government's privatization process because it was reserved for the state under Mexico's constitution.

During the term of former President Carlos Salinas, these restrictions, as they applied to electricity, were gradually relaxed. A new electricity law, *Ley de Energía Eléctrica*, came into force on December 1, 1992. It retained the monopoly of the *CFE* over the generation and distribution of electricity sold to the public. But for the first time, the law allowed the private self-generation of electricity by industrial users.

The new administration of President Ernesto Zedillo came to power on December 1, 1994, and three weeks later it issued an executive decree disbanding *Secretaría de Energia, Minas e Industrias Paraestatales (SEMIP)*, Secretariat of Energy, Mines, and State-Owned Industries, replacing it with the much smaller *Secretaría de Energía (SE)*, Secretary of Energy.

There had been much speculation that the new government would privatize the *CFE*, but the decree continued the previous policies. Nonetheless, the devaluation of the peso and the resulting economic crisis, have placed greater pressure on the *CFE* to use private sector resources to expand the electrical system.

Even before the crisis, the *SEMIP* ten-year plan contemplated a heavy reliance on private investment, largely through build-lease-transfer (BLT) options and build-operate-transfer (BOT) arrangements. The plan was based on the now-implausible assumption of 4.5 percent gross domestic product (GDP) growth, but it is still indicative of the government's priorities.

Opportunities

Under the *Secretaría de Energia, Minas e Industrias Paraestatales (SEMIP)*, Secretariat of Energy, Mines, and State-Owned Industries, high-demand scenario, the nation would need 14,639 megawatts of new generating capacity to meet projected electricity demand in the year 2003. Of this, 6,479 megawatts are being built by the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission. Mexico would therefore require an additional 8,160 megawatts of generating capacity from private sector sources, plus associated transmission and distribution systems. This is in addition to new plants for private consumption by individual companies or groups of companies. Moreover, *Petróleos Mexicanos (PEMEX)*, the national oil company, operates some 2,000 megawatts of its own electricity generating capacity, and it has continuing need for expansion and modernization of its facilities.

Under a new environmental regulation, which will come into force in 1998, new government power plants will be fueled by natural gas. Private plants will also be encouraged by the regulatory system to use natural gas, and many older plants will be converted.

No *CFE* power plants have yet been built by the private sector, and the major proposed plants have run into serious delays. Nonetheless, the commission is proceeding with contracting procedures to put this plan into action. Early in 1995, a consortium of American and Mexican utility and engineering companies received a concession to construct a thermoelectric plant in northern Chihuahua State. The plant, called *Samalayuca II*, will have a total production capacity of 700 megawatts generated in three separate units and will cost US $650 million.

Another new electrical generation facility in the planning stages is the *Mérida III* plant, which will burn natural gas with residual fuel as backup.

In August 1995, the *CFE* announced that tenders for the construction of six more electricity generation plants would be issued soon. The announcement went on to say that by the year 2000, the *CFE* will require 13 new generation plants, worth an estimated US $8.5 billion, to be built by private producers. The plants will most likely be constructed under the build-lease-transfer (BLT) option allowed under Mexican law.

Constraints

Industry experts caution that the 1994 ten-year plan for the development of Mexico's electricity sector is flawed in a number of respects. For one thing, it is based on gross domestic product (GDP) growth projections that are no longer realistic. The plan also does not take into account the effects of rising energy prices on consumer demand. A new energy plan for 1995 to 2000 was released by the *Secretaría de Energía (SE)*, Secretariat of Energy, in February 1996. This plan is still being evaluated by energy experts, and it is not yet clear what effect it will have on the short-run demand for equipment and services.

Another problem is that build-operate-transfer (BOT) financing is new to Mexico, and progress is likely to be slow, especially since top government officials are now preoccupied with other problems. For example, *Carbon II*, a proposed power project in Coahuila State, was scrapped when the consortium which won the initial bid could not agree with the government on the final terms of the agreement. The construction of private plants has also been hindered by the lack of clear ground rules, including a price schedule for surplus power which must, by law, be sold only to the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission.

In spite of these constraints, it is clear that Mexico's power sector will have to expand to serve a growing population, as well as to facilitate industrial growth. In a study released in February 1995, about two months after the devaluation of the peso, the *CFE* projected that electricity consumption would continue to grow at more than 5 percent per year. It forecast a need for investments of US $30 billion in the electricity sector. While the details of this expansion remain murky, the direction is clear: there will be major opportunities for companies that adopt a medium- to-long-term strategy.

To take advantage of these opportunities, Canadian companies must be registered with the *CFE*. They will also have to become more visible to Mexican buyers and this will require the establishment of a long-term presence.

Action Plan

Given the uncertainties surrounding future privatization plans, expanded contacts with officials of *Petróleos Mexicanos (PEMEX)*, the national oil company, the *Secretaría de Energía (SE)*, Secretariat of Energy, and private sector companies are an essential part of the action plan.

Canadian companies will need help to make contact with potential customers and partners, and to identify market opportunities. An information booth will be operated at The PowerGen trade show in Monterrey in October 1996. Targetted market research will also be conducted to identify business opportunities and to create a buyer profile directory.

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. A few of Mexico's oil fields are as prolific as any in the world.

Ninety-five percent of Mexico's primary energy production of 7.8 quadrillion BTUs is in the form of oil and gas. Petroleum alone makes up more than three-quarters of the total, although the government has announced a new policy to exploit natural gas.

Petróleos Mexicanós (PEMEX), the national oil 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.

Until recently, regulated prices and protectionist procurement policies have discouraged the achievement of world levels of efficiency. This has begun to change as a more liberal commercial environment has evolved. *PEMEX* has launched a massive modernization program, much of it based on imported technology. In particular, the natural gas industry, including distribution, storage and transportation, is already opening up.

Opportunities

Mexico's efforts to simultaneously modernize, expand and clean up the energy sector will create substantial demands for imported equipment, supplies and services.

Mexico's petroleum industry has traditionally been considered one of the least efficient in the world. At one point, labour requirements per barrel of output were four times as high as those in Venezuela. A modernization program ordered by the government in 1992 has drastically cut labour requirements without reducing production. Reportedly, the work force was cut from 215,000 to less than 110,000 over the last three years.

Production and exports were boosted in early 1995 as part of the effort to stabilize the economy following the devaluation of the peso. But further expansion will be needed to keep pace with Mexico's rapidly growing population. By some estimates, Mexico will have to double its refining capacity.

The devaluation has had the effect of accelerating plans to further expand the role of the private sector. So far, the government has announced that 61 existing secondary petrochemical plants will be sold, and that transmission, distribution and storage of natural gas will also be privatized and opened up to foreign investment.

At the same time, the energy sector is under growing pressure to reduce its impact on the nation's badly polluted environment. One means of achieving this goal is a shift towards cleaner fuels, especially natural gas. Mexico has substantial natural gas reserves which have not been fully exploited. *PEMEX* will spend more than C $20 billion on modernization and expansion over the next few years.

Constraints

The national pride attached to *PEMEX* is a powerful force limiting the will of the Zedillo administration to privatize parts of the energy sector. In January 1995, the government announced that it would accelerate the privatization of some state enterprises and expand operating concessions to private companies as part of its stabilization plan.

The possibility has been raised that this might include *PEMEX*. To calm opposition, President Zedillo has assured the nation that *PEMEX* will continue to control the exploration, extraction and processing of natural gas reserves, as well as the production of basic petrochemicals. Nevertheless, officials argue that private investors must be brought into the natural gas industry, since limited government resources are inadequate to support the expansion that is desperately needed. New regulations have now been published and may clarify this situation for Canadian investors.

Canada is expected to be an important player in future privatizations. One reason is concern about increased domination of the sector by the United States, which is Canada's principal competitor. Since the Zedillo administration took office in December 1994, Canadian businesses have participated in regular private meetings with *PEMEX* officials.

In spite of this interest in Canadian capabilities, *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.

Action Plan

The trade action plan recognizes that strong sales efforts will be needed for Canadian firms to compete effectively with established American suppliers. The plan stresses the development of personal contacts within *PEMEX* and with potential agents and partners. A regular annual incoming trade mission to the National Petroleum Show in Calgary will bring Mexican energy specialists to Canada. The visitors will include both *PEMEX* officials and potential private sector buyers. The mission will attend the show in Calgary in June 1996.

Exhibiting at trade shows is not seen as a major priority. But Canadian firms are encouraged to use the Canada information booths at key shows and conferences as a base for gathering information and building contacts. The annual show of the Society of Petroleum Engineers is an example. Targetted market research will be conducted to identify business opportunities and to create a buyer profile directory.

ADDITIONAL SECTORS OF INTEREST

Sectors of interest are those where there is already significant Canada-Mexico trade, and where there are likely to be new emerging opportunities, especially for small- to medium-sized companies with sophisticated technologies.

Environmental Equipment and Services

The contamination of the Mexican environment has reached alarming levels. More than 25 percent of all industry is located in the Valley of Mexico, where excessive emissions, high altitude and temperature inversions combine to make Mexico City the most polluted city in the world.

At the national level, only 20 percent of municipal wastewater and only 15 percent of industrial wastewater was treated in 1994. Only a small portion of industrial and automotive air emissions are controlled. Only 20 percent of municipal solid waste is disposed of at a landfill. The disposal of hazardous wastes, including medical wastes, is presently out of control and will require urgent action.

Public alarm about environmental pollution has provoked government action, most notably the proposed amendments to the Federal Law on Ecological Equilibrium and Environmental Contamination of 1988. The economic crisis, and fear of job losses, restrained enforcement efforts somewhat during 1995. But in the longer term, the nation's environmental problems are simply too severe to ignore.

In the first stages of the national effort to gain control over the environment, the emphasis has been on consulting and training services. Thousands of environmental assessments and risk analyses have been completed, and there have been continuing efforts to train regulatory staff.

As the process has matured, a market for measurement and analytical equipment has developed. Over the longer term, the market for pollution control systems is expected to dominate spending. Eventually, Mexican environmental expenditures are expected to rise from the current 1 percent of gross domestic product (GDP) to about 2 percent, which is the about the same as in the United States and Canada.

Mexican environmental authorities were lenient in their enforcement efforts in many areas during 1995. They have concentrated on exporting industries with the necessary cashflow to make improvements. The enforcement officials have also extended the timeframe for municipalities to achieve waste treatment goals. This has postponed many large projects.

The postponement of major projects has created a window of opportunity for Canadian companies. The action plan for this sector stresses activities that will develop contacts between Canadian suppliers and potential customers and partners in Mexico. Most future infrastructure projects are likely to involve build-operate-transfer (BOT) financing. Canadian companies that want to enter this market may have to participate in consortia, which finance and build major facilities.

Two incoming trade missions will be conducted for prospective Mexican buyers. In the East, *"Americana 97"* will be sponsored by the Association québécoise des techniques de l'environnement, in Montreal. In the West, an incoming mission will visit Alberta and British Columbia.

Market research will be undertaken to assess the impact of new environmental legislation, identify business opportunities and create a buyer profile directory. Related activities will focus on informing Canadian companies about market entry strategies and business methods in this sector.

Information Technology and Other Advanced Technology Products and Services

The advanced technology sector has so far not developed to its full potential, but it has excellent long-run prospects. This sector includes industries using leading-edge computer hardware and software for such applications as telecommunications, informatics, computer assisted design (CAD), industrial automation and geomatics.

Telecommunications Technologies

No other sector of the Mexican economy has grown faster than the US $3 billion telecommunications industry. The demand for advanced technology products and services has been stimulated by the privatization of *Teléfonos de México (Telmex)*, the national telephone company. In the last three years alone, foreign investment and imports have more than doubled. By 1997, long distance service in Mexico will be open to competition, offering opportunities to service operators and equipment manufacturers. The objective of the *Secretaría de Comunicaciones y Transportes (SCT)*, Secretariat of Communications and Transportation, is to raise telephone density to more than ten lines per 100 persons, which represents a 15 percent increase.

Telecomm de Mexico is expected privatize a number of services including public fax, telegram, electronic mail and satellite communications. As the development process continues, computer networking and telecommunications will become increasingly important. The entry of foreign financial institutions into the Mexican market has greatly increased the demand for computer networking.

Computer Technologies

As a result of the government's trade liberalization initiatives, Mexican companies have been forced to modernize their operations. The long-run opportunities for foreign suppliers are especially attractive because the domestic industry is poorly developed and the nation has little investment in old technology to slow the pace of modernization. The removal of import restrictions on computers in 1992 led to a large increase in computer sales. But there were still only about 45 personal computers for every 1,000 inhabitants in 1994. This compares with about 250 in the United States.

Computer applications include informatics, industrial automation and geomatics. Mexican companies and government agencies are looking for low-cost systems that can become productive very quickly. There is a particular need for software that will run on desktop systems as opposed to workstations. Microsoft's Windows 95 is rapidly becoming the dominant operating system.

Although hardware purchases have been curtailed by the devaluation, there is a continuing demand for software and services as computer users try to get the most out of existing equipment. The lack of a computer culture is a serious disadvantage for Mexico and this has created a market for all kinds of training products and services.

To raise the profile of Canadian suppliers of computer-related technologies, Canadian information booths will be included at *COMDEX Mexico*, the computer show held annually in Mexico City. An incoming trade mission will visit the Ottawa Geomatics Trade Show in May, 1996. The following week, the mission will visit Western Canadian geomatics suppliers.

Mining Equipment and Services

Mexico's mining sector has arguably been the biggest beneficiary of the nation's broad economic reforms. Deregulation has opened up tens of thousands of hectares of mineral reserves to development. Privatization policies have transferred responsibility for mineral exploitation to the private sector. New ownership laws have opened the doors to foreign investors.

The biggest change came in September 1992 when a new mining law re-interpreted Article 27 of the Mexican constitution, which requires state ownership of all mineral reserves. The new law created a much larger role for the private sector. It set the stage for wholesale privatization of state-owned mining companies. It further decontrolled mining reserves and encouraged both domestic and foreign investment in the mining industry.

The mining industry also benefitted from the December 1994 devaluation of the peso. For the most part, sales are in dollars, while a substantial portion of operating costs are in pesos. Some industry observers have projected that US $6 billion will be invested in the mining sector over the next six years.

Canadian companies were quick to take advantage of these emerging opportunities and are now working to develop partnerships with Mexican firms. More than 60 Canadian firms are presently active in Mexico. Many small- to medium-sized companies are starved for capital and eager to set up technological partnerships with foreign firms. Strong opportunities are expected to continue in this sector for the foreseeable future.

These opportunities are limited mainly by the lack of a long-run presence in Mexico by Canadian firms. While mining firms have recently established 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 level are also considered an essential step in entering this market. This is especially true given Canada's expertise in niche technologies, as opposed to integrated mining systems.

The main thrust of the action plan is to develop stronger relationships with local industry associations and other contacts. The provision of market information to Canadian players interested in promoting exports will be another priority. Specific activities include an information booth at the Mexican Mining Congress and Trade Show in 1997. In the past, DFAIT has sponsored a national pavilion at this show, which is held every two years. Virtually every Canadian manufacturer of mining equipment has at this point been exposed to the Mexican market, and an information booth is now considered a better use of resources. Companies attending this event can use the booth as a base of operations, and it will help trade commissioners gather market intelligence.

Automotive Maintenance Equipment and Aftermarket Parts

The Mexican automotive sector is dominated by five multinational corporations. The North American operations of the "big three" American-based companies are highly integrated. Canadian producers participate in the Mexican original equipment manufactured (OEM) parts market mainly through their affiliations with these companies 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.

For small- to medium-sized enterprises, most opportunities are found in the markets for maintenance and repair equipment as well as aftermarket parts and accessories. The high average age of Mexican automobiles and 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 a heavy demand for gas analyzers 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. It is common for Mexican car owners to buy parts and accessories from retail stores and 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. Automobiles are a luxury in Mexico and consumers tend to take good care of them. This has created a substantial market for accessories. Other potential niche markets include car wash machines and mechanic's tools. Mexican firms in this sector are looking for foreign partners who can contribute both technology and financing.

To promote trade opportunities in the automotive industry, the action plan includes a trade mission to Mexico in July 1996. Approximately 15 to 20 Canadian companies will participate in the Pan American Automotive Conference and Exhibition (PAACE) in Mexico City. A Canada stand will be included in this show, organized by the Automotive Industry Association (AIA) with support from Department of Foreign Affairs and International Trade (DFAIT). The action plan will also encourage dialogue between the industry associations of both countries.

Transportation Equipment and Services

Opportunities in Mexico's transportation sector are concentrated mainly in public transportation systems. Although the clogged streets of Mexico City might suggest otherwise, on a per capita basis, Mexico has only one-fifth as many cars as Canada. Mexico has also become highly urbanized. For both reasons, the vast majority of Mexicans depend upon public transit.

The large cities have publicly-operated mass transit systems. Mexico's *metro*, as the subway system is known, carries more than 4.5 million passengers daily. Guadalajara and Monterrey have built light rail transit lines, and a new rapid transit system for Puebla is in the planning phase. Urban buses are operated mainly by private concessionaires.

Inter-city passenger transit is almost entirely by bus. A fleet of 39,000 buses, owned by some 700 bus companies, operate under license on the federal road system. The national rail system, owned by the federal government, carries mostly freight.

The devaluation of the peso will have mixed effects. On one hand, it will slow down government infrastructure development plans. On the other hand, it will accelerate privatization efforts, as governments turn to the private sector for both finance and expertise. The government recently announced that the *Ferrocarriles Nacionales de Mexico (FNM)*, the national railway, is now open to an accelerated privatization program. Large build-operate-transfer (BOT) concessions for both urban and inter-city rail lines have already been let and the precedent has been set for much higher fares on private systems.

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 for even the larger Canadian firms. Accordingly, the action plan includes a number of activities designed to promote networking between Canadian and Mexican companies.

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 they also 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 recent report in *El Financero*, 17 conglomerates are now 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 against moving into Mexico. Technological joint ventures provide a method 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 don't really understand their own limitations, or the ways technology can improve their operations. They tend to see cheap labour as an inherent asset, and focus modernization efforts on management information and financial systems rather than 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 overrun 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, construction of these facilities has been a public responsibility. But the tendency to use public enterprises as an employment-generating device, combined with an over-reliance on domestic technologies, has left the nation in a position where it cannot meet the needs of its rapidly growing population.

Two developments are likely to provide solutions for 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, Montreal-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 *Comisión Federal de Electricidad (CFE)*, 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 for the past few years. Public housing authorities are now acting as developers and financiers rather than construction firms. These are only examples of a pervasive change of policy. Privatization has supported this trend, as newly-privatized companies, such as *TELMEX*, have switched to more productive technologies, 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 met all of the expectations that were held out for it. This is partly because it is a new concept to government officials and they 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 receiving highly-subsidized public services, the Mexican public is not very receptive to market prices. 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 were recently granted on both build-lease-transfer (BLT) and build-operate-transfer (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 *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission. 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-fueled *Mérida III* plant, whose construction is due to begin sometime soon. *Mérida III* will differ from *Samalayuca II* in that private companies will be hired to manage and operate the facility after completing construction. The electricity generated at the 440-megawatt plant would 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 that the concession owner control product prices. *Carbon 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 anti-pollution equipment.

Water Supply and Treatment

The *Comisión Nacional de Agua (CNA)*, National Water Commission, has designated 104 municipalities as priority areas for upgrading existing water and sewage facilities or building new plants. In early 1994, the *CNA* was examining proposals for 18 new treatment plants that would be operated under a concession program. 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 *Petróleos Mexicanos (PEMEX)* the national oil company, and the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, are investing in water treatment plants. In July 1994, *PEMEX* awarded build-operate-transfer (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 who can handle the lower-technology elements.

MEXICAN GOVERNMENT PROCUREMENT

One of the major achievements of the North American Free Trade Agreement (NAFTA) negotiations is a chapter on government procurement. The Government of Mexico is a major user of both goods and services. The most promising sectors are for 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. In Canada, the federal government provides information about its own procurements through the Open Bidding System (OBS), an electronic bulletin board service. In addition, the NAFTA working group on procurement is striving to ensure access to the government bidding system and improve its transparency.

To help Canadian companies take advantage of Mexican government procurements, the Department of Foreign Affairs and International Trade (DFAIT) has arranged to provide similar information pertaining to the Government of Mexico. Under a subsidiary agreement, procurement notices from the federal government of Mexico are now included in the Open Bidding System (OBS). The Mexican notices are translated in both official languages and posted on 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: ISM Information Systems Management in Ottawa, by telephone 1-800-361-4637 or fax (613) 737-9479.

MAKING THE TRADE ACTION PLAN WORK FOR YOU

Successfully 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.

There are many opportunities for Canadian companies in the Mexican market. But taking advantage of them can be difficult and time consuming. Market information is much more difficult to obtain than it is in Canada. 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.

There are also many language and cultural obstacles. Potential buyers and partners like to do business with people they know personally. Getting to know them can require several trips to Mexico before serious business begins. Mexicans do not like to offend visitors, and it can be difficult to judge whether a "yes" means "yes", "maybe" or even "no". Government procurement and regulatory practices can seem complex and arcane 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.

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

EXPORT i MEXICAN KNOWLEDGE BASE

Assistance to potential exporters starts with the Export *i* Mexican Knowledge Base. This is a continuously-updated collection of market summaries, market profiles, business guides and business tools. These publications are available through InfoCentre at 1-800-267-8376, or at International Trade Centres across Canada. A catalogue of Export *i* Mexican Knowledge Base publications is available from the InfoCentre or the Mexico Division, telephone (613) 996-5547, fax (613) 996-6142 or http://www.dfait-maeci.gc.ca

Market Summaries

Market summaries are short overviews, generally less than ten pages in length. 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

Market profiles are comprehensive reports, usually in the 60-page range. They are bound for distribution as printed handbooks. 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:

- 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
- 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

Business guides are handbooks covering the broader issues 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

Business tool publications provide reference information about the North American Free Trade Agreement (NAFTA), the tariff structure, legal issues, promotion opportunities and Canadian government assistance programs. Also included is 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. The latter requires a detailed understanding of the company's products, expertise and strategic plans. Trade commissioners can help Canadian companies gather market intelligence by facilitating contacts with potential buyers and partners. They can also point to sources of more detailed market information and intelligence. In most cases their objective will be to point the Canadian company in the right direction, rather than to collect detailed information themselves. They can be most productive in this effort if the company reviews the published reports relevant to its business before visiting Mexico. A written profile of the company, its products and services, and its expectations in the Mexican market can also get the consultation off to a quick start. (See *Exporter Checklist* on page 39).

Canada's Trade Commissioner Service is an important tool available to Canadian exporters. Its resources include trade commissioners in Mexico, as well as in the Mexico Division at the Department of Foreign Affairs and International Trade (DFAIT) in Ottawa. The Mexico 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 as an integral part of their overall trade strategy. This means providing them 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 at a time, and end up wasting 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 carefully select target markets on the basis of good match between the company's capabilities and well-defined Mexican needs. This targetting process involves a 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, a company might first 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 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 could pass before two or three two-way communications were 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 type 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 then, Mexican executives are often out of their office for a large part of the day. For all of 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. Mexican business is conducted on a relatively formal basis and developing personal relationships can take time. 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 business relationships in Mexico's relatively formal business environment.

Canadians visiting Mexico are well received, but some of them have ruined a good first impression by failing to follow up. This can cause serious harm to Canada's reputation in Mexico, and it can also hamper the progress of more serious exporters. Moreover, the 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 is an important success factor for prospective exporters. When visiting Mexico, company representatives should be on time for appointments, and formally cancel any that they can't 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.

Exporters' 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 InfoCentre: tel.: 1-800-267-8376 or (613) 944-4000; fax: (613) 996-9709.

Company name: ....

Address

Street: ....

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.

....

....

....

Exporters' 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, etc.).

....

....

Indicate the price structure you have in mind.

....

....

Characteristics of and 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

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. The trade commissioners are well-informed about the market and will respond in whatever measure possible to support a Canadian firm's presence in Mexico.

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
64000 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
44110 Guadalajara, Jalisco
México
Tel.: (011-523) 616-6215
Fax: (011-523) 615-8665

CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN CANADA

Department of Foreign Affairs and International Trade (DFAIT)

DFAIT is the Canadian federal government department responsible for trade development abroad. The **InfoCentre** should be the first contact point for information on export markets. It 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 to interested companies.

InfoCentre
Tel.: 1-800-267-8376 or (613) 944-4000
Fax: (613) 996-9709
FaxLink: (613) 944-4500
InfoCentre Bulletin Board (IBB):
1-800-628-1581 or (613) 944-1581
Internet: http://www.dfait-maeci.gc.ca

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

Latin America and Caribbean Branch — Mexico Division (LMR)
Department of Foreign Affairs and International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, ON K1A 0G2
Tel: (613) 996-5547
Fax: (613) 943-8806

WIN Exports Database

WIN Exports is a computer database of Canadian exporters and their capabilities. The database is designed to find Canadian companies the export leads that they are seeking by providing essential information about your company to the 1200 Canadian trade officials stationed around the world. Managed by the Department of Foreign Affairs and International Trade (DFAIT), WIN Exports is the computer equivalent of having an endless supply of your company's marketing brochures on each trade officers desk.

After we receive your registration, DFAIT will send a detailed questionnaire, like the checklist on page 39, to fill out. This will give you an opportunity to expand on your company's export experience and interests. The profile you provide becomes your chance to promote your business to potential buyers and prospective partners around the world. For more information about how to register in WIN Exports, please telephone DFAIT at (613) 996-7182 or fax (613) 992-3004.

International Business Opportunities Centre (IBOC)

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

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 the IBOC to determine which are interested in and capable of responding to specific business leads. Those 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 your nearest Canada Business Service Centre.

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

Canada Business Service Centre Network

The new 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 describes the services and programs available by topic (e.g. exporting); and
- leading edge business products, which could include videos, publications, business directories, how-to manuals, CD-ROM products, and external database access.

To access these services, contact the Canada Business Service Centre nearest you:

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

Prince Edward Island
Canada/PEI Business Service Centre
Tel.: (902) 368-0771 or 1-800-668-1010
Fax: (902) 566-7098
FaxBack: (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
FaxBack: (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
Fax Back: (506) 444-6169

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

Ontario
Canada/Ontario Business Service Call Centre
Tel.: (416) 954-4636 or 1-800-567-2345
Fax: (416) 954-8597
FaxBack: (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
FaxBack: (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
FaxBack: (306) 956-2310 or 1-800-667-9433

Alberta
Canada Business Service Centre
Tel.: (403) 495-6800 or 1-800-272-9675
Fax: (403) 495-7725
FaxBack: (403) 495-4138 or 1-800-563-9926
**Edmonton office is also responsible for Northwest Territories*

British Columbia
Canada/British Columbia Business Service Centre
Tel.: (604) 775-5525 or 1-800-667-2272
Fax: (604) 775-5520
FaxBack: (604) 775-5515
**Vancouver office is also responsible for the Yukon*

Agriculture and Agri-food Canada

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. No more searching through a maze of numbers at Department of Foreign Affairs and International Trade (DFAIT) or Agriculture and Agri-Food Canada: both departments are partners in this service!

A single phone call to 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. 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 cooperation 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 C $20 billion in exports by the year 2000. Our international business strategy means better coordination of federal and provincial activities tailored to industry needs, including the design of the new image to market Canadian food products abroad.

For details, please telephone the Ottawa ATS contacts, (613) 759-7687 or (613) 759-7634 or your regional ATS coordinator:

Atlantic	Tel.: (902) 893-0068
Quebec	Tel.: (418) 648-4775
Ontario	Tel.: (519) 837-9400
Manitoba	Tel.: (204) 983-3032
Saskatchewan	Tel.: (306) 780-5545
Alberta	Tel.: (403) 495-5526
British Columbia	Tel.: (604) 666-6344

Canadian International Development Agency (CIDA)

An important possible source of financing for Canadian ventures in Mexico is the special fund available through CIDA under the Industrial Cooperation Program (CIDA/INC). This program provides financial contributions to stimulate Canadian private-sector involvement in developing countries by supporting long-term business relationships such as joint ventures and licensing arrangements. CIDA/INC supports the development of linkages with the private sector in Mexico 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 the transfer of technology and the creation of employment in Mexico.

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

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

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.

Smaller exporters, with annual export sales under C $1 million, should call the Emerging Exporter Team at 1-800-850-9626.

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, ON K1A 1K3
Tel.: (613) 598-2500
Fax: (613) 237-2690

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

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

Winnipeg
Export Development Corporation
330 Portage Avenue
Eighth Floor
Winnipeg, MB 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, ON M5H 3S5
Tel.: (416) 973-6211
Fax: (416) 862-1267

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

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

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

Canadian Commercial Corporation (CCC)

The CCC, a crown corporation, provides Canadian exporters with valuable assistance when they are selling to any foreign government, or to an international organization. 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. It 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 cooperation with Canada's financial institutions, makes pre-shipment export financing more accessible to 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 about CCC and its programs, contact:

Canadian Commercial Corporation
50 O'Connor Street
Eleventh Floor
Ottawa, ON K1A 0S6
Tel.: (613) 996-0034
Fax: (613) 995-2121

FORUM FOR INTERNATIONAL TRADE TRAINING (FITT)

FITT is a private- and public-sector partnership established in 1992 to provide Canadians with training in international trade. FITT was established with the support of the federal government through Human Resources and Development Canada (HRDC), the Department of Foreign Affairs and International Trade (DFAIT), the Industry Canada (DI) as well as provincial governments. Other founding partners include the Canadian Chamber of Commerce, the Canadian Exporters' Association, the Canadian Federation of Labour, the Canadian Importers Association, the Canadian Manufacturers' 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 skills and knowledge or to enhance their existing 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 that are 45 hours in duration: 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. Taken together, the eight modules constitute a common body of knowledge.

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 comprises sector-specific training that takes into account the particular characteristics and needs of individual sectors and sub-sectors of the Canadian economy in doing business internationally. In collaboration with — and with funding from — Agriculture and Agri-food Canada, and the Department of Foreign Affairs and International Trade (DFAIT), FITT will be implementing a program specifically designed for the Canadian agri-food sector entitled AgFITT.

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

HELP US SERVE YOU BETTER

An important element of our Trade Action Plan for Mexico is to develop a closer fit between our capabilities and the needs of our client companies. Companies with experience in Mexico can help by providing feedback about our successes and failures. This information will help guide future improvements. Please complete the following questionnaire (see next page) and return it to:

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

We also are interested in learning more of Canadian commercial successes in Mexico. Moreover, we are keenly aware that this is not an easy market to operate in; any comments about problems or obstacles that may have been experienced would be gratefully received. We plan to use this information to adjust our 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?

....

....

Have you used Canada's Trade Commissioner Service, or other government export assistance programs in your Mexican endeavors?

....

....

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 Trade 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 and address.

Name ....

Address ....

Phone / Fax ....

FOR MORE INFORMATION
PLEASE CONTACT:

InfoCentre

Fax: (613) 996-9709
FaxLink: (613) 944-4500

Toll free: 1-800-267-8376
Telephone: (613) 944-4000

Bulletin Board (IBB): 1-800-628-1581
(613) 944-1581