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# MARKETING YOUR SERVICES IN MEXICO



SECOND EDITION



Department of Foreign Affairs and International Trade  
Ministère des Affaires étrangères et du Commerce international

Latin America & Caribbean Branch



BUSINESS GUIDE - MEXICO



## **Business Guide – Mexico**

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This business guide is designed to provide an approach to **Marketing Your Services in Mexico**. 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 in this area. We encourage the reader to use this publication as one of several resources for commercial dealings with Mexico.

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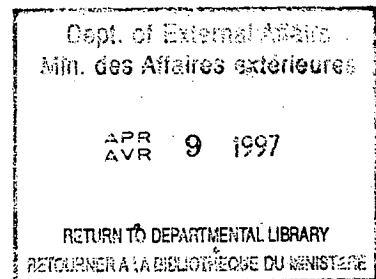
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# BUSINESS GUIDE:

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## MARKETING YOUR SERVICES IN MEXICO

SECOND EDITION



*Export*  
MEXICO

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# Mexico



## THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

The NAFTA expands Canada's free-trade area of 270 million people into a market of close to 361 million — a market larger than the population of the 15 countries of the European Union and one with a total North American output of more than \$7 trillion.

Mexico is Canada's most important trading partner in Latin America. Two-way merchandise trade with Mexico was just under \$6.5 billion in 1995 and is expected to exceed \$8 billion by the end of the decade.

Canadian direct investment in Mexico is growing rapidly, increasing from \$452 million in 1992 to over \$1.2 billion in 1994.

This guide has been prepared with the problems inherent to the new exporter in mind. However, it is not exhaustive. The differing circumstances, interests and needs of individual companies will influence their strategies for the Mexican market.

Further assistance can be obtained by addressing requests to the International Trade Centres (see Where To Get Help) or contact the InfoCentre at:

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-maacci.gc.ca>

\*FaxLink is a faxback system which provides summaries on a range of Mexican markets. It must be contacted through your fax machine. Dial from your fax phone and follow the voice prompt instructions.

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## INTRODUCTION

Canada's service sector is one of the most sophisticated in the world and many Canadian service providers have developed exportable world-class expertise. Mexico offers these companies excellent short-run market opportunities as well as the promise of sustained long-term growth.

The advent of the North American Free Trade Agreement (NAFTA) in 1994 attracted much attention to Mexico and its markets. But the free trade agreement is only the most recent of several developments which have transformed the Mexican economy and opened its markets to Canadian exporters.

Mexico began a series of sweeping economic reforms in the mid-1980s, when it unilaterally slashed its trade barriers after decades of protectionism. When it joined the General Agreement on Tariffs and Trade (GATT) in 1986, Mexico cut its maximum tariff from 100 to 40 percent, and to 20 percent when it instituted the Economic Solidarity Pact in December 1987. This was followed by complementary policies of deregulation, privatization and fiscal reform.

By 1994, more than 1,000 government-owned enterprises had been sold to the private sector. Government spending was re-directed to re-building the nation's outdated public infrastructure. The massive economic restructuring that these reforms brought about created enormous opportunities for foreign suppliers. The NAFTA has created new advantages for Canadian exporters relative to their European and Asian competitors. Together with Canada and the United States, Mexico is now part of the largest free trade zone in the world.

Prior to 1994, Mexico had already become one of the world's top destinations for foreign investment. The improved access to American and Canadian markets that the NAFTA entailed, attracted even more investors from around the world. The new influx of capital has been used to modernize Mexico's export industries. Sales prospects tied to the expansion of Mexico's domestic economy are a secondary but important bonus. By 1994, Mexico had become one of the top 10 destinations in the world for foreign investment.

Domestic firms have scrambled to increase their own productivity and quality to meet this sudden influx of competition, creating new demands for joint ventures, technology transfer and imported services.

The government of President Ernesto Zedillo came to power on December 1, 1994. About three weeks later, it abruptly stopped supporting the over-valued peso. Within weeks, it had lost 40 percent of its value relative to the American dollar. Wealthy Mexicans and foreign portfolio investors exacerbated the problem as they withdrew capital, trying to cut their losses. However, for the most part, foreign direct investors and exporters held their ground, partly because of a massive injection of financial aid by the United States, Canada and other countries. The government implemented a stabilization plan, featuring strong anti-inflation measures and a policy of harsh fiscal restraint.

The economic crisis that followed persisted throughout 1995. For the year as a whole, GDP fell by 7 percent, inflation surged to more than 50 percent. Real wages fell by about one-quarter, and more than a million workers were laid off. Total imports fell by almost 9 percent, while imports of capital goods fell by almost half.

By the beginning of 1996, the situation had begun to stabilize. Although consumer goods markets may take years to fully recover, the export sector is booming. Mexico posted a merchandise trade surplus of US \$7.4 billion for 1995, compared with a trade deficit of US \$18.5 billion 1994. Estimates of GDP growth for 1996 range from about 1 to 3 percent. The inflation rate is expected to fall below 30 percent.

A full recovery will take time. High interest rates and capital shortages will continue to depress domestic markets. Government spending is not expected to recover soon. Projections of government income from privatizations are also much lower now than they were before the crisis.

Ultimately, the peso's fall will accelerate the pace of Mexico's economic transformation and tilt it even further toward the technologically-advanced export sector. This is the very area that many Canadians were already finding to be the best market for their knowledge and information services. Moreover, it has also broken up many established lines of supply, creating opportunities for companies that are new to the market.

Since 1980, service exports have grown 40 percent faster than merchandise exports. In 1994, Canada exported more than C \$30 billion worth of services, accounting for 12 percent of all international sales. Every dollar of exported Canadian manufactured goods includes an average of C 39 cents worth of service inputs. This adds another C \$86 billion that services contributed to Canada's export performance in 1994.



## MEXICO'S GROWING SERVICE SECTOR

As Mexico has developed, services have accounted for a growing proportion of national output. In 1994, they accounted for more than 75 percent of GDP compared with 64.5 percent a decade earlier. The manufacturing sector contributed about 19 percent in 1994, and the primary sector 9.3 percent. These changes in industrial structure have been mirrored in employment, with a growing number of jobs attributed to the service industries.

### THE GROWTH OF MEXICO'S COMMERCIAL SERVICE INDUSTRIES PERCENT OF REAL INDUSTRIAL OUTPUT

Component	1984	1994
Construction	4.4	5.1
Electricity, gas and water	0.9	1.4
Wholesale and retail trade, hotels and restaurants	28.1	21.3
Transportation, storage and communication	6.7	9.7
Financial services, insurance and real estate	7.5	14.1
Community services	16.2	19.9
<b>Total contribution to industrial output</b>	<b>63.9</b>	<b>71.6</b>

Source: Organization for Economic Cooperation and Development (OECD), 1995.

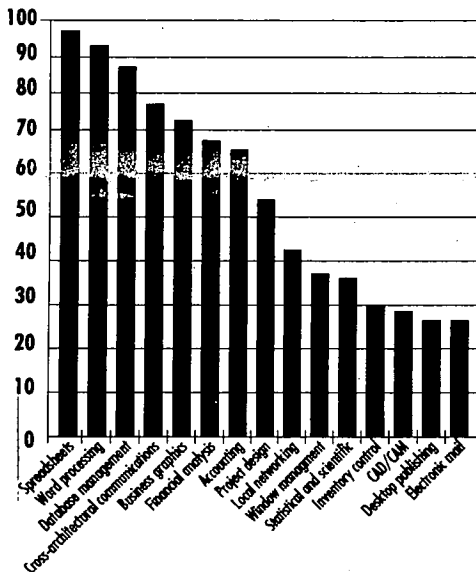
# SECTORS OF OPPORTUNITY

Canadian service providers have already established strong positions in several Mexican industries. In many cases, this track record can be turned into new business, over the medium- to long-term. There are also a number of areas of emerging opportunity, where recent changes in the Mexican economy are creating demands for new technologies and sophisticated services. Each of the major sectors of opportunity are summarized in the following sections.

## INFORMATION SERVICES

### COMMON APPLICATIONS OF SOFTWARE IN MEXICO

PERCENTAGE OF COMPANIES USING EACH APPLICATION



Source: Service Growth Consultants, Vancouver, Canada, 1995.

Mexico is in the midst of a transformation from an economy based on family connections and personal contacts, to one fueled by information and knowledge. This revolution has already touched virtually every element of industry and government. Until 1992, imports of computers and other high-technology electronic equipment were severely restricted by an import permit system. Therefore, services that depended upon advanced technologies were severely limited. The removal of these restrictions, together with the privatization and deregulation of the national telecommunications system, has driven impressive growth. The change has been all the more dramatic because Mexico had little investment in old technology to impede the modernization process.

Computerized management information systems (MIS) have become an important competitive weapon. Mexican companies used to suffer from a disabling information gap, but more and more of them have implemented advanced computerized information systems. Exporters are acquiring electronic data interchange systems (EDI), mining companies are buying computerized process control systems, advertisers are introducing high-technology marketing, and accountants are launching sophisticated online, real-time services. Much of this progress has been concentrated in the larger companies, especially those with foreign partners. Large *grupos* are quickly displacing the small-to-medium sized family-owned firms that traditionally dominated the economy. According to a report in *El Financero*, 17 conglomerates are now responsible for two-thirds of manufacturing output. Smaller companies are under pressure to keep up. Many of them bought computer hardware in 1994, prior to the crisis, and are now looking for information solutions to make these investments more productive. Mexican companies have learned that quality is just as important as cost in today's international markets.

With Mexican management determined to acquire leading-edge systems, Canadian consulting firms are finding a warm reception. Canada is perceived as a world leader in building productivity through information technology.

Unlike their American competitors, Canadian management information companies are not linked into giant global networks. As a result, Canadians have become specialists in flexible, "open systems". These allow companies to retool

## SYSTEMS INTEGRATION

Until they land their first big order, setting up and staffing their own shop in Mexico is just a dream for most small companies. The dream came true for Montreal-based systems integrator, TECSYS Inc., when it made a sizeable first sale to Mexico's national phone company, *Teléfonos de México (Telmex)*. Now the Canadian firm can close sales and service customers from their new marketing and client support office in Mexico City.

Canada is home to hundreds of small, niche information-industry players. Many can match the biggest firms when it comes to service, and come second-to-none in aggressively pursuing Mexican business. They will get nothing but encouragement from Robert Nehme, vice-president of marketing for TECSYS. "Size has got nothing to do with prospects for success in Mexico," says Mr. Nehme. "At TECSYS, for example, we are not competing with the giant consulting firms. In fact, we often work with them to meet a client's needs."

Mr. Nehme makes the point that Mexico's economy features a rapidly growing number of small- and medium-sized manufacturing firms. "They need effective software solutions to keep costs down, and to avoid the kind of bottlenecks that can be fatal to a supplier building a reputation," he says. Mr. Nehme also pinpoints the fact that smaller companies are the ones most in need of on-site customer service and support, since they are not likely to have the necessary in-house expertise — at least not initially. "Many of our Mexican clients are investing in their first information technology system," says Mr. Nehme. "So our Mexican office personnel act, on an ongoing basis, as a liaison between the computer world and the company's own business environment.... The training aspect of our service package is vital."

their information infrastructure for the future, without locking themselves into proprietary systems that may quickly become obsolete. The applications are much the same as they are in Canada. A recent survey showed that more than 90 percent of companies that were polled use word processing and spreadsheet applications.

"There is no doubt information technology can be a powerful tool that bolsters the competitiveness of individual firms," says one expert on Mexico. "And that goes not just for companies but for countries too. Mexico stands to gain enormously from buying into 21st century open-system information technology and services."

Mexican companies and government agencies are looking for a wide range of technology and information services. The greatest demand is for customized solutions to meet specific applications. With today's financial constraints, customization usually requires suppliers with experience in evaluating customer problems and adapting off-the-shelf technology to meet them.

Canada's management information industry has the know-how to meet these requirements. The sector generated C \$4.4 billion in revenues in 1992, while employing 277,819 Canadians. Exports of information technology and services topped the C \$10 billion mark.

Canadian firms have a demonstrated track record in key niche markets for software development and systems integration. Areas of excellence include geographic information systems (GIS), expert systems, resource applications, hospital systems, user tools, government administration and industrial automation systems.

There is enormous potential for sales of information services in Mexico, but so far Canada's share of this market has been relatively small. According to estimates from *Instituto Nacional de Estadística, Geografía e Informática (INEGI)*, National Institute for Statistics, Geography and Informatics, the total software market in Mexico was US \$460 million in 1994. By some estimates, import penetration exceeded 80 percent. There is no official data on foreign trade in computer services, but the total Mexican computer services market was estimated at more than US \$1 billion in 1994. The United States claimed an 85 percent import market share for software and computer services in 1994. Canada's share was about 2 percent. Other significant suppliers were Ireland, Taiwan, Denmark and the United Kingdom.

Perhaps the hottest new business information product is electronic data interchange (EDI). Some 30,000 companies in North America are now linked in a paperless order distribution network. Enthusiasts claim EDI is like the telephone was a century ago — not everyone has it now, but its time is coming. The trend to EDI is moving relatively quickly in Mexico, because multinational manufacturers are demanding that branch plants and other suppliers integrate themselves into just-in-time (JIT) delivery systems.

With 600 active members in the Electronic Data Interchange (EDI) Council, Canada is in the forefront of this market. Already, Canadian banks and other vendors are targeting Mexican exporters who seek an integrated North American payment capability

Mexico will have to make major improvements to its transportation systems to support an increasingly modern economy. Canadian and American transportation providers have gained better access to Mexico as a result of the NAFTA. In fact, as a result of a bilateral Memorandum of Understanding, Canadian trucking companies were allowed to cross into the northern border area of Mexico beginning in 1995, well-ahead of the NAFTA phase-in schedule. Canadian trucking companies will have access to all of Mexico beginning in the year 2000.

Road transportation was deregulated in 1990 and shippers can now choose between competing carriers. Previously, shipments were allocated by the government. Private investors have already constructed thousands of kilometres of toll roads under build-operate-transfer (BOT) arrangements. Some toll-road concessions have had to be extended from their original 12-to-15 year terms. Public resistance to the tolls reduced the profitability of these ventures, but the BOT concept is now well-established, and is being used for a variety of infrastructure projects.

Recent changes to Mexico's aviation laws have created a new regulatory framework for air carriers. Air transportation was deregulated in 1991, creating a turbulent market with low barriers to entry. Some carriers tried to stay competitive by cutting spending on essential elements such as maintenance. The new law sets standards for passenger service, insurance and repair, and provides for systematic inspection. Mexican carriers will now apply for city-to-city "concessions" good for up to 30 years. Foreign participation in these concessions will be restricted to 25 percent. These protected routes will allow the airlines to invest more heavily in new aircraft, and undertake spending on maintenance and training programs.

The Mexican Congress is considering a new law to turn *Ferrocarriles Nacionales de México (FNM)*, the national railway, over to the private sector. It is expected that two or three private companies will obtain concessions with some geographical overlap. However, privatization is not likely to yield much revenue for the government. Presently, the *FNM* is almost entirely devoted to freight. The government wants better service, especially for passengers. Up to 100 percent foreign participation in the railway will be allowed, subject to approval by government authorities. The railway system is presently in such bad condition that some observers believe that the existing infrastructure has little value. Competition for concessions will focus on promises of future service.

Other opportunities in Mexico include plans to privatize the nation's ports and develop new maritime facilities. In addition, transportation operations, maintenance and consulting will provide opportunities for Canadian suppliers of transportation services.



## ENVIRONMENTAL SERVICES

### CLEANING THE LARGEST CITY ON EARTH

Canadian specialists who invest the time to build a reputation in Mexico will discover that the opportunity represents a rewarding experience.

Dr. Howard Goodfellow is the president of Goodfellow Consultants Inc. (GCI), a Canadian environmental engineering firm. He is also an adjunct professor of chemical engineering at the University of Toronto and has been working on consulting projects in Mexico for over 12 years. As such, he is a respected player in one of Mexico's key environmental mega-projects.

Mexico City is the largest city on earth, and the government is determined to make it among the cleanest. Legislation was introduced obliging all new cars sold in Mexico to be equipped with catalytic converters by 1991. Nonetheless, fixed sources, or industry, still account for major amounts of air pollution.

Periodic inspection by the *Secretaría de Desarrollo Social (Sedesol)*, the Secretariat for Social Development, has led to the closure of several manufacturing plants, and has forced many others to install anti-pollution equipment. Even so, some 15,000 factories around Mexico City have been identified and classified as severe polluters.

Having worked closely with *Sedesol* as a consultant developing air pollution regulations for various industries, Dr. Goodfellow understood the magnitude of the problem. His knowledge of industrial ventilation and air pollution control technologies focussed not only on retro-fitting older factories, but also on the design of new facilities. With Mexico's recent crackdown on air pollutants, Dr. Goodfellow is now exploring potential partnerships with Mexican companies, a move he hardly imagined possible several years ago.

Public alarm concerning the state of the Mexican environment has forced the government to take broad corrective measures. Mexico City is widely regarded as the most polluted city in the world. The *Ley de Equilibrio Ecológico y Protección al Medio Ambiente*, Law of Ecological Equilibrium and Environmental Protection, was enacted in 1988. Additional pressure for improved standards and enforcement has come from Mexico's NAFTA partners. The market for private-sector pollution control equipment and services is expected to grow by 15 percent annually until the year 2000.

The government has taken strong action over the past several years to reduce air and water pollution. The Salinas administration closed Mexico's biggest oil refineries in 1991. Incentives for fuel substitution and the "day without a car" program in Mexico City cut vehicle emissions substantially. Thousands of environmental inspectors have been trained and a systematic program of industrial environmental inspections has begun. As a result of the economic crisis, enforcement for smaller companies and municipalities was slackened in 1995. On the other hand, resources have been shifted towards the exporting industries, which can afford to make improvements. There are major opportunities for Canadian expertise in at least four areas:

1. Energy conservation. In late 1994, *Petróleos Mexicanos (Pemex)*, the national oil company, doubled its spending on energy conservation, with a focus on improved processing and engineering. Many corporations are also cutting energy use, partly through co-generation systems.
2. Solid waste management. New standards for the collection, treatment and disposal of hospital wastes will open a major market to foreign firms. These wastes are presently disposed of in municipal landfills.
3. Water management. New wastewater standards are being imposed on municipal governments, and industrial enterprises are beginning to treat their effluents. Technical and managerial advice will be needed by both public and private organizations.
4. Marine environmental services. Offshore drilling programs will require environmental impact assessments and monitoring programs, as well as quality maintenance programs.

## ROYAL BANK OF CANADA AND MEXICO

Is finding a partner or making a direct investment the most effective approach to entering the Mexican market for financial services? The Bank of Nova Scotia is taking the partnership route, having acquired a minority share in *Grupo Financiero Inverlat*, a leading Mexican financial services conglomerate. Royal Bank of Canada, on the other hand, is determined to go it alone.

"Our philosophy worldwide is that we want to remain in control of our own destiny. That is our philosophy. And that means we intend to run a fully-owned subsidiary operation in Mexico," says Mr. Paul Frifer-Frederiksen, the Royal's vice president and former representative for Mexico and Central America. Mr. Frifer-Frederiksen was interviewed prior to the Mexican government's decision concerning the level of capital requirements to be levied on foreign banks, so the Royal's decision was not yet final. Of course, sole-ownership does not mean working in isolation. On the contrary, Mr. Frifer-Frederiksen argued that: "The Royal is very strong in relationship-banking here, working with some 17 other banks in providing correspondent banking services. Establishing a joint venture with just one would disturb our relations with the others."

Royal Bank of Canada will pick its target markets carefully. For example, it has no immediate plans to establish a retail branch network in Mexico. However, it is considering whether to open new facilities in Monterrey and Guadalajara to complement its existing base in Mexico City.

The bank's thinking, says Mr. Frifer-Frederiksen, is that: "We want to remain focussed on niche markets where we can excel. Why take a run at retail banking in Mexico when the domestic competition is so strong? Penetrating Canada's retail market would be a tall order for any foreign bank. So, if that strategy won't work in Canada, why would it work here? Corporate, international and trade financing will very likely remain the basis of our business. As a foreign bank we have an edge in dollar financing. We do not have the same edge in peso financing, and don't expect this to change."

Whatever approach they take, Canadian banks are already contenders who are meeting Mexico's burgeoning capital requirements. Says Mr. Frifer-Frederiksen, "We are going to keep on doing what we are already doing, only much more so."

## FINANCIAL SERVICES AND INSURANCE

The devaluation of the peso in the last days of 1994 precipitated a severe crisis in Mexico's banking sector. In early March 1995, authorities intervened in *Banpais*, Mexico's eighth largest bank. There was speculation that Mexico's deposit protection fund would have to be used to support as many as 10 of Mexico's 16 commercial banks. Only a massive international bail-out saved the system from collapse.

In spite of these difficulties, the Mexican financial services market remains an attractive long-term prospect for Canadian service providers. As economic growth is restored, the middle-class will resume its expansion, creating new demands for a wide range of financial services.

Under NAFTA, Canadian banks, insurance companies and securities dealers can establish and acquire wholly-owned Mexican subsidiaries. After a six-year transition period, the market for financial services will open even further. The influx of competition is forcing Mexican financial institutions to modernize their operations and offer new services. This emerging market will offer continuing opportunities for foreign consultants with expertise in all types of financial services.

Currently, the services most in demand are factoring, leasing, foreign exchange, financial management, wholesale banking, stock brokerage, risk management and futures trading, as well as support for mergers and acquisitions.

The insurance market is especially attractive. According to the *Asociación Mexicana de Instituciones de Seguros (AMIS)*, Mexican Association of Insurance Institutions, the market has been growing at an annual rate of 15 percent since 1991. In spite of this growth, less than 2 percent of Mexicans have life insurance and only one-quarter of Mexican vehicles are insured for theft or collision. Financing, underwriting and risk management are also in short supply.

## TELECOMMUNICATIONS

Telecommunications is Mexico's fastest growing sector. *Teléfonos de México (Telmex)*, the national telephone company, was privatized in 1990. This created a new market for foreign suppliers, because the new owners of *Telmex* committed themselves to a massive expansion of the system. The opportunities included professional services needed for network design, systems integration, maintenance and training. But since *Telmex* retained its monopoly, the market for services to end users remained closed.

The government is now acting to deregulate the telecommunications system. Long-distance service in Mexico will be open to competition beginning on January 1, 1997. *Telecomm de México* is also expected to privatize a number of services including public fax, telegram, electronic mail and satellite communications.

Although the economic crisis has delayed some expansion plans, the government's objective is to raise telephone density to more than 10 lines per 100 persons, which represents a 15 percent increase.

In January 1996, *Telmex* reached an agreement with the six consortia that have already been awarded long-distance concessions. Foreign participation in new long-distance ventures will be limited to 49 percent, with possible exceptions for cellular systems. Consortium participants include the American-based carriers Sprint, MCI and Bell Atlantic. Under the deal, some competitors will begin offering limited service over private lines in August 1996. According to the *Secretaría de Comunicaciones y Transportes (SCT)*, Secretariat of Communications and Transportation, the seven companies will spend US \$2 billion annually on infrastructure improvement. The *SCT* is now accepting additional proposals for concessions, including some for local telephone service.

Canadian firms are already major players in the development of a cellular telephone network in Mexico. Excellent prospects also exist in the development of rural telephone networks, data transmission, local area networks (LANs), packet-switching and related fields where Canada is a recognized world leader.

## **BUSINESS AND PROFESSIONAL SERVICES**

The NAFTA includes provisions that allow Canadians in 60 professions to sell their services to Mexican clients. This is creating new opportunities for Canadian consultants who have exceptional expertise in the fields where Mexico's needs are greatest. This includes mining, power generation, environmental protection, remote sensing, training, biotechnology, computer services, forestry and agriculture. Already, exports of consulting engineering alone earn Canada about C \$600 million a year. Mapping and survey services add another C \$100 million.

The expansion of Mexico's foreign trade and its status as one of the top 10 destinations for foreign investment are attracting unprecedented numbers of business visitors. This is creating a large demand for business support services. Foreign businesses need the same kind of infrastructure and services they are accustomed to at home. But some of these services are very new to Mexico.

For example, the Mexican postal service is unreliable. Hundreds of courier companies, both local and international, have moved in to serve an expanding clientele. Another example is the one-stop business centre, featuring such services as photocopying, printing, faxing and related services. A number of American-based franchisers have licensed operations in the major Mexican cities. In spite of this growth, industry observers see considerable room for improvement. Niche players who offer greater speed, dependability and enhanced services can still find opportunities in this market.

## CONSTRUCTION SERVICES

Construction activity in Mexico has grown dramatically over the past several years. Construction accounted for 5 percent of Mexico's GDP in 1994, and about 10 percent of the workforce. Although many projects are on hold because of the devaluation of the peso, this sector is expected to recover beginning in 1996. Prior to the devaluation, government capital-works expenditures were expected to exceed US \$15 billion by the year 2000. The new government, however, is expected to shift responsibility for many public works to the private sector.

Important areas of activity include:

- highway construction and repair
- water and sewage systems
- energy generation
- housing and tourism infrastructure
- port and railway construction
- commercial building
- hospitals
- schools
- industrial plants

The construction boom is creating significant opportunities in areas such as project management, construction contracting, architecture, and consulting engineering.



## FRANCHISE OPPORTUNITIES IN MEXICO

"Canada sells in Mexico," says Michael Serruya, co-owner of the Yogen Früz chain of yogurt franchises. "Mexicans perceive this country much as Canadians perceive Switzerland. Clean, cold, healthy."

To milk that sales edge, there is a small Canadian flag perched on the counters of each of the 15 franchises the company opened in Mexico over the past year. Of course, much more than flag waving is involved in penetrating the new market. Yogen Früz began by finding a solid local partner, the *Grupo Jiménez* based in Guadalajara, and followed up with marketing at such venues as the annual Mexican Franchise Association trade show as well as on local media. Another key was to find quality suppliers and to match menus with tastes by including an array of indigenous Mexican fruits.

According to Mr. Serruya, "Apart from strawberries and so on, a Canadian wouldn't even recognize most of the fruits we are using down there." The payoff for Yogen Früz's careful, considered approach has been quick and impressive. The future looks even rosier. "We're going to bust out all over Mexico," Mr. Serruya predicts.

He adds a word of advice. For many companies, the road to finding export markets starts with a short foray across the border to the United States. That has been the traditional wisdom. But Mr. Serruya begs to differ. "Think about it," he urges. "Why take on the US, which has the toughest, most sophisticated competition in the world if you don't have to? Right next door, Mexico is pretty much virgin territory for a lot of niche products like ours."

## FOOD SERVICE FRANCHISES

In recent years, major American food franchising chains such as Tex-Mex, Kentucky Fried Chicken, McDonald's and Burger King have moved into the Mexican market. This increased activity has been spurred, in part, by changes in the regulatory environment. In the past, Mexicans considered franchise agreements as sales with strings attached, which they regarded as foreign interference.

The 1982 Transfer of Technology Law gave the government authority to closely regulate franchises. The government approved royalty rates, set the duration of franchises, and monitored the overall process. Franchisees were given substantial rights beyond those specified in the franchise agreement.

The government began to change its policies in January 1990 by allowing foreign franchisers more control. In June 1991, the *Ley de Fomento y Protección de la Propiedad Industrial*, Law for the Promotion and Protection of Industrial Property, went into effect. The new law recognized franchises as a form of licensing, and all of the earlier restrictions were repealed. Government regulation of franchises was discontinued and the parties are now free to make their own arrangements, which are binding on the franchisee.

The approval process is handled through the *Secretaría de Comercio y Fomento Industrial (Secofi)*, Secretariat of Commerce and Industrial Development, and takes only 45 days. As a result, many service companies, from transportation to computer network firms, are finding new markets in providing support to the dynamically expanding food sector.

## RETAIL SECTOR

If greater prosperity reaches an increasing number of Mexicans, the ensuing demand for retail services will drive a rise in supporting services such as advertising, promotion, credit management and point of purchase facilities. In the meantime, sales of essential goods will shrink by 10 to 15 percent in 1995, while sales of non-essential goods will fall 60 to 70 percent.

Self-service stores belonging to large corporations have registered increased sales in Mexico, especially those that pursued aggressive expansion coupled with partnering. There have been several joint ventures between large American chains and Mexico's major retailers, including partnerships between *Cifra* and Wal-Mart, *Comercial Mexicana* and Price Club, and *El Puerto de Liverpool* and K-Mart. Participating Mexican companies gained a competitive edge, and other Mexican retailers are responding with cost controls and modernization.

## TOURISM SERVICES

Tourism is the third largest earner of foreign exchange in Mexico, after oil and maquiladoras. Through the *Secretaría de Turismo (Sectur)*, Secretariat of Tourism, the Mexican government continues to promote Mexico internationally as a vacation destination. The current level of seven million tourists per year was expected to rise to ten million in 1995, thus creating a need for more hotels, food, leisure, sports and entertainment services.

## TRAINING SERVICES

The development of a skilled labour force is a key element in Mexico's efforts to improve productivity, product quality and competitiveness. The population of 100 million is growing at 2 percent per year. Half of all Mexicans are under 20 years old; almost three-quarters are under 30. The labour force of more than 31 million workers is growing even faster than the population. Spending on public education was 5.2 percent of GDP in 1993, and is projected to increase to 8 percent by the year 2000. This compares with around 7 percent in Canada and the US.

In May 1995, President Zedillo, a former secretary of public education, presented the National Development Plan for his six-year term. The plan includes a call for more and better industrial training as well as a major expansion of the basic education system. The plan proposes stronger links between industry and educational institutions, as well as new forms of certification to recognize practical skills. It also points to the need for improved opportunities for life-long learning.

In spite of recent expansions, the public education system is still far too small to meet the nation's needs. During the 1994 to 1995 school year, there were only about four million students registered beyond the junior high level, and half of those were in high school. An advanced education is a luxury available only to the affluent. Many families pool their resources so that one child can receive a private education.

The inadequacy of public education and training systems creates a large market for private training providers and consultants. The opportunities range from advising Mexican educational institutions to the direct delivery of training.

Individual learners seek training in such areas as English and French as second languages, computer skills and business skills. Time and cost are major considerations for most Mexican students. Private training is seen by many as cost-effective because it is closely focussed on job skills and produces faster results than the equivalent programs at public institutions.

### TRAINING CUSTOMERS

Few outdo Lumonics Inc.'s Claudio Escobar, who emphasizes the need to train customers. Mexico's burgeoning manufacturing infrastructure has made it among the world's largest importers of machine tools. This includes the kind of sophisticated laser-based product identification systems which Lumonics markets to Mexican packaging, beverage, pharmaceutical, automotive, and aerospace companies.

Mr. Escobar noted that one of the only constraints affecting the Mexican use of laser coding was understanding how the systems worked. He decided to fix the problem.

"We adopted a multi-faceted approach," says Mr. Escobar. "First of all, we got involved in education at the university level. I actually toured the major universities, explaining the concepts of laser technology and its industrial benefits with videos, seminars, and slide shows. That way, when Mexican students graduate they will be well-versed in the advantages of laser technology for industrial applications, and they will be familiar with Lumonics.

"But education doesn't end in the universities," Mr. Escobar points out. "I attend every major trade show and seminar to display our product. In addition, through demonstrations and lectures, I explain how laser technology can benefit industrial production at a specialized level.

"The third step is to show Mexican industry how quickly it can adapt to the new technologies. And we take care of the littlest details, like helping to find financing for technological upgrades. We also spend a lot of time training our representatives. Customer support is just as important as sales."

Corporations are also important customers for all types of industrial and business skills training. Under Mexican law, employers must operate mandatory training programs but it is foreign competition, not the law, that is forcing many companies to implement programs. Government funding is available for this type of business training as well as training programs for the unemployed.

Canadian training firms can take advantage of these opportunities by offering their services either in Mexico or to Mexicans who visit Canada. In 1994, Canada hosted about 1,500 Mexican university students, as well as a large number of language students and industrial trainees. Mexico can also be a gateway into a large and growing Spanish-speaking world that often looks to Mexico for cultural innovation.

## **EQUIPMENT PLANNING, INSTALLATION AND REPAIR SERVICES**

The restructuring of the Mexican economy has been accompanied by unprecedented growth in capital investment. As a result, consultants with expertise in evaluating, selecting, installing and maintaining industrial equipment are in demand. Capital spending fell sharply in 1995, as a result of the peso devaluation. But many companies are increasing their efforts to get the most out of existing equipment. Others are seeking to upgrade old equipment rather than replace it. Industrial automation is still relatively new in many Mexican industries, and outside help is often needed. Canadian companies with experience in this area may also find opportunities providing service on behalf of multinational companies that contract-out local service within Mexico.

## **HEALTH CARE**

Mexico's health care system faces enormous demands. Mexico's population has been growing rapidly. Although the rate of growth will gradually decline, millions of people continue to be added to medical care programs every year. Half of all Mexicans are under 20 years old. In the last 25 years, average Mexican life expectancy has increased by 11 years to 72 years, as mass immunization programs either controlled or eliminated many of the diseases of underdevelopment. But the nation is now faced with a growing incidence of "first-world" diseases, such as cardiovascular ailments, cancer, mental disabilities and addictions.

As elsewhere, health costs are rising dramatically. While Mexico's economy develops, the market for techniques that extend services and control costs will develop. There is a major need for low-cost diagnostic tools, especially those that can be used easily in rural areas.

The body responsible for health care policy and regulation throughout Mexico is the *Secretaría de Salud (SS)*, Secretariat of Health. The *SS* also delivers medical services to the poorer segments of Mexican society through a system of clinics and hospitals.

The Mexican health care system has three major components. The first, the *Sistema Nacional de Salud*, National Health Care System, is divided into separate systems for those who are employed in the formal economy and for those who are not. Secondly, separate programs exist for private- and public-sector employees, while some major employers, such as the national oil company, run their own programs. Affluent Mexicans have a third alternative: access to private health care facilities, which tend to offer better service. About 4 percent of the population is covered by private medical insurance, and some people elect to pay for such specific services as childbirth, in specialized private clinics.

## PLANNING FOR MARKET ENTRY

### A TWO-STAGE APPROACH

#### GEOMETRIX OF DARTMOUTH, NOVA SCOTIA

Galo Carrera, president of Geometrix, maintains that the research and technology development which is being done in Canadian universities is world class. By teaming-up with the right academic, business and government partners in Mexico, there are many opportunities to be pursued.

The challenge lies in making Mexicans aware of the expertise available in Canada. "We have to play catch-up vis-à-vis our international competition by forming effective partnerships with Mexican associates and by making ourselves known in that market." He maintains that, to be competitive, Canadian business people must be resourceful and seek simple, cost-effective solutions in targeted niche markets. This is a formula that has worked well for Geometrix in 47 different countries.

Mexico is a highly competitive environment. Moving into this market can seem complex to the Canadian service provider who is unfamiliar with Mexico's business culture and legal structures. Companies selling services generally face more serious cultural obstacles than merchandise providers, because their product is more difficult to demonstrate. Since they do not usually have samples of their work, they must establish credibility in other ways. In the long run, firms that succeed are usually those that concentrate on building a profile as experts in their field, before promoting particular services.

Mexicans like to do business with people they know, so personal relationships are extremely important. The first step in entering this market is, therefore, for the service firm to assess the contacts it may already have:

- Does the company already have either Mexican clients, or Canadian clients doing business in Mexico who can provide personal referrals?
- Does the company have staff with personal or family contacts in Mexico?

The type and location of such initial contacts may be part of the decision that determines market segments to target. Even if there are existing contacts, key staff will need several well-timed visits to Mexico before the company can expect to finalize any sales.

To help Canadian service exporters prepare for foreign markets, the Department of Foreign Affairs and International Trade (DFAIT) has developed a six-diskette interactive program called "Take a World View — Export Your Services!". It includes information on export readiness assessment, export planning and business practices, as well as a resource listing. It is available from the InfoCentre at DFAIT.



## WHAT CANADIANS OFFER

Canada and Canadians also enjoy a very positive reputation. Canadian service companies have special status in Mexico as a result of Canada's membership in NAFTA. This translates into specific advantages in many business transactions. Canadian technology and skills are seen as ranking among the best in the world. Just as importantly, Canadians are perceived as being flexible and open people, respectful of others and willing to adapt to a foreign client's needs and environment. Canadian service providers who visit Mexico should take advantage of this positive advance reputation.

## UNDERSTANDING MEXICAN CULTURE

### JOHN L. ROBINSON, INTERIOR DESIGNER, TORONTO, ONTARIO

John L. Robinson is an interior designer from Toronto who has lived and worked in Mexico for many years. He has seen a lot of foreigners arrive with big ideas and leave disappointed. "I don't think the cultural differences are stressed enough; they represent the biggest hurdle foreigners must overcome and their impact on doing business should not be underestimated," he says.

Mr. Robinson has seen large, sophisticated operations founder on the inability of its expatriate staff to handle day-to-day business. "It is not just the language, it is the culture. You might understand the words, but what do the words really mean?" he asks, referring to the many nuances a Mexican can place on what, to a foreigner, may sound like a straightforward conversation.

New entrants to the Mexican market should look for a partner "who is bicultural as well as bilingual," counsels Mr. Robinson. Not only does it take a great deal of time, patience and sensitivity to tap into the Mexican culture, but Mexicans are sometimes hesitant to deal with North Americans. "There are insecurities on both sides," he explains, "and these have to be understood." However, he is quick to point out that cultural differences should pose no barrier to selling services into the Mexican market. For his part, Mr. Robinson loves the warmth and generosity of the Mexicans, as he notes, "The people are terrific to work with."

As international traders, Canadians can benefit from their own multicultural background. In Mexico, as in any other foreign market, it is essential for business visitors to be sensitive to the cultural values of the people with whom they do business. To do this, they must first understand the main themes of the host culture.

Mexicans are a proud and nationalistic people, with a strong sense of honour. Status and personal power are important, and organizational relationships are more hierarchical than they are in Canada. Advancement in business depends as much on personal loyalty as on task achievement. Mexicans tend to be very sensitive about real or perceived violations of their personal dignity.

Business negotiations are typically characterized by formality and ceremony. Emphasis tends to be placed on ideal relationships rather than on objective analysis and pragmatic problem-solving. Details of business deals may be left for subordinates to work out, leaving the principals free to establish a warm and collegial atmosphere unmarred by undercurrents of conflict. If disputes must be resolved by principals, they are typically dealt with on a personal and private basis.

Leaders in the Mexican business community are those with personal charisma and good connections. An effective leader is said to have *ubicación*, which means to be "plugged in". It is common for senior executives to demonstrate their power through forceful decision-making. Authority resides more in the person than in the position, with an organizational chart giving little information about the *palanca*, or leverage, a person has. It is often difficult to judge the power of a Mexican counterpart, without knowledge of his or her network of personal connections. Sometimes status is signalled by the presence of a personal assistant at meetings. The assistant may be more powerful than more highly-paid executives. Since holding power is the objective, delegating authority to subordinates would be counterproductive.

These cultural factors have several practical implications for building a business relationship in Mexico:

- During initial contacts, focus on developing a strong personal relationship, which will be the basis for doing business later. Invite potential Mexican partners to visit Canada.
- Be prepared to be more formal in initial meetings than is the case in Canada.
- Make sure that senior management are present at initial meetings; Mexicans may interpret the presence of junior staff as a lack of either respect or interest.
- Establish two levels of communication. The senior level is devoted to image-enhancing and relationship-building. The junior level focusses on business details.
- Seek assistance from Mexican associates in interpreting business signals. Mexicans do not like to say "no" directly, because saving face is an important part of their culture.

Cultural sensitivity is particularly important for service providers because their offerings tend to be intangible. Mexican customers need to be comfortable with the supplier before they buy services. Ultimately, comfort comes from trust. Cultural factors play a critical role in building trust and shaping the provider-customer relationship.

## ESTABLISHING CREDIBILITY

## BUILDING NETWORKS

Business networking improves a company's reach, viability and performance. Effective networks allow small firms to compete successfully against much larger organizations. Networks are an effective way of gathering the information needed to customize and adapt services to meet local requirements. It takes time to build these kinds of contacts, but much of the work can be done in Canada. Once a network of suitable associates is built, firms should maintain regular contact with them. This will ensure that the best opportunities are identified and acted upon quickly. The following steps have proven effective:

- Develop referrals from Canada. Personal referrals are particularly important in Mexico. If the firm does not have existing contacts, consider attending events sponsored by organizations such as the Canadian Council for the Americas. These are attended by executives and officials from Mexico.

- Establish contacts with key people in government who have knowledge of market developments and opportunities:
  - the Embassy of Canada in Mexico and the consular offices in Monterrey and Guadalajara;
  - the Department of Foreign Affairs and International Trade's (DFAIT's) Mexico desk in Ottawa and the International Trade Offices located in each of the provinces; and
  - the *Secretaría de Comercio y Fomento Industrial (Secofi)*, Secretariat of Commerce and Industrial Development, both in Canada and in Mexico City.
- Link up to sources of information. From its Canadian base, a firm can get information about business opportunities by consulting and monitoring publications, such as the following:
  - the weekly newspaper, *El Financiero*, International Edition;
  - the American Chamber of Commerce monthly business publication, *Business Mexico*; and
  - the weekly publication of *Expansión*.
- Join relevant trade and/or industry associations. Join a working committee and attend events sponsored by the related chambers of commerce and business councils.
- Visit Mexico regularly. This establishes face-to-face contact with business people and industry experts so that they understand the firm's capabilities and information needs. Personal contact also facilitates later communication by electronic means.
- Explore partnership opportunities. Tapping into a network is often most easily achieved through a Mexican partner or associate. There should be a clear understanding about the responsibilities of each party.

## GETTING KNOWN

In order to be taken seriously in the Mexican market, a new services exporter needs to become known and establish credibility. Many of the strategies that work in Canada also work in Mexico:

- Volunteer as a speaker or panel member at industry events.
- Write articles for Mexican technical journals or foreign technical journals widely read in Mexico.
- Attract coverage from the trade media.
- Sponsor a visible community event in Mexico.
- Participate in a trade mission in Mexico or an incoming mission to Canada.

These strategies are most effective when targetted not only at potential customers but also potential partners or information contacts.

Another way to become known is to subcontract to a Canadian firm that is already established in the Mexican market. This strategy can provide opportunities to make contacts in Mexico and learn about the Mexican market at a relatively low cost.

## JOINING INDUSTRY ASSOCIATIONS

Mexican industry associations have traditionally played a major role in the Mexican economy. Some of these associations are growing in importance due to their part in resolving NAFTA standards issues. Lately this strength has caused conflict which may lead to significant changes in the regulatory system. By law, a company must now be a member of a relevant industry chamber, a *cámara*, and pay mandatory dues to the association. As a result of some strong protest in January 1996, this law is now under review.

The Canadian Embassy can help in identifying associations that assist Canadian service providers to develop contacts and markets. By joining an appropriate Mexican industry association, the Canadian company becomes listed in the association's directory. Also, associations can assist with partnering efforts, since many potential partners are also members. Business people who are officers or committee heads in their Canadian industry association will find such roles a particularly useful entry into Mexican associations.

Simply joining an association is not enough. Attending major association events is the key to making effective use of the resulting contacts. Helping to build links between Canadian and Mexican industry associations is another way to establish a higher profile.



## ENTERING THE MEXICAN MARKET

### TEMPORARY ENTRY FOR BUSINESS DEVELOPMENT

For service providers, the most useful feature of NAFTA is its provisions for the mobility of business persons. The treaty establishes new rights of access for business visitors engaged in the following activities:

- conducting market research
- marketing services
- negotiating contracts or taking orders
- attending conferences or seminars
- providing customers with progress reports

“Business visitors” can stay in Mexico for up to 30 days, but they may not work for remuneration. Their activities must be related to business development.

To qualify, “business visitors” must demonstrate Canadian citizenship, employment by a Canadian firm, and proof that the proposed business activity is international in scope. The necessary — and free — *FMN (Forma Migratoria de Negocios)* visa immigration form is available from airlines and from Mexican immigration officials at ports of entry. In addition to proof of citizenship (passport or birth certificate), the visitor should carry a letter on company stationery stating the nature of the trip. This letter should name Mexican companies or persons with whom the described activities will be performed.

### DEVELOPING LOCAL PARTNERS

A local representative or partner can actively promote a company’s services in Mexico. This associate will present the company’s capabilities to potential clients, and serve as a point of contact for further business. This arrangement will present the Canadian company’s service to Mexican customers in its best light, and reduce the need for travel to Mexico. With the help of a local partner, the Canadian company can achieve a number of specific goals:

- Gain access to market contacts. Firms can take advantage of their partner’s contacts with government departments, private companies, universities, unions and subcontractors.

- Tap into current sources of information. Local associates have access to current information about local supply and demand, plus practical advice on insurance, litigation, liability issues and other important subjects.
- Provide professional accreditation. In many professional fields such as architecture, common licensing standards do not yet exist. An accredited local partner will be required to perform the service.
- Surmount the language barrier. A partner can communicate directly with the client in Spanish, and will be familiar with any specialized terminology in the industry. The partner may be able to handle customer training programs which require a high degree of sensitivity to cultural issues and the proper use of language.
- Develop cultural awareness. Partners can advise firms on the cultural “dos and don’ts” of performing their service in Mexico. The partner will provide input on the service’s applicability to the local market and how it can be customized to suit local needs.
- Increase the perception of commitment. Partners can reassure potential customers that the firm has access to local knowledge and experience, and that personalized service will be provided on an ongoing basis. Moreover, by investing in a permanent presence, firms demonstrate a long-term commitment to the Mexican market.

## THE PARTNERING PROCESS

As in many other foreign markets, the process of selecting a partner in Mexico is usually complex and time consuming. In cases where a firm has limited experience in foreign markets, the process can be especially difficult. A step-by-step approach helps to ensure that each element of the partnering process is effectively dealt with.

### STEP 1: PREPARE A PARTNER PROFILE

Before entering into discussions with potential partners, firms must carefully define their objectives. Start by looking at the Canadian firm’s own capabilities and resources and identify gaps that might be filled by a Mexican partner. Then draw up a “wish list”, setting out the most important characteristics of the ideal partner. Solicit ideas and suggestions from others within the company to help refine this partner profile. This profile will probably change as the realities of the Mexican situation become apparent, but it will provide a good starting point for a search. Consider the following partner characteristics:

- type and size of the business
- complementary nature of services

- market knowledge
- contacts within the customer base and level of contacts within other firms
- location and regional markets served
- financial strength
- human resources and management strength, including skills and core competencies
- company philosophy
- compatibility of goals

## **STEP 2: DEVELOP CONTACTS IN CANADA**

The Department of Foreign Affairs and International Trade (DFAIT) or one of the International Trade Centres (ITCs) located across Canada is a good place for a first contact. Look through the DFAIT sector profiles and summaries for a detailed list of sector contacts. If there is no report on the specific industry of interest, look for reports on related sectors.

Inquire at Mexican government offices in Canada. The Embassy of Mexico, Mexican Trade Commissions in Canada, and Mexican consulates can help Canadian companies to locate information about potential Mexican partners.

Canadian businesses that have done business in Mexico are among the best sources of information about potential partners. Other service exporters or personal contacts in the Canadian industry may be willing to share their experiences and provide advice. Business associations with an interest in Canada-Mexico trade are also a source of contacts. These include the Canadian Council of the Americas (CCA), and the Alliance of Manufacturers and Exporters Canada.

## **STEP 3: DEVELOP CONTACTS IN MEXICO**

Potential partners can be identified by consulting a Canadian trade commissioner at the Embassy of Canada in Mexico City, or at the consulates in Monterrey and Guadalajara. Other possibilities include the appropriate industry directories or journals, the local press, a federal, state or local government official and industry associations. Alternatively, firms may identify partnership candidates at seminars, conferences or trade shows.

**ADI INTERNATIONAL INC.,  
FREDERICTON, NEW BRUNSWICK**

"Choosing a partner may not be an easy task. There are many capable individuals and firms to choose from. Each will offer to be 'everything' to your firm and will be very positive and willing. We had to take our time and learn all we could about each partner. We asked for references and more importantly, we checked the references. The ideal partner is sometimes already working with a competitor and you may have to settle for a second-best choice," says Frank Scheme, senior consultant to ADI.

"We carefully defined the characteristics and experiences of our ideal partner before starting our search. We found that potential partners in Mexico want to have exclusivity. Based on our experience, regional rivalries do exist and a potential Mexican client in Monterrey may find it difficult to do business with a company in Mexico City. For this reason, we opted to establish two partnerships, one in each city."

Industry associations can often be valuable resources for developing business contacts. Most industry associations maintain a database of members and publish an annual report on the status of their sector. Note that several associations may represent a particular sector; it may take time to determine which one is the true voice of the industry. Trade officials at the Canadian Embassy or consulates may be able help identify the best choice. In addition, the *Bancomext Trade Directory of Mexico* provides a good listing of the major industry associations.

#### **STEP 4: DECISION POINT IN THE PROCESS**

The friendly nature and entrepreneurial spirit of Mexican business people make them eager to form relationships with Canadian firms. But it takes more than enthusiasm to build a successful partnership. It can be difficult to evaluate the alternative candidates and to select the partner that is most likely to deliver results. A systematic approach can help to simplify the process:

- Meet with the most qualified candidates. It may not be feasible to meet all prospects during one short trip to Mexico, so ideally they should be pre-screened. Before the trip, send a letter or fax to potential partners, describing the company and its services, and asking questions about the prospects. Evaluate the responses, and create a short-list of candidates. Set up appointments to meet with them in Mexico.
- Develop a partner appraisal form. Use this to rate the prospects as they are interviewed. If possible, two representatives should attend the meetings, so they can compare impressions.
- Do not rush the decision. Select two or three of the most promising prospects and continue discussions until a choice can be made. Visit the potential partners' facilities in Mexico and invite them to visit the Canadian operation. Develop ways to test the relationship by doing small pieces of work together.

Depending on the complexity of the business, the entire process of identifying and evaluating candidates, negotiating a deal, and signing a contract can take three months to a year. Developing the partnership can take even longer. Substantial time and resources must be dedicated to this process.

## NOVAMANN INTERNATIONAL INC., MISSISSAUGA, ONTARIO

The working partnership arrangement between NOVAMANN International Inc. and its Mexican counterpart *Control Químico*, has worked out so well that the Canadian firm is using it as a model for new professional alignments in Eastern Europe and the Middle East. "We have the best of both worlds," says John Martin, chief executive officer of the Ontario-based company. "We don't have to make day-to-day decisions, quote on contracts or do market analysis. That's all handled by our Mexican partner. Our Mexican partner on the other hand, enjoys the benefits of technology transfers and of working with us to resolve problem issues."

NOVAMANN International, which also has a large network of laboratories across Canada and in the United States, has 25 years of experience in the analysis of environmental contaminants, drugs and pharmaceuticals, and carries out food-quality testing for a wide range of public- and private-sector clients. In Mexico, it teamed up with an equally experienced laboratory that has enjoyed strong ties with the *Universidad Nacional Autónoma de México (UNAM)*, National Autonomous University of Mexico, in Mexico City since 1941.

NOVAMANN International has taken a 33 percent equity position in *Control Químico* and after three years in the Mexican market sees nothing but growth and opportunity. Over the next five years, investment in equipment and training in Mexico is expected to be in the C.\$11 million range, in addition to the C.\$1 million invested thus far.

For its part, *Control Químico* watches for market opportunities, carries out research and does the corporate networking that is so very important in a country which relies as much on trust and personal chemistry as it does on price competitiveness. As a result of this close association and cross-fertilization of technology, *Control Químico* can now offer its clients an integrated package of environmental testing services not previously available in Mexico. As well, it has strategically located its Mexican network of laboratories in industrial areas within easy reach of an estimated 70 percent of its potential customer base.

## ELEMENTS OF SUCCESSFUL PARTNERSHIPS

Once a partnership deal has been concluded, the Canadian firm will need to devote continuing time and resources to making it work. The chances of success are greatly improved by careful management of the partnership relationship:

- Assign a project champion within the firm. Ensure that this person has the time, resources and authority to make the project happen. The champion must also have the interpersonal skills to work across two cultures. Provide language training if necessary.
- Define the roles. State clearly "who will do what", from an operational point of view.
- Visit Mexico frequently. Support the partner with a Canadian presence during important management meetings or client visits. These trips will also help the Canadian firm to stay informed about developments in the Mexican market. Encourage the partner to visit the Canadian operation as frequently as possible. Consider making a provision within the partnership agreement for an annual trip to Canada for business planning and training.
- Demonstrate concern and commitment to the venture and its employees. The family and personal relationships are particularly important in the Mexican culture. So it pays to take time to develop an interest in the personal lives of Mexican managers and staff.
- Establish two-way communication with the partner's staff. The partner should know to whom questions can be directed. A procedure should be set up to provide timely response to the partners' concerns. Avoid overloading one staff member with the responsibility of handling all of the Mexican partner's inquiries. This could create bottlenecks and delays that might harm the relationship.
- Keep the Mexican partner informed through copies of technical updates, and company newsletters. This helps create a feeling of working within the Canadian corporate family.
- Maintain relationships at several levels. It is important to encourage frequent discussions between the partners' top executives. But maintaining day-to-day working relationships at the middle management level is just as important. Develop personal contacts that will allow informal discussion, preferably outside of the office, of potentially troublesome issues.
- Draft a termination agreement. Agree on reasons and procedures for terminating the partnership.



## PROMOTING SERVICES

As with any new business venture, effective promotion is an important part of introducing a service in Mexico. Differentiating the service offering from the competition and developing visibility and credibility are essential for success in this increasingly competitive market.

Promoting services requires specialized techniques, because unlike goods exporters, service providers often have nothing concrete to demonstrate. Instead, they have to establish their credibility through personal presentations and the appearance and content of their promotional literature, as well as their client lists and references. Cultural nuances play a far greater role in how the promotional approach is received than they would with a demonstration of a physical product.

Cultural, social and demographic factors will influence the firm's promotional message. Attitudes towards the service offering by companies or consumers should be evaluated. Some messages will be more culturally acceptable than others. The techniques used by competitors or similar service providers can provide useful indications of what does and does not work in the target market. The following guidelines will help to shape a promotional campaign in Mexico:

- Get the tone of the message right. A humorous message may not be well-received in Mexico because it can imply that the service is not intended to be taken seriously. Mexican advertisements tend to adopt an American-style, hard-sell approach.
- The use of well-known and respected personalities to promote a service can build credibility. This is a popular form of advertising in Mexico as it is in Canada.
- Some names, messages or slogans do not translate well. Pay particular attention to the company name and phrases used to describe the service. A famous example, is the car name Nova, which was a success in the US and Canada, but translated as "does not go" in Spanish. In some cases, an entirely different name may be needed for the Mexican market. Slogans should be rethought and adapted to make them catchy and appealing to a Mexican audience.
- Be aware of regional differences. Mexico is a country with many culturally varied regions. Thus, messages may have to be tailored to suit regional characteristics. For example, the tone, the message, and the media used in the Monterrey area should be tailored to an industrialized population easily influenced by foreign styles. This northern mindset contrasts sharply with that encountered in southern states, which are mainly agrarian, and include a much larger percentage of aboriginal peoples.

## MEDIA

### COMPUCOLLEGE SCHOOL OF BUSINESS, TORONTO, ONTARIO

CompuCollege is a franchiser for a private business school in Mexico City which has been in operation since 1991. The college curriculum offers practical career training in business administration, computer skills and tourism. Staff guide graduates toward sources of employment and all students must take a compulsory two-week Employment Readiness Module that trains them in effective job-search techniques. Often, Mexican students finance their own training; this puts pressure on the administration to price courses to fit the pocketbooks of its potential clientele.

Private specialized training such as CompuCollege offers a relatively new concept in Mexico, so advertising and promotion are important. The normal avenue, through the local newspaper, is prohibitively expensive. This is not because advertising rates are any higher or lower than in Canada, but because readership in Mexico City alone supports 23 daily newspapers. Even after winnowing out the pack, CompuCollege would have to place advertisements in several newspapers serving the greater metropolitan area to reach a significant portion of its target audience. Instead, it adopted a different route.

Open houses held in its modern, computerized facility have drawn the public closer to the concept of getting practical work experience in a bright and businesslike atmosphere. Personal calls to potential corporate clients, such as the banking community, have also attracted candidates. As well, posters and flyers are regularly distributed to key locations. "But to our surprise, what has worked best has been advertising in the yellow pages," notes Neal Wagman, vice president of marketing for the CompuCollege franchise network.

The media options include television, print and radio which are all well-developed in Mexico. For companies that want to reach a broad, national consumer audience, television is favoured over newspapers and other print media. *Televisa* is the most obvious choice for TV advertising. There are over 300 daily newspapers in Mexico with the largest being *Excelsior* and *La Prensa*. Both are published in Mexico City. There are major dailies in other urban centres. For example, *El Norte* in Monterrey would be an important medium for reaching audiences in the northern industrial regions.

For many service firms, media coverage can be more important than paid advertising. A Mexican public relations company can help arrange coverage in the mass media. Coverage in business periodicals and trade journals can often be achieved simply by providing them with information about the firm. Mexico's principal business magazine is *Expansión* which could be compared to *Fortune* magazine in style. Trade magazines cater to specific sectors. Submitting a newsworthy article to an appropriate trade magazine is one way to establish a firm's credentials. Advertising in these magazines usually reaches a closely targeted audience.

## PERSONAL SELLING

Many service companies sell to other businesses rather than to mass markets. Some of them are focussed on very specific niche markets. For these companies, personal selling is a much more important tool than advertising in the media. A Mexican partner, representative, or agency will play a key role in personal promotion. Fine details, such as the right positioning, the right message, and even the right gestures and intonation may make a difference in the effectiveness of a presentation.

Mexicans do not like to do business over the telephone and prefer face-to-face meetings. Business meetings at a potential client's office may involve more than just a contact person. Service providers must be prepared to deliver their sales pitch from various angles to different audiences. Sales teams will need to be well-trained and capable of establishing the firm's credibility. Sales aids such as data sheets and technical manuals in Spanish must be available. Most Mexican professionals speak some English, but the use of English for promotional material will be badly received.

## TELEMARKETING AND DIRECT MAIL

Telemarketing and other direct marketing techniques have not yet been fully developed in the Mexican marketplace although they are beginning to appear. Direct mail is still of limited value primarily because clients are not used to this method of promotion, especially for services, and because the mail system is unreliable.

## PROFESSIONAL CONFERENCES AND TRADE SHOWS

Professional conferences are an excellent method of gaining exposure and extending the service provider's network. An appearance on the conference program is an especially good way to build credibility. Mexican executives frequently attend conferences to make contacts, to gather information on new technologies and to assess new opportunities.

There are an increasing number of trade shows throughout Mexico and a well-established exposition infrastructure. Mexicans are also accustomed to travelling to trade shows outside Mexico, particularly in the United States. The key to success at trade shows is the use of promotional techniques specifically designed for services. For example, instead of setting up a passive booth, service exhibitors might organize seminars and workshops. This allows them to provide detailed descriptions of offerings and respond directly to questions from potential clients. The service firm's expert knowledge of a specific sector can be used as leverage to get on the speaker's list, but contacts in the sector are usually also necessary.

## MEXICO AND THE INTERNET

Although Mexico is several years behind the rest of North America in its use of computers, international traders are increasingly connecting to the Internet. The number of world wide web (WWW) servers in Mexico has grown exponentially since commercial Internet service was first introduced. Companies interested in Mexico can design a Spanish promotion piece on their home page. The Internet can also be used to exchange electronic mail, although Mexicans have been slow to accept this means of communication.

Use the Internet to collect information about Mexico. New sites appear almost every day. As a starting point, try the Latin American Network Information Centre at the University of Texas (<http://www.lanic.utexas.edu/>). It contains pointers to literally hundreds of other sites.

## MEXICAN FEDERAL PROCUREMENT OPPORTUNITIES

The Mexican federal government represents a significant procurement opportunity for Canadian exporters. It spends more than US \$15 billion annually on goods and services, many of which are purchased by international tender. The Government Procurement chapter of NAFTA greatly improved Canadian access to the federal public-sector procurement process in Mexico in a number of ways:

- ensuring the collection and publication of statistics on Mexican government procurement;
- enhancing the availability of information on upcoming public tenders;
- extending bid deadlines to allow equal opportunity for companies from all three NAFTA countries;
- establishing dollar thresholds for partner-country participation in Mexican government procurements; and
- providing a transparent protest mechanism.

Canadian service providers can now compete on an equal footing with their Mexican and American counterparts for service contracts that exceed the specified thresholds. For *Secretarías*, federal government departments, all service contracts — except for construction — are open to Canadians if they cost more than US \$50,000. The threshold for construction projects is US \$6.5 million. Purchases by *paraestatales*, state-owned companies, are open if they cost more than US \$250,000, or US \$8 million for construction projects.

There is no central contracting administration within the Mexican federal government. Each government entity, whether it is a *Secretaría* or a *paraestatal*, is responsible for its own procurement program. Therefore, potential service contractors must identify and call on the program officials and procurement officers most likely to need their services.

A local partner or agent can play a critical role in identifying and calling on program officials and procurement officers who prepare the specifications for new service contracts. The trade commissioners at the Canadian Embassy and consulates in Mexico can be helpful in identifying the government departments or *paraestatales* that are the best targets.

Under Mexico's federal procurement law, calls to tender must be published in at least two major national daily newspapers. Each purchasing entity has its particular list of preferred publications, but *Excelsior* and *El Universal* are commonly used. Since January 1994, tender notifications have also been published in the *Diario Oficial*, National Gazette. In Canada, the Open Bidding Service (OBS) now provides information on upcoming Mexican government procurement opportunities.

## MEXICAN FEDERAL GOVERNMENT SECRETARIATS

Department	Acronym	English Equivalent
<i>Presidencia de la República</i>		Presidency of the Republic
<i>Procuraduría General de la República</i>	PGR	Office of the Attorney General of the Republic
<i>Secretaría de Agricultura, Ganadería y Desarrollo Rural</i>	Sagar	Secretariat of Agriculture, Livestock and Rural Development
<i>Secretaría de Comunicaciones y Transportes</i>	SCT	Secretariat of Communications and Transportation
<i>Secretaría de la Defensa Nacional</i>	SDN	Secretariat of National Defence
<i>Secretaría de Comercio y Fomento Industrial</i>	Secofi	Secretariat of Commerce and Industrial Development
<i>Secretaría de Contraloría y Desarrollo Administrativo</i>	Secodam	Secretariat of the Comptroller General
<i>Secretaría de Turismo</i>	Sectur	Secretariat of Tourism
<i>Secretaría de Desarrollo Social</i>	Sedesol	Secretariat of Social Development
<i>Secretaría de Marina Armada de México</i>	SMAM	the Mexican Navy
<i>Secretaría de Energía</i>	SE	Secretariat of Energy
<i>Secretaría de Educación Pública</i>	SEP	Secretariat of Public Education
<i>Secretaría del Medio Ambiente, Recursos Naturales y Pesca</i>	Semarnap	Secretariat of the Environment, Natural Resources and Fisheries
<i>Secretaría de Gobernación</i>	SG	Secretariat of the Interior
<i>Secretaría de Hacienda y Crédito Público</i>	SHCP	Secretariat of Finance and Public Credit
<i>Secretaría de Relaciones Exteriores</i>	SRE	Secretariat of Foreign Affairs
<i>Secretaría de Salud</i>	SS	Secretariat of Health
<i>Secretaría de Trabajo y Previsión Social</i>	STPS	Secretariat of Labour and Social Welfare

# SCHEDULE OF SERVICES UNDER THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA)

The government procurement chapter of NAFTA commits each country to make procurement opportunities available to NAFTA partners for a defined schedule of services. The list below has been tentatively approved by the Mexican government, and will be subject to future adjustment.

## PROFESSIONAL SERVICES

- taxation services, excluding legal services
- architectural services
- architectural design services
- advisory and pre-design architectural services
- combined architectural design and contracted services
- contract administration services

## ADMINISTRATION SERVICES

- other architectural services

## ENGINEERING SERVICES

- advisory and consultative engineering services
- engineering design services for foundations and building structures
- engineering design services for mechanical and electrical installations for buildings
- engineering design services for civil engineering construction
- engineering design for industrial processes and production
- engineering design services n.e.c.
- other engineering services during the construction and installation phase
- other engineering services
- integrated engineering services
- integrated engineering services for transportation, infrastructure turnkey projects



- integrated engineering and project management services for water supply and sanitation works turnkey projects
- integrated engineering services for the construction of manufacturing turnkey projects
- integrated engineering services for other turnkey projects
- urban planning and landscape architectural services

### **COMPUTER AND RELATED SERVICES**

- consultancy services related to the installation of computer hardware
- software implementation services, including systems and software consulting services, systems analysis, design, programming and maintenance services
- data processing services, including processing, tabulation and facilities management services
- database services
- maintenance and repair services of office machinery and equipment including computers
- other computer services

### **REAL ESTATE SERVICES**

- real estate services involving owned or leased property. Real estate services on a fee or contract basis
- rental and/or leasing services without operators
- leasing or rental services concerning machinery and equipment without operator, including computers
- leasing or rental services concerning personal and household goods (in Section 83201, excludes the rental of pre-recorded records, sound cassettes, CDs; and in Section 83202, excludes rental services concerning video tapes)

### **OTHER BUSINESS SERVICES**

- management consulting services
- general management consulting services
- marketing management consulting services
- human resources management consulting services
- production management consulting services
- other management consulting services, including agrology, agronomy, farm management and related consulting services

- technical testing and analysis services including quality control and inspection
- services incidental to forestry and logging, including forest management
- services incidental to mining, including drilling and field services
- site preparation for mining
- related scientific and technical consulting services
- geological, geophysical and other scientific prospecting services, including those related to mining
- subsurface surveying services
- surface surveying services
- map making services
- repair services of personal and household goods
- repair services incidental to metal products, to machinery and equipment, including computers, and communications equipment
- cleaning buildings
- packaging services

#### **ENVIRONMENTAL SERVICES**

- sewage and refuse disposal, sanitation and other environmental protection services, including sewage services, nature and landscape protection services and other environmental protection services n.e.c.

#### **HOTELS AND RESTAURANTS, INCLUDING CATERING**

- hotel and other lodging services
- food and beverage serving services
- travel agency and tour operator services

For further information on the evolution of this list, contact the Department of Foreign Affairs and International Trade (DFAIT), Services Industries and Transportation Division (TPS).

## **PARAESTATAL ENTERPRISES**

The most significant government procurement markets are found within the *paraestatales*, which are equivalent to federal Crown corporations in Canada. There are 37 *paraestatales* subject to the North American Free Trade Agreement (NAFTA) provisions. They offer a broad spectrum of service contract possibilities for Canadian companies from a large number of different sectors. The *paraestatales* are responsible for more than 80 percent of purchases at the federal level. The three largest *paraestatales* and the most important in terms of procurement are *Petróleos Mexicanos (Pemex)*, the national oil company, the *Comisión Federal de Electricidad (CFE)*, Federal Electricity Commission, and the *Instituto Mexicano del Seguro Social (IMSS)*, Mexican Institute for Social Security.

## **STATE GOVERNMENTS**

Mexico is a federation of 31 states and one federal district. In addition to federal procurement opportunities, possibilities for service contracts exist with the state and even with municipal governments. State government procurement is not yet covered under the terms of the North American Free Trade Agreement (NAFTA); therefore, local partners will be required to take advantage of this market.

Individual state government purchasing departments must be contacted directly for procurement inquiries. The best market opportunities exist in the states with the largest economies, including:

- the Federal District, or Mexico City
- the State of Mexico
- Nuevo León
- Jalisco

## **BIDDING ON GOVERNMENT CONTRACTS**

The following suggestions can help Canadian service providers to prepare an effective bid for a government contract:

- Bid on what is being requested. Avoid telling the Mexican clients "what they need". Mexicans are too often exposed to the arrogance of foreign firms that believe they have all the answers. Respect the potential client's needs and build a spirit of cooperation into the bid. There may be more opportunity in the future to propose how guidelines for specific projects could be expanded.
- Emphasize the firm's ability to transfer technology. Apart from being responsive to the stated requirements, proposals must provide a training component and be specific about how follow-up service will be provided.

■ Put together a strong bid team. Prepare in advance by developing a team which is ready to respond when an attractive tender is announced. The bid team should include:

- a person, either a partner or local representative, to continuously scan tender notices for opportunities;
- technical and marketing people to put the proposal together;
- a technical translator who can translate the bid documentation into English and the proposal into Spanish;
- notaries and/or lawyers who can certify the documentation required in the proposal;
- contacts at the closest Mexican consulate in Canada who will be required to certify part of the proposal documentation; and
- contacts at the Export Development Corporation (EDC) if firms want to offer EDC financing for any portion of their contract.

By having all of the players ready in advance, companies will be able to react quickly to any emerging market opportunities.

■ Learn about the bidding process and the competition by bidding on small projects first. When the firm has been successful at this level, it can consider scaling up to larger projects.

■ Avoid *mordidas*, or bribes. It is strictly illegal in both Mexico and Canada to enter into any arrangements involving bribes.

■ Use a local partner. This can be a representative, agent or joint-venture partner who has had direct experience with the particular government agency which the firm has targeted.

## THE IMPACT OF NAFTA

### OVERVIEW

Chapter 12 of the North American Free Trade Agreement (NAFTA) sets out the basic principles governing cross-border trade in services. A number of annexes outline how these principles apply to sectors such as professional services and transportation. In addition, separate chapters on telecommunications and financial services spell out the special rules that apply in these sectors.

The NAFTA requires that the parties extend both national and most-favoured-nation treatment to cross-border service providers from the partner countries. It also specifies that NAFTA signatories cannot require service providers to establish a local presence as a prerequisite to providing cross-border service, except as needed for legitimate regulatory reasons, such as consumer protection.

## THE NAFTA AND THE GATT

Few issues loomed larger than services trade when negotiators first met to begin talking about changes to the General Agreement on Tariffs and Trade (GATT). The GATT had contributed to a tenfold increase in the volume of world trade in goods since 1947, by establishing global trade rules and providing a forum and impetus to further trade liberalization. However, international trade in services — excluded from the GATT — was subject to a patchwork quilt of bilateral, regional and multilateral arrangements.

The Uruguay Round has resolved the disparity between the treatment of goods and services, putting the two sectors into an integrated framework. A World Trade Organization (WTO) agreement replaced GATT in 1995. The WTO will become a permanent, effective, and unified centre for world trade and for settling disputes between nations on a multilateral basis. Within the WTO framework, a new General Agreement on Trade in Services (GATS), establishes basic norms, institutions, and procedures for the sector, and will serve as the basis for future negotiations.

The GATS has three key elements: a set of basic rules-of-the-road, market access commitments, and a set of annexes, or additional provisions for certain sectors — including financial services. The services-sector provisions in NAFTA are generally considered to be stronger than the GATS. Nonetheless, the new global rules for trade in services means Canadian service providers who are active in Mexico can involve third-country partners more easily.

The all-inclusive approach embodied in NAFTA provides wider coverage of trade in services than was provided in the Canada-U.S. Free Trade Agreement (FTA). Under NAFTA, land transport, some air transport and all areas of professional services now benefit from its provisions regarding trade liberalization. Details of how NAFTA will affect specific sectors is available from commercial officers with the Embassy of Canada and the consulates in Mexico and from Industry Canada (IC) which has published a series of sector-specific booklets.

Financial services are specifically covered in Chapter 14 of NAFTA. Mexico has opened its market to Canadian financial institutions. Banks, insurance companies and securities dealers are now able to establish wholly-owned subsidiaries in Mexico, and to acquire existing financial firms.

## PROFESSIONAL ACCREDITATION

The NAFTA annex on professional services sets out procedures aimed at the development of mutually-acceptable professional standards and criteria, a prerequisite to any real trade in professional services. Specific provisions allow foreign legal consultants and engineers to practice their professions in different jurisdictions. Assuming service providers meet local standards, they are issued temporary licences.

The NAFTA affirms and expands on the FTA provisions relating to licensing and certification. These provisions ensure that each NAFTA country's licensing and certification requirements and procedures are based on objective and transparent criteria such as competence. The provisions must guarantee the quality of the service and are not meant to be, in themselves, a restriction on the provision of the service.

Annex 1210.5 of NAFTA provides a detailed blueprint to encourage and assist all professions interested in reaching mutual recognition agreements. But NAFTA does not automatically require a partner country to recognize the credentials of service providers from a non-NAFTA country. Indeed, NAFTA recognizes the rights of member countries to treat foreign service providers differently than domestic providers for reasons of health, safety and consumer protection.

All categories of professional services are subject to NAFTA's licensing and certification rules. Of particular importance is the obligation to remove citizenship and permanent residency requirements by 1996. The Professional Services Annex established a generic procedure to facilitate the development of mutually acceptable professional standards and criteria, a prerequisite for any meaningful expansion of trade in professional services. Reaching the objectives laid out in the work programs on foreign legal consulting and temporary licensing for engineers should also provide both professional groups with easier and broader access to NAFTA markets.

A number of Canadian professional associations have already initiated processes to establish common accreditation for their members working in Canada and Mexico. For example, the Association of Consulting Engineers of Canada (ACEC), and its Mexican equivalent, the *Cámara Nacional de Empresas Consultoras (CNEC)*, have signed an agreement of cooperation to work toward common accreditation for engineering professionals. Likewise, the Committee of Canadian Architectural Councils is undergoing discussions with its counterparts in the US and Mexico to establish guidelines for accrediting architects. This would allow them to work in all three countries. The committee will also examine the possibility of temporary licensing procedures for cross-border services.

Depending on the profession, and until such time as common standards or temporary licensing agreements are established, professionals wanting to enter the market should consider partnering with Mexican firms in the area of their expertise.

## OPERATING IN THE MEXICAN MARKET

### WORK PERMITS

The three NAFTA governments have prepared a joint summary of the agreement's Chapter 16 which covers work permits. Any Canadian wishing to provide contracted services in Mexico must be prepared to supply the following documentation:

- proof of Canadian citizenship (passport or birth certificate);
- a copy of a sales contract; and
- a letter on company letterhead stating the purpose of the trip, the arrangement for remuneration, the qualifications of the person travelling and their responsibilities, and the dates for entry and exit.

Four categories of people may do contract work in Mexico under NAFTA without employment authorization or job validation.

### AFTER-SALES SERVICE PERSONNEL

Canadians providing after-sales service to their Mexican clients may enter Mexico under the "business visitor" provision of NAFTA, as long as that service is part of the initial sales contract for commercial or industrial equipment, machinery or computer software. In addition to the basic documents, the person travelling must be prepared to show a copy of the sales contract and proof of the specialized knowledge and skills.



Eligible persons may enter Mexico on an *FMN (Forma Migratoria de Negocios)* visa that is free of charge. Forms can be obtained at Mexican consular offices in Canada, from airlines, and at all points of entry into Mexico.

## **SPECIFIED PROFESSIONALS**

All persons in the professional categories specified in Appendix 1603.D of NAFTA are exempt from the normal job-validation process. The person travelling must be prepared to show, in addition to the basic documents, proof of the necessary professional qualifications, proof of employment by a Canadian company, and a letter on company stationery stating the relevant job title and duties, the specific customer and contract being performed, the fee amount and arrangement, and the starting/ending dates of the contract work.

Eligible persons must obtain an *FM3 (Forma Migratoria 3)* visa from one of the Mexican consular offices in Canada or the Mexican Embassy, completing an application form and paying the applicable fee (\$424 Mexican pesos). The visa is normally issued within five working days and is good for one year, renewable for an additional four years. The difference in requirements for the *FMN* versus the *FM3* is the fact that remuneration from customers is involved — hence the fee due. If the person travelling has entered for business development purposes on an *FMN* visa and then wishes to undertake paid work in Mexico without returning to Canada first, an application for the *FM3* visa may be made in Mexico from a National Migration Institute office. Professionals also need to obtain a professional identity card from the Directorate General of Professions of the Ministry of Education before practising their professions.

## **INTRA-COMPANY TRANSFEREES**

Executives, managers, and staff with specialized knowledge who are employed by a Canadian company can be transferred to a Mexican branch, subsidiary, or affiliate office for up to seven years (up to five years for technical staff). The person travelling must be prepared to show, in addition to the basic documents, proof of one year's previous employment with the Canadian company, verifiable qualifications, a detailed description of the current and proposed positions, and a detailed outline of the purpose and length of stay for which entry is being sought.

Eligible persons must obtain an *FM3 (Forma Migratoria 3)* visa from one of the Mexican consular offices in Canada or the Mexican Embassy, complete an application form and pay the applicable fee (\$424 Mexican pesos). The visa is normally issued within five working days and is good for one year, renewable for an additional four years. If the person has entered Mexico with an *FMN* form (good for 30 days), an *FM3* visa must be obtained from a National Migration

Institute office before commencing work in Mexico. If the person stays longer than two years consecutively, then a residency application (*Forma Migratoria 2, or FM2*) is required. Applications must be submitted by the employer in Mexico directly to the *Secretaría de Gobernación (SG)*, Secretariat of the Interior.

## **TRADERS AND INVESTORS**

This category is for use by Canadian citizens and/or firms who own, or who have a controlling interest in, a business enterprise that is to be set up or is already in operation in Mexico. Either substantial trade or substantial investment must be involved.

Traders are business persons seeking to do substantial trade in goods or services. They must be employed in a capacity that is supervisory or executive, or which involves "essential skills". Investors are business persons seeking to develop and direct the operations of an enterprise in which they have invested, or are actively in the process of investing, a substantial amount of capital.

Eligible persons must obtain an *FM3 (Forma Migratoria 3)* visa from one of the Mexican consular offices in Canada or the Mexican Embassy, complete an application form and pay the applicable fee (\$424 Mexican pesos). The visa is normally issued within five working days and is good for one year, renewable for an additional four years. If the person has entered Mexico with an *FMN* form (good for 30 days), an *FM3* visa must be obtained from a National Migration Institute office before commencing work in Mexico.

## **OPTIONS FOR STRUCTURING A BUSINESS**

### **PARTNERING WITH A MEXICAN FIRM**

Partnering is an increasingly popular vehicle used by firms of all sizes to enter foreign markets. A good partner can provide the market knowledge, infrastructure, human resources and cultural counselling which are vital to successful market entry. Partnering can be especially important in service businesses which depend on a high degree of personal contact and cross-cultural communication. And in certain cases, Canadian professionals without Mexican accreditation can work through a local partner to deliver their services.

## TEMPORARY BUSINESS

Many of the corporate vehicles described in this section are permanent and of little interest to service providers who work on a project-by-project basis on limited-term contracts. The Mexican government is beginning to take steps that will accommodate the needs of short-term service providers. In 1994 the *Comisión de Inversión Extranjera (CIF)*, Foreign Investment Commission, began to authorize business entities in Mexico that would be established for the sole purpose of carrying out contracts with government agencies. Non-resident companies are now being given a two-year temporary but renewable approval from the *CIF*.

## SOLE PROPRIETORSHIPS

As in many countries of the western world, *Empresa de Persona Física*, or sole proprietorship, is a popular type of organization for a small business. But the element of unlimited liability generally restricts its use to small operations. This is particularly true, given the substantial severance pay entitlements of Mexican employees.

## PARTNERSHIPS

Mexican corporate law has specific provisions for partnerships. The *Sociedad de Responsabilidad Limitada*, is a limited liability partnership similar to a corporation. It has, on occasion, been used by foreign investors. The general partnership, *Sociedad en Nombre Colectivo (S. en N.C.)*, is rarely used by foreign investors because it does not involve limitations on liability.

## BRANCHES OF FOREIGN CORPORATIONS

Although branches exist in Mexico, they are at a disadvantage for several reasons. They are not well-regarded by Mexican authorities, cannot own real estate, and cannot claim deductions from transfer payments to the parent company for royalties, interest, fees or other services. Furthermore, establishing a branch takes more time and money than establishing a corporation, and branch charters usually contain more restrictions than corporate charters. The requirements for the establishment of branches under the 1973 investment law are not clearly defined.

## INCORPORATED ENTITIES

The most common form of incorporated business in Mexico is the *Sociedad Anónima* (designated as *S.A.*), which is a corporation as it is understood in Canada. A *Sociedad Anónima de Capital Variable*, (designated as *S.A. de C.V.*), is a corporation with variable capital. In Mexican usage, the company name is followed by the designation, indicating what type of corporation it is. The only difference between an *S.A.* and an *S.A. de C.V.* is the variable portion of the capital stock, which is usually unlimited in the case of the latter. Consequently, the *S.A. de C.V.* is used by foreign investors who want the flexibility of increasing or decreasing the capital invested in the operation. A foreign-owned company incorporated in Mexico is subject to all of the same laws that apply to Mexican-owned corporations.

The following conditions must be met in order to incorporate a *Sociedad Anónima*:

- A minimum capital investment of \$50,000 Mexican pesos, of which 20 percent must be paid up-front.
- A minimum of two shareholders.
- A minimum of two directors on the board. Foreigners may be appointed to the board only in direct proportion to the authorized foreign capital participation in the company. There are no residency requirements for board members.
- The person registering the company must have legal status in Mexico, which means that a foreigner must have an investor's visa. To avoid the time-consuming complications in obtaining this document, it is recommended that the Canadian service provider give a power of attorney to a lawyer in Mexico who, in turn, can register the company.
- The charter and by-laws of the corporation must be certified by a public notary and registered with the *Secretaría de Hacienda y Crédito Público (SHCP)*, Secretariat of Finance and Public Credit. The corporation is considered to exist as of the date of the notarized deed.
- After filing with the *SHCP*, firms must provide a tax domicile. The company must have a physical residence in Mexico. Once registered, the company will be issued a tax registration number, usually a two-to-three-month process. This number must be on all invoices which the company issues.

Incorporating a company in Mexico can take up to three months, depending on the complexity of the project. It is recommended that firms consult a lawyer and tax accountant in Mexico before incorporating. Canadian law firms or banks may be able to recommend a Mexican law firm. Otherwise, consult the Canadian Embassy or consulates in Mexico for referrals.

A public notary is required to register the company at the public registry. Many public notaries are registered in the area of Mexico City and the lawyer with whom the firm works can usually recommend several. Authorization must be obtained for the chosen name of the company; this is handled by a lawyer, although an individual could also channel the request through the appropriate secretariat. If it is a standard incorporation with no foreign investment approval required, the fees for the solicitor will be approximately C \$900. The notary's fees will be approximately C \$1,200.

A report to stockholders must be prepared at least once a year and presented to them at an annual general meeting. Legally, this meeting must be held within four months of the close of the fiscal year. The fiscal year in Mexico for companies is January 1 to December 31. Every business with employees must distribute a portion of its annual profits among all employees, regardless of its form of organization. The amount available for distribution to the employees, in most cases, is calculated at 10 percent of taxable income, adjusted to eliminate inflation-related income or deductions. It would be increased by dividend income, since this is not included in taxable income. There are additional requirements, and the above are noted only as reminders that many issues should be considered before incorporating a company in Mexico.

## **LEGAL CONSIDERATIONS**

### **PRICING**

Service contracts must be drawn up with an eye to minimizing ambiguity. Mexican civil law favours documents over verbal evidence more than Canada's legal system does. The Mexican client's understanding of business issues must be carefully reviewed. This includes such issues as per diem prices, contract overruns, performance standards, and alterations to the terms of the contract.

If a service is unknown to the market and if the firm's service is responding to a pent-up demand for which there are no current suppliers, the company is in a position to become a market price-setter. This allows the firm to set prices that cover all costs associated with delivering the service, including opportunity costs. On the other hand, if the service faces a mature market with a high degree of competition, pricing must be established according to what the market will bear.

## KISEKI ENVIRONMENTAL CORP., CALGARY, ALBERTA

After the devaluation of the peso in December 1994, Mark Bishop considered whether to bid on new Mexican contracts in American dollars, Canadian dollars or in Mexican pesos. Currency fluctuations, which have historically been quite profound in Mexico and other Latin American countries, are just one of many pricing considerations.

His Calgary-based company, Kiseki Environmental Corp., provides industrial and oil field clean-up services. Active in Mexico since 1992, Kiseki has won contracts for environmental services with *Petróleos Mexicanos (Pemex)*, the national oil company, as well as private-sector firms. By incorporating in Mexico and striking working arrangements with half a dozen Mexican environmental remediation service firms, Kiseki gained privileged access to Mexican expertise and labour. "We have been operating as if we were a Mexican entity," explains Mr. Bishop. "We use as much national content as possible, and that includes labour and heavy equipment." Kiseki's network of Mexican associates either operate on a commission basis, or subcontract on projects carried out jointly with *Kiseki de México, S.A. de C.V.*

While this arrangement has worked well for Kiseki, Mr. Bishop adds a couple of caveats. The first lesson he learned was: never close a deal on a handshake. He strongly advises that offshore suppliers draw up contracts to formalize even the most straightforward negotiations. Under Mexican law, an entrepreneur has no recourse to the courts unless there is written documentation to support the claim. Thus, firms should always contract for work in writing, stipulating the costs, the tasks to be performed and the relationship of the contractor to the contracting company.

Mr. Bishop suggests that new entrants in the Mexican market should build in the higher cost of bidding on new contracts. "Bidding in Mexico can often be frustrating, and the amount of related documentation is quite surprising. On government contracts in particular, the amount of paperwork can be burdensome, and those winning contracts can expect payment to be slow. The standard 30- to 60-day payment schedules, with which we are familiar in Canada, do not necessarily apply in Mexico, so collection and interest costs must be factored into the final price."

## INTELLECTUAL PROPERTY PROTECTION

### STANDARDS

Service companies that rely on particular types of equipment to render their services need to consider Mexico's official product standards, referred to as *Normas Oficiales Mexicanas (NOMs)*. Some standards may affect their ability to operate their equipment in Mexico.

Standards are established by the *Dirección General de Normas (DGN)*, Bureau of Standards, which falls within the purview of the *Secretaría de Comercio y Fomento Industrial (Secofi)*, Secretariat of Commerce and Industrial Development. The metric system is used in Mexico and measurements are based on the International System of Units. Advice from the firm's Mexican agent, or a customs broker, will usually be required to find out whether equipment exported to Mexico will require a certificate of compliance with the relevant *NOM*.

### PATENT PROTECTION

New intellectual property legislation, which went into force in June 1991, significantly increases protection for companies licensing or transferring their trademarks, designs, know-how or processes to Mexican companies. The *Ley de Fomento y Protección de la Propiedad Industrial*, Law for the Promotion and Protection of Industrial Property, stipulates that:

- the initial term for trademark protection is extended up to 10 years;
- the term for patents is extended up to 20 years;
- industrial designs, which encompass industrial models and drawings, now receive 15 years protection;
- protection from copyright piracy is increased significantly and extended to computer software;
- Mexico now recognizes internationally accepted markings for trademarks and copyrights; and
- stiff penalties are imposed for infractions of these laws.

These laws are relatively new and the regulations have not yet been fully implemented. It is recommended that Canadian firms seek legal advice on intellectual property protection. There are some additional practices worth noting:

- Slogans. Slogans, which are defined as phrases or sentences whose purpose is to advertise to the public, can gain protection in Mexico only if they are registered.



- Trade names. The *Ley de Fomento y Protección de la Propiedad Intelectual*, Intellectual Property Law, provides the right to claim exclusive use of a trade name.
- Trade secrets. Prior to the *Ley de Fomento y Protección de la Propiedad Intelectual*, Intellectual Property Law, almost no protection existed in Mexico for industrial or trade secrets. Now, however, Mexican law in this area closely resembles more sophisticated industrial norms. Protection is available for trade secrets and industrial information, including methods of marketing, distributing products or rendering services. Unfortunately, the process of determining what constitutes a trade secret is highly qualitative in Mexico, and there is no injunctive relief for unauthorized disclosures or uses of secrets.

## LABOUR ISSUES

Many service companies base their operations on the flexible use of labour. They engage people temporarily, often on a project basis, or they adjust staffing levels to match cyclical variations in their business. Service companies should keep in mind that Mexican labour law embodies a very complex system of protection for workers. Care must be taken to avoid making unnecessary commitments to hire full-time employees.

The labour code includes guidelines on collective bargaining, dismissal, compensation, maximum work hours, vacations, housing benefits, profit-sharing, the right to strike, and social security benefits. These regulations apply to foreign companies which directly employ Mexican citizens.

Statutory benefits are often a large proportion of payroll costs. The law specifies that employers must pay the following benefits on behalf of their employees:

- social security and health care premiums, which can be as high as 21.9 percent of the payroll;
- annual vacation of at least six working days to be compensated at 125 percent of salary;
- an annual bonus of at least 15 days' salary;
- profit sharing equal to 10 percent of pre-tax earnings to be distributed among employees; and
- a workers' housing program, which is mandatory and equal to 5 percent of the payroll.

Mexican labour law also includes stringent requirements for the termination of workers. Companies should study their obligations carefully before hiring full-time employees. Service companies that require only temporary or variable labour should seek legal advice. Otherwise, what they think is a temporary contract might turn out later to be interpreted as an offer of permanent employment under Mexican law.

Dealing with workers is very different in Mexico than it is in Canada and most experts advise hiring a Mexican to handle labour relations, whether the operation is unionized or not.

## **TAX CONSIDERATIONS**

### **MEXICO'S TAX SYSTEM**

Mexico's principal taxes are levied by the federal government. State and municipal governments have more limited tax powers. The main federal taxes levied on businesses are the following:

- corporate income tax of 34 percent;
- *Impuesto al Valor Agregado (IVA)*, value-added tax, of 15 percent;
- import and export taxes; and
- payroll taxes, principally social security.

The states are not authorized to levy general corporate income taxes, although some states levy a payroll tax on salaries and professional fees. Local taxes are mainly restricted to property tax and payroll taxes.

### **ESTABLISHMENTS SUBJECT TO CORPORATE TAXES**

Under Mexican law, any place where business activities are carried out is considered a taxable permanent establishment. Branches and other establishments of foreign corporations are taxed in the same manner as Mexican corporations. If a foreign entity is not registered as a permanent establishment in Mexico and, if it earns income from a Mexican source, income tax must be withheld at the source. These payments are considered as final payments of the income tax without there being any other obligations on the part of the foreign corporation. For professional services, the withholding rate is normally 30 percent of gross revenues. In 1994, new regulations were implemented which may reduce the withholding rate to 15 percent in some cases, depending on the nature of the project and services

rendered. A company which does not expect to declare a substantial profit from its Mexican operations should consider registering as a permanent establishment for tax purposes. It can then elect to be taxed on its net Mexican-source income rather than on gross income.

## **FILING TAX RETURNS**

Corporate taxpayers must make advance income-tax payments on the 17th of every month. Companies with annual incomes below an indexed threshold are allowed to make payments on a quarterly basis. All corporations must use the calendar year for financial and tax purposes and a tax return must be filed within three months of the end of the tax year. Individuals must file personal income-tax returns by the end of April.

## **TAX IMPLICATIONS FOR CANADIAN EMPLOYEES IN MEXICO**

The tax situation of Canadian professionals working in Mexico is determined by their individual residency status, and the residency status of the organization from which they receive income.

Employees rendering services temporarily in Mexico, for no more than 183 days in a 12-month period are considered non-residents. They are exempt from Mexican personal income taxes on income from an employer who does not have a permanent establishment in the country.

If a company is a permanent establishment in Mexico, it will be considered as providing Mexican-source income to the individuals involved. In this case, employees will pay taxes in one of two ways:

- those taking up residency must file a normal income-tax return in Mexico; or
- those classified as non-residents will have taxes withheld at the source.

Individuals will be considered as residents of Mexico when they have established a home in Mexico, unless they are physically in another country for more than 183 days in a calendar year. They must also be able to prove residency, for tax purposes, in that other country. Foreigners working in Mexico under a *Forma Migratoria 3 (FM3)*, business form, are not generally considered residents for tax purposes until they establish their principal home in Mexico.

Residents are subject to progressive income-tax rates. In 1994, the top marginal tax rate was 34 percent. Tax brackets are indexed to inflation and are adjusted quarterly. The maximum rate is achieved very quickly after the first US \$10,000 of income.

Non-residents on temporary assignment for a permanent establishment, up to 183 days a year, pay taxes on their Mexican-source income according to the following schedule. The taxes are withheld at source and are considered final.

Income Bracket (\$ Mexican peso)	US \$ Equivalent	Tax Rate
Up to \$34,224 pesos	Up to \$10,000	exempt
\$34,224 pesos to \$281,794 pesos	\$10,000 to 90,000	15 percent
Greater than \$281,794 pesos	Greater than \$90,000	30 percent

## OTHER TAXES

There are additional corporate and personal taxes that may be imposed on a Canadian company with a Mexican permanent establishment and employees working in Mexico. These include withholding taxes on interest, royalties and licencing fees.

In 1992, Canada became the first country to sign a bilateral tax treaty with Mexico. This eliminates double taxation and may reduce taxes for firms resident in Canada and doing business in Mexico. The treaty supersedes Mexico's tax laws in several areas — notably the taxation of royalties and fees remitted to Canada. There is a uniform withholding rate of 15 percent on remittances from Mexico to Canada. This differs from the general Mexican law providing for up to 35 percent withholding tax on royalty remittances. In addition, the treaty includes limits on rates of withholding tax applicable to dividend remittances, should Mexico institute such a tax.

## SOURCES OF TAX INFORMATION

To gain a good understanding of the tax implications of establishing a business in Mexico — or even employing a sales agent — firms should consult:

- a Mexican accountant or lawyer, or the Canadian office of an international accounting firm with offices in Mexico;
- the Canadian Embassy publication, *Mexico: Basic Legal Aspects of Doing International Business*, published by the Department of Foreign Affairs and International Trade (DFAIT); and
- the book, *Doing Business in Mexico*, published by Price Waterhouse World Firm Limited.

## TAX CONVENTION BETWEEN CANADA AND MEXICO

Effective January 1, 1992, Canada and Mexico entered into a convention on taxes to ensure that individuals and corporations would not be subject to double taxation as a result of doing business in the other country. The convention is administered by Revenue Canada and the *Secretaría de Hacienda y Crédito Público (SHCP)*, Secretariat of Finance and Public Credit. The remittance of dividends from an affiliated company in Mexico, which is carrying on active business and in which the Canadian investor owns a minimum 10 percent interest, is tax free after payment of applicable taxes in Mexico. The withholding tax provisions of the convention have been superseded by more advantageous provisions recently introduced into Mexican tax law.

This was the first comprehensive double taxation convention signed by Mexico. It is generally patterned on the model of double taxation conventions prepared by the United Nations and the Organization for Economic Cooperation and Development (OECD).

## LOGISTICS

### BANKING

An individual can open a bank account by simply going to a Mexican bank and requesting that an account be opened.

A company registered in Mexico can open an account only if it presents documents certifying its status as a registered Mexican company as well as providing the tax registration number it received from the *Secretaría de Hacienda y Crédito Público (SHCP)*, Secretariat of Finance and Public Credit.

## REAL ESTATE PRACTICES IN MEXICO

Leases are typically for three to five years although some 10-year leases are available in AAA-class buildings. These buildings feature a prime location, top-of-the-line improvements and modern systems. A lease is a legally binding document which the landlord must, by law, register with government authorities. Considerable documentation is required to execute a lease with a corporate tenant.

Normally, the quoted "rent" includes maintenance expenses, common area expenses, security, real estate taxes and air conditioning during operating hours. Value-added tax of 15 percent is not included. Rents may be quoted either in pesos or US dollars. The latter is most common for high-end buildings. Rental rates are adjusted during the term of the lease using the national inflation index.

In addition, tenants pay for electricity and water based on usage, as well as janitorial service inside their units. In some buildings, tenants can make arrangements for after-hours air conditioning of their premises.

Commercial office space is normally measured by net usable area. In AAA-class buildings, some landlords have been quoting in rental area terms, which includes a percentage of the common areas. This part of the lease is usually negotiable.

In general, office space is offered in an "as is" condition at the time of the closing. This usually means that the premises are in the condition left by the last tenant. Landlords of new buildings will offer the space in a raw shell form.

Rent is paid on a monthly basis, usually in advance at the landlord's address, or the landlord may collect the rent as a courtesy service.

It is common practice for the landlord to approve any important alterations to the premises, which have to be paid for by the tenant. As with almost any other condition, tenant improvements are subject to negotiation.

Information adapted from Colliers Macaulay Nicolls, 1995 Survey of International Real Estate Practices. New York: Colliers International, p. 31.

All major Canadian banks have a presence in Mexico although they are not engaged in retail banking. They can facilitate such transactions as cashing letters of credit, making bank transfers, negotiating local trade financing and obtaining credit references on Mexican buyers. Doing business in Mexico is often frustrating, and the amount of documentation required is substantial. On government contracts in particular, the amount of paperwork can be onerous, and those winning contracts can expect payment to be slow. Therefore, collection and interest costs must be factored into the service price.

## REAL ESTATE

Although service companies do not need to invest in the elaborate production facilities typical of manufacturers, they still require offices equipped with appropriate telecommunication links, reliable utilities such as electricity, and a location close to key clients.

Unfortunately, Mexico's largest cities have a shortage of modern, service-oriented office sites suitable for a foreign office or service outlet. This shortage has contributed to very high prices. Multiple listings do not exist and coordination between real estate offices is limited. As a result, the service firm looking for the right kind of office space may have to invest a significant amount of time in knocking on doors and trying to track down the owners or agents who are handling a particular property. Service firms entering Mexico for the first time should be prepared to spend more time and resources in this area than they may have anticipated at the outset.

Firms seeking temporary business space may also have problems. Mini-office facilities with supporting business services are still not readily available in Mexico. Many new service exporters use the business service centres of the major high-end hotels. Facilities may also be available through the World Trade Centre network.



Once a company has defined its market entry strategy and identified a potential agent, partner or client, it must negotiate the appropriate agreements. Depending on the complexity of the transaction, this process can be extremely time-consuming. Mexicans like to save face, and negotiations in Mexico tend to be non-confrontational. As a result, there is a tendency to avoid addressing difficult issues. Vital questions may be overlooked only to resurface later when least expected or desired. For this reason, the parties to a negotiation should agree in advance on the items that must be resolved between them.

Start any negotiation by defining the firm's own objectives clearly, and communicating them to the other party. At the same time, make sure that the other company's objectives are understood. This way, the parties can decide early on if a deal is possible and whether it is worth detailed negotiations. Select a negotiating team and brief everyone on the issues, the firm's priorities, and the objectives of the other company. Evaluate the needs and the resources of both parties in terms of capital, technology and people. Arrange items for discussion according to their importance. These preliminary steps will help to ensure that negotiations are both efficient and fruitful.

### **PARTNERSHIP AGREEMENTS**

The main issues to be resolved in any agreement with prospective partners include:

- the structure of the alliance
- the markets to be pursued, and who has responsibility for doing so
- methods of technology transfer
- sources of financing
- legal and taxation strategies
- the contributions and functions of the partners

### **AGENT AND REPRESENTATIVE AGREEMENTS**

Many services can be sold through an agent or representative. In some cases, this arrangement will be an experimental first step to test the Mexican market. If successful, it will be followed by a full partnership with a Mexican firm. The following items should be covered in any agency agreement:

- a description of the services to be sold
- the territory in Mexico to which the agreement applies

- the duration of the agreement
- the terms of payment of the commission
- responsibilities for promotion and advertising expenses
- responsibilities for client training
- follow-up service arrangements and responsibilities
- a non-competition clause
- pricing and payment terms related to the service
- access to clients
- limitations and liabilities of the parties
- intellectual property rights

## **TRANSACTIONS IN SPANISH**

Service businesses depend upon personal credibility and trust among prospective partners, agents and representatives as well as clients. In Mexico, this means developing personal relationships. Although a knowledge of the Spanish language may not be necessary during preliminary visits, it will take on increasing importance as involvement and commitment to doing business in Mexico expands.

If the firm does not have Spanish capability internally, an interpreter should be hired to work with the company's representatives in Mexico. The interpreter must understand the nuances of what the firm's representatives are trying to say. Conducting a business meeting in Spanish, even if this must be done through an interpreter, will ensure the firm's message is clearly delivered. As well, the firm itself is more likely to obtain a good understanding of the potential client's perspective.

## **PROBLEM AREAS**

The negotiation of a service contract will potentially require more personal interaction than the negotiation of a similar deal for the sale of goods. Be prepared to spend time gaining the trust of the client or partner. In the case of a representative, particular care must be taken to ensure that the individual has the contacts and clout needed to make things happen on the firm's behalf.

Little progress will be made in negotiations unless there is someone in Mexico representing the firm's interests on a daily basis. This is particularly true for a potential partnership agreement. Unless company representatives can be present throughout the process, they will need someone in Mexico with the authority to push the negotiations along.

No matter what type of agreement is negotiated, provisions for training must be included. This is crucial in the case of a service to be delivered by a Mexican partner. To be competitive, the service must meet and surpass the standard of service offered by the competition. Training is key to service quality.

**LIZOTTE CONSULTANTS LTD.,  
RIVIÈRE VERTE,  
NEW BRUNSWICK**

"We minimized our financial risk when we first began working in Mexico by diversifying our client base. We targetted international companies and American-based companies. These were often firms with whom we had contracted in the past. The contracts were denominated in American dollars and letters of credit were drawn on banks in the United States. This gave us time to learn about the methods of payment and the financial risks involved," advised a company official.

"We have also found that Canadian commercial banks established in Mexico have been helpful in providing financial instruments to back our business. They have financed our transactions through Mexican banks who have, in turn, assumed the credit risk of the Mexican client. This mechanism has provided the added benefit of offering our client-base in Mexico internationally-competitive interest rates."

## GETTING PAID

### TERMS OF PAYMENT

Until the Canadian firm has experience with a buyer and trusts the buyer's ability to meet current financial obligations, it is best to sell on the basis of an irrevocable letter of credit (ILC). Where extended terms are necessary, the firm can take a term ILC, discount this instrument with its bank and then build the discount into the price. Clients are often pleased with these terms because, in effect, it provides them with 6 to 8 percent money for a period of 90 to 180 days.

When dealing on open account terms, it is critical to perform a thorough credit check on each client. Speak with the client's bank, suppliers and clients personally. It is inadvisable to deal on open terms until the financial risk is fully revealed. Set the terms of payment such that they include an incentive to pay on time. For instance, if the firm has Export Development Corporation (EDC) insurance against non-payment of accounts receivable, the co-insurance factor will be 10 percent. Include this 10 percent in the price and advise the client that all payments received on time will receive a 10 percent credit or rebate.

### PAYMENT DELAYS

Be prepared for payment delays. It has been customary in Mexico to collect accounts due in person, and some companies maintain a collection staff. If the amounts are significant and the delays unacceptable, visit the buyer to sort out any problems personally.

A number of excellent texts have been prepared by various banks on the subject of foreign accounts receivable and collections. The Canadian Bankers' Association, Royal Bank of Canada and the Bank of Nova Scotia all have publications which provide practical advice on this subject.

**LIVINGSTON GROUP INC.,  
MISSISSAUGA, ONTARIO**

A local presence will go a long way toward simplifying financial transactions with bankers and creditors. "Get a partner," says Mr. Lasky, director of Mexican trade, "and save time in achieving your goals: in financing, banking and, last but not least, in collecting your receivables."

In Mexico there really is no notion of the cheque being "in the mail" explains Mr. Lasky. The fact that the Mexican postal system is not very efficient or reliable is only part of the equation. Tradition dictates that vendors collect their cheques in person. On presenting an invoice, the creditor will be issued a standard voucher called a *contrarecibo* which will stipulate the day on which the cheque will be drawn. However, this date is subject to change, due to a number of variables. Mr. Lasky recalls how, in a company which he owned and managed in Mexico, he retained three full-time collection agents equipped with motorcycles to scoot around Mexico City and line up for payments. "Also, be very cautious with credit," he says, "as the legal system doesn't support creditors to the extent that it does in Canada."

## EXPORT DEVELOPMENT CORPORATION FINANCING

The Export Development Corporation (EDC) offers various lines of credit for sales to Mexico of Canadian goods and services. Services must usually be linked to equipment sales or to capital projects and be worth more than US \$50,000. The credit risk is assumed by a Mexican bank. Therefore, the Mexican buyer must satisfy the criteria established by the local bank before the line of credit with EDC can be drawn down. The Canadian seller or partner should be prepared to help the domestic purchaser or partner to structure a request for financing.

The Mexican banking system's transaction documentation requirements resemble those in Canada, except for one feature. Most Mexican banks perform their credit analysis by first ensuring that there is a sufficient asset base to provide collateral against the loan. Often they will be looking for two-to-one coverage of their liability. Once satisfied on this score, the Mexican bank will then consider other aspects of the transaction. The paperwork involved in obtaining the agreement of the Mexican bank is onerous.

## WHERE TO GET HELP

### CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN CANADA

#### DEPARTMENT OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE (DFAIT)

DFAIT is the Canadian federal government department most directly responsible for trade development. The InfoCentre should be the first contact point for advice on how to start exporting. It provides information 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>

\*FaxLink is a faxback system which provides summaries on a range of Mexican markets. It must be contacted through your fax machine. Dial from your fax phone and follow the voice prompt instructions.

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 satellite offices 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) 996-6142

Service Industries and Transportation Division (TPS)  
Department of Foreign Affairs and International Trade  
Lester B. Pearson Building  
125 Sussex Drive  
Ottawa, ON K1A 0G2  
Tel.: (613) 992-0484  
Fax: (613) 996-1225

#### INTERNATIONAL TRADE CENTRES (ITCs)

International Trade Centres have been established across the country as a convenient point of contact to support the exporting efforts of Canadian firms. 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 market research and planning, provide access to government programs designed to promote exports, and arrange for assistance from the trade commissioners in Ottawa and trade officers abroad. Contact the International Trade Centre nearest you:

##### Newfoundland

International Trade Centre  
P.O. Box 8950  
Atlantic Place  
215 Water Street  
Suite 504  
St. John's, NF A1B 3R9  
Tel.: (709) 772-5511  
Fax: (709) 772-2373

##### Prince Edward Island

International Trade Centre  
P.O. Box 1115  
Confederation Court Mall  
134 Kent Street  
Suite 400  
Charlottetown, PE C1A 7M8  
Tel.: (902) 566-7443  
Fax: (902) 566-7450

**Nova Scotia** International Trade Centre  
P.O. Box 940, Station M  
1801 Hollis Street  
Fifth Floor  
Halifax, NS B3J 2V9  
Tel.: (902) 426-7540  
Fax: (902) 426-2624

**New Brunswick** International Trade Centre  
P.O. Box 1210  
1045 Main Street  
Unit 103  
Moncton, NB E1C 1H1  
Tel.: (506) 851-6452  
Fax: (506) 851-6429

**Quebec** International Trade Centre  
5 Place Ville-Marie  
Suite 800  
Montreal, PQ H3B 2G2  
Tel.: (514) 283-6328  
Fax: (514) 283-8794

**Ontario** International Trade Centre  
Dominion Public Building  
1 Front St. West  
Fourth Floor  
Toronto, ON M5J 1A4  
Tel.: (416) 973-5053  
Fax: (416) 973-8161

**Manitoba** International Trade Centre  
P.O. Box 981  
400 St. Mary Avenue  
Fourth Floor  
Winnipeg, MB R3C 4K5  
Tel.: (204) 983-5851  
Fax: (204) 983-3182

**Saskatchewan** International Trade Centre  
The S.J. Cohen Building  
119-4th Avenue South  
Suite 401  
Saskatoon, SK S7K 5X2  
Tel.: (306) 975-5315  
Fax: (306) 975-5334

International Trade Centre  
1919 Saskatchewan Drive  
Sixth Floor  
Regina, SK S4P 3V7  
Tel.: (306) 780-6124  
Fax: (306) 780-6679

**Alberta**  
*\*Edmonton office is  
also responsible for  
Northwest Territories*

International Trade Centre  
Canada Place  
9700 Jasper Avenue  
Room 540  
Edmonton, AB T5J 4C3  
Tel.: (403) 495-2944  
Fax: (403) 495-4507

International Trade Centre  
510-5th Street S.W.  
Suite 1100  
Calgary, AB T2P 3S2  
Tel.: (403) 292-6660  
Fax: (403) 292-4578

**British Columbia**  
*\*Vancouver office is also  
responsible for the Yukon*

International Trade Centre  
P.O. Box 11610  
300 West Georgia Street  
Suite 2000  
Vancouver, BC V6B 6E1  
Tel.: (604) 666-0434  
Fax: (604) 666-0954

## **WORLD INFORMATION NETWORK FOR EXPORTS (WIN 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 24,000 Canadian exporters. For general information, call (613) 944-4WIN(4946); to register on WIN Exports, call (613) 996-2057, or fax 1-800-667-3802 or (613) 944-1078.

## **PROGRAM FOR EXPORT MARKET DEVELOPMENT (PEMD)**

PEMD is DFAIT's primary export promotion program. It supports a variety of activities to help Canadian companies expand into export markets.

PEMD shares up to 50 percent of eligible expenses. Program financial assistance is a repayable contribution, not a grant, and must be approved in advance. Funded activities include:

- Market Development Strategies, which consist of a package of support for visits, trade fairs, and market support initiatives, under one umbrella of the company's marketing plan.
- New to Exporting Companies, which provides a vehicle for these companies to seek out individual export opportunities, either through a market identification visit or participation in an international trade fair.



- Capital Projects Bidding for specific projects outside Canada involving international competition/formal bidding procedures.
- Trade Association Activities undertaken by non-sales national trade or industry associations on behalf of their member companies.

For general information, call the InfoCentre at 1-800-267-8376. For applications for assistance through this program, call the International Trade Centre nearest you. In Quebec, PEMD is administered by the 13 regional offices of the Federal Office of Regional Development (FORD Q), listed separately below.

### INTERNATIONAL FINANCING

DFAIT helps Canadian exporters interested in pursuing multilateral business opportunities financed by international financing institutions (IFIs). 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 Financing Division

Department of Foreign Affairs and International Trade  
Lester B. Pearson Building  
125 Sussex Drive  
Ottawa, ON K1A 0G2  
Tel.: (613) 944-0910  
Fax: (613) 943-1100

### TECHNOLOGY INFLOW PROGRAM (TIP)

Managed by DFAIT and delivered domestically by the Industrial Research Assistance Program at the National Research Council, TIP is designed to help Canadian companies locate, acquire and adopt foreign technologies by promoting international collaboration. Industry Canada (IC) also helps in program promotion. TIP officers respond to requests to identify technology sources and opportunities for cooperation between Canadian and foreign firms. The Program also helps Canadian firms make exploratory visits abroad to identify and gain first-hand knowledge of relevant foreign technologies, as well as how to negotiate to acquire them. For information, call (613) 993-5326.

### INDUSTRY CANADA (IC)

IC was created with a broad mandate to make Canada more competitive by fostering the growth of Canadian businesses, by promoting a fair and efficient marketplace for business and consumers, and by encouraging commercial ventures in scientific research and technology. 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 both 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; and
- promote and provide support services for the marketing of Canadian goods, services and technology.

The regional offices of IC 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 as well as trade and market development. IC also promotes and manages a portfolio of programs and services.

The following are areas in which IC 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
- business intelligence.

**Business Service Centre**  
Industry Canada  
235 Queen Street  
First Floor, East Tower  
Ottawa, ON K1A 0H5  
Tel.: (613) 941-0222  
Fax: (613) 957-7942

**NAFTA Information Desk**  
Industry Canada  
235 Queen Street  
Fifth Floor, East Tower  
Ottawa, ON K1A 0H5  
Fax: (613) 952-0540

### **STRATEGIS**

Canada's largest business web site, Strategis, gives business direct access to the latest information on specific industries, export opportunities, company capabilities, international intelligence and business contacts via the Internet. It also includes information on new technologies and processes, management experts, market services, government programs, micro-economic research and much more. In addition to these information resources, Strategis provides businesses with easy access to Industry Canada experts. Canadian companies will be able to browse the site to find out about market opportunities in Canada and abroad, new state-of-the-art technologies, key alliances, training resources and government programs. The International Business Information Network, one section of the site, contains first-hand information on products in demand, market conditions, competitors and business opportunities abroad.

### **Strategis**

Industry Canada  
235 Queen Street  
Ottawa, ON K1A 0H5  
Tel.: (613) 954-5031  
Fax: (613) 954-1894  
Internet: <http://www.hotline.service@strategis.ic.gc.ca>

### **REVENUE CANADA**

Revenue Canada, Trade Administration Branch provides service and information on NAFTA regulations in English, French and Spanish. Revenue Canada publications and customs notices are also available by calling or faxing the NAFTA Information Desk.

**NAFTA Information Desk**  
Revenue Canada, Trade Administration Branch  
555 Mackenzie Avenue  
First Floor  
Ottawa, ON K1A 0L5  
Tel.: 1-800-661-6121, or (613) 941-0965  
Fax: (613) 952-0022

### **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 (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. 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 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 that 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 Cooperation Division is suggested. An important CIDA criterion is that the project create 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  
Fax: (819) 953-5024

### **ATLANTIC CANADA OPPORTUNITIES AGENCY (ACOA)**

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

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

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

## **THE FEDERAL OFFICE OF REGIONAL DEVELOPMENT (QUEBEC), (FORD Q)**

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

FORD Q provides one-stop access to federal services and programs aimed at SMEs, particularly with regard to innovation, research and development (R&D), design, market development and entrepreneurship. Through its 13 Small Business Access Centres, FORD Q provides access to Team Canada export services and programs in the areas of awareness, export preparation, information, networking, advice and counselling, funding and access to funding.

In terms of access to funding, PEMD, with the exception of the component on preparing projects for submission, is delivered through the Small Business Access Centres. IDEA-SME, a FORD Q program, can also support firms during the export process. In addition, through alliances with banks, Small Business Access Centre advisors can facilitate access to funding for foreign marketing strategy projects.

**Small Business Access Centre**  
Abitibi/Témiscamingue  
906 5th Avenue  
Val d'Or, PQ J9P 1B9  
Tel.: (819) 825-5260  
Fax: (819) 825-3245

**Small Business Access Centre**  
Bas Saint-Laurent/Gaspésie/Îles-de-la-Madeleine  
212 Belzile Street  
Suite 200  
Rimouski, PQ G5L 3C3  
Tel.: (418) 722-3282  
Fax: (418) 722-3285

**Small Business Access Centre**  
Bois-Francis  
Place du Centre  
150 Marchand Street  
Suite 502  
Drummondville, PQ J2C 4N1  
Tel.: (819) 478-4664  
Fax: (819) 478-4666

**Small Business Access Centre**  
Côte-Nord  
701 Laure Boulevard  
Suite 202B  
P.O. Box 698  
Sept-Îles, PQ G4R 4K9  
Tel.: (418) 968-3426  
Fax: (418) 968-0806

**Small Business Access Centre**  
Estric  
1335 King Street West  
Suite 303  
Sherbrooke, PQ J1J 2B8  
Tel.: (819) 564-5904  
Fax: (819) 564-5912

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

**Small Business Access Centre**  
Laval/Laurentides/Lanaudière  
Tour du Triomphe II  
2540 Daniel-Johnson Boulevard  
Suite 204  
Laval, PQ H7T 2S3  
Tel.: (514) 973-6844  
Fax: (514) 973-6851

**Small Business Access Centre**  
Mauricie  
Immeuble Bourg du Fleuve  
25 des Forges Street  
Suite 413  
Trois-Rivières, PQ G9A 2G4  
Tel.: (819) 371-5182  
Fax: (819) 371-5186

**Small Business Access Centre**  
Montérégie  
Complexe Saint-Charles  
1111 Saint-Charles Street West  
Suite 411  
Longueuil, PQ J4K 5G4  
Tel.: (514) 928-4088  
Fax: (514) 928-4097

**Small Business Access Centre**  
Nord-du-Québec  
800 Place Victoria Tower  
Suite 3800  
P.O. Box 247  
Montreal, PQ H4Z 1E8  
Tel.: (514) 283-5174  
Fax: (514) 283-3637

**Small Business Access Centre**  
Outaouais  
259 Saint-Joseph Boulevard  
Suite 202  
Hull PQ J8Y 6T1  
Tel.: (819) 994-7442  
Fax: (819) 994-7846

**Small Business Access Centre**  
Quebec City/Chaudière/Appalaches  
905 Dufferin Avenue  
Second Floor  
Quebec City, PQ G1R 5M6  
Tel.: (418) 648-4826  
Fax: (418) 648-7291

**Small Business Access Centre**  
Saguenay/Lac-Saint-Jean  
170 Saint-Joseph Street South  
Suite 203  
Alma, PQ G8B 3E8  
Tel.: (418) 668-3084  
Fax: (418) 668-7584

## **WESTERN ECONOMIC DIVERSIFICATION CANADA (WD)**

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

WD's "New Directions" program will work to enhance the export position of western companies by boosting their competitiveness in domestic and global markets.

The Department no longer provides repayable loans to individual companies, but seeks new innovative partnerships within both the public and private sectors. These partnerships will address the needs of small- and medium-sized enterprises for information, business services and capital, particularly for high growth industries critical to Western Canada's economic diversification.

One of WD's new products focussed on export development is the International Trade Personnel Program. This federal-provincial initiative links export-focussed western firms with recent post-secondary graduates. The program accomplishes two important socio-economic goals: it gives companies the extra person-power they need to penetrate new markets, and it gives recent graduates valuable work experience. Under the new program, the length of export-development projects may vary from one to three years. Approved projects will be eligible for assistance ranging from C \$7,500 for one year, to a maximum of C \$37,500 per graduate over the three-year period. For more information, contact:

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

## **EXPORT DEVELOPMENT CORPORATION (EDC)**

EDC helps Canadian exporters compete in world markets by providing a wide range of financial and risk management services, including export credit insurance, financing to foreign buyers of Canadian goods and services, and guarantees.

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. For more information on the range of services available, please refer to the customer teams below.

### **Base and Semi-Manufactured Goods Team:**

Tel.: (613) 598-2823  
Fax: (613) 598-2525

### **Consumer Goods Team:**

Tel.: (613) 597-8501  
Fax: (613) 598-2525

### **Emerging Exporters Team:**

Tel.: 1-800-850-9626  
Fax: (613) 598-6871

### **Financial Institutions Team:**

Tel.: (613) 598-6639  
Fax: (613) 598-3065

### **Forestry Team:**

Tel.: (613) 598-2936  
Fax: (613) 598-2525

### **Engineering and Professional Team:**

Tel.: (613) 598-3162  
Fax: (613) 598-3167

### **Industrial Equipment Team:**

Tel.: (613) 598-3163  
Fax: (613) 597-8503

### **Information Technologies Team:**

Tel.: (613) 598-6891  
Fax: (613) 598-6858

### **Transportation Team:**

Tel.: (613) 598-3164  
Fax: (613) 598-2504

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) 598-6858

### **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

### **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

**Industrial Research Assistance Program**  
National Research Council  
Montreal Road  
Building M-55  
Ottawa, ON K1A 0R6  
Tel.: (613) 993-1790  
Fax: (613) 952-1079

## **CANADIAN COMMERCIAL CORPORATION (CCC)**

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, and guarantees to 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

## **NATIONAL RESEARCH COUNCIL (NRC)**

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

The IRAP network, working primarily with small- and medium-sized Canadian firms, supports the process of developing, accessing, acquiring, implementing and using technology throughout Canadian industry. IRAP has a 50-year history of providing technical advice and assistance to Canadian firms and has acquired a reputation as one of the most flexible and effective federal programs. IRAP takes advantage of the advice of industrial technology advisors who are situated in more than 165 different locations within approximately 90 communities across Canada, including numerous provincial technology centres, the NRC's own laboratories and research institutes, federal government departments, and technology transfer offices in Canadian universities. For further information, contact:

## KEY CONTACTS IN CANADA

### BUSINESS AND PROFESSIONAL ASSOCIATIONS

Association of Consulting Engineers of Canada  
130 Albert Street  
Suite 616  
Ottawa, ON K1P 5G4  
Tel.: (613) 236-0569  
Fax: (613) 236-6193

Royal Architectural Institute of Canada (RAIC)  
55 Murray Street, Suite 330  
Ottawa, ON K1N 5M3  
Tel.: (613) 232-7165  
Fax: (613) 232-7559

Canadian Bankers Association  
P.O. Box 348  
Commerce Court Postal Station  
Toronto, ON M5L 1G2  
Tel.: (416) 362-6090  
Fax: (416) 362-7705

Canadian Life and Health Insurance Association (CLHIA)  
1 Queen Street East  
Suite 1700  
Toronto, ON M5C 2X9  
Tel.: (416) 777-2221  
Fax: (416) 777-1895

Latin American Network Information Centre  
University of Texas  
Austin, TX  
E-mail: [info@lanic.utexas.edu](mailto:info@lanic.utexas.edu)  
Internet: <http://www.lanic.utexas.edu>

Canadian Council for the Americas (CCA)  
The Council is a non-profit organization formed in 1987 to promote business interests in Latin American as well as Caribbean countries. The CCA promotes events and programs targetted at expanding business and building networking contacts between Canada and the countries of the region.

Canadian Council for the Americas  
Executive Offices  
360 Bay Street  
Suite 300  
Toronto, ON M5H 2V6  
Tel.: (416) 367-4313  
Fax: (416) 367-5460

Alliance of Manufacturers and Exporters Canada  
99 Bank Street  
Suite 250  
Ottawa, ON K1P 6B9  
Tel.: (613) 238-8888  
Fax: (613) 563-9218

Alliance of Manufacturers and Exporters Canada  
75 International Boulevard  
Fourth Floor  
Etobicoke, ON M9W 6L9  
Tel.: (416) 798-8000  
Fax: (416) 798-8050

The Canadian Chamber of Commerce  
55 Metcalfe Street  
Suite 1160  
Ottawa, ON K1P 6N4  
Tel.: (613) 238-4000  
Fax: (613) 238-7643

Forum for International Trade Training Inc.  
155 Queen Street  
Suite 608  
Ottawa, ON K1P 6L1  
Tel.: (613) 230-3553  
Fax: (613) 230-6808

Language Information Centre  
240 Sparks Street RPO  
Box 55011  
Ottawa, ON K1P 1A1  
Tel.: (613) 523-3510

Open Bidding Service  
P.O. Box 22011  
Ottawa, ON K1V 0W2  
Tel.: 1-800-361-4637 or (613) 737-3374  
Fax: (613) 737-3643

Canadian Standards Association  
178 Rexdale Blvd.  
Etobicoke, ON M9W 1R3  
Tel.: (416) 747-4000  
Fax: (416) 747-4149

Standards Council of Canada  
45 O'Connor Street  
Suite 1200  
Ottawa, ON K1P 6N7  
Tel.: (613) 238-3222  
Fax: (613) 995-4564



## MEXICAN GOVERNMENT OFFICES IN CANADA

The Embassy of Mexico and Mexican consulates can provide assistance and guidance to Canadian companies in need of information about doing business in Mexico. For more information, contact:

**Embassy of Mexico**  
45 O'Connor Street  
Suite 1500  
Ottawa, ON K1P 1A4  
Tel.: (613) 233-8988  
Fax: (613) 235-9123

**Mexican Consulate in Ottawa**  
45 O'Connor Street  
Suite 1500  
Ottawa, ON K1P 1A4  
Tel.: (613) 233-6665  
Fax: (613) 235-9123

### OTHER MEXICAN CONSULATES GENERAL IN CANADA

**Consulate General of Mexico**  
2000 Mansfield Street  
Suite 1015  
Montreal, PQ H3A 2Z7  
Tel.: (514) 288-2502/4916  
Fax: (514) 288-8287

**Consulate General of Mexico**  
199 Bay Street  
Suite 4440  
P.O. Box 266, Station Commerce Court West  
Toronto, ON M5L 1E9  
Tel.: (416) 368-2875/8141/1847  
Fax: (416) 368-8342

**Consulate General of Mexico**  
810-1130 West Pender Street  
Vancouver, BC V6E 4A4  
Tel.: (604) 684-3547/1859  
Fax: (604) 684-2485

### MEXICAN FOREIGN TRADE COMMISSIONS

*Banco Nacional de Comercio Exterior (Bancomext)* is the Mexican Foreign Trade Commission and has offices in Canada. It offers credits, export guarantees and counselling services to Mexican companies seeking to do business in Canada.

## MEXICAN BANKS WITH OFFICES IN CANADA

*Banco Nacional de México (Banamex)*, *Banca Serfin* and *Banca Confia* are private-sector banks which 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 are located throughout Mexico and maintain offices in Toronto.

*Banco Nacional de México (Banamex)*  
1 First Canadian Place  
Suite 3430  
P.O. Box 299  
Toronto, ON M5X 1C9  
Tel.: (416) 368-1399  
Fax: (416) 367-2543

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

*Banca Confia*  
150 York Street  
Suite 408  
Toronto, ON M5H 3A9  
Tel.: (416) 955-9233  
Fax: (416) 955-9227

## CANADIAN GOVERNMENT DEPARTMENTS AND SERVICES IN MEXICO

### TRADE AND ECONOMIC DIVISION

#### THE EMBASSY OF CANADA IN MEXICO

The Trade and Economic Division of the Canadian Embassy and the consulates 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 measures possible to support a Canadian firm's presence in Mexico.

Trade and Economic Division  
The Embassy of Canada in Mexico  
Schiller No. 529  
Col. Polanco  
11560 México, D.F.  
México  
Tel.: (52-5) 724-7900  
Fax: (52-5) 724-7982

Canadian Consulate  
Edificio Kalos, Piso C-1  
Local 108-A  
Zaragoza y Constitución  
64000 Monterrey, Nuevo León  
México  
Tel.: (52-8) 344-3200  
Fax: (52-8) 344-3048

Canadian Consulate  
Hotel Fiesta Americana  
Local 30-A  
Aurelio Aceves No. 225  
Col. Vallarta Poniente  
44110 Guadalajara, Jalisco  
México  
Tel.: (52-3) 616-6215  
Fax: (52-3) 615-8665

## KEY CONTACTS IN MEXICO

### MEXICAN GOVERNMENT AGENCIES

Secretariat of Commerce and Industrial Development  
*Secretaría de Comercio y Fomento Industrial (Secofi)*  
Sub-Secretaría de Comercio Exterior  
Insurgentes Sur No. 1940 — P.H.  
Col. Florida  
01030 México, D.F.  
México  
Tel.: (52-5) 229-6560/6561/6100  
Fax: (52-5) 229-6568

Secretariat of Commerce and Industrial Development  
Bureau of Standards  
*Secretaría de Comercio y Fomento Industrial (Secofi)*  
Dirección General de Normas  
Av. Puente de Tecamachalco No. 6  
Col. Lomas de Tecamachalco  
53950 Tecamachalco, Estado de México  
México  
Tel.: (52-5) 729-9300  
Fax: (52-5) 729-9484

National Telephone Company  
*Teléfonos de México, S.A. de C.V. (Telmex)*  
Parque Vía No. 190  
Col. Cuauhtémoc  
06599 México, D.F.  
México  
Tel.: (52-5) 222-9650, (52-5) 535-2041  
Fax: (52-5) 203-5104

National Mexican Railway  
*Ferrocarriles Nacionales de México (FNM)*  
Jesús García No. 140  
Piso 13, Ala A  
Col. Buenavista  
06358 México, D.F.  
México  
Tel.: (52-5) 541-4004, (52-5) 547-9317  
Fax: (52-5) 547-0959

National Oil Company  
*Petróleos Mexicanos (Pemex)*  
Av. Marina Nacional No. 329  
Col. Huasteca  
11311 México, D.F.  
México  
Tel.: (52-5) 725-2200, (52-5) 250-2611  
Fax: (52-5) 625-4385

Secretariat of Finance and Public Credit  
*Secretaría de Hacienda y Crédito Público (SHCP)*  
Palacio Nacional  
1er. Patio Mariano  
Col. Centro  
06066 México, D.F.  
México  
Tel.: (52-5) 518-5420 through 29  
Fax: (52-5) 542-2821

**Secretariat of Labour and Social Welfare**  
*Secretaría del Trabajo y Previsión Social (STPS)*  
Periférico Sur No. 4271, Edificio A  
Col. Fuentes del Pedregal  
14140 México, D.F.  
México  
Tel.: (52-5) 568-1720, (52-5) 645-3969/5466  
Fax: (52-5) 645-5466

**Secretariat of Foreign Affairs**  
*Secretaría de Relaciones Exteriores (SRE)*  
Ricardo Flores Magón No. 1, Piso 19  
Col. Guerrero  
06995 México, D.F.  
México  
Tel.: (52-5) 782-3660/3765  
Fax: (52-5) 782-3511

**Secretariat of the Interior**  
*Secretaría de Gobernación (SG)*  
Abraham González No. 48  
Col. Juárez  
06699 México, D.F.  
México  
Tel.: (52-5) 705-7394, (52-5) 566-8188  
Fax: (52-5) 546-2631

**Mexican Navy**  
*Secretaría de Marina Armada de México (SMAM)*  
Eje dos Oriente, Tramo Heroica Escuela Naval Militar  
No. 861  
Col. Los Cipreses, Delegación Coyoacán  
04830 México, D.F.  
Mexico  
Tel.: (52-5) 648-8188, (52-5) 679-6411  
Fax: (52-5) ask for extension 3103

**Secretariat of Energy**  
*Secretaría de Energía (SE)*  
Insurgentes Sur No. 552  
Col. Roma Sur  
06769 México, D.F.  
México  
Tel.: (52-5) 564-9789/9790, (52-5) 584-4304/2962  
Fax: (52-5) 564-9769, (52-5) 574-3396

**Secretariat of Communications and Transportation**  
*Secretaría de Comunicaciones y Transportes (SCT)*  
Av. Universidad y Xola, Cuerpo C, P.B.  
Col. Narvarte  
03020 México, D.F.  
México  
Tel.: (52-5) 530-3060, (52-5) 538-5148/0450  
Fax: (52-5) 519-9748

**Secretariat of the Environment, Natural Resources  
and Fisheries**  
*Secretaría del Medio Ambiente, Recursos Naturales y Pesca*  
(*Semarnap*)  
Periférico Sur No. 4209  
Col. Jardines en la Montaña  
14210 México, D.F.  
México  
Tel.: (52-5) 628-0602/0605  
Fax: (52-5) 628-0644

**Secretariat of Social Development**  
*Secretaría de Desarrollo Social (Sedesol)*  
Av. Constituyentes No. 947  
Col. Belén de las Flores  
01110 México, D.F.  
México  
Tel.: (52-5) 271-8481  
Fax: (52-5) 271-8862

**Housing Pension Fund for Private Sector Employees**  
*Instituto del Fondo Nacional para la Vivienda de los*  
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**Mexican Airport Authority**

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**Department of the Federal District**

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*Dirección General de Construcción y*

*Operación Hidráulica*

Plaza de la Constitución y Pino Suárez No. 1, Piso 4

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**Secretariat of the Comptroller General**

*Secretaría de Contraloría y Desarrollo Administrativo (Secodam)*

Insurgentes Sur No. 1735-P.B.

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**National Chamber of Commerce of Mexico**  
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*Universidad Nacional Autónoma de México (UNAM)*  
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Fax: (52-5) 548-9786

**National Institute of Immigration**  
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*El Universal*  
Bucareli No. 8  
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Tel.: (52-5) 709-1313  
Fax: (52-5) 237-0860/0861/0862

*Excelsior*  
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Col. Juárez  
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Tel.: (52-5) 705-1026  
Fax: (52-5) 705-1026 ext

*Business Mexico*  
Lucerna No. 78  
Col. Juárez  
06600 México, D.F.  
México  
Tel.: (52-5) 724-3800  
Fax: (52-5) 703-2911

*Expansión*  
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- poor

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- Other (please specify) \_\_\_\_\_

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- Mexico  Latin America
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12. What is the approximate size of your company?

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To discuss this evaluation may we contact you? If so,

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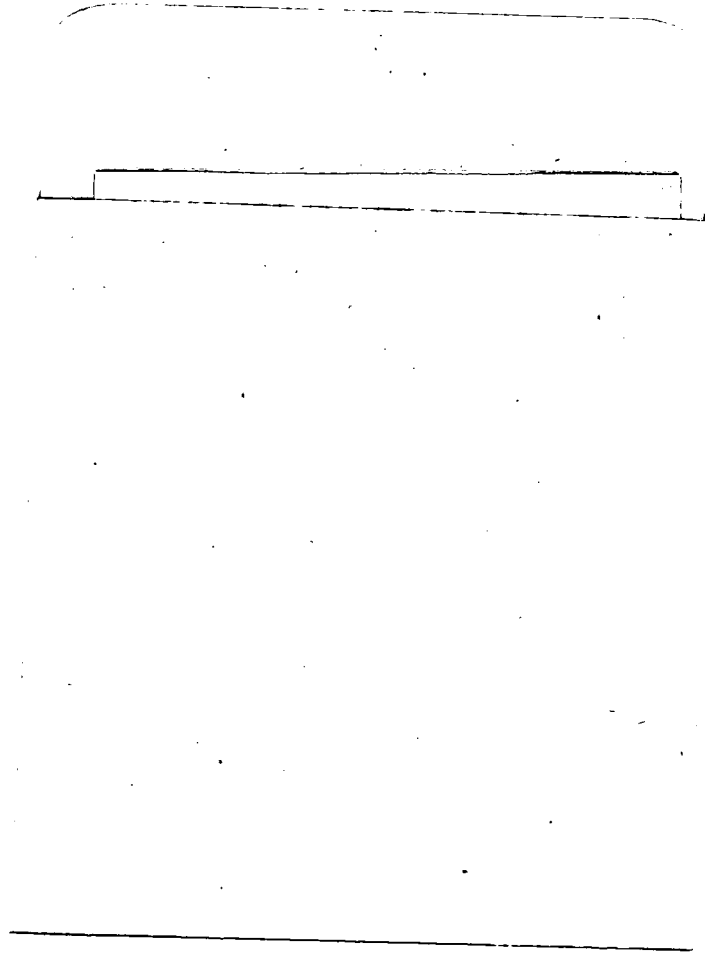
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