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OPPORTUNITIES IN MEXICO: THE GUADALAJARA REGION



Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
et du Commerce international

Latin America & Caribbean Bureau

M A R K E T P R O F I L E - M E X I C O

Opportunities in Mexico: The Guadalajara Region was developed jointly by the Department of Foreign Affairs and International Trade (DFAIT) and Prospectus Inc.

This market profile is designed to provide an overview of market opportunities in Guadalajara, 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 on this region. We encourage the reader to use this publication as one of several resources for commercial dealings with Mexico.

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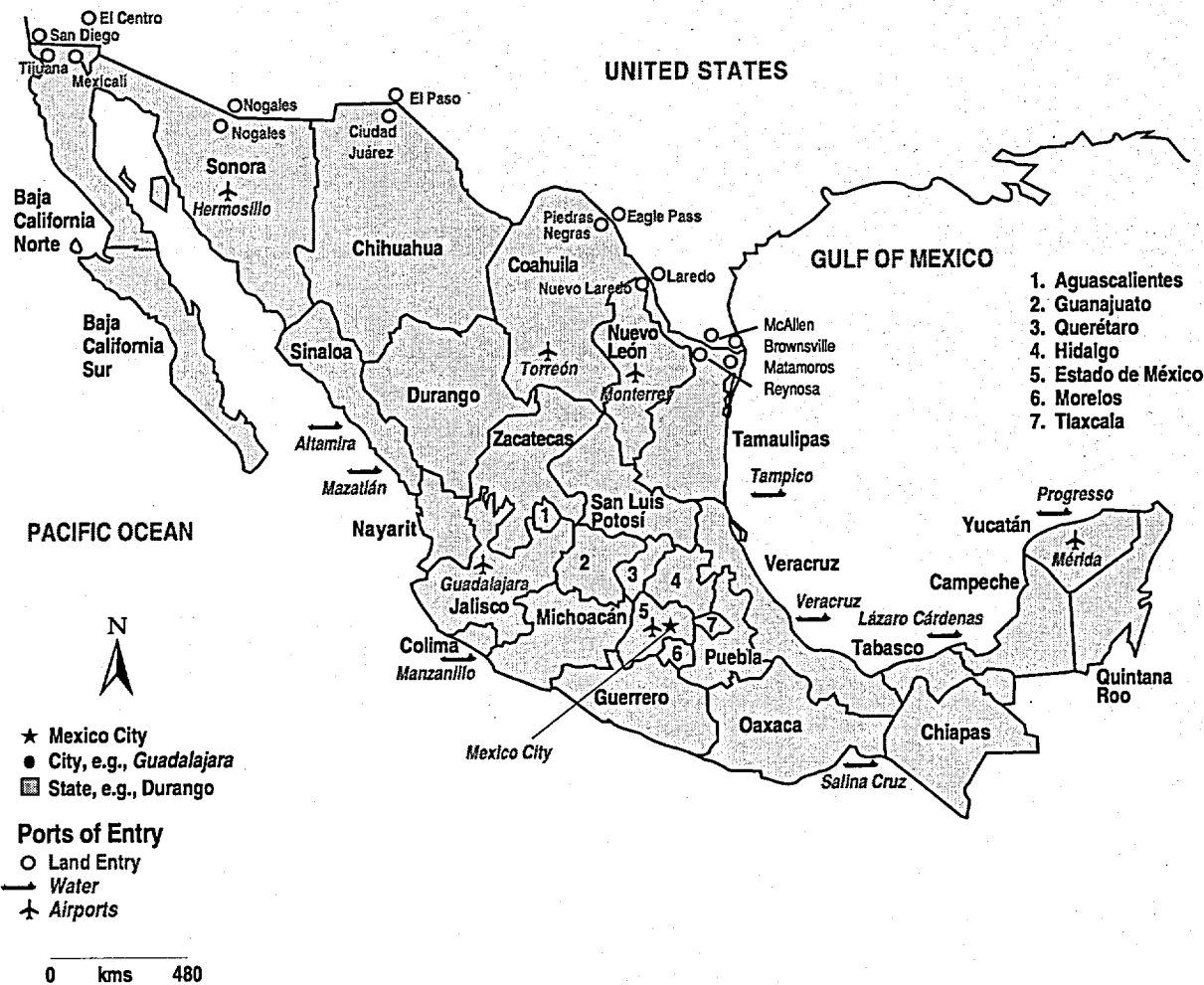
THE GUADALAJARA REGION

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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:

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*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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GUADALAJARA: THE ECONOMIC CENTRE OF WESTERN MEXICO

Guadalajara is Mexico's second-largest metropolitan area, the capital of the state of Jalisco on the Pacific Coast, and the focal point of the dynamic industrial region of western Mexico. Puerto Vallarta, one of the nation's premier tourist destinations, helps to draw 6 million visitors a year to the area. The western region is also a leading agricultural producer, known as the "breadbasket of Mexico."

Furthermore, the Guadalajara Metropolitan Zone (GMZ), with some three million inhabitants, is a major retail centre. So it is not surprising that the Department of Foreign Affairs and International Trade (DFAIT) chose the city for its third official Canadian "post" in Mexico. It adds new commercial services to those already provided by the embassy in Mexico City and the consulate in Monterrey.

ON THE ROAD TO RECOVERY

The new consulate opened in a climate of economic turmoil. The devaluation of the peso in December 1994, spawned a crisis that cut deeply into Mexican imports. Considering Canada's relatively small market share prior to the crisis, this market disruption actually created as many opportunities as it destroyed.

Traditional lines of supply disintegrated as conventional Mexican companies scrambled to restructure and exploit the export boom fueled by the cheap peso. During 1995, Mexico's imports from Canada rose by about 8 percent, while imports from the world dropped by 9 percent. Mexico's non-petroleum exports increased by one-third, but companies that depended upon domestic markets suffered badly. In Jalisco alone, 53,000 formal private-sector jobs were lost, a drop of 7.4 percent.

As the recovery began in the last quarter of 1995, western Mexico was able take advantage of the export boom. By May 1996, formal employment in Jalisco returned to 98 percent of the November 1994 level. There is still a long way to go to catch up with labour-force growth over the last two years, but almost 9,000 jobs were created in May alone. All of the other states in the region, except Nayarit, have recovered even more strongly than Jalisco. Meanwhile, the Federal District, the traditional engine of economic growth, remained at only 91 percent of pre-crisis employment, with only 2,000 new jobs in May.

A STRATEGIC LOCATION

The export advantages of western Mexico are derived partly from its strategic location. There are road and rail links to the Federal District and to the western United States. The port of Manzanillo now has privatized terminal facilities which provide excellent access to the Pacific Rim. Products reach US markets in about five days by truck or rail, which is a major advantage over Asian competitors who need three weeks or more to ship their products by boat. Telecommunication facilities are fairly modern, with telephone line-density that is double the national level.

HISTORY AND CULTURE

Guadalajara has a rich heritage. Many cultural features that are now symbolic of Mexico itself originated in this region. This includes *mariachi* bands; the *charrería*, which was the origin of the rodeo; the *jarabe tapatio* dance; and tequila. These traditions reflect a blend of influences from the indigenous tribes, (referred to as "Indians" in Mexico), the Spanish and other European cultures.

Guadalajara is the second-largest city in the country. It differs from Mexico City in that there was no permanent aboriginal settlement at this site prior to the Spanish conquest. Various tribes lived in the area, including the Nahuas, Otomis, Huichols, Coras, Tepehuans and Coyutecs. The city was founded in 1542, at its present site in the Valley of Atemajac near the Río Grande de Santiago, after being moved several times to avoid conflict with the natives. It is situated on a high plain about 8,000 metres above sea level on the edge of the Sierra Madre mountains. It is named after Guadalajara in Spain, a city of Iberian origin, whose name is derived from the Arabic "Wadi al-Hijarah," river of stones.

Guadalajara played a major role in the independence movement and was occupied by Miguel Hidalgo y Costilla and his forces in 1810. It was from the Guadalajara government palace that he proclaimed the end of slavery, which was particularly significant because Jalisco was a slaving centre. The palace, begun in 1743, is only one of many fine examples of Spanish architecture. The city has many churches dating from the colonial period, including the cathedral, which was started in 1743. The *Teatro Degollado* on the *Plaza de la Liberación* is considered one of the best theatres in Latin America, home to the Jalisco Symphony Orchestra. The city also boasts several art galleries and museums, including the *Instituto Cultural Cabañas*.

After World War II, the economy of the Guadalajara region was diversified as industry moved into the area. Several medium-sized regional cities now host modern high-technology industries. The population of Jalisco grew at an average of more than 3 percent annually during the three decades after the war. The growth rate fell to 2 percent during the 1980s, slightly less than the national growth rate of 2.3 percent. Jalisco had an estimated 1995 population of just under 6 million, with more than 60 percent located in Guadalajara.

The region surrounding Guadalajara is known for a relatively high standard of living and a well-qualified labour force, supported by more than 20 universities and colleges, 16 of them in Jalisco alone. These assets have helped to attract large investments by high-technology multinational manufacturers, many in the region's *maquiladora*, in-bond manufacturing, zones. As the *maquiladora* advantages disappear under the North American Free Trade Agreement (NAFTA), these commercial operations are integrated into the local economy. This is creating opportunities for medium-sized Mexican companies, which are often good prospects for technological joint ventures. They recognize the need to modernize to meet the quality standards of international customers, and they know they need help to do it.

The Guadalajara Metropolitan Zone (GMZ), with almost 4 million inhabitants, is a major retail centre for the surrounding areas. There are five modern regional shopping malls. *Plaza del Sol* is perhaps the most successful shopping mall in Guadalajara, and new facilities are in the planning stages for other parts of Guadalajara.

SILICON VALLEY SOUTH

Jalisco leads Mexico's high-technology sector, and its electronics industry produces more than 60 percent of the nation's computers. Agri-food, chemicals, plastics, and pharmaceuticals are other important industries that thrive on the region's skilled labour pool. The neighbouring state of Aguascalientes has a small but dynamic manufacturing industry driven by the automotive, electronics and textile industries.

Lucent Technologies (a spin-off of the former AT&T technology divisions), Motorola, IBM and Hewlett Packard all have plants in Jalisco. The Eastman Kodak plant, which started in 1967 by making black-and-white film, is a good example of the region's development. Today, it employs more than 2,400 people, and manufactures a variety of sophisticated products, including photographic CDs.

SECTORS OF OPPORTUNITY

The new Canadian commercial office in Guadalajara will assist visiting Canadian companies to gather market intelligence and locate potential partners and customers. There are several high-priority sectors, mostly those that have taken advantage of the export boom. The strongest sectors in Jalisco are electronics, agri-food, chemicals, plastics, pharmaceuticals, footwear and tourism. Neighbouring Aguascalientes has a dynamic manufacturing industry lead by the automotive, electronics and textile industries. The surrounding region is primarily agricultural and will benefit from the government's new *Alianza para el Campo*, Rural Alliance program, intended to rapidly mechanize the sector. All of these sectors are restructuring to meet new competition from liberalized trade and take advantage of the cheaper peso. They are potential customers for many types of industrial and commercial equipment, services and components.

THE REGIONAL ECONOMY

GUADALAJARA AND THE WESTERN STATES

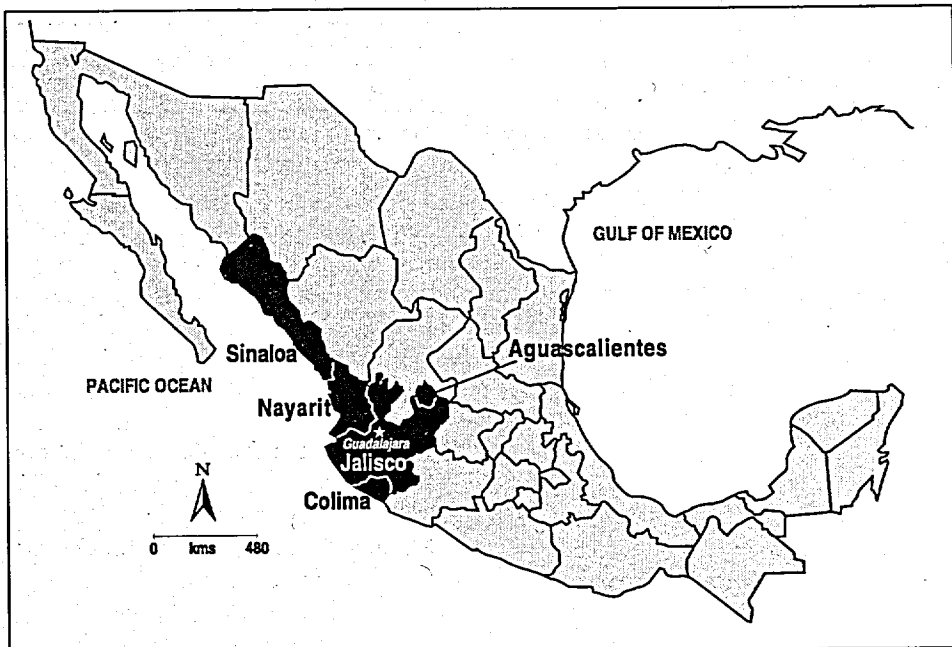
A REGIONAL FOCUS

Guadalajara is the centre of the western Mexico region, which is tied together by interdependencies in raw materials, markets and transportation infrastructure. For example, Jalisco needs the port of Manzanillo, which is in Colima. For its part, Colima needs Jalisco markets for its products. And while the relationship between the states is often competitive, there is recognition of the benefits of regional cooperation.

Guadalajara city officials and business people see the logic behind a regional approach to economic development. Héctor M. Moran Gutiérrez, the city's director of Investment Attraction, says that "Guadalajara is the focal point for regional investment — especially in areas such as distribution systems, food processing, electronics and autoparts." Hans E. Neufeld, vice president of the Guadalajara Chamber of Commerce agrees: "Guadalajara's economic influence extends to the east as far as León, west to Colima, south to Michoacán, and north into Sinaloa."

But Mr. Neufeld stresses that relationships with the other states are also competitive. "Aguascalientes is our closest competitor in attracting foreign investors," he notes. This creates an environment of friendly rivalry, tempered by a sense of mutual interest.

Sergio A. García de Alba Zepeda, Jalisco's secretary of economic promotion, says that his office cooperates with its neighbours, particularly Colima and Michoacán. "We cooperate on education and industrial training programs," he says, "and states often get together to make joint visits to foreign countries." In spite of this attitude, state programs are usually limited by political boundaries, as well as separate tax and budget systems. The emergence of the *Partido Acción Nacional (PAN)*, National Action Party, in both Jalisco and Guadalajara has also tended to increase political rivalry.



There are no widely accepted definitions of Mexico's regions, partly because state economic data is difficult to obtain on a consistent basis and partly because of differing regional concepts. The Canadian Department of Foreign Affairs and International Trade (DFAIT) assigned five states to its Guadalajara consulate. They are Jalisco, Aguascalientes, Colima, Nayarit and Sinaloa. *Grupo Financiero Bancomer*, a major publisher of regional analyses, defines the *Región Occidente*, western region, to include six states, including Zacatecas and Guanajuato, but not Sinaloa. And the Jalisco state government includes Sonora in its area of economic impact because of its role in land transportation to the United States.

Most of the discussion in this market profile focuses on industrial sectors, which are generally located in specific parts of the region, most notably Jalisco. Data are provided for the five states within the consulate's mandate as well as for all states, where inter-state comparisons are relevant.

THE REGION OF WESTERN MEXICO 1995 ESTIMATES

State	Sq. km.	Population
Aguascalientes	5,589	862,335
Colima	5,455	487,324
Jalisco	80,137	5,990,054
Nayarit	27,621	895,975
Sinaloa	58,000	2,424,745
Total	176,802	10,660,433

Source: Instituto Nacional de Estadística, Geografía e Informática (INEGI), National Institute for Statistics, Geography and Informatics.

JALISCO

Jalisco has the third-largest economy among Mexico's 31 states and the Federal District. Jalisco has a population of 5.9 million, and an area of 80,000 square kilometres. Its capital, Guadalajara, is the second-largest metropolitan area after Mexico City. It is responsible for more agricultural and livestock production than any other state.

A strategic location on the Pacific Coast, combined with a number of *maquiladora* zones, has created a good location for exporting industries. As a result, Jalisco is a major electronics manufacturing centre, responsible for about 60 percent of Mexico's computer production. Processed foods, beverages, textiles and autoparts represent other major state products.

The metropolitan region of Guadalajara is considered by many to be Mexico's most livable city. The weather is nearly ideal, it has good schools, an interesting cultural environment and it is only a three-hour drive to Mexico City.

NAYARIT

Nayarit is a small state located on the Pacific Coast northwest of Guadalajara. It is Mexico's principal tobacco producer, totalling about three-quarters of national production. It is also an important producer of sugar, fruit and timber. The northern part of the state has a well-developed agribusiness sector, which is linked to the state of Sinaloa. There are gold, silver and lead mines in the state as well as related processing facilities.

REGIONAL STATISTICS

Reliable data describing Mexico's regional industrial structure are difficult to obtain. Most of the nation's industrial production data are in the form of indexes based on the 1988 industrial census. Similarly, demographic profiles are extrapolations based on the 1990 population census.

The most reliable indicators of industrial activity are employment statistics published by the *Instituto Mexicano del Seguro Social (IMSS)*, Mexican Institute for Social Security. This government agency is responsible for social welfare programs covering private-sector workers. Public-sector employees are covered separately by the *Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (ISSSTE)*, Institute of Social Security and Services for Public Employees.

The *IMSS* collects mandatory premiums for a wide variety of employee benefits, ranging from pensions and health benefits to compensation for industrial accidents. There is, therefore, a fairly good database of premiums that includes employment levels and salaries by industry and location. This database suffers from the fact that it covers only the "formal sector." These are companies that are registered with the government and comply with the mandatory reporting requirements.

The official statistics exclude the nation's large "informal sector," which consists of self-employed individuals and small, family-based companies. In some industries, such as construction, informal employment is estimated to account for half of the workforce. One study estimated Jalisco's informal sector at 26 percent of the economically active population. Another problem with the data is that people who work 15 hours or more per week are classified as "employed."

Nationally, the informal sector is proportionately larger. In May 1996, there were only 8.7 million registered private-sector workers in a country of almost 100 million. According to Organization for Economic Cooperation and Development (OECD) statistics, in 1992 Mexico's employed civilian labour force was 26 percent of the population compared with 43 percent in Canada.

The state's economic development plan stresses the development of aquaculture, forestry and fishing, as well as manufacturing. There is also an electrification program underway. Nayarit has an area of 27,000 square kilometres with a population of almost 900,000. The capital city is Tepic.

COLIMA

Colima is a very small state of about 5,000 square kilometres and a population of almost 490,000 located on the Pacific Coast about 125 kilometres southwest of Guadalajara. It is linked to that city by a modern highway and by rail to the rest of Mexico. The state is mountainous and is known for its beautiful beaches. It is an important producer of limes, peanuts, coffee and palm oil including the industries that process those products. The ocean port of Manzanillo provides the region's principal access to the Pacific Rim. This was one of the first ports to be privatized, and concessions for a container terminal and a multiple-use terminal were awarded in March 1995. The capital city is also named Colima.

AGUASCALIENTES

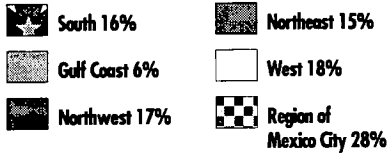
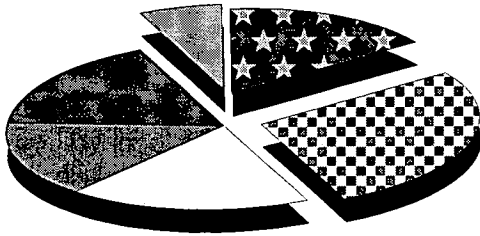
Aguascalientes is one of Mexico's smallest states, with less than 6,000 square kilometres of land area and a population of more than 862,000. It is at the geographical centre of Mexico, bordered by the state of Jalisco on its southwest side. The state benefits from excellent road and rail infrastructure and a diversified economy. About one third of the land area is used for agricultural purposes, most notably for growing grapes. Textiles and food processing are the traditional industries, but the electronics and automotive sectors are growing rapidly. The state capital is Aguascalientes.

SINALOA

Sinaloa is on the Pacific Coast, to the north of Nayarit with a population of about 2.4 million. The state benefits from excellent road and rail connections to the United States, as well as international airports and sea ports. Agriculture is the principal industry, but the state is also Mexico's top fisheries producer, and fish processing is also a major industry. The state has valuable forest resources and a number of paper plants. The capital city is Culiacán.

EMPLOYMENT

REGISTERED EMPLOYMENT BY REGION



Source: Grupo Financiero Bancomer, Economic Report, July 1996, p. 69.

Mexico's main industrial centre is in the Valley of Mexico, including the *Distrito Federal*, Federal District, and the State of Mexico. In May 1996, there were about 2.5 million registered private-sector employees in the region, about 28 percent of the nation's total. Western Mexico is the next-largest industrial region, with about 1.5 million workers; 18 percent of the total. These numbers refer only to the "formal" sector, which includes employees covered by the *Instituto Mexicano del Seguro Social (IMSS)*, Mexican Institute for Social Security.

In terms of formal employment, the western region has mostly recovered from the economic crisis. By May 1996, official regional employment had reached 1,531,464, which is 97.7 percent of the pre-crisis level. In Jalisco alone, almost 9,000 new jobs were created in May. This is about the same as the national average, but much better than the Mexico City region, which has traditionally been the nation's source of industrial strength. In the Federal District, employment in May 1996 was still only 91 percent of the pre-crisis level.

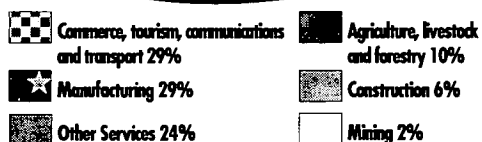
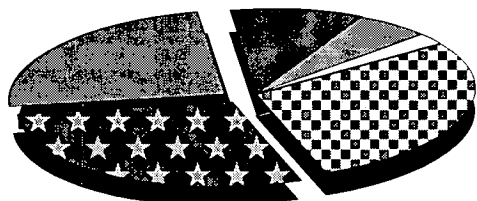
There are, however, still lingering effects from the crisis. While employment will soon reach pre-crisis levels, a large number of young workers have entered the labour force in the meantime. It has been estimated that in Guadalajara alone, more than 40,000 new jobs are needed annually. It is significant to recognize that the official employment statistics count a person who works 15 or more hours per week as employed and there has been an increase in underemployment.

The labour force is young and productive. Half the population is under 20 years old, while about 30 percent is between the ages of 20 and 30. Large employers in the region report labour turnover rates as low as 1 percent annually. In the Guadalajara region, many major multinational corporations are producing at world standards of both quality and productivity.

According to the 1990 statistics from *Instituto Nacional de Estadística, Geografía e Informática (INEGI)*, National Institute for Statistics, Geography and Informatics, almost half of Jalisco's economically active population was employed in the tertiary sector, about one-third in the secondary sector and the balance in the primary sector. Aguascalientes is also highly developed, but the other states in the region are more heavily dependent on their primary sectors.

KEY INDUSTRIAL SECTORS

JALISCO STATE PRODUCT, 1994



The 1994 gross state product (GSP) was US \$24 billion

Source: *Secretaría de Promoción y de Desarrollo Económico del Gobierno de Jalisco (Seproe)*, Jalisco Secretariat of Economic Development.

Jalisco is the only state in the western region to produce comprehensive statistics. Since it accounts for about half of regional employment, it is generally representative. But overall, the region is somewhat more oriented towards agriculture and mining than these statistics suggest. According to its own data, Jalisco ranks first of all of the Mexican states in agri-business, computers, and jewellery; it is second in education, tourism, footwear, furniture, textiles and apparel, and retail distribution; finally, it ranks third in financial services.

Gross state product in 1994 was estimated at US \$24 billion. Manufacturing and commerce, tourism, communications, and transport are the leading sectors, each with a 29 percent market share.

FOREIGN INVESTMENT

There are no official statistics on the amount of foreign investment in the region. The state of Jalisco keeps track of investor countries on the basis of their number of projects, which includes foreign participation in domestic firms. In 1994, the US was the source of about 60 percent of foreign investment projects; Canada was tied with Panama for second, each with 5 percent. But Canadian projects tend to be smaller than those from most other countries, and observers believe that Canada's share of investment is much lower than 5 percent. Other important investors include Germany, Great Britain and Spain.

There were a total of 301 companies with foreign participation in 1994. About 57 percent were located in Guadalajara, including the areas of Zapopan, El Salto, Tlaquepaque and Tlajomulco. Puerto Vallarta and La Huerta are other significant investment destinations.

FOREIGN DIRECT INVESTMENT BY INDUSTRY IN JALISCO, 1994

PERCENTAGE

Wholesale distribution	23.0
Metal products and machinery	19.0
Real estate management	11.0
Professional and technical services	10.0
Other manufacturing	10.0
Chemical products and petroleum derivatives	9.0
Food, beverages and tobacco	6.0
Other services	12.0
Total	100.0%

Source: *Secretaría de Promoción y de Desarrollo Económico del Gobierno de Jalisco (Seproe)*, Jalisco Secretariat of Economic Development.

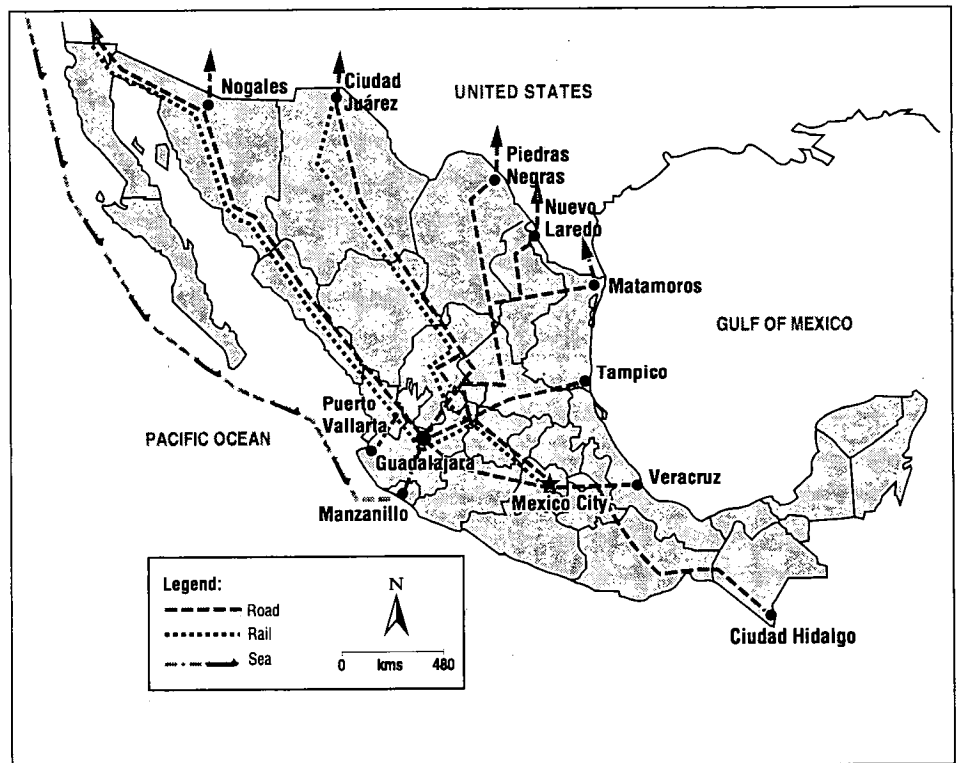
INFRASTRUCTURE

TRANSPORTATION

The region surrounding Guadalajara is served by extensive transportation infrastructure. There are international airports located at Guadalajara, Manzanillo and Puerto Vallarta. Mazatlán and Aguascalientes also have international airports. Guadalajara International Airport is the second busiest in the nation, handling just under 6 million passengers in 1994. Connections from Canada can be made via Mexico City, Miami, New York, Los Angeles, Houston and Dallas. There are flights from Guadalajara to some 30 domestic locations.

Guadalajara is an important hub on Mexico's system of federal highways; it is also at the centre of a number of privately-operated toll roads. The US border at Laredo, Texas is about 1,600 kilometres from Guadalajara, and Mexico City is about 500 kilometres away.

TRANSPORTATION ROUTES



Guadalajara is a major node on the Mexican national railway system, with daily passenger and cargo service to Mexico City, Nogales and Juárez as well as several other centres. The Mexican national railway system now concentrates mainly on freight. Nonetheless, the Guadalajara railway station served 167,000 passengers in 1994.

There is an industrial sea port located in Manzanillo and a tourist port in Puerto Vallarta. But, Mexican ports have not been very efficient, and the Ports of Houston, Texas and Los Angeles actually carry more Mexican international shipments than all of Mexico's ports combined. This is gradually changing, however, as a result of a major port privatization program. Manzanillo was one of the first to be privatized and concessions have been awarded for container and general-purpose terminals there.

TELECOMMUNICATIONS

By Mexican standards, telecommunications in the region are modern. Nationally, the government's goal is to increase the number of telephone lines per 100 inhabitants from approximately 8 to 10. The line density in Jalisco was 17.8 in 1994. This compares with roughly 40 in most developed countries. There is also a good cellular-phone network. Guadalajara is part of the national plans for all of those new carriers that are participating in the privatization of the telephone system. Recently *Alestra*, which is a joint venture including AT&T, opened offices in the city.

Electronic mail over the Internet is increasingly popular for business communications. Guadalajara has three principal Internet providers: CompuServe, *Infosel* and *Cencar*. The latter is operated by the *Universidad Autónoma de Guadalajara*, Autonomous University of Guadalajara. There are also three or four smaller providers.

Guadalajara receives next-day service from Canada by the major courier companies.

INDUSTRIAL PARKS

In order to encourage the location of industrial enterprises in appropriate areas, the Government of Mexico implemented a system of incentives in 1981. Companies that located in registered industrial parks, zones and corridors benefitted both from tax concessions and from subsidies. The nature of the subsidies and the conditions for registration have changed over the years.

The registration system is operated by the *Secretaría de Comercio y Fomento Industrial (Secofi)*, Secretariat of Commerce and Industrial Development. Several different types of zones are defined: an industrial park has an area of at least 10 hectares, whereas an industrial corridor is a zone that includes more than one municipality. There are also provisions in the law for industrial ports and cities.

The rules were last changed in May 1993, to reduce the incentives involved. As a result, only 19 percent of Mexico's 309 industrial parks were registered as of April 1996. The five states of western Mexico include 35 industrial parks, as well as 6 industrial corridors.

Whether they are registered or not, industrial parks offer integrated facilities, including transportation, communications, electricity, fuels, water and security. The most extensive of these is the Guadalajara Industrial Park, which is home to many large national and multinational companies, including Xerox, BASF, Bayer, Dupont and Nestlé.

INDUSTRIAL PARKS AND CORRIDORS IN WESTERN MEXICO

State	Parks	Corridors
Aguascalientes	7	1
Colima	3	0
Jalisco	12	4
Nayarit	4	0
Sinaloa	9	1
Total	35	6

Source: Grupo Financiero Bancomer, Informe Económico, April 1996.

Several new industrial parks are in the planning process:

- fifty hectares in Tlajomulco, a southern suburb of Guadalajara, where the average price is US \$35 per square metre;
- fifty hectares in Zapopan, a western suburb of Guadalajara, where the average price is US \$50 per square metre; and
- three hundred hectares in Ciudad Guzmán, about one hour from central Guadalajara. At this location, the average price per square metre is not known, but it will be cheaper than the others.

The Ciudad Guzmán project is part of government efforts to decentralize industrialization, since good land is becoming scarce in the Guadalajara area. In Aguascalientes, where land speculation is less of an issue, some industrial parks have prices as low as US \$15 per square metre.

MAJOR CITIES

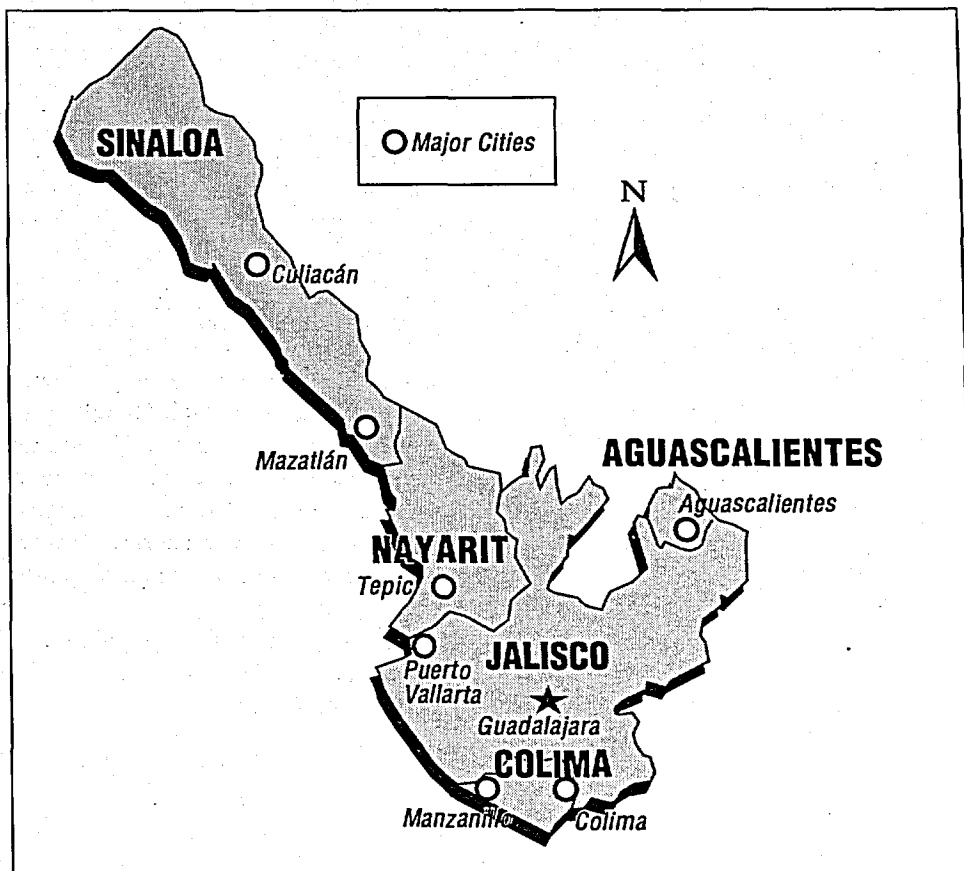
A PLAN FOR THE FUTURE

Guadalajara is soon to finish a 30-year urban plan, the first comprehensive plan in its history. It will incorporate strict but simplified zoning laws and realistic growth forecasts. Regulations to prevent corruption are also part of the plan, which is overseen by a committee called *Comisión de Planeación Urbana (Coplaur)*.

Guadalajara Chamber of Commerce Vice President, Hans E. Neufeld explains, that the objective is to bring about a pattern of orderly growth. "We want our city to grow," he says, "but we want to avoid the negative side-effects of a megalopolis [such] as Mexico City has become."

Jalisco's Secretary of Economic Promotion, Sergio A. García de Alba Zepeda, says that the state is implementing complementary measures. "We're beginning to plan for a decentralized state, thereby preserving Guadalajara and shifting wealth to the provincial districts. One example of this is the new industrial park in Ciudad Guzmán."

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A PLAN FOR THE FUTURE

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These are ambitious plans and, meanwhile, Guadalajara continues to grow. Decentralization is a difficult goal when the federal government, not the states and cities, controls most of the tax base. For example, the Ciudad Guzmán project will have difficulty attracting companies without the means of creating good schools and housing infrastructure. "We're still paying our tributes to Tenochtitlán," says Mr. Neufeld, referring to the Aztec tax system that stripped the provinces of their wealth.

A major factor in the region's future is the extent to which local suppliers can upgrade their capabilities and become suppliers to the major exporting multinationals in Jalisco and Aguascalientes. Mr. Garcia believes that Jalisco could potentially substitute US \$2.1 billion of imported factory inputs that feed the state's principal exports. He notes that the state government recently staged a trade show to connect local suppliers with large exporters. "As a result of that show," he says, "Jalisco companies are now substituting an estimated US \$250 million of input goods that were previously imported."

Mr. Neufeld agrees "Second-tier supplier growth is essential to the region's future. However, supplying giant exporters often means massive volume requirements for suppliers who have neither the capital, management or trained personnel to handle that much growth. Here is an excellent opportunity for mid-size foreign investment and technical transfer by Canadians."

The western region has been slower than the Mexico City area to adopt modern business methods. A related problem is the traditional patriarchal management style, which is to the Canadian eye, sometimes unprofessional. In particular, the concept of time and punctuality in Guadalajara still follows traditional patterns that have been gradually updated in some other parts of Mexico. As Mr. Neufeld puts it: "If I ask a *Taphio* to have an appointment at 10:45 am, he might be insulted. It is more customary to plan an appointment somewhere between 10 and 11 a.m."

ENERGY

Electricity, natural gas, liquefied petroleum gas (LPG) and vehicle fuels are readily available throughout the region. There are no refineries in the region, which is a net user of energy. But it is well served by the *Pemex Salamanca* refinery via pipelines and other distribution systems. In Jalisco, there are five hydroelectric plants and four thermoelectric plants with an installed capacity of 217 megawatts. In 1992, gross generation was 426 gigawatt hours. Much of the region's energy comes from the Manzanillo thermoelectric complex, in Colima, with an installed capacity of 1,900 megawatts and a generation of 11,689 gigawatt hours. More than 90 percent of this power is sent to other states.

HOUSING

The major urban areas have expanded rapidly and there has been a proliferation of good-quality suburban residential developments. A first-class apartment in the vicinity of Guadalajara costs about US \$500 per month. Comfortable accommodation can be found for less.

There is a large retirement community at Lake Chapala, about a one-hour drive from Guadalajara. This is one of the largest communities of Canadian and American retirees outside of Canada and the United States.

WATER AND SEWAGE

Jalisco has a good water supply from the Lerma-Chapala-Santiago Basin and a mean annual rainfall of 800 millimetres. About 70 percent of the water supply comes from surface extraction and the rest comes from underground. The state's water resources are estimated at about four times demand, although there are some locations where local resources are heavily taxed. About 80 percent of consumption is by the agricultural sector, 16 percent by households, 4.5 percent by industry, and 1.5 percent by public service users.

About 70 percent of the population have running water and roughly 60 percent have access to the sewer system. The proportions are much higher in the main part of Guadalajara.

HEALTH CARE

Health services are free and private-sector employees are covered by Mexico's mandatory system of health care, operated by the *Instituto Mexicano del Seguro Social (IMSS)*, Mexican Institute for Social Security. Funding is by employer and employee contributions, which are both deducted at source. *IMSS* hospitals are considered to be of generally good quality, but long waits are the norm, and many foreign companies provide private medical coverage for executive staff. There are several good private medical-care facilities in the Guadalajara region.

EDUCATION

There are 16 universities located in Jalisco, along with more than 1,000 secondary schools, 313 job training schools and 130 technical schools. There are also autonomous universities in Nayarit, Colima, Aguascalientes and Sinaloa.

A wide variety of college-level technical programs are available. *The Centro de Enseñanza Técnica Industrial*, Technical Industrial Training Centre, for example, operates a variety of business and accounting programs, and specialized programs for individual trades. Other regional universities include the *Universidad Autónoma de Guadalajara*, Autonomous University of Guadalajara.

A federal government program provides financial assistance for industrial training, which is contingent on the company hiring 80 percent of the trainees. This allows larger companies to set up their own training schools.

INDUSTRIAL AND COMMERCIAL MARKETS

MAQUILADORA ZONES

Complementary legislation in Mexico and the United States allows raw materials and components to be imported duty free in-bond and then re-exported to the US with duty applicable only to the Mexican value-added. The original program restricted sales within Mexico to substandard units that were limited to a small proportion of production. The *maquiladora* zones are concentrated in the northern border region, but are also located in areas such as Jalisco and Aguascalientes that are strategically located for exporting industries.

Jalisco's *maquiladora* zones are home to many large-scale multinational enterprises. But under the North American Free Trade Agreement (NAFTA), the *maquiladora* program will gradually become irrelevant. The Mexican government has begun a transition program to allow *maquiladora* plants to sell their products within Mexico. Beginning in 1994, they could sell 55 percent of their previous year's exports within the country; this percentage will be increased by 5 percent annually until it reaches 100 percent in 2001. And as duties are phased-out under NAFTA, the US side of the arrangement will also become redundant.

Most *maquiladora* plants are already integrating into the local economy. Some of them are helping Mexican companies to develop the capabilities to become suppliers. The *maquiladora* program is similar to those found in the automotive industry, which is subject to special import/export provisions, and has long depended upon Mexican suppliers. In addition to meeting quality-control standards, Mexican firms need to learn to use CAD/CAM technologies for receiving designs and specifications, electronic data interchange (EDI) systems for order-taking and just-in-time (JIT) delivery systems.

These new opportunities for Mexican companies are also creating openings for Canadian companies that can form joint ventures to help them modernize.

Guadalajara is a major business centre, and is an important market for a wide range of financial, educational and commercial services. The surrounding industrial region is home to a number of high-technology industries, which have broad demands for equipment and technology as well as consulting services.

Multinational companies are prominent in the region. In Jalisco in 1994, there were more than 100 foreign companies including 45 *maquiladora*, in-bond manufacturing, plants.

AGRICULTURAL TECHNOLOGIES

The western region is known as "the breadbasket of Mexico," accounting for one-fifth of the nation's agricultural output and 17 percent of its livestock production. Jalisco is the top agricultural and livestock producing state. Although current state gross domestic product (GDP) data are unavailable, a recent study by *Grupo Financiero Bancomer*, which used 1988 data, found that Jalisco alone accounted for 9.4 percent of Mexico's agricultural GDP, and 11.6 percent of livestock GDP.

WESTERN REGION AGRICULTURAL AND LIVESTOCK PRODUCTION PERCENTAGE OF NATIONAL SECTORAL GDP

State	% Agriculture	% Livestock
Aguascalientes	0.7	1.1
Colima	0.8	0.6
Jalisco	9.4	11.6
Nayarit	1.8	0.0
Sinaloa	7.3	3.8
Total	20.2	17.1

Source: *Grupo Financiero Bancomer, Informe Económico, September 1995.*

MEXICO'S AGRICULTURAL REFORMS

For the most part, Mexico's agricultural sector is dependent on obsolete technology. It is also characterized by inappropriate crop selections and suffers major inefficiencies as a result. The basic problem is Mexico's system of *ejidos*, communal land holdings. After the revolution of 1910, the large haciendas were broken up and the land was redistributed to the peasants. Only the smallest farms were retained by their owners.

Small farmers, including communal *ejidatarios*, are known as *campesinos*, country people. Most of them barely operate at a subsistence level. About 90 percent operate plots smaller than 5 hectares, and 40 percent have less than 1 hectare. Nationally, the average farm is only about 5 hectares. Over the years, the communal lands have had to support a growing population, further reducing efficiency. A 500-hectare *ejido* might be divided between 300 families, each with its own small plot.

Policies implemented after the revolution further promoted inefficiency. Since the *ejidatarios* did not have title to the land, they had little incentive to invest and could not sell, rent or combine their holdings. In the decades that followed, government policies focuses on subsidizing the sector to keep people in the countryside and to provide the industrial centres with a reliable supply of domestically produced food. As a result, Mexico's agricultural sector uses almost one-quarter of its employed labour force to produce less than 9 percent of gross domestic product (GDP). In contrast, Canada's agricultural sector uses 3.6 percent of employment to produce 2.3 percent of GDP.

Two major changes were implemented by the administration of former president Salinas. In late 1991, Article 27 of the Mexican constitution was amended to give holders of *ejidos* title to their land. This allowed *ejidatarios* to be sold, combined or used as collateral for loans. Then, in October 1993, the government implemented the *Procampo* program, which replaced commodity price supports with direct grants for each hectare planted in one of nine basic crops. The objective of both of these changes was to reorganize the agricultural sector according to market principles.

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According to recent reports, Sinaloa has increased its agricultural and livestock production disproportionately and has now moved ahead of Jalisco. This is attributed to high-productivity irrigated farms. In Sinaloa, 96 percent of the cyclical crops and 73 percent of perennial crops are irrigated. In Jalisco, only 80 percent of cyclical and 36 percent of perennial crops are irrigated. Nationally, agriculture and livestock production makes up about 6 percent of GDP, compared with about 10 percent in Jalisco.

DROUGHT AND DEVALUATION

The Mexican agricultural sector has been in a state of decline for several years. Production fell by one-third during 1995 and two million hectares of agricultural land were taken out of production in the spring 1996 planting. Some of this decline was the result of a serious drought in the northeast, now in its fifth year. Another factor was the devaluation of the peso in December 1994.

The western region has not been affected by drought. Good rainfall and excellent terrain have created the conditions for levels of productivity estimated at more than double the national average. While the region was affected by the devaluation, it was not as badly hurt as some other parts of the country. Most of the corn crop is for local consumption and minimum corn prices were set by the government until recently. Production has fallen in Jalisco, mainly because of reductions in the cultivated area, but this has been offset by increases in Sinaloa.

Another factor that has helped to insulate the region from the effects of the devaluation is its production of fresh fruit and vegetables. Local producers operate at international levels of efficiency and quality, and their peso costs were reduced by the devaluation.

The availability of good land, water, and natural grasses as well as excellent conditions for the cultivation of forage, have helped the cattle sector to grow at a time when it has declined in the rest of the country. Production of eggs, milk and pork are considerably more efficient in the western region than in the nation as a whole.

The federal government's agricultural reforms are less likely to have a major impact in the western region than in the rest of the country, because the farms are already relatively modern and efficient. But the government is actively promoting the formation of new *agroasociaciones*, agricultural and livestock production joint ventures. Agriculture and Agri-Food Canada is investigating agri-food investment prospects in the region, and Jalisco is expected to provide some interesting candidates. Observers say that cattle, dairy products, fine meats and vegetables are particularly promising.

MEXICO'S AGRICULTURAL REFORMS

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To date, these reforms have not been successful. The ability to borrow against land was of little use given interest rates averaging more than 50 percent during 1995. There has been some backlash against the prospect of privatization of communal lands, most notably in the state of Chiapas, where an armed revolt began in 1994. The *campesinos* have a deeply-rooted preference for growing corn and beans, and many lack the resources to switch to other crops. In October 1995, the administration of President Zedillo unveiled an expanded rural support program called *Alianza para el Campo*, Rural Alliance. It continues *Procampo* and expands it to include livestock producers for the first time. It provides subsidies for new technology and decentralizes the administration of farm programs. Combined with the gradual recovery of the Mexican economy, *Alianza para el Campo* is expected to create substantial new opportunities for foreign suppliers of agricultural technology, equipment and services over the medium term.

The *Alianza para el Campo* is expected to affect the market for imported agricultural technology in two ways. First, it supports the assembly of *agrosociaciones*. These agricultural joint ventures combine the resources of small farmers and allow them to contract collectively with large buyers. The *Alianza para el Campo* supports these associations with a program of financial, technical and marketing assistance. Second, the *Alianza para el Campo* includes a program called *Produce*, which provides input and technology subsidies. This program aims to reduce the cost of domestically-produced tractors by 40 percent. The plan is to provide a federal subsidy of 20 percent, a state subsidy of 10 percent, and to ask tractor manufacturers to reduce their prices by 7 to 15 percent. All of the major tractor producers have agreed to the program.

These two elements of the *Alianza para el Campo* are expected to generally increase the demand for agricultural technology, equipment and services. Since *Produce* applies to domestically produced equipment, it will also generate new interest in technological joint ventures with foreign firms.

AGRICULTURAL EQUIPMENT

Although western Mexico is the nation's leading agricultural producer, it is not a major centre for the manufacture of agricultural equipment. Mexico's agricultural sector is badly under-mechanized. There are only about 180,000 tractors in Mexico, for a planted area of some 19 million hectares. This is a density of just over 100 hectares per tractor. The western region is relatively heavily mechanized. The major agricultural states of Nayarit and Sinaloa have 83 and 67 hectares per tractor respectively, and Jalisco has 74. Colima has 110 hectares per tractor, reflecting its mountainous terrain and specialization in crops that do not depend upon tractors, such as limes. Aguascalientes has 47 hectares per tractor, making it one of the most mechanized states in the nation.

The most important tractor manufacturers in Mexico are John Deere, New Holland, and Massey Ferguson, which are multinational enterprises operating mainly in the areas of Monterrey and Querétaro. Agricultural equipment manufacturers in the western region are focused mainly on implements. In 1993, there were 30 agricultural equipment establishments, employing about 1,300 persons in the region. The value of production was estimated at about US \$30 million, about 13 percent of national production. Agricultural equipment is not produced in the states of Colima or Nayarit.

The manufacturers located in Aguascalientes specialize in tractor assembly and equipment. The most important companies are *Grupo Ruvesa* (a concession of International Harvester) and *Constructora de Maquinaria Triunfo*. The companies in Jalisco manufacture mostly irrigation and fumigation equipment, and windmills. Major producers include SwissMex and *Molinos Azteca*. Other significant manufacturers include *Grupo Ruvesa*, *Industrias Cabrera*, *Industrias Vázquez* and *Equipment Zetamex*. The principal manufacturer in Sinaloa is *Industrias Vázquez*, which produces field equipment. In Jalisco, production is concentrated in the municipalities of Guadalajara, Zapopan and Lagos de Moreno. In Aguascalientes, the major equipment producers are based in the state capital. In Sinaloa, they are located in Los Mochis and in Culiacán.

A study conducted for the Canadian consulate in Guadalajara polled ten companies to assess foreign participation in the industry. It concluded that foreign investment was not a major factor in the region's agricultural equipment sector. Only one company, SwissMex, had important foreign investment amounting to 20 percent of its capital. Another company, Tecnomec, reported that it was in the process of negotiating an investment with a US firm which would amount to about one third of its capital. This suggests that there are untapped opportunities for Canadian firms to form joint ventures in the region. The study concluded that lack of capital was the principal reason for the poor state of development of the local industry.

Most of the manufacturers who were interviewed were open to the idea of distributing Canadian products. Their main interest was in filling gaps in their product lines. Most foreign-made equipment available in the region is handled by distributors. But only about half of the distributors in the five states handle imported equipment. Only a handful of distributors reported that they import directly, generally because sales volumes are small. Only four distributors in the region had sales of more than US \$3 million annually.

Directly imported products included sowers from the United States, harvesters from Canada and France, and threshers from Italy. The bulk of imports comes from the United States, and from Mexico as a whole; Canada is estimated to have an import market share of less than 2 percent. Only one distributor in the region imports directly from Canada. The distributors interviewed were only vaguely familiar with Canadian brands, which suggests that more aggressive promotion could produce sales.

The impediments to the expansion and modernization of the sector in western Mexico are mainly financial and technological. The best opportunities are for Canadian companies that can work with Mexican manufacturers to help them adopt the latest technologies. Firms that can provide financing for equipment sales will have the best prospects.

FOOD PROCESSING TECHNOLOGIES

The food processing industry is the most important element of western Mexico's manufacturing sector, and accounts for 38 percent of Jalisco's manufacturing output. In 1993, Jalisco had more than 6,000 enterprises engaged in food, non-alcoholic beverages and tobacco processing. They employed 64,000 people and had sales of almost US \$5 billion. Jalisco is the second-largest food processing state, with about 10 percent of total industry employment.

The industry is dominated by small businesses, partly because of the presence of more than 2,500 small tortilla producers, few of which have more than 10 employees. Only about 400 firms have more than 15 employees and only about 100 have more than 100 workers. In most subsectors, the market is dominated by three or four large companies.

The enterprises in the sector vary greatly in their specializations, depending on local crop and livestock production. The state's most important crops are sugar cane, corn, alfalfa, sorghum, wheat, bananas, garbanzo beans, tomatoes, mangos, limes and potatoes. Jalisco produces 85 percent of Mexico's limes. Livestock production, including dairy and poultry operations, is an important subsector throughout the region, and Jalisco is Mexico's top producer of milk, eggs, and pork. Jalisco is the only state where genuine tequila may be produced and *agave*, the type of cactus from which it is made, is also a major crop.

The best prospects for Canadian exporters are the subsectors that export, because they have hard-currency earnings, access to credit and growing markets. In the Guadalajara region, the most important markets include companies producing baked goods and dairy products as well as confectionery and candy. Meat processing and dairy production are also interesting sectors because of changes in government policy. All of the 132 slaughterhouses in Jalisco will have to modernize to meet new government quality standards. The price of milk has recently been increased as part of a government plan to make Mexico nearly self-sufficient in milk by the turn of the century. This should stimulate growth in that subsector.

Packaging represents another opportunity. Trade liberalization has exposed consumers to a wide variety of imported attractively-packaged convenience products. Domestic producers, who have survived for decades in a protected environment, are scrambling to adapt.

The major companies in the food processing sector include large Mexican companies, such as the baked goods giant, *Grupo Industrial Bimbo*, Mexico's 17th largest corporation with 1994 sales of \$6 billion Mexican pesos. Other major producers are *Sabritas*, which makes snack foods and *Bing*, which produces ice cream. Several multinational enterprises are also active in the region, including Nestlé, Hershey, Tate and Lyle, and Archers Daniel Midland.

The demand for food processing equipment was severely reduced by the economic crisis precipitated by the peso's abrupt devaluation in December 1994. The crisis doubled the cost of imported equipment and drove the cost of capital to prohibitive levels. Now that the economy of the western region has recovered, demand is once again building. The competitiveness of imports has gradually recovered as the effects of the devaluation worked their way through the cost structure of Mexican companies. The Mexican price level in December 1995 was 52 percent higher than a year earlier.

Mexican companies that manufacture food processing equipment generally specialize in relatively simple types. Some sophisticated equipment is made under licence or as part of technological joint ventures with foreign firms.

COMPOSITION OF JALISCO'S FOOD PROCESSING SECTOR (PERCENTAGE)

Beverages	20.0
Other products for human consumption	13.0
Oils and edible fats	11.3
Sugar processing	10.5
Bread products	10.2
Dairy products	9.3
Confectionery and candy	5.7
<i>Nixtamal</i> and tortillas	4.7
Products for animal consumption	4.5
Tobacco products	4.3
Meat products	3.0
Milling	2.5
Processed fruits and vegetables	1.0
Total	100.0

Source: Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM), Monterrey Technical Institute, Guadalajara Campus.

ALCOHOLIC BEVERAGES

Tequila is Jalisco's most important beverage product. It can be made legally only in the region surrounding Tequila, a town with a population of about 33,000 not far from Guadalajara. In 1993, there were 33 establishments engaged in the production of distilled *agave*, which is the principal ingredient. Production totalled 69 million litres in 1994, of which 46 million were exported. The most popular brands are *Cuervo* and *Sauza*, which together account for more than half of all tequila production. *Cuervo* produces about four times as much as *Sauza*. Production was 9 percent higher than in the previous year. About 25,000 people are employed in the production of *agave*.

The Tequila region is the principal production centre, but Los Altos has been increasing its production in recent years. Domestic consumption has been declining as a proportion of production, but in 1993 it still accounted for about 20 percent of all alcoholic beverages. The United States is the most important export destination, where tequila accounts for 3 percent of the alcoholic beverage market. Germany is close behind with a 2.6 percent market share. In 1993, Canada imported 735,000 litres of tequila, making it the fifth largest market. More than 90 percent of tequila is exported in bulk and bottled in the importing country.

The government has acted to correct what it sees as confusion in the market regarding varying quality levels of tequila. A new official norm has been issued to regulate the ingredients and production methods involved. This, combined with recent constitutional amendments affecting land ownership in the rural sector, is expected to improve the industry's international position.

Beer is also produced in Jalisco, although it has no particular local character. About 3,500 people are employed in four breweries producing the national brands *Modelo* and *Cuauhtémoc-Moctezuma*. Total production in Jalisco is estimated at 7 million hectolitres annually. This production is almost entirely for local consumption and exports are minimal. Beer consumption in Guadalajara is 44 litres per person per year, slightly lower than the national average, and much lower than the northern states where it reaches 130 litres.

Tequila and beer are made almost entirely from local ingredients but there is a demand for machinery and other materials used in the production process. Packaging, handling and labelling equipment are particularly promising markets.

THE ELECTRONICS INDUSTRY

Jalisco is a major centre for the manufacture of electronic equipment, and Aguascalientes is also an important producer. The regional industry is focused mainly on information technologies such as computers, peripherals and communications equipment. The industry is located mainly in the state's *maquiladora*, in-bond manufacturing, regions. *Maquiladoras* were responsible for 94 percent of Mexico's exports of electronics products in 1994, and 70 percent of imports. The industry employs about 15,000 people in Jalisco.

Prior to 1990, imports of computers were severely restricted as part of Mexico's effort to build a domestic industry. An executive decree was issued in 1981, specifying that all computer suppliers had to set up local manufacturing facilities. A second decree in 1987 increased the local content required and imposed import permits for computer equipment. This policy succeeded in developing a domestic computer manufacturing capability, mainly by IBM. But it had the negative effect of restricting access to advanced technology by other Mexican industries. These regulations were rescinded in 1990, and foreign computer manufacturers are now

allowed to supply the Mexican market solely through imports. There is a 100 percent duty remission on parts and equipment for companies that manufacture computers in Mexico. The objective of the new policy is to make the computer industry more competitive, and to make state-of-the-art technology available to other sectors.

In Jalisco, the electronics industry is well established and consists of more than 65 companies. Major companies operating in the area include Lucent Technologies, Motorola, Mitel, NEC, Hewlett-Packard, IBM, Siemens, and Eastman Kodak. Texas Instruments and Xerox have plants in neighbouring Aguascalientes. These companies manufacture a wide range of high-technology products including computers, computer peripherals, cellular phones, cameras, photo CDs and a long list of electronic components.

Sales by the electronic industry in Jalisco were estimated at US \$2.1 billion in 1994, almost 9 percent of the state product. About US \$1.6 billion were export sales, of which about half was value added. Domestic sales and intra-*maquiladora* transfers made up the balance of US \$500 million.

The multinational enterprises dominating the region's electronics industry are generally rationalized on a North American or world basis, and tend to have locked-in sources of supply. Canadian companies would, therefore, be most likely to participate in this industry through relationships between US and Canadian affiliates. But there will be emerging opportunities for small- to medium-sized enterprises (SMEs) that can form joint ventures with Mexican companies to help them meet the quality standards of the multinationals. Locally-sourced parts and components were less than 10 percent of purchases in 1994. This proportion is likely to increase as the industry integrates into the Mexican economy due to NAFTA and the phase-out of the *maquiladora* program.

IBM

IBM operates a plant in El Salto, Jalisco, on the outskirts of Guadalajara, employing more than 2,000 people. In 1995, it exported 200,000 desktop computers, 300,000 notebook computers, and 2 million actuators and suspensions for hard-disk drives to 22 countries. It accounts for more than half of Jalisco's exports of electronic products and one-third of all the state's exports.

In early 1996, the plant was in the process of a major expansion that will employ an additional 1,200 people. It would increase the plant's output of hard-disk actuators and suspensions from 2 million to 15 million annually. The expansion involved moving some operations from California, Singapore and Germany to Jalisco. The company meets ISO 9000 quality standards on all of its products and it out-performs IBM world standards in some areas.

MOTOROLA

Motorola employs about 2,000 people at its plant in the heart of Guadalajara. The plant manufactures a variety of electronic components and sales in 1995 were roughly US \$250 million. The principal markets are the US, Asia and Europe. The company also has an office in Mexico City and another plant in Chihuahua.

LUCENT TECHNOLOGIES

Lucent Technologies is a new company created from the manufacturing operations of the former AT&T. The company produces corded and cordless telephones as well as cellular telephones and answering machines in Guadalajara. Sales are in excess of US \$250 million. The company is in the process of expanding to accommodate an expected 80 percent increase in sales by the end of 1997. Employment will increase from the present 3,000 to about 5,000.

EASTMAN KODAK

Eastman Kodak employs some 2,400 people at its Guadalajara plant. It manufactures a number of advanced products including X-ray film, graphic arts films, photo CDs, and electronic components. The plant exports to the Americas and to Europe, and is a major component of Eastman Kodak's worldwide operations. The company recently announced that a new photo CD production line will be added to the plant.

HEWLETT-PACKARD

Hewlett-Packard employs 700 workers at its plant in Guadalajara, which includes a research laboratory. It produces personal computers and peripherals for Mexico and Latin America. The company has also successfully developed products whose manufacturing has been coordinated with operations in Germany and Japan. The company recently opened a new 23,000-square-metre facility which will more than double the size of its operations.

TRENDS AND OPPORTUNITIES

These are only the largest of the many multinational companies that have developed world-class manufacturing facilities in Jalisco and Aguascalientes. Company officials have been quoted in the media as crediting the quality of Jalisco's human resources for their success in building world-class operations in western Mexico. The continued expansion of these plants suggests a growing market for parts, components and other inputs to the industry.

The electronics industry imports large quantities of materials. The main sources of supply are the United States, Canada, Belgium, China, Germany, Japan, Ireland, Korea, Malaysia, Singapore, Taiwan, Thailand and the United Kingdom. Traditionally, less than 10 percent of their purchases of materials have been in the local market.

Purchasing decisions for Guadalajara operations traditionally have been made mainly at the corporate or regional headquarters of the companies involved. This means that for the most part, Canadian companies that have participated in this market have done so through their linkages with US-based multinationals. But there is growing interest in local sourcing, driven partly by the desire to obtain just-in-time (JIT) delivery. The elimination of the advantages of *maquiladora* zones is also driving this trend. Several companies in the region have programs to develop local suppliers.

The opportunities for local suppliers are limited by the very rigorous standards of the major electronics manufacturers. Usually, potential suppliers must be evaluated and certified in advance as being capable of meeting consistently high quality standards. They must also satisfy requirements for JIT delivery. There are few small- to medium-sized enterprises (SMEs) in the Guadalajara area that can presently meet these standards.

This creates opportunities for Canadian companies that could form partnerships or joint ventures with Mexican firms to help them modernize. The Mexican partner could satisfy customer demands for an established local presence, while the Canadian partner provides technology, management know-how and, possibly, financing. Foreign companies already having a presence in the region have an advantage, and the multinational companies and government authorities have encouraged existing suppliers to set up plants in the Jalisco region. Nonetheless, there are still many partnership opportunities available.

MANUFACTURING TECHNOLOGIES AND EQUIPMENT

The economic reforms beginning in the late 1980s exposed Mexican manufacturers to an influx of competition after decades of protectionism. The reforms also opened new export markets. But many Mexican companies were not in a position to take advantage of these opportunities because they lacked the technology to meet international standards of quality and consistency. These companies quickly learned that advanced technology makes cheap labour, on which many of them are based, less of an advantage than it might have been in the past. In response, many Mexican companies began to rationalize and modernize. Many small family enterprises were absorbed by the larger *grupos* or became associated with multinational enterprises. Imports of capital equipment increased rapidly, but many Mexican firms were still able to survive on local markets alone.

The situation changed with the devaluation of the peso in December 1994. During 1995, non-petroleum exports surged by 33 percent. Total imports fell by 8.7 percent, while imports of capital goods were cut almost in half. The gross domestic product (GDP) fell by almost 7 percent during the year, and this has undermined most domestic markets.

The current economic situation leaves manufacturers with little choice but to export if they expect to survive and prosper. But many Mexican manufacturers cannot take advantage of the export opportunities because their products cannot meet international quality standards. This adds quality and consistency to productivity as motivations for modernization. Moreover, as the domestic economy recovers, foreign competitors are becoming more active in Mexico's retail markets. The recent competition from foreign companies is creating new demands for improved quality as well as more attractive and more convenient packaging.

FOOTWEAR

There were 1,386 footwear companies in the state of Jalisco in 1993, providing about 10 percent of the state's employment. According to estimates by the US Department of Commerce, footwear manufacturers in Jalisco produced one-quarter of the nation's annual output of 160 million pairs. Six companies are classified as large, 22 medium and more than half are micro-enterprises. Almost 80 percent of these companies manufacture women's shoes. There is intense competition in this sector, from Brazil in the medium- to high-price ranges, and from Asia in the lower-price categories. The local industry is concentrated mainly on the domestic market.

The footwear industry was a source of economic growth for Mexico before the devaluation of the peso in December 1994. Jalisco was already the nation's second-largest footwear manufacturing centre, mainly serving the domestic market.

The devaluation cut deeply into domestic sales, because new footwear is a postponable expense. The industry responded by switching emphasis to export markets, including the United States and Canada as well as Central and South America. Footwear exports to Canada, for example, increased by about 15 percent to reach almost C \$7 million in 1995. At the same time, countervailing duties on footwear from Asia helped to prop up the domestic market, at least temporarily. Exports from Jalisco doubled to US \$10 million in the year after the devaluation. Only five of Jalisco's 325 shoe producers were exporting in 1990, but this jumped to about 40 companies after the devaluation.

Modernization, timely delivery and rapid adaptation to market trends are the keys to success in the footwear industry, especially in women's shoes. The producers in the Guadalajara region have difficulty meeting these demands. In general, there is a lack of integration between market information, design and manufacturing. These companies also lack the modern technology needed for flexible manufacturing and just-in-time (JIT) delivery. Another constraint is a shortage of competitively-priced synthetic materials for soles and heels, which is a major trend in footwear.

There is a niche market for cowboy boots, which is an area where major competing nations are not as specialized. In this market, availability of skilled labour is more important than responsiveness to style changes. But to compete in an increasingly open world market, the footwear producers of the Guadalajara region will have to modernize. Canadian companies could participate in this process through technological joint ventures.

Raw materials in demand include genuine leather, artificial leather and accessories. The US dominates the genuine leather market with a 40 percent market share. Canada's leather exports to Mexico in 1995 were almost nil. Almost one-third of artificial leather comes from Asia and Europe, while Italy and Spain are the largest foreign suppliers of accessories. Most textiles used in footwear production are made in Mexico.

TEXTILES AND APPAREL

The textile industry was among the first to develop when industrial development began in the western region a century ago. In particular, the textiles and apparel industry in Aguascalientes is one of the most important and traditional in the country, particularly for children's clothes.

In 1993 the textile and apparel industry in Jalisco consisted of almost 1,700 establishments; 80 percent of which were classified as micro in size. Fabric production is the most concentrated subsector with about 19,000 workers in 9 establishments, in addition to less than 300 small- and micro-enterprises. The local industry does not produce a wide range of fibres, and synthetic fibres and cotton are imported from the US and Canada. Canada's principal exports in this category are man-made filaments and fibres.

The industry has declined in recent decades and is operating at less than capacity. Between 1980 and 1993, textiles and clothing declined from 6.5 percent of Jalisco's manufacturing output to about 4 percent. Nonetheless, there may be opportunities for niche products in some subsectors. Denim is an important local fabric, and one-third of Mexico's blue jeans are made in Jalisco. Sixty percent of *bonetería*, or clothing, production is exported and consists of a wide variety of small enterprises.

The industry is characterized by obsolete technology and low productivity. Production costs are high because of low rates of capacity utilization. There is a demand for machinery to modernize this industry, provided that this can be done cost-effectively.

Industry analysts blame a history of protectionism as well as financial factors for the technological gap. The industry developed in an environment where it had an almost captive local market. Also, credit is expensive and very difficult to obtain. This may create opportunities for joint ventures with Canadian textile and apparel companies, including potential sales of used equipment.

FURNITURE

Two-thirds of the establishments in Jalisco's wood products industry and 70 percent of its associated employment are classified as part of the furniture industry.

There are about 1,000 furniture manufacturing establishments in this state, of which only two are large and 13 are classified as medium. This structure provides the advantages of handmade craftsmanship and a solid understanding of traditional designs. But it suffers from a lack of original design capabilities and advanced technologies for large-scale production. The industry is also desperately short of capital.

Observers believe that the product mix resembles the national situation, where three-quarters of furniture sales are for residential use. The raw materials used by the industry consist mainly of pine wood, composite materials, adhesives, paintings and glazes, metal components, and textiles.

The level of technology in the furniture manufacturing industry of the Guadalajara region is relatively low. One of the trends in this industry is the growth of "galleries" that show model furniture, which is then manufactured to order. Another trend is consumer-assembled furniture, especially in the area of home entertainment centres, as well as computer and office furniture.

Catering to these emerging markets requires flexible manufacturing technologies and fast-response capabilities that are beyond the resources of most local manufacturers. This creates opportunities for joint ventures with Canadian companies. There is also a market for mass-produced, unfinished-wood components destined for use as raw materials. Synthetic fabrics for furniture manufacturing are also largely imported.

METALWORKING

Mexico's metalworking industry is very important to the overall economy and is concentrated in a few states, including Jalisco, which is the fourth-largest region in this sector. The industry in Jalisco is very typical of the conditions found in the industry nationally.

During the 1970s, the primary focus was on bicycles, motorcycles and animal-drawn vehicles. For the most part, the industry did not develop the advanced technologies needed to serve the more sophisticated national customers, much less multinational clients. In particular, high rates of scrap and waste have been typical of the industry. For these reasons, the metalworking industry has not been in a position to fully respond to demands of advanced technology producers in the region.

There are almost 2,500 metal products companies in Jalisco, but only 12 of them are categorized as large, followed by about 40 medium-sized companies. The largest firms include *Urrea*, with 1,300 employees, and the Siderurgical Company of Guadalajara, with 1,200 workers.

As in many other sectors in the region, the metalworking industry suffers from obsolete technology. The main constraints are a lack of knowledge of state-of-the-art methods and a serious shortage of financing. This industry is expected to face new challenges, as the *maquiladora* program is phased-out and the large multinational producers start to look for local suppliers.

PHARMACEUTICALS

There are 43 pharmaceutical enterprises in the State of Jalisco. Almost three-quarters of them are devoted to products for humans, and almost one-quarter specialize in veterinary products. Most of the rest produce auxiliary products or pharma-chemicals.

Neither the local industry nor Mexico's wider pharmaceutical sector can supply all of the region's needs. In 1992, imports to the region were about US \$8 million, while exports were less than US \$1 million.

Traditionally, the raw materials and other inputs for the pharmaceutical industry have come from Europe. But with the advent of the North American Free Trade Agreement (NAFTA), there are new opportunities, especially for technological joint ventures. Mexico has trade agreements with other Latin American countries, which lack the capabilities for local pharmaceutical production. Central America and the Caribbean are the principal export markets, mostly for large producers such as Ciba-Geigy, Laboratories Trends and Laboratories Sophia. The most important export products are antibiotics and anti-epileptic drugs.

The industry has grown over the last few years as a result of the gradual liberalization of price controls. The real price of medicines increased by 28 percent in the three years ending in 1994, following the implementation of the *Programa de Modernización de la Industria Farmacéutica*, Modernization Program of the Pharmaceutical Industry, in 1991.

The pharmaceutical industry in the Guadalajara region lacks the sophistication of its counterpart in Canada, but it has a number of advantages. The local labour force is well-educated and the region is strategically located. While the US has a large lead in brand-name medicines, Canada has a well-developed generic drug subsector, which could find excellent matches for partnering with firms in the Guadalajara region.

TOURISM

Mexico's tourism industry did not gain tourism revenue from the devaluation of the peso, as expected. While the number of international visitors increased in 1995, the average expenditures per person fell. Visitors took advantage of the cheaper peso and by reducing their purchases, reduced the net effect of their impact on the economy. The total number of international visitors rose by 2.5 percent in 1995 to reach 85 million, according to *Grupo Financiero Bancomer*. But only 6.3 million of those were tourists; who by definition must stay more than one day. "Tourists" include business visitors who stay for more than one day. There were 18 million domestic tourists in the same year.

MAJOR WESTERN MEXICO TOURIST DESTINATIONS

Destination	'000s Visitors	% Foreign
Puerto Vallarta, Jalisco	829	0.44
Mazatlán, Sinaloa	703	0.23
Manzanillo, Colima	324	0.18
Guadalajara, Jalisco	1,366	0.10
Total	3,222	0.22

Source: Grupo Financiero Bancomer, Informe Económico, June 1996.

Mexico's tourist destinations are classified as comprehensively planned beach resorts, traditional beach resorts, major cities and other destinations. There are no comprehensively planned resorts in the western region; an example of a resort in the category is Cancún, on the east coast, which is the predominant destination with a total of 2.2 million visitors in 1995. The western region has three resorts in the traditional beach resort category: Puerto Vallarta, Manzanillo and Mazatlán. Guadalajara is one of the three recognized tourist destinations in the major city category, a category it shares with Mexico City and Monterrey. Together, the western region attracted 3.2 million visitors in 1995, about 22 percent of whom were foreigners.

The federal government's tourism promotion functions have been recently decentralized, which is expected to give a further impetus to regional tourism. This change will give more resources to local tourism promotion groups and will also encourage cooperative efforts between the states in the region. The *Consejo Estatal para el Desarrollo Turístico*, Jalisco Government Council of Tourism Development, for example, has put forth a new program designed to promote "multi-polar" tourism development as opposed to the previous policy of "bi-polar" promotion of Guadalajara and Puerto Vallarta. This regional approach will foster development of four new zones: Costalegre, Lake Chapala, Los Altos and Sur del Estado.

The growth of tourism in the western region is creating ongoing opportunities for inputs into the sector. Canadian companies have been successful in exporting a variety of watercraft and other products related to beach tourism. There is also a market for specialized foods such as deli-meats as well as purified water and other beverages that are much more in demand at tourist centres than in the rest of the country. There may be additional opportunities for joint ventures related to the development and promotion of tourist resorts.

CONSUMER MARKETS

With a population of almost 4 million, the Guadalajara Metropolitan Zone (GMZ) serves as a major retail centre for the surrounding region. Included in this area are several regional malls. Like the rest of Mexico and most of Latin America, the western-region retail sector is sharply divided between the formal and informal sectors.

Low-income people tend to buy from the informal sector, which includes street vendors and individuals operating from their homes. One study found 26,000 street vendors in the GMZ. Other estimates suggest that the size of the informal sector is much larger.

On the other hand, the systems that are in place to supply middle- to upper-income families closely resemble those in Canada and the United States. In fact, major US retailers are very conspicuous throughout the city. Consumer markets also include restaurants and hotels, which are relatively active given the low level of the peso.

One of the fundamental differences between consumer markets in Mexico and those in Canada is the role of supermarkets and hypermarkets. In Mexico, these types of stores offer a wide variety of non-food products, and they are the principal distributors of medium-priced consumer goods to the middle class.

There are several regional malls in the GMZ, most of them anchored by large department stores. Other major retail markets in the region include Puerto Vallarta, Ciudad Guzmán, San Juan of the Lakes, Ocotlán and Tepatitlán. The predominance of recreational areas reflects the presence in the western region of many American and Canadian retirees.

The major national supermarkets and department stores are active in the region except for *Liverpool* which has no stores in Guadalajara, although *Liverpool*-owned *Fábricas de Francia* has a store there. Other major chains include *Cifra* (*Aurrerá*, *Club Aurrerá*), Wal-Mart, Sam's, Price Club, *Gigante*, *Comercial Mexicana*, and Carrefour. The major department stores are Sears, *Subúrbia* and *Salinas y Rocha*. Smaller chains include *Sanborns*, *Oxxo*, *Coppel* and Super 6. *Casa Ley*, based in Sinaloa, also has a strong presence in western and northwestern Mexico.

A new mall, *Hemisferia*, is planned for Zapopa but it is presently on hold. Its department store anchors will be JC Penney, Dillard's, *Palacio* and *Subúrbia*. They will join Wal-Mart, Sam's Club, Price Club and *Megamercado* already operating within a few blocks. *Plaza del Sol* is perhaps the most successful shopping mall in Guadalajara. *El Mercado de Abastos* is the most important warehouse centre in western Mexico with a coverage that extends to neighbouring states.

In spite of the predominance of large retailers in the upper strata of the market, the overall retail sector is characterized by small firms. Half of all commercial establishments employ less than five persons. Nonetheless, Jalisco has a large number of larger-sized retailers. The number of retail establishments with between 50 and 100 employees increased by 20 percent over the past few years.

Canadian producers of consumer products that have succeeded in Mexico use two principal marketing strategies. Some hire Mexican agents to represent their products either exclusively or as part of a non-competing line. Others sell directly to the large supermarkets and retail chains.

As in the rest of the country, western Mexico has a young population, with about half being under 20 years of age. This helps to drive relatively strong consumer markets because young Mexicans have been exposed to foreign advertising and are interested in products that have not been traditional in Mexico. Taken together, the five states of the western region are significantly more affluent than the nation as a whole. According to data from the 1990 census, families earning more than five times the minimum wage make up 8.8 percent of the population, compared with 7.6 percent nationally. The middle-income bracket of 3- to-5 times the minimum wage includes 12.5 percent of the region's population, but only 9.8 percent for the country as a whole. While these percentage differences seem relatively small, each one-percentage-point difference means that roughly 30,000 additional consumers in the regional groups are likely to purchase imported retail products.

Another factor leading to relatively strong consumer markets is the fact that workers in the western region receive higher incomes than the national average. The census measures income in terms of multiples of the minimum wage.

Imported retail products are purchased mainly by workers in the upper-income brackets. In the western region in 1990, there were more than 600,000 people earning more than three times the minimum wage. This was about 21.3 percent of the economically active population, compared with 17.4 percent in the same brackets for the country as a whole.

An estimated 521,000 people, almost 19 percent of the economically active population, earn between two and three times the minimum wage. This compares with about 15 percent for the nation as a whole. Nationally, 26.5 percent earn less than the minimum wage, compared with 18.1 percent for the western region. The minimum wage for Guadalajara and suburbs is \$20.05 Mexican pesos per day, and \$19.05 Mexican pesos elsewhere in the region.

GOVERNMENT MARKETS

THE POLITICAL SITUATION

One factor driving foreign investment in Jalisco is the *Partido Acción Nacional (PAN)*, National Action Party, government, which came to power both in the state and in the Guadalajara municipal government in 1994. Mexican politics, dominated by the *Partido Revolucionario Institucional (PRI)*, Institutional Revolutionary Party, for close to 70 years, is comprised mostly of professional politicians. In contrast, the *PAN* governments are made up mainly of business people. The elimination of corruption and the establishment of transparent regulations are two key *PAN* goals. These will be major issues in the 1997 state elections and the federal elections of the year 2000.

PAN has made sweeping changes in Jalisco and Guadalajara. Some investment permits that used to take up to three months can now be processed in a few hours. The party has also broken traditional ties between government and family elites, and has switched emphasis towards supporting small- to medium-sized business. This has reduced favouritism and created an environment where foreign companies can compete fairly for government procurements. And mid-size foreign investment projects are no longer bogged down by government bureaucracy.

It is too soon to judge whether *PAN* will expand its power base to other parts of the region. Modern elements of the *PRI* are working hard to clean up their own party. The *PRI* and its bureaucracy are burdened with old-style politicians who gained power in an era of protectionism and state-ownership. But this has not stopped modern *PRI* technocrats from making major reforms, as they have in Aguascalientes and Nuevo León. Whichever party prevails, conditions for foreign investors are likely to improve.

Procurements by the states are open to foreign companies even though this is not a requirement under the North American Free Trade Agreement (NAFTA). Jalisco is a good potential market because of the new government of the *Partido Acción Nacional (PAN)*, National Action Party. Patronage has become much less pronounced, creating better opportunities for foreigners than under previous governments. The new government sees a transparent procurement process as a means of getting the most competitive prices possible.

Procurements of less than \$6,000 Mexican pesos are discretionary and no bids are required. But those between \$6,000 and \$400,000 Mexican pesos result in direct invitations to bid to the companies. Foreign companies may be invited, but this is not usual. Purchases of more than \$400,000 and up to \$4 million Mexican pesos are scrutinized by a procurement board, and there is a much greater likelihood that foreigners will be invited, especially for specialized products. Procurements of more than \$4 million Mexican pesos must be signed by the state governor, and these are handled by public tenders that are open to foreigners. The state allocates 20 percent of its procurements to small- to medium-sized enterprises (SMEs) located in Jalisco.

MOVING INTO THE GUADALAJARA REGION

Most Canadian companies that have succeeded in Mexico have entered the market by forming partnerships or joint ventures with local firms.

According to local observers, there are many potential opportunities for Canadian companies to play a role in developing the Guadalajara region.

Sergio A. García de Alba Zepeda, Jalisco's secretary of economic promotion, says that the best opportunities for Canadians are in agri-food, mining, and environmental technologies. "Canadian companies are the right size for joint ventures with Jalisco companies," he says. "US firms are often too large and intimidate mid-size local companies. Jalisco will invest in 80 water treatment plants over the next 4 years. There is a specific opportunity for Canadian participation."

Hans E. Neufeld, the vice president of Guadalajara's Chamber of Commerce, adds that there is an especially good fit between the region's needs and Ontario's capabilities. "Guadalajara's future is in light industry. Ontario is a leader in light industry. I see an excellent fit between Ontario and Jalisco."

To take advantage of these opportunities, Canadian companies must establish a higher profile in the region. The perception of Canada in Jalisco is very positive but generally uninformed. Mr. Neufeld says, "Canada must make a greater effort to promote itself as a high-tech provider and not simply a vast land of wilderness and raw materials." Mr. García added, "There is still a lot of mutual ignorance on the part of both Mexicans and Canadians."

The new Canadian consulate has already helped to overcome this perception. In 1996, eight out of ten North American trade missions have come from Canada, a

reversal of the situation in 1995. Canada differs from some other countries in that trade officials recognize that Canadian exports and investment in Mexico go hand-in-hand. Jennifer Daubeny, the Canadian consul, says, "Jalisco has provided a warm reception to Canadian companies and to the consulate. Unlike other consulates in the area, we encourage Canadian companies to both export to, and invest in, Jalisco."

Canadian companies active in the western region include Mitel, Teck and Cominco. Other companies are currently investigating local opportunities. The focus of recent projects has been telecommunications, electronics, plastics, and real estate, especially in Chapala and Puerto Vallarta. Canadian participation in upcoming trade shows in Guadalajara will continue to raise the country's profile.

Mr. Neufeld feels that Canadian firms also need to become more aggressive. "Canadian firms are seen as cautious compared to US and European investors," he says, "Canada and Jalisco have great trade compatibility potential. Canadian firms must better educate themselves of the regional differences in Mexico and be willing to take more, although mitigated, risks."

PUBLIC SPENDING: STATE AND MUNICIPAL REVENUES IN JALISCO, 1993

Item	State '000 Mexican Pesos	Municipalities '000 Mexican Pesos
Administrative Expenses	1,659,877	951,340
Upper management offices	490,365	397,241
Public security	62,612	157,820
Public health	183,418	33,169
Public education	858,736	25,347
Cultural activities	—	53,754
Social security	—	12,672
Public records	—	2,318
Other	64,746	269,019
Public Works and Development	409,884	398,514
Public works	409,884	349,909
Development	—	48,605
Transfers	597,058	72,800
Subsidies	29,775	45,932
Aid	—	2,601
Shares and returns	567,283	24,267
Public Debt	152,315	91,845
Cash Assets	78,508	75,806
Accounts Receivable	5,272,539	2,780
Total	8,170,181	1,593,085

Source: Instituto Nacional de Estadística, Geografía e Informática (INEGI), National Institute for Statistics, Geography and Informatics, Dirección General de Estadística.

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):
Tel.: 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 Bureau 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 Bureau — 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

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, 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 creates jobs in Mexico without threatening jobs in Canada. In fact, most CIDA-assisted projects have produced net increases in Canadian jobs. For more information, contact:

Industrial Cooperation Division
Canadian International Development Agency
200 Promenade du Portage
Hull, PQ K1A 0G4
Tel.: (819) 997-7905
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-Madeline
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
Montréal
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

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:

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

KEY CONTACTS IN CANADA

BUSINESS AND PROFESSIONAL ASSOCIATIONS

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 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 OFFICES

Secretariat of Commerce and Industrial Development

Secretaría de Comercio y Fomento Industrial (Secofi)
Mariano Otero No. 3431
Col. Verde Valle
44550 Guadalajara, Jalisco
México
Tel.: (52-3) 121-1642, 0644/0668
Fax: (52-3) 121-0534

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

Secretariat of Foreign Affairs

Secretaría de Relaciones Exteriores (SRE)
Av. R. Michel y Av. Los Angeles
Col. La Aurora
44460 Guadalajara, Jalisco
México
Tel.: (52-3) 619-3229, 650-0487, 619-7386
Fax: (52-3) 650-0472

Mexican Foreign Trade Commission

Banco Nacional de Comercio Exterior (Bancomext)
Miguel Blanco No. 883, Sector Juárez
Col. Centro
44100 Guadalajara, Jalisco
México
Tel.: (52-3) 658-0855/0852/0215
Fax: (52-3) 658-2388

Secretariat of the Interior — Immigration Office

Secretaría de Gobernación — Instituto Nacional de Migración
Av. Alcalde No. 520, Palacio Federal, piso 1
Col. Centro
44280 Guadalajara, Jalisco
México
Tel.: (52-3) 614-9740/5874
Fax: (52-3) 658-4625

Mexican Development Bank

Nacional Financiera (Nafinsa)
Av. 16 de Septiembre No. 568, Piso 1
Sector Juárez, Col. Centro
44100 Guadalajara, Jalisco
México
Tel.: (52-3) 614-1617/1618
Fax: (52-3) 614-7497

Secretariat of the Environment, Natural Resources and Aquaculture

Secretaría de Medio Ambiente, Recursos Naturales y Pesca (Semarnap)

Av. México No. 3043
Col. Vallarta San Lucas, Sector Juárez
44690 Guadalajara, Jalisco
México
Tel.: (52-3) 616-9810, 615-1407/1448
Fax: (52-3) 615-1446

Secretariat of Finance and Public Credit

Secretaría de Hacienda y Crédito Público (SHCP)
Administración Fiscal Regional del Occidente

Av. Américas No. 599, Piso 10
Col. Ladrón de Guevara
44640 Guadalajara, Jalisco
México
Tel.: (52-3) 678-7290
Fax: (52-3) 630-2818

Secretariat of Communication and Transportation

Secretaría de Comunicaciones y Transportes (SCT)

Lázaro Cárdenas No. 4040, Col. Chapalita
45040 Guadalajara, Jalisco
México
Tel.: (52-3) 629-5020/5989
Fax: (52-3) 122-5038

Mexican Investment Board

Consejo Mexicano de Inversión (CMI)

Paseo de la Reforma No. 915
Col. Lomas de Chapultepec
11000 México, D.F.
México
Tel.: (52-5) 202-7804
Fax: (52-5) 202-7925

Western Region Customs Administration

Administración Regional de Aduanas

Justo Sierra No. 2272
Guadalajara, Jalisco
México
Tel.: (52-3) 616-7246
Fax: (52-3) 616-7246

Federal Electricity Commission

Comisión Federal de Electricidad (CFE)

Av. 16 de Septiembre No. 455, Planta baja
44100 Guadalajara, Jalisco
México
Tel.: (52-3) 613-1728 & 614-8740
Fax: (52-3) 613-3420

National Telephone Company

Teléfonos de México, S.A. de C.V. (Telmex)

López Cotilla No. 1424
44270 Zapopan, Jalisco
México
Tel.: (52-3) 678-3830, 679-1000
Fax: (52-3) 642-8118, 641-2111

National Water Commission

Comisión Nacional del Agua (CNA)

Calz. Federalismo Norte No. 275, piso 2
44200 Guadalajara, Jalisco
México
Tel.: (52-3) 826-8212/4341
Fax: (52-3) 827-2545

Mexican National Railway

Ferrocarriles Nacionales de México (FNM)

Enrique Díaz de León No. 336
44171 Guadalajara, Jalisco
México
Tel.: (52-3) 626-3102
Fax: (52-3) 626-3102

National Oil Company

Petróleos Mexicanos (Pemex)

Av. López Mateos Sur No. 2220
45050 Guadalajara, Jalisco
México
Tel.: (52-3) 678-2511, 647-5226
Fax: (52-3) 647-5296, 647-5264

National Oil Company

Petróleos Mexicanos (Pemex)

Av. 18 de Marzo No. 208
Col. La Nogalera
44460 Guadalajara, Jalisco
México
Tel.: (52-3) 670-8439
Fax: (52-3) 670-2295

National Institute of Statistics, Geography and Information

Instituto Nacional de Estadística, Geografía e Informática (INEGI)

Av. Héroe de Nacozari No. 2301 sur Edif. Sede, puerta 7,
1^{er} nivel
Fraccionamiento Jardines del Parque
20270 Aguascalientes, Aguascalientes
México
Tel.: (52-49) 186-947
Fax: (52-49) 186-945

STATE GOVERNMENT OFFICES

Secretariat of Economic Development

Secretaría de Promoción y de Desarrollo Económico del Gobierno de Jalisco (Seproe)

Av. Alcalde No. 1351, Bldg B, 3rd floor
44270 Guadalajara, Jalisco

México

Tel.: (52-3) 823-6259, 6206, 6624

Fax: (52-3) 823-3972

Secretariat of Finance

Secretaría de Finanzas de Jalisco

Pedro Moreno No. 281

Col. Centro

44100 Guadalajara, Jalisco

México

Tel.: (52-3) 613-4755, 614-3262

Fax: (52-3) 613-7015

Secretariat of Tourism

Secretaría de Turismo del Estado de Jalisco (Setujal)

Morelos No. 102, 1er. piso, Plaza Tapatía

Col. Centro

44100 Guadalajara, Jalisco

México

Tel.: (52-3) 613-1196, 614-0123/7156

Fax: (52-3) 614-4365

Jalisco Government Council of Tourism Development

Consejo Estatal para el Desarrollo Turístico

Aurelio Ortega No. 764

Col. Seattle

Guadalajara, Jalisco

México

Tel.: (52-3) 656-4512/4727, 658-1257

Secretariat of Labor

Secretaría de Trabajo de Jalisco

Independencia No. 100

Col. Centro

44100 Guadalajara, Jalisco

México

Tel.: (52-3) 614-3159

Fax: (52-3) 614-3159

Secretariat of Urban Development

Secretaría de Desarrollo Urbano de Jalisco (Sedeur)

Av. Alcalde No. 1351, Edif. B, Piso 2

Col. Centro

44260 Guadalajara, Jalisco

México

Tel.: (52-3) 823-1696/5654/6989

Fax: (52-3) 823-5298

Attorney General for Urban Development

Procuraduría de Desarrollo Urbano (Prodeur)

Prolongación Alcalde No. 1351, Edif. A. Sótano

Col. Miraflores

44280 Guadalajara, Jalisco

México

Tel.: (52-3) 823-8412, 854-0322

Fax: (52-3) 823-8412, 854-0322

State Ecology Commission

Comisión Estatal de Ecología (Coese)

Heróico Colegio Militar No. 1111

44610 Guadalajara, Jalisco

México

Tel.: (52-3) 817-1731

Fax: (52-3) 817-1731

Secretariat of Rural Development

Secretaría de Desarrollo Rural (Seder)

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BUSINESS AND PROFESSIONAL

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Asociación de Industrias Maquiladoras del Occidente

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Guadalajara Chamber of Commerce

Cámara Nacional de Comercio de la Ciudad de Guadalajara

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Comisión de Planeación Urbana (Coplaur)

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National Council on Foreign Trade

Consejo Nacional de Comercio Exterior de Occidente

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Center for Business Enterprises in Jalisco

Confederación Patronal de la República Mexicana

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Fax: (52-3) 616-3118, 615-0676

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Centro de Enseñanza Técnica Industrial

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México

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a) Quality of text discussion (mark one only):

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- fair
- poor

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yes no

11. a) Does your company currently export?

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b) If yes, to which foreign markets?

- U.S.A. Europe Japan
- Mexico Latin America
- Other (please specify) _____

c) If not, are you planning to export within the next 12 months?

- Yes, where?
- U.S.A. Europe Japan
- Mexico Latin America
- Other (please specify) _____

12. What is the approximate size of your company?

- under \$1 million
- \$1 to 5 million
- \$5 and \$10 million
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To discuss this evaluation may we contact you? If so,

Name: _____

Company: _____

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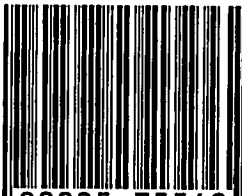
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