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APPAREL
AND TEXTILE
INDUSTRY



MEXICO MARKET PROFILE



APPAREL AND TEXTILE INDUSTRY

Department of Foreign Affairs
and International Trade

Canadian Embassy
Mexico
January 1994

(Disponible également en français)

Dept. of External Affairs
Min. des Affaires extérieures

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Please return the completed survey by fax to (613) 943-8806 or to the address below:

Latin America and Caribbean Trade Division
Department of Foreign Affairs and International Trade
Lester B. Pearson Bldg., 125 Sussex Drive
Ottawa, Ontario K1A 0G2

Table of Contents

INTRODUCTION.....	3
1. OVERVIEW.....	4
2. APPAREL INDUSTRY	4
2.1 The North	4
2.2 Central Mexico	5
2.3 Mexico City and the Surrounding Area	5
2.4 Southeastern Mexico	5
3. TEXTILE INDUSTRY	6
3.1 Cotton.....	6
3.2 Synthetic Fibres	6
3.3 Fabric Finishing and Dyeing.....	6
4. CONCLUSION	6
<i>APPENDICES</i>	
Appendix A: Where to Go for Assistance.....	8
Appendix B: Mexico in Brief	20

INTRODUCTION

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

Further assistance can be obtained by contacting the Commercial Division of the Canadian Embassy in Mexico City located at Calle Schiller No. 529, Col. Polanco, 11580 Mexico, D.F., telephone (011-525) 724-7900, telex 177-1191 (DMCNME) and fax (011-525) 724-7982 (sending from Canada); or the Latin America and Caribbean Trade Division, Foreign Affairs and International Trade, 125 Sussex Drive, Ottawa, Ontario, K1A 0G2; telephone (613) 996-5547; fax (613) 943-8806.

1. OVERVIEW

The Mexican apparel and textile industry, like most Mexican industries, operated in a closed economy until 1987. It was not, therefore, required to compete in the international arena.

Once the Mexican marketplace was opened up, imports started taking over the domestic market. The apparel industry was pushed into exports in order to survive in the long term.

Factories that manufacture apparel for export have traditionally been located in the *maquiladora* where there are 807 operations. Materials are brought in bond into Mexico and assembled. The *maquila* operations are fully integrating cutting facilities and are becoming sophisticated full-package manufacturers.

U.S. apparel manufacturers are expressing increased interest in Mexico. The companies are manufacturing their goods through subsidiaries and selling their products there. The U.S. companies are also aggressively pursuing joint ventures and strategic alliances.

The apparel industry has a very important role in the Mexican economy because it generates the most jobs. Mexicans are qualified workers and their wages are not as high as elsewhere in North America. The government is encouraging the industry to modernize and is providing a lot of support, especially in the area of training.

The industry must become competitive. Only in this way can it survive in the domestic market and take full advantage of international opportunities. Towards this end, a whole new group of companies is in the process of integrating and consolidating in order to achieve more purchasing and selling power.

Although the apparel industry is in an excellent position to export, some of the raw materials are still very high priced or are not available in Mexico. Manufacturers are forced to source internationally. Imports of raw materials are not limited by quotas. Indeed, it is recognized that a steady supply of competitive raw materials and training is a guarantee of the industry's survival and growth.

Exports of apparel made of North American materials to the United States and Canada will be duty free under the North American Free Trade Agreement (NAFTA). Agreements are also being

signed with South American countries to open those markets to Mexican products. Apparel with 35 per cent Mexican content already enters duty free into the European Community.

The textile industry is in the process of modernizing its facilities. During 1992, there were more machinery and equipment imports than in the previous 40 years. The companies are vertically integrating in order to leverage their comparative labour advantage. They have become very successful exporters of garments because they can give better price to their own manufacturing operations.

In the same way, fibre manufacturers are integrating vertically, either by opening their own shops and mills, or by making strategic alliances with their best customers.

The domestic market is growing due to the increasing purchasing power of the middle class. Despite the current recession, most chain stores are reporting a 12 percent sales increase over 1992.

2. APPAREL INDUSTRY

The following are the most important centres of apparel manufacturing in Mexico. There are several other states that are developing apparel industries. Some have been subcontracting for the domestic manufacturers but could become apparel-manufacturing centres. The state governments are supporting the establishment of industries.

2.1 The North

2.1.1 Maquiladora

There are 807 operations in this area, most of which belong to U.S. companies. Very large jeans-manufacturing firms are located around Torreón and Gomez Palacios and there are several big plants for intimate apparel in Tijuana. The latter are not currently selling to the domestic market.

Some of these companies are in the process of integrating cutting and sourcing.

2.1.2 Nuevo León

Nuevo León is highly industrialized and most of the companies are owned by Mexicans.

The apparel sector in this state, which produces many different types of garments, has recently grown and is continuing to grow.

Most of the raw materials are imported from the United States.

2.2 Central Mexico (Bajío)

This region, which has been called the "fashion belt", includes the states of Jalisco, Guanajuato and Aguascalientes. The women here have traditionally been known for their textile and garment handicrafts. This was initially only a local cottage industry. The state is, however, rapidly becoming one of the most important apparel-manufacturing centres.

2.2.1 Jalisco

This state has many small- to medium-sized companies that manufacture many different types of garments. The industry is committed to modernization and it works closely with its association, which has more than 500 members. The most important fashion trade show in Mexico, and probably in Latin America, *Eximoda*, takes place in Guadalajara.

The industry operates an Apparel Technological Institute and an outlet mall. It is also constructing an apparel industrial park.

2.2.2. Aguascalientes

Hundreds of years ago, people in this state were renowned for the embroideries they produced.

Manufacturers here specialize in children's wear, especially girls' dresses, and home furnishings.

The first outlet mall in Mexico was opened in Aguascalientes.

2.2.3 Guanajuato

Jeans are manufactured in Irapuato, shoes in León and sweaters in Moroleón.

2.3 Mexico City and the Surrounding Area

2.3.1 Mexico City

More than 10,000 manufacturers have their centre of operations in Mexico City. Some of the factories are located in the outskirts of the city or in the surrounding areas. The warehouses, showrooms and offices, however, are within Mexico City proper.

All kinds of operations exist here, from very large operations to the very small, and the product variety is enormous. All types of garments are produced, from very sophisticated to very basic.

2.3.2 Puebla and Tlaxcala

These states have manufactured textiles for more than 200 years and here are the best factories for woven cotton fabrics are located here. There are huge vertical operations in cotton-knit manufacturing that utilize the most advanced technology. In Tehuacán and Teztlán, factories that began as subcontracting operations for Mexico City manufacturers have turned into important integrated apparel factories.

The factories specialize in shirts and pants.

2.4 Southeastern Mexico

2.4.1. Yucatán

This state has been flooded with U.S. subsidiaries that want to be close to Florida, including factories for foundation garments and intimate apparel. There is also a local industry.

The labour in this area is skilled in delicate work and the workers produce a variety of products.

2.4.2 Hidalgo

This state is probably the next giant of the apparel industry. It is very close to Mexico City and has a large pool of trainable labour.

Many U.S. operations are looking at moving to the state, including Playtex, which will open a factory with more than 2,000 operators.

2.4.3 Queretaro, Morelos and Toluca

Because of their proximity to Mexico City, these areas are quickly developing textile and apparel industries. There are very large companies

operating in these areas, but they remain few in number. That, however, is changing.

2.4.4 Zacatecas

Apparel manufacturers that are willing to move to this area are being offered specially designed shelter co-operative factories.

2.4.5 Veracruz

The area next to the state of Puebla is starting to develop small shops that can provide labour to the textile mills.

The states of Nayarit, Oaxaca and Chiapas traditionally produce textile handicrafts but there is also an embryonic apparel industry. Because of the cultural heritage of the people, these states could easily become producers of trims for the apparel sector.

3. TEXTILE INDUSTRY

3.1 Cotton

Mexico has long been an important grower and exporter of cotton, and the quality of its cotton is recognized around the world.

Despite the excellent soil, regulations and distribution, the lack of technology and capital and the presence of U.S. subsidies discouraged the growers.

The new regulations for agriculture and foreign investment, and government support are encouraging agricultural development, and wide opportunities are opening.

The cotton fabric that can be produced in Mexico is as good as the Egyptian and Peruvian fabrics. In addition, a locally produced cotton would logistically be more convenient for the Mexican apparel industry.

3.2 Synthetic Fibres

There is a very big market for polyester filament and rayon yarns, especially for the high twists. The gigantic Mexican textile companies are, in some cases, exporting fabric. Unfortunately, some of their yarn has to be imported. This puts them in conflict with the NAFTA rules of origin. This situation presents opportunities for Canadian high-twist yarn producers. They could open a subsidiary in Mexico or

enter into a joint venture with a Mexican textile mills.

Several Mexican companies produce synthetic fibres but they have not invested in technology. The quality and the price of some fibres, therefore, is not competitive. Despite the open economy, very few yarn producers are importing fibre because it is not convenient. A strategic alliance with a fibre company or a simple transfer of technology could be an appropriate option and offer opportunities for interested Canadians.

The microdenier technology has not really arrived in Mexico. Most fashion fabrics, especially those using high twist yarn or microdenier, are imported from Japan and Korea. The most important importers are the converters and distributors.

Microdenier fabrics, unless they are made in North America, will not conform to the NAFTA rules of origin. They represent an important area of investment.

3.3 Fabric Finishing and Dyeing

Mexico also lacks companies that finish and dye fabrics. This is probably one of the weakest links in the manufacturing chain. Many textile mills export grey goods and import the finished fabric back to Mexico.

This is definitely an area of opportunity for Canadian companies. A strategic alliance with an apparel firm or subcontractor could offer the best comparative advantage for export.

4. CONCLUSION

Opportunities for Canadian companies are tremendous. There are even some products, such as foundation garments, for which the NAFTA rules of origin do not apply.

There is a significant push to develop the apparel industry in Mexico because of the need for jobs. There are several apparel firms and subcontractors that are ready and willing to make a strategic alliance.

Recently, there has been a lot of Mexican investment in very high technology for cotton or spun poly-cotton yarns manufacturing. These yarn producers are buying the cotton from the United States and the spun poly locally. The latter, however, is very expensive and the quality is not good. As a result, the yarn producers are finding it difficult to be competitive. Some are vertically integrated in order to export either fabrics or finished products. A joint venture with a yarn producer or a strategic alliance with a fibre company could be a win-win situation.

Although there are many textile mills, most manufacture only basic fabrics. Not all of them have access to current fashion trends and/or do not have the technology needed to weave and finish delicate fabrics. A Canadian joint venture with a Mexican textile mill could provide the Mexican company with technology and fashion trends, and could open new sources of distribution.

Research is essential for success. This industry is very geographically dispersed and each state claims it has the most to offer the relocating company. Accurate information is, however, difficult to come by.

Appendix A – WHERE TO GO FOR ASSISTANCE*

CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN CANADA

DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE (Ottawa)

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

InfoEx Centre

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

Fax: (613) 996-9709

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

Latin America and Caribbean Trade Division (LGT)

Department of Foreign Affairs and
International Trade

Lester B. Pearson Building

125 Sussex Drive

Ottawa, Ontario K1A 0G2

Fax: (613) 943-8806

INTERNATIONAL TRADE CENTRES

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

British Columbia

Scotia Tower

900-650 West Georgia Street

P.O. Box 11610

Vancouver, British Columbia

V6B 5H8

Tel: (604) 666-0434

Fax: (604) 666-0617

Yukon

Room 210

300 Main Street

Whitehorse, Yukon

Y1A 2B5

Tel: (403) 667-3921

Fax: (403) 668-5003

Alberta

Canada Place

Suite 540

9700 Jasper Avenue

Edmonton, Alberta

T5J 4C3

Tel: (403) 495-4782

Fax: (403) 495-4507

11th Floor

510-5th Street S.W.

Calgary, Alberta

T5P 3S2

Tel: (403) 292-6660

Fax: (403) 292-4578

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Northwest Territories

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

Saskatchewan

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

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

Manitoba

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

Ontario

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

Quebec

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

New Brunswick

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

Prince Edward Island

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

Nova Scotia

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

Newfoundland

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

**WORLD INFORMATION NETWORK
FOR EXPORTS**

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

To be registered on WIN Exports, call: (613) 996-5701.

PROGRAM FOR EXPORT MARKET DEVELOPMENT (PEMD)

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

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

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

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

INTERNATIONAL FINANCING

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

For further information, contact:

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

TECHNOLOGY INFLOW PROGRAM

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

INVESTMENT DEVELOPMENT PROGRAM

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

For information, call: (613) 996-8625.

INDUSTRY CANADA

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

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

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

INDUSTRY CANADA REGIONAL OFFICES

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

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

- Access to trade and technology intelligence and expertise;
- Entry points to national and international networks;
- Industry sector knowledge base;
- Co-location with International Trade Centres connected to DFAIT and Canadian posts abroad;
- Client focus on emerging and threshold firms; and
- Industry Canada Business Intelligence.

THE BUSINESS OPPORTUNITIES SOURCING SYSTEM (BOSS)

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

For information, call: (613) 954-5031.

MARKET INTELLIGENCE SERVICE

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

For information, call: (613) 954-4970.

CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

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

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

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

ATLANTIC CANADA OPPORTUNITIES AGENCY

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

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

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

ACOA Head Office

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

Newfoundland and Labrador

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

Nova Scotia

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

Prince Edward Island

75 Fitzroy Street
3rd Floor
Charlottetown, Prince Edward Island
C1A 1R6
Tel: (902) 566-7492
Toll free: 1-800-565-0228
Fax: (902) 566-7098

New Brunswick

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

**WESTERN ECONOMIC
DIVERSIFICATION CANADA**

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

Manitoba

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

Saskatchewan

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

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

Alberta

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

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

British Columbia

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

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

EXPORT DEVELOPMENT CORPORATION

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

Export Insurance and Related Guarantees

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

Export Financing and Related Guarantees

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

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

Ottawa (Head Office)

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

Public Information

Tel: (613) 598-2739

Vancouver

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

Calgary

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

Winnipeg

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

Toronto

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

London

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

Montreal

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

Halifax

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

NATIONAL RESEARCH COUNCIL

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

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

For more information or the name of the IRAP officer nearest you, contact:

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

KEY CONTACTS IN CANADA

BUSINESS ASSOCIATIONS

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

The Canadian Council for the Americas (CCA)

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

Canadian Exporters' Association (CEA)

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

Canadian Manufacturers' Association (CMA)

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

The Canadian Chamber of Commerce (CCC)

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

MEXICAN GOVERNMENT OFFICES

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

Embassy of Mexico

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

Mexican Consulate in Ottawa

Tel: (613) 235-7782

SECOFI

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

**OTHER MEXICAN CONSULATES
GENERAL IN CANADA**

Consulate General of Mexico

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

Consulate General of Mexico

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

Consulate General of Mexico

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

Mexican Honorary Consulate

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

Mexican Honorary Consulate

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

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

MEXICAN BANKS WITH OFFICES IN CANADA

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

Bancomext

Trade Commission of Mexico

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

Bancomext

Trade Commission of Mexico

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

Bancomext

Trade Commission of Mexico

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

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

Banamex (Banco Nacional de México)

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

Banca Serfin

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

**CANADIAN GOVERNMENT
DEPARTMENTS AND SERVICES
IN MEXICO**

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

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

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

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

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

Canadian Consulate

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

KEY CONTACTS IN MEXICO

MEXICAN GOVERNMENT

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

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

**Secretariat for Commerce and
Industrial Promotion
*Secretaría de Comercio y Fomento
Industrial***

**Dirección General de Servicios al
Comercio Exterior**

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

**Secretariat of Finance and Public Credit
Secretaría de Hacienda y Crédito Público
Dirección General Técnica de Ingresos**

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

CHAMBERS AND ASSOCIATIONS

Mexico has a number of Chambers of Commerce and professional associations that can provide assistance and guidance to Canadian companies in Mexico. Their standards of service vary widely and you should consult with Canadian Embassy officials to determine which organization would best suit your needs. In some cases, the information on companies not located in Mexico City was not confirmed.

National Chamber of Manufacturing Industries

Cámara Nacional de la Industria de la Transformación (CANACINTRA)
Vistente Gutierrez Camposeco
San Antonio 256-8
Col. Ampliación Napoles
03849 México, D.F.
Phone: (525) 563-3400 / 663-0511
Fax: (525) 598-9467

American Chamber of Commerce of Mexico

Cámara Americana de Comercio de México, A.C.
Mr. John Burton
Lucerna 78
06600 México, D.F.
Phone: (525) 709-0995

National Chamber of Commerce, Services and Tourism of Mexico City

Cámara Nacional de Comercio, Servicios y Turismo de la Ciudad de México (CANACO)
Sr. Sergio Aldana Contreras
Reforma 42
Col. Centro
06048 México, D.F.
Phone: (525) 592-2677 / 592-2665
Fax: (525) 7412

Canadian Chamber of Commerce in Mexico

Cámara de Comercio del Canadá en México
Srta Alicia Harrsch
Horacio 1855, Piso 3
Col. Polanco
11510 México, D.F.
Phone: (525) 203-8211 (expected to change soon)
Fax: (525) 203-8542

National Association of Importers and Exporters of the Mexican Republic

Asociación Nacional de Importadores y Exportadores de la República Mexicana (ANIERM)
Ing. Rodrigo Guerra Botello
Monterrey 130
Col. Roma
06700 México, D.F.
Phone: (525) 564-8618
Fax: (525) 584-5317

National Association of Maritime Agents

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

Mexican Business Council for International Affairs

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

Management Co-ordination Council

Consejo Coordinator Empresarial
Homero 527, Piso 5
Chapultepec Morales
11570 México, D.F.
México
Phone: 250-6977/7750
Fax: 250-6995

Mexican Confederation of Employers

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

**National Institute for Statistics,
Geography and Information**

Instituto Nacional de Estadística, Geografía e
Informática (INEGI)

Av. Heroe de Nacozari No. 2301

Fracc. Jardines del Parque

20290 Aguascalientes, Ags.

México

Phone: (49)-18.00.34

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

Confederación de Cámaras Nacionales de
Comercio, Servicios y Turismo

(CONCANACO-SERVYTUR)

Balderas 144, Piso 4

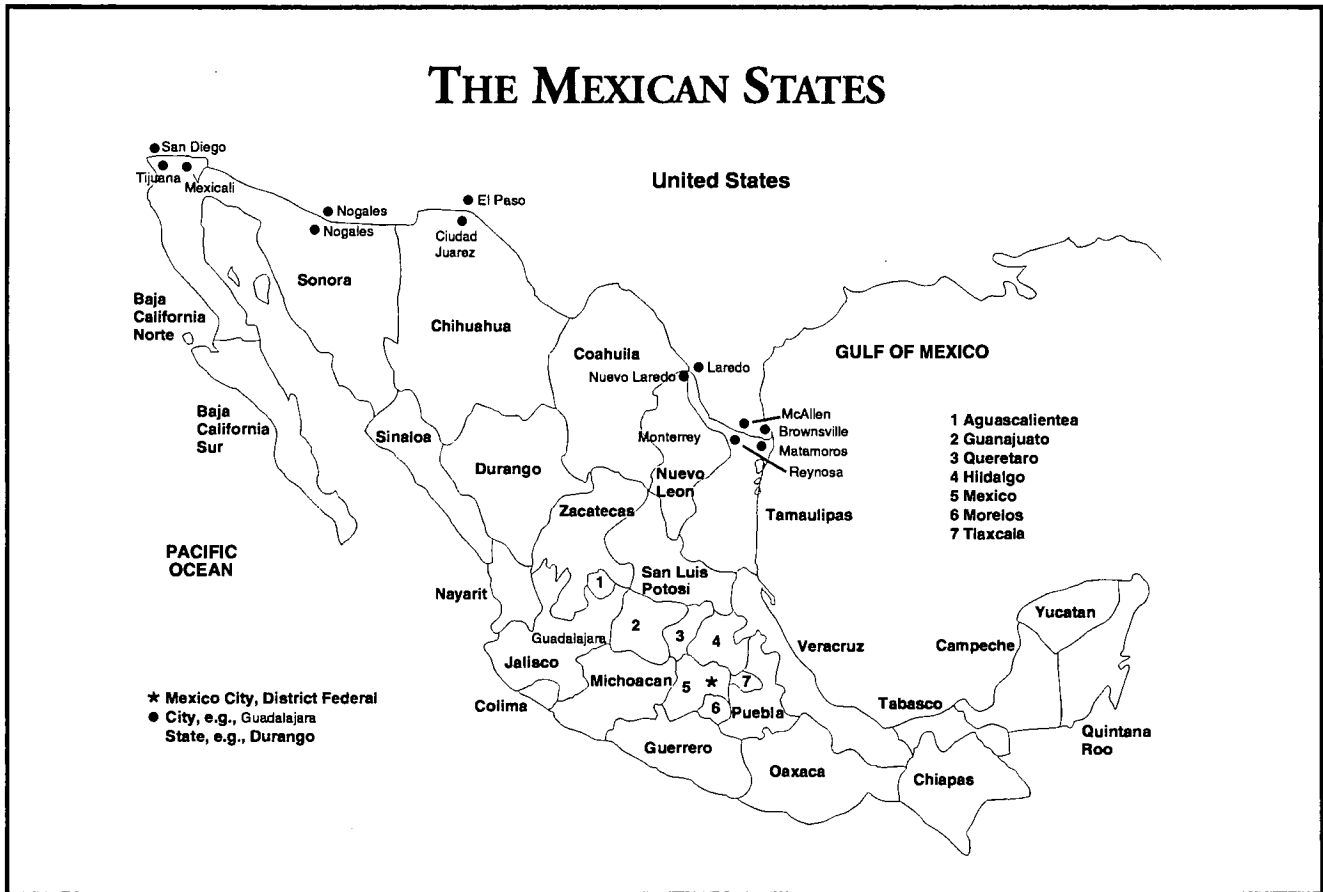
Col. Centro

06079 México, D.F.

México

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

Fax: 709-11-52



Appendix B – MEXICO IN BRIEF

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

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

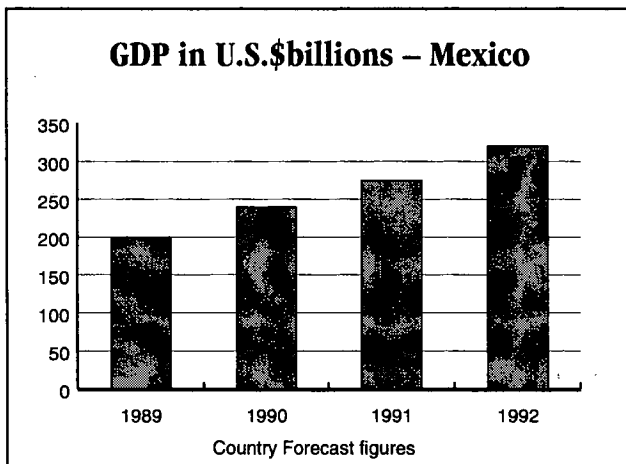
Changes in Mexico's economy were dramatically forced by the oil price collapse in the early 1980s, which followed a brief boom that

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

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

foreign participation in building a modern and efficient industrial capacity.

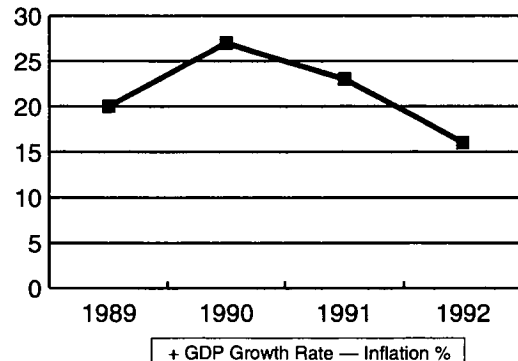
Mexico's debt reduction has been one of its signal achievements. In 1986, it was costing over 46 percent of GDP to service the debt; by 1994, it will be down to about 30 percent. Growth continues to be strong since reforms were begun, with about 4 percent predicted for 1993 and stable patterns averaging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



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

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

GDP Growth Rate & Inflation – Mexico

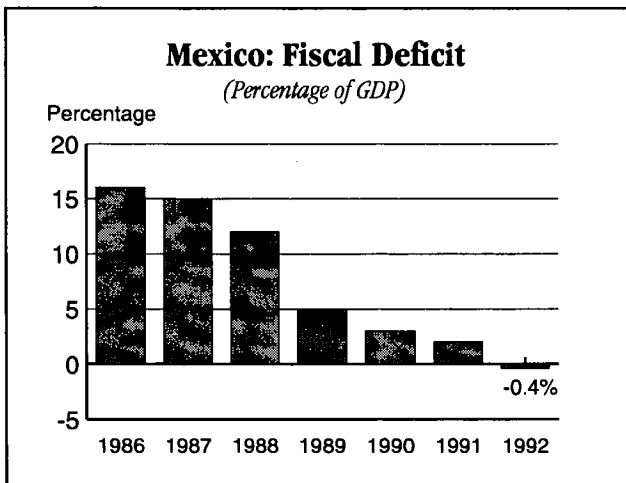


EIU & Country Forecast figures

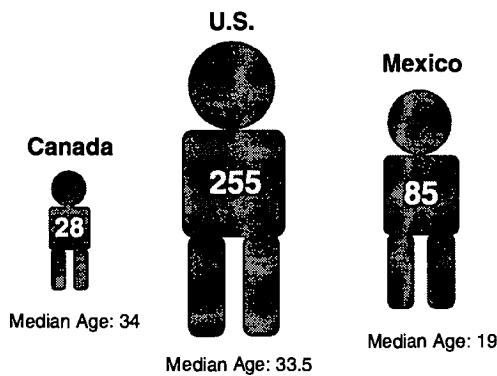
commercial activity is investing in Mexico and developing new markets. Canadian firms there to explore the potential in recent years have been returning with reports of a vibrant economy and a welcoming attitude from their Mexican counterparts. Mexico has begun on a path toward progress from which it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

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

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

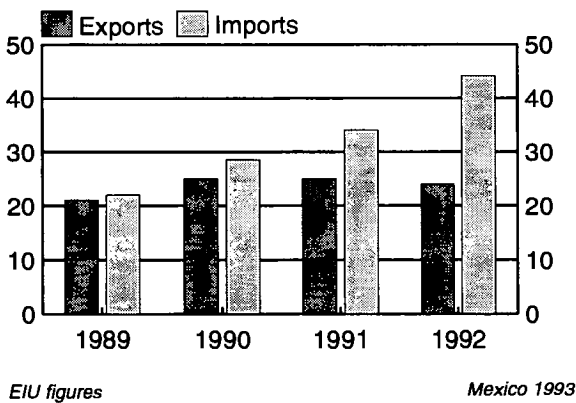


North America: 1992 Population/ Median Age Comparison



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

Total Foreign Trade in U.S.\$billions

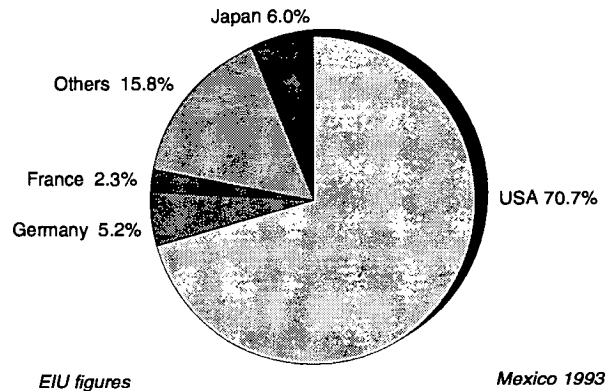


By broadening the tax base, the government of Mexico has been able to reduce tax rates while increasing total income. Spending cuts and fiscal reform have also been put in place by government and the result has been that the public sector actually ran a surplus in 1992.

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

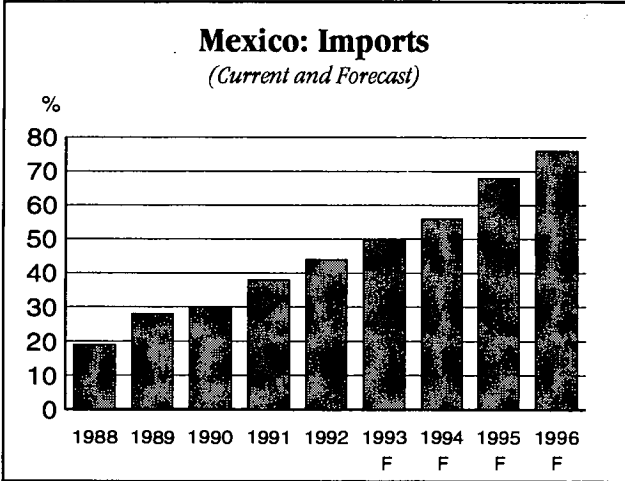
Total exports from Mexico reached about U.S.\$27.5 billion in 1992, a 1.5 percent increase over 1991. Total imports in the same period were about U.S.\$48 billion, a 26 percent increase over the previous year. The trade deficit accordingly rose from U.S.\$11.182 billion in 1991 to U.S. \$20.6 billion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

Major Markets – Origin of Imports

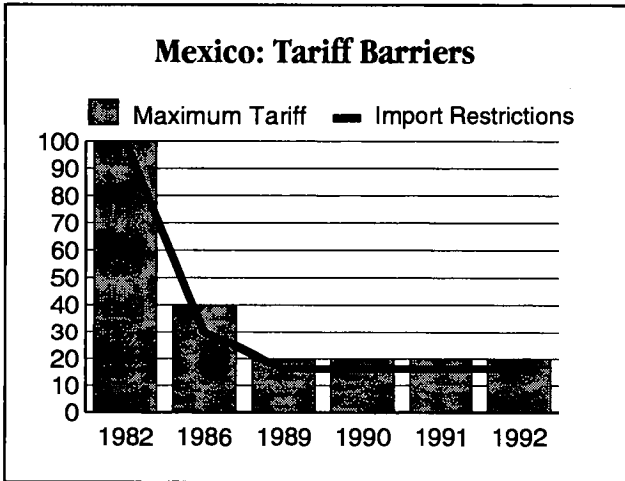


The United States was far and away the largest receptor of Mexican exports, at 74.5 percent estimated for 1993. Japan and Spain share the next places, well behind. Exports to Canada are reckoned differently by Mexican and Canadian methods of calculation, with about a 10 percent differential in their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

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



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



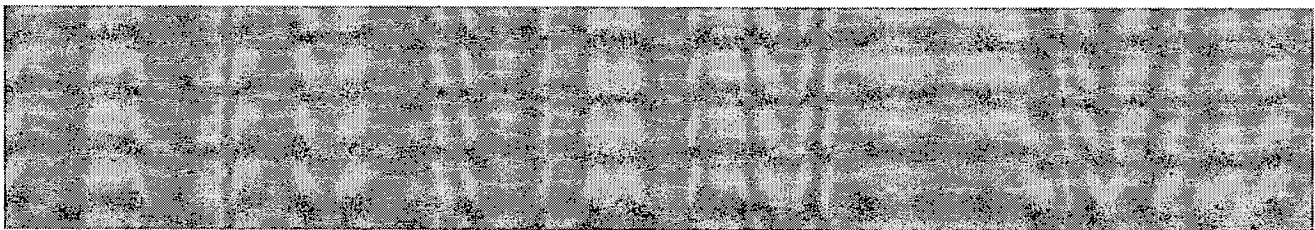
Tariff barriers in Mexico have been decreasing since 1982, with a distinct drop since

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

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



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



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