



Access

• November 1993 •

New Program Key to Entering Mexico Market

In recent years, the Mexican market has been experiencing dynamic growth, due in large part to the lowering and removal of tariffs and import licence requirements, the curbing of inflation, and the implementation of market-oriented economic reforms. By opening its doors, Mexico has achieved domestic economic progress, and has also become an increasingly attractive centre for trading and investment. Located as it is, so close to Canada and our largest trading partner, the United States, Mexico is an obvious focus of interest to Canadian businesses. The expanding Mexican market is demanding Canadian expertise in a wide range of fields. Its more open trading environment has led to a substantial increase in the activity of Canadians, and that is bound to grow even faster in coming years. Mexico is intent on speedy development of its own potential, and is welcoming foreign trade and investment to assist it in achieving its goals.

Gaining greater access to Mexico's increasingly energetic market was a key reason for Canada's participation in the negotiation of the North American Free Trade Agreement. But even before implementation of NAFTA, Canadians have

increasingly been exploring the opportunities emerging in Mexico.

The Government of Canada recently announced a new program, Access North America (ANA), which has been designed, in cooperation with the private sector, to help

Canada is a trading nation, and Mexico represents a huge new market.

Canadian businesses meet the challenges of trading in the new North America.

Canada is a trading nation, and Mexico represents a huge new market. It has an economy ready to build further on the dynamic growth it has seen as it opened its doors in recent years. Mexico's doors are not far from Canada, and Access North America is a key to those doors.

The ANA program will assist in identifying and building on new trade opportunities in the United States. But its main thrust will be to provide exporters with support and advice on trading and investing in Mexico. The

U.S., as our biggest trading partner, is familiar ground to many Canadian exporters, but Mexico is *terra incognita* for many of them.

There will be six key elements to the Access North America program:

- export advice and counselling.
- better business and market intelligence.
- the NEWMEX (New Exporters to Mexico) program.
- expanded fairs and trade missions.
- investment development and partnering initiatives.
- the Canadian Business Centre, Mexico City.

Access will elaborate on these and other elements of ANA in coming issues.

Upcoming Events

AGRO-INDUSTRIAL '94 (Guadalajara) — January 1994

PLASTIMAGEN (Mexico City) — 7-11 February 1994

EXPOCOMM '94 (Mexico City) — 15-18 February 1994

ANTAD EXPO '94 (Guadalajara) — 26-28 February 1994

CANADA EXPO '94 (Mexico City) — 21-24 March 1994

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

Sectoral Study

At first blush the idea of Canadians attempting to export fish and seafood products to Mexico might seem a little like carrying coals to Newcastle. Mexico has 11,593 kilometres of coastline, and many fertile and healthy fish beds in its huge continental shelf. It has millions of tonnes of fish and seafood that can be safely exploited within its Exclusive Economic Zone.

But Mexico does provide a great potential market for Canadian fish and seafood products, says Richard Stead, Vice President of the Canadian Association of Fish Exporters.

"When you look at Mexico, with its population of about 85 million, you see about 20 million in Mexico City. What a lot of people don't realize is that six to eight million of those people shop in North American-style supermarkets, and have a high demand for processed products."

Stead notes that there is also a market for fresh fish and seafood in Mexico. "Import licences on shrimp and lobster have been removed; Mexico produces plenty of shrimp, but the Canadian lobster is quite different from their rock lobster. There is demand for these products in the wealthy and tourist populations."

But the market for processed and partially processed products is greater. "Mexico does not have adequate facilities for large-scale processing; Canadians are well-placed to service the requirements for these products."

Mexican consumers need prepared products, from breaded

Fish and Seafood Products

shrimp to simple fish sticks. There is also room for expansion of Canadian sales in smoked salmon, salt fish and canned goods. Several Canadian companies are already making inroads into some of these markets, with growth anticipated in the range of mid-priced goods.

"There's a certain amount of consumer education needed for some of our products in the Mexican market. There is interest in canned pink salmon, but Mexicans are not used to the bones — they're more familiar with boneless canned products such as tuna. Canned sardines offer a great opportunity."

For example, Connors Brothers of New Brunswick, makers of Brunswick Sardines, have recently entered a partnership agreement

"The first thing to do is to come and take part in a show... the second is to meet our people — find out... how we eat.

with a Mexican firm, Comercial Agro-Pesquera, for distribution of their product. One of the distributors carrying the Connors line is the U.S. Wal-Mart chain. Wal-Mart is expanding into Mexico and expects to have 100 stores nationwide there in a few years. "Here is a chance to sell a product with the connotation of being imported, yet one that is very price-competitive."

Mexican firms are also interested in technology transfers in the fish and seafood sectors, including consultations on processing techniques, the purchase of used canning equipment, refrigeration and freezing technologies and the like. As a result there is an opportunity to form alliances, partnerships and joint ventures at the technological as well as

retailing end of the fish industry.

All potential exporters of fish and fish products to Mexico should make themselves aware of importing requirements, which vary from product to product. For example, forwarding of fresh and frozen products should be completed by mid-day on Fridays due to lack of refrigeration in many ports of entry that are closed over the weekend. This and most other information relevant to participating in this field can be obtained from The Canadian Association of Fish Exporters, (613)232-6325.

Hugo Ibarra Barrios, of the Distribution Centre for Fish and Seafood in Mexico, says there is a great deal of interest in Canadians at governmental and industry level.

"The first thing to do is to come and take part in a show such as the ANTAD, Mexico's National Retail show, or a Canadian Embassy solo show. The second is to meet our people — find out what we are like, how we eat."

Stead points out that Mexicans are large consumers of salt fish during the festive periods — including, but not only, Christmas and Easter. "We have sold salted hake in the past. With the NAFTA, as our tariffs go down, we can compete against the Norwegians, who are still subject to tariffs, in other salted fish lines."

If Canadians do go down, and see the extensive fish market of La Viga in Mexico City, as well as assessing the scope of demand for fresh and processed fish products (check the counters and aisles in large supermarkets), they will recognize a huge potential market waiting to be supplied.



Canadian Exporters: Profile

Ian Tatham, President • Hyd-Mech Saws Ltd. • Woodstock, Ontario

"It's another culture down there," says Ian Tatham of Mexico. "You do business differently in the southern United States — Georgia or Tennessee — than you do in Chicago, and Mexico is that much more different again."

Tatham is President of Hyd-Mech Saws Ltd., a medium-sized business in Woodstock, near London, Ontario. The company, whose claims to fame include having cut the roof of Skydome, was founded as a family business by Stan Jasinski in 1977, operating out of garages. It has grown to occupy 100,000 square feet of manufacturing space with about 75 workers. Overall sales are now in the \$7 million ballpark, and Tatham estimates that "about 80%" of sales are exports.

The product is a band saw whose applications make it valuable in the aerospace and automotive industries. "There's lots of competition, but we make a heavy duty product at a good price; it's easy to run; it's adaptable, which is a big part of how we happened to get the Skydome contract; and it's easy to get parts — our customers can get parts anywhere, not only from us."

Hyd-Mech sold its first saws in the United States in 1983. "We distribute in the U.S. through a group of about 100 machine-tool dealers, and our sales in the States went from \$4 million to \$6 million in 1992."

"We manufacture in large runs, which allows us the economies of scale. We don't sell a high-price product: our profits are driven by volume."

Hyd-Mech is a relatively recent entrant to the Mexican market. After trade shows in 1992 in Monterrey, they had sales of about \$150,000. Tatham engaged a Mexican sales representative, Juan Cardenas, whom he had met previously in Canada. Cardenas, an engineering graduate from a Louisiana university, had worked here in the machine tool industry before returning to Mexico

"In Mexico, a rep will save you a lot of time; it's a different culture."

to establish a company to help Canadian businesses in Mexico.

"The first trade show I went to was the Canada Expo.

That's what really got things started. Juan had been kind of interested in us, but non-committal, until he saw the response to the product at that show, and he immediately signed on to our team."

Tatham found continued interest at other trade shows he attended in Monterrey. "There is a big demand for our product there — in Mexico, the saws look 20 years behind — they're torching steel. Ours cut faster and give a better end-product quality."

Asked about subsequent sales, he says, "Everyone's waiting for the NAFTA. Why get into it all before tariffs and licences are removed or reduced? But there's lots of interest."

Tatham's view is that a local representative is an essential component in succeeding in Mexico. "Sure, most of the senior business people and government officials speak

English — many have been educated in the States. But the Mexicans don't want Canadians and Americans coming down there and telling them how to do things, or what to do. They want to deal with Mexicans. In Mexico, a rep will save you a lot of time; it's a different culture."

Tatham reports that Canadian sales have remained "flat" in the post-recession, while "the American market is exploding. And Mexico is waiting: this is a big market, and it has to be managed."

Hyd-Mech is well-placed to move into Mexico. "We have a plant in Houston that is basically a service depot and spare parts arm — we felt we should have an identity in the community we serve, and the vast majority of our sales are in the States. It will help us produce and distribute more easily for the Mexican market."

A problem in exporting to Mexico, Tatham says, is the cost of money — "We're looking around for cheap money, from Export Development Corporation or wherever; borrowing

"Mexico is waiting: this is a big market, and it has to be managed."

costs and interest rates are very high in Mexico."

The 10% import tariff has been another problem. Removal of the tariffs is a specific benefit Ian Tatham anticipates from NAFTA to help his company develop its potential in the Mexican market. He sees wider benefits as well. "From a psychological point of view, the freer trade atmosphere will make people more open — we'll tend to help each other out. Yes, I think the NAFTA will be positive."

The Marketing Trip:

Trade Commissioners Can Open the Doors

An introductory trip to a new, potential market abroad is a costly part of the start-up of an exporting program. In order to make it work effectively for the company and its representatives, it is essential to:

1. Do your homework: research the target market from your close-to-home resources (libraries, databases, seminars, news coverage, word-of-mouth).
2. Set realistic objectives: you cannot, in four days in Monterrey, expect to corner the Mexican market. You can learn what the market and business culture are like, by getting a sense of people, places, activities.
3. Create a schedule that will ensure that you will accomplish something, but keep it loose enough to allow time to respond to opportunities that arise on-site.
4. Maintain a frame of mind that is open and receptive, without losing sight of your absolute needs and approaches. The most valuable thing you can learn in a new market, such as Mexico, is the general business culture; the details will fall into place once you know how to deal with the people.

Of these four points, the first and last are things that can only be determined by each individual: if you live and operate a business in an isolated community, your direct research resources may be more limited than in a major centre, necessitating a longer period of time to complete adequate preparation. And attitude and temperament are in the hands of their owners.

But trip strategies and scheduling must be dealt with by everyone, whether a wealthy company with a good budget of time and personnel to travel, or a small operation where every penny invested today may have to come out of next month's projected earnings.

We will explore in this newsletter many individual aspects of setting up a successful marketing trip to Mexico. To begin with, we offer here a broad introduction to the Canadian exporter's best friend, Canada's Trade Officials in Mexico.

On a first trip, an essential stop for Canadian business people considering opportunities in Mexico should be the Canadian Embassy or the Trade Centre closest to the identified market. In Mexico, the Embassy is in the capital, Mexico City, and there is a Trade Office in Monterrey. Experts there can offer locally produced

material (much of which you may have acquired as part of your basic research, but perhaps updated since then), and a local "take" on the contents of that material, insights into the day-to-day workings of the market you are investigating, and some familiarization on the new environment you are encountering.

External Affairs and International Trade Canada has available over 40 sector-specific studies on Mexico, and more studies will be published in coming months. Once you have reviewed those relevant to your business, available in Canada from InfoEx, you may have detailed questions to put to the Trade Commissioner you meet in Mexico or Monterrey.

These officers can give you good advice on business practices, as well as offering market intelligence and helping you develop a good business strategy or work plan in Mexico. They can offer you a reality check on things imagined or an analysis of your objectives.

The Trade Commissioners can also introduce you to key business contacts: local agents, distributors, lawyers or potential partners whom you may wish at some point to contract as your representatives or liaisons in Mexico.

Trade officials can discuss local protocols, regulations, laws and business customs. Must you wear a jacket and tie in sweltering heat? How will a business woman dressed in slacks be received? Should you offer small gifts from Canada when meeting potential counterparts for the first time? Is there any prescribed "form" (as in Japan) for the presentation of business cards? Do you make small talk, or get straight down to business? If you do not speak Spanish, can you expect to meet English-speaking business people everywhere?

This, and solid information on a wide variety of markets, is some of what you can anticipate from your trade representatives in Mexico. Make them your first call (by appointment if possible; it's your time) and take advantage of the special skills they offer. They know where you've come from, and they know where you're going.

Access

Access, the monthly newsletter of the new Access North America (ANA) program, will examine opportunities for Canadian businesses in Mexico, introduce some Canadians already operating in the Mexican market, profile specific sectors, and notify readers of forthcoming events related to doing business in Mexico.

Your feedback will be welcomed; correspondence should be sent to **Access**, BCT, External Affairs and International Trade Canada, 125 Sussex Drive, Ottawa, Ont., K1A 0G2, or by fax, (613) 992-5791.

For further information on the program, or a copy of a brochure on Access North America, contact InfoEx at 1-800-267-8376 (In Ottawa 944-4000).

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