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CANADIAN TRADE DEVELOPMENT MISSION TO MEXICO

January 23 – January 27, 1974



**Industry, Trade
and Commerce**

**Industrie
et Commerce**

REPORT OF THE

CANADIAN TRADE DEVELOPMENT MISSION TO MEXICO

LED BY

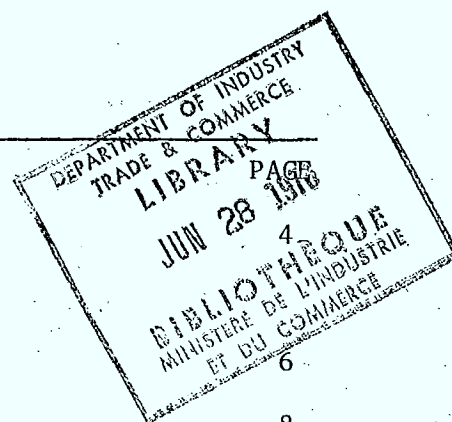
THE HONOURABLE ALASTAIR GILLESPIE

MINISTER OF INDUSTRY, TRADE AND COMMERCE

JANUARY 23 - JANUARY 27, 1974

TABLE OF CONTENTS

INTRODUCTION:	MESSAGE FROM THE MINISTER	
PART I:	ORGANIZATION OF THE MISSION	
	Theme	
	Objectives	8
	Membership	10
PART II:	MISSION STRATEGY	13
PART III:	MISSION PROGRAM AND ACCOMPLISHMENTS	
	General	15
	Mexican Market	15
	Program Outline	17
	Ministry of Industry and Commerce	20
	Ministry of Finance	23
	Ministry of National Patrimony	24
	Ministry of the Presidencia	26
	Ministry of Communications and Transport	28
	Nacional Financiera S.A.	30
	National Railways of Mexico	31
	Federal Electricity Commission	32
	SICARTSA	35
	Diesel Nacional (DINA)	36
	Mexican Foreign Trade Institute (IMCE)	37
	National Bank of Mexico	39
	Bank of Commerce	40
	The Coordinating Chamber of Businessmen for International Affairs	41



	PAGE
President Luis Echeverria	42
Financing Agreements	43
PART IV: CONCLUSIONS	46
PART V: FOLLOW UP	48
APPENDICES	



The Honourable Alastair W. Gillespie
meeting with President Luis Echeverria
of Mexico.



The Mission being received by President
Echeverria of Mexico.

MEMO

To: Canadian Exporters

From: The Minister of Industry, Trade and Commerce

Subject: MINISTERIAL MISSIONS AS A TRADE PROMOTIONAL TOOL

The Ministerial Trade Development Mission to Mexico was the first such mission to that country. It was highly successful in strengthening Canada-Mexico trade relations and in supporting Canada's marketing efforts in Mexico.

Increasingly, Canada is relying with considerable success on ministerial missions as a major element in our trade missions program. The membership of such missions normally includes a mix of exporters, importers, trade association representatives, potential investors and necessary officials - each category contributing its own specializations and motivations.

Preparations are extensive and detailed. Of crucial importance to the success of these missions is the country selection process, the defining of mission objectives, the selection of members and the preparation of an appropriate mission program.

When the mission has completed its business and returns to Canada, its work is not finished! In fact, the most important work - that of following up on the various market opportunities identified during the mission visit - must begin. The Ministerial Trade Development Mission to Mexico identified sales opportunities worth in excess of \$1 billion! These opportunities must now be pursued aggressively. Meetings with Mexican businessmen and government officials revealed that the most effective marketing strategy for Mexico must consider Mexican interests and aspirations such as

local manufacturing and efforts to increase Mexican exports. They also demonstrated that participation in the Mexican economy on Mexican terms can also be profitable.

The Department of Industry, Trade and Commerce, in conjunction with the Export Development Corporation, other federal government agencies and provincial departments, is continually trying to improve its various forms of assistance to Canadian businessmen. It is hoped that these services and promotional aids, when combined with strong private sector initiatives, will enhance Canadian competitiveness internationally and ensure continued improvement in our export performance.

Alastair Gillespie

PART I:

ORGANIZATION OF THE MISSION

Theme

The decision to organize the mission evolved as a natural continuation of the expanding trade relations between Canada and Mexico as highlighted by the Canada-Mexico Ministerial meetings held in Ottawa in October, 1971 and the subsequent state visit to Canada by Mexican President Luis Echeverria in April, 1973.

Mexico is keenly interested in intensifying relations with Canada and substantial opportunities exist for Canadian exporters and investors in the rapidly growing Mexican economy. This economy, however, is subject to close government regulation and intervention. Increasingly, marketing efforts must include joint ventures, licencing agreements involving local manufacturing in Mexico - frequently in partnerships with the Mexican government - and any foreign participation must be undertaken on Mexican terms.

It was considered advantageous to illustrate the magnitude and diversity of this market to senior Canadian business leaders as well, Canadian exporters have been demonstrating concern over the increasingly nationalistic Mexican attitude. Discussions with senior Mexican government and industry officials were intended to clarify the practical implications of Mexican trade and investment legislation as well as aid in developing an effective market approach for achieving maximum benefits within this framework.

To further strengthen and expand our trade relations, the Minister of Industry, Trade and Commerce, the Honourable Alastair Gillespie, decided to lead a trade development mission to Mexico. To maximize

our Canadian presence in Mexico the mission was timed to take place immediately preceding the second Canada-Mexico ministerial meeting scheduled for January 28-29, 1974, also in Mexico City.

Objectives

In achieving our present level of economic development, Canada has tended to become highly specialized in certain specific sectors i.e. transportation, communications, power, mining, forestry and agriculture. Because of this specialization, Canadian industry and consulting firms have acquired considerable expertise in those fields and are internationally competitive. To a significant extent, these specific areas of Canadian specialization match or complement the priority development requirements of Mexico. It therefore follows that by using Canadian products and services and by associating with Canadian companies, Canada can assist Mexico in achieving its own priority development objectives.

This approach is the foundation of Canada's present marketing strategy in Mexico and from it were evolved the basic objectives of the mission:

1. To demonstrate to the highest levels in Mexico, Canada's interest in developing and intensifying our trade relations.
2. To demonstrate that many of Mexico's economic development priorities are in sectors which match Canadian manufacturing capabilities and technical expertise.
3. To support the activities of Canadian companies which have identified business opportunities in Mexico whether through exporting, investment, licencing or importing.

4. To involve Canadian business leaders directly with opportunities in Mexico.
5. To respond to President Echeverria's invitation for a group of senior Canadian businessmen to visit Mexico.

Membership

Ministerial Party -

The Honourable Alastair W. Gillespie
Minister of Industry, Trade and Commerce

Raynald Guay, M.P.
Parliamentary Secretary to the Minister

Department of Industry, Trade and Commerce -

C.T. Charland
Assistant Deputy Minister, Export Development

J.D. Blackwood
Acting General Director, Western Hemisphere Bureau

K.V.D. Gardner
Deputy Director, Information Services Branch

D.J. Browne
Mission Secretary
Latin America Division, Western Hemisphere Bureau

J.P. Lambermont
Mission Coordinator
Fairs and Missions Branch

Export Development Corporation -

Vincent L. Chapin,
Vice President

Industry Representatives

James W. Clarke
Director General
Alberta Export Agency
Edmonton, Alberta

Mr. Harold Corrigan
President
Alcan Canada Products Limited
Toronto, Ontario

Mr. Gordon T. Leaist
Manager, Nuclear Power Marketing
Atomic Energy of Canada Limited
Ottawa, Ontario

Mr. Borge Reimer
Chairman of the Board
Automotive Parts Manufacturers
Association
Toronto, Ontario

Mr. David A. Whiteman
Vice President - Marketing
Barringer Research Limited
Rexdale, Ontario

Mr. A.N. Fenn
Vice President
Canada Wire International Ltd.
Toronto, Ontario

Mr. F.M. Francis
Vice President, Marketing
Canadair Limited
St. Laurent, Quebec

Mr. J.M. McAvity
President
Canadian Export Association
Montreal, Quebec

Monsieur Jean-Louis Gervais
President
Canadian Importers Association Inc.
Toronto, Ontario

Dr. Romul E. Vuia
Executive Vice President
Combustion Engineering-Superheater Ltd.
Montreal, Quebec

M. Paul A. Ouimet CR
Directeur général
Conseil général de l'industrie du Québec
Montréal, Québec

Mr. J.B. Stirling
Manager, Pulp and Paper Section
Dominion Engineering Works Limited
Lachine, Quebec

Mr. Roy W. Emery
President
Roy W. Emery Limited
Toronto, Ontario

Mr. B. Hercus
Vice President and General Manager
Electronics Division
Ferranti-Packard Limited
Toronto, Ontario

Mr. C.E. Marshall
Marketing Manager
GTE Automatic Electric (Canada) Ltd.
Brockville, Ontario

Mr. E.V. Hird
Vice President - Marketing
GTE Lenkurt Electric (Canada) Ltd.
Burnaby, British Columbia

Mr. Lorne Main
Director of Marketing
Hawker Siddeley Canada Limited
Toronto, Ontario

Mr. J.A. McCague
President
Holstein-Friesian Association
of Canada
Alliston, Ontario

Mr. J.A. Armstrong
President
Imperial Oil Limited
Toronto, Ontario

Mr. Edward Chmielinski
General Manager
Leigh Instruments Limited
Carleton Place, Ontario

Mr. Ronald R. Keating
President
Litton Systems Canada Limited
Rexdale, Ontario

Mr. M.M. Nusgart
Director
Manitoba Export Corporation
Winnipeg, Manitoba

Mr. Henry Valle
Vice Chairman
MLW-Worthington Limited
Montreal, Quebec

Mr. J.B. Wolfe
President
Ontario Produce Company Limited
Toronto, Ontario

Mr. C.W. Reynolds
Chairman of the Board
Ronalds-Reynolds Company Limited
Toronto, Ontario

Mr. Norman Springate
President
Norman Springate & Associates Ltd.
Vancouver, British Columbia

Mr. John D. Allan
Executive Vice President
The Steel Company of Canada Limited
Toronto, Ontario

Mr. Ian S. Ross
President
Swan Wooster Engineering Co. Ltd.
Vancouver, British Columbia

Mr. A.P. Bird
Vice President and Secretary
Sydney Steel Corporation
Sydney, Nova Scotia

Dr. J.W.C. Tomlinson
Chairman, International Business
Program
University of British Columbia
Vancouver, British Columbia

Mr. W.J. Cheesman
President
Westinghouse Canada Limited
Hamilton, Ontario

Mr. H.M. Wright
President
Wright Engineers Limited
Vancouver, British Columbia

Mr. C.D. Arthur
Transportation Industries Branch
Department of Industry, Trade
and Commerce

Mr. D.J. Janigan
Special Projects Branch
Department of Industry, Trade
and Commerce

Canadian Embassy, Mexico

Mr. M. Schwarzmann
Ambassador

Mr. R.D. Sirrs
Commercial Counsellor

Mr. P.A. Holton
Assistant Commercial Secretary

Miss K. McCallion
Assistant Commercial Secretary

PART II

MISSION STRATEGY

The mission objectives were achieved by careful selection of the mission members and by structuring the mission program to encompass high level meetings with Mexican President Echeverria, key ministers and senior government officials as well as senior Mexican bankers and businessmen.

Selection of the mission members focussed on those firms already active in the Mexican market and on trade associations whose reports would receive wide circulation. A balance of interests was achieved by including exporters, importers, investors and a representative of the academic community. All sectors of Canadian specialization were represented. The members were also selected from all regions of Canada.

Several Canadian government officials accompanied the mission to represent key sectors of trade interest for Canada and to ensure maximum coverage of appropriate sectors. The mission secretariat was concerned with working up effective follow up programs for all business opportunities developed during the mission visit, with identifying all trade obstacles and with exploring in detail the means by which these could be overcome. Mr. Gillespie and several government officials remained after the mission to assist in advancing Canadian interests, including those identified by the mission, during the subsequent Canada-Mexico Ministerial Committee meetings on January 28-29, 1974.

To ensure that the potential of the Mexican market and the scope of Canada's trade involvement with Mexico were widely publicized, nine representatives of Canadian news media also accompanied the mission. Arrangements were made for coverage of all mission meetings

by the Canadian journalists. Canada's image and manufacturing capabilities were widely publicized in Mexico and the extensive coverage in Canada has served to alert Canadian industry in general to the trading opportunities identified by the mission.

The mission program concentrated on group meetings with key Mexican ministers and directors of semi-autonomous government agencies during which members were given an opportunity to speak to their particular interests. Such meetings were invaluable in providing mission members with an interpretation of Mexico's philosophy regarding foreign trade and investment as well as enabling members to make direct contact with senior government officials. Exposure to the Mexican private sector was ensured by meetings with the Coordinating Chamber of Businessmen for International Affairs and luncheons organized by Mexico's major banks. Programs of individual appointments were also arranged for several members during free periods in the official program and after conclusion of the mission.

PART III

MISSION PROGRAM AND ACCOMPLISHMENTS

General

The invitation from President Echeverria assured a warm welcome to Mexico. The brief, but intense, three day program concentrated on furthering Canadian interests with the Mexican president and key ministries involved with trade policy and procurement decisions.

Mexican Market

The Mexican market is characterized by extensive government participation either by direct government investment or indirectly through government import licencing requirements and other regulations. In addition to reserving a number of economic sectors exclusively for government involvement, the government is the principal owner of the major telephone company, the largest sulphur producer, a marketing company and sugar mills to name a few. It also extends its industrial activities through a wide range of independent state owned entities or mixed public-private companies under the Ministry of National Patrimony or Nacional Financiera S.A. These now number some 380 entities, half of which are industrial e.g. in fertilizers, coal, paper, food, steel, manufacturing of buses, trucks and Renault automobiles, railway cars and other products.

In searching for marketing or investment opportunities in Mexico, involvement with government programs is often necessary. Certainly the best opportunities for Canada require government participation. At a very minimum, Canadian marketing strategies are subject to frequent adjustment due to new Mexican government policies. In 1972, auto parts, newsprint and powdered milk were affected in this manner.

To maximize our involvement in sectors of interest, our efforts are increasingly being directed, where feasible, towards accommodating joint packages involving Canada-Mexico interests i.e. joint ventures and complementary local manufacture of components as well as direct two way trade.

Program Outline

Schedule

MINISTERIAL TRADE DEVELOPMENT MISSION TO MEXICO

JANUARY 23-27, 1974

Wednesday, January 23, 1974

18:40 hrs. - Depart Toronto or Vancouver.

Thursday, January 24, 1974

- 00:05 hrs. - Arrive Mexico
 - Official welcome by Mexican government officials.
 - Brief statement to local press representatives at the airport.
- 00:30 hrs. - Depart for Hotel Camino Real
- 09:15 hrs. - Breakfast meeting and briefing for mission members - hosted by IT&C Minister.
- 10:15 hrs. - Depart for Ministry of Industry and Commerce.
- 11:00 hrs. - Group meeting with Secretary of Industry and Commerce for discussion of Mexico's overall trade, industrial development and foreign investment strategies.
- 12:15 hrs. - Depart for Banco Nacional de Mexico - Mexico's second largest bank.
- 12:45 hrs. - Group meeting and open discussion with bank officials and senior representatives of the Mexican business community whose interests will specifically correspond to those of the mission members.
- 13:45 hrs. - Working luncheon hosted by the Banco Nacional de Mexico.
- 15:45 hrs. - Minister and selected group of mission members depart for EDC signing ceremony and meeting with Nacional Financiera S.A. (the official investment and financing bank of the Mexican government).
 - Remaining mission members have free period or business calls.
- 16:30 hrs. - Meeting with Nacional Financiera S.A.
- 17:45 hrs. - Minister and selected mission members depart for meeting with Ministry of National Patrimony (which registers all suppliers doing business with the Mexican government and which is responsible for all state owned resources). Remaining officials and mission members also depart for meeting with Mexican Foreign Trade Institute or business calls.

- 18:15 hrs. - Meeting with Secretary of National Patrimony.
- 19:00 hrs. - Meeting with Mexican Institute of Foreign Trade.
- 19:30 hrs. - Minister and mission members depart for Ambassador's residence.
- 20:30 hrs. - IT&C Minister meets with representatives of Canadian media at Ambassador's residence.
- 20:45 hrs. - EDC signing ceremony and buffet hosted by Ambassador.

Friday, January 25, 1974

- 08:30 hrs. - Working breakfast in the Club de Industriales, Hotel Camino Real hosted by CEMAI - the Coordinating Chamber of Businessmen for International Affairs. (This meeting will include all major industrial and business chambers.)
- 10:00 hrs. - Minister and selected mission members depart for Ministry of Finance to receive economic briefing and to outline Canadian capabilities.
 - Remaining mission members depart for group meeting with Diesel Nacional (DINA) - (the government manufacturer of buses, trucks, subway cars and Renault cars) or individual business calls.
- 10:30 hrs. - Meeting with Secretary of Finance.
- 11:45 hrs. - Minister and selected mission members depart for Ministry of Communications for joint meetings with Secretary and heads of National Railways, Civil Aeronautics and Communications.
- 12:15 hrs. - Remaining members attend group meeting at SICARTSA - (the new government steel complex) or make business calls.
- 13:15 hrs. - Minister and mission members depart for Banco de Comercio (the largest bank in Mexico) for informal discussion with bank officials and luncheon.
- 14:45 hrs. - Luncheon hosted by Banco de Comercio.
- 17:00 hrs. - Minister and mission depart for Ministry of the Presidency.
- 17:30 hrs. - Meeting with Mr. Ignacio Ovalle, Undersecretary of the Presidency.
- 19:15 hrs. - IT&C Minister meets with representatives of Canadian media.
- 20:00 hrs. - Official reception hosted by IT&C Minister at Hotel Camino Real.

Saturday, January 26, 1974

- 09:00 hrs. - Breakfast debriefing session at Hotel Camino Real.
- 11:00 hrs. - Open for individual or small group appointments.
The minister and selected mission members meet with officials of the Federal Electricity Commission.
- 12:30 hrs. - Minister and appropriate mission members depart for meeting with National Railways.
- 13:00 hrs. - Meeting with senior officials of National Railways.
- 14:00 hrs. - Farewell luncheon hosted by Commercial Counsellor for minister and mission members only.
- 16:30 hrs. - Minister and mission members depart for meeting with President of Mexico at "Los Pinos".
- 17:00 hrs. - Meeting with President of Mexico followed by interviews with press representatives.

Sunday, January 27, 1974

Most mission members return to Canada. Those members requiring additional appointments will have individual programs prepared for January 28 & 29, 1974.

Interview Reports

Secretaria De Industria y Comercio
(Ministry of Industry and Commerce)

Lic. J. Campillo Saenz, Minister

The Mexican minister recognized that Mexican exporters must become more aggressive if trade with Canada is to increase greatly. He also said that steps must be taken to eliminate triangular trade involving U.S.A. intermediaries, improve transportation, quality control and Mexican export financing facilities.

At the same time he expressed the hope that Canada would continue to assist Mexican efforts to penetrate the Canadian market. He asked that Canada give preferential treatment to imports of products from developing countries and, for the General Preference System, agreed with the Canadian approach to trade negotiations on a sectoral basis. He said that the Exchange Program for Young Specialists and Technicians should be expanded and he hoped for significant increases in tourism from Canada.

The Minister extended a welcome for considerably increased Canadian investment in Mexico with Mexican partners. He reported that in 1970 only 1.6% of total foreign investment in Mexico came from Canada. Related to this, he hoped for intensified exchanges of technology between the two countries. He noted, however, that such exchanges were now regulated by legislation and must be negotiated without restrictive conditions inhibiting development. He felt that both Canada and Mexico must strive for independent economic development.

In elaborating on the Mexican investment legislation, the Minister emphasized that it was not restrictive but rather selective. It anticipates foreign capital being invested in Mexico on a complementary basis to Mexican investment. Exceptions to the 49% limit on foreign investment will be made when essential to Mexican development. He felt that Canada/Mexico trade could be more complementary in the sense that Canada could produce in Mexico those products benefiting from lower cost labour and raw material (possibly for export to third countries as well) and Mexico could purchase from Canada those products manufactured here most economically.

In commenting on the restrictive nature of the Mexican economy, the minister said he believes it is justified by the need to protect and expand job opportunities. Because of rapid population growth, Mexico's objective is 600,000 new jobs per year as well as to incorporate large sectors of the population into better paying employment.

When referring to the current energy crisis, the minister felt that it demonstrated the need for some type of instrument to determine the economic rights of states. In this regard he thanked Canada for our support of the Mexican proposal for a Charter of Rights and Duties of States.

The Minister of IT&C welcomed Mexican efforts to increase their exports to Canada and emphasized that Canada is an open market - a market which imports more fully manufactured goods than most other industrialized countries. He outlined Canada's trade interests and in doing so introduced various members of his mission. Mr. Gervais of the Canadian Importers Association agreed that Mexico should adopt a more aggressive approach to the Canadian market and requested a list of Mexican products available for export. The possibility of forming joint Canada/Mexico trading companies to eliminate triangular trade

was discussed in general terms. Mr. McAvity of the Canadian Export Association reported that his members had few problems with Mexico although he recommended that the use of consular invoice be discontinued. He also felt that trade would be greatly facilitated if an arrangement could be made with the Export Development Corporation and the banking systems of Canada and Mexico to provide short and medium term credits to smaller manufacturers of machinery and equipment. The representatives of The Steel Company of Canada Ltd., Litton Systems Canada Ltd. and the Ontario Produce Company Ltd. also spoke to their particular interests.

In concluding the meeting, both ministers agreed that substantial scope exists for further expansion and intensification of the trading relationships between Canada and Mexico.

Secretaria De Hacienda y Credito Publico

(Ministry of Finance)

Lic. Jose Lopez Portillo, Minister

In a general discussion of the international economic situation, the Canadian minister expressed his view that the recent currency realignments and commodity crises had created a different balance in the world with respect to international payments and their implications for trade. New trading opportunities have been created for each country both individually and collectively. The Mexican minister concurred and indicated that the petroleum crisis in particular could change the financial situation of the world. He felt that acceptance of the Mexican proposal for a Charter of Rights and Duties of States is now even more important to help solve this and similar problems.

Mexico's interest in Canadian investment and Canadian participation in joint ventures was recognized but Mr. Gillespie indicated that two factors inhibiting such Canadian involvement were the 42% Mexican withholding tax on consultants' gross fees and double taxation difficulties. On the double taxation question, the Mexicans indicated that negotiation of a general double taxation agreement would be difficult at this time since no precedent for such an agreement had ever been established with any country. Discussions are, however, continuing and, in the meantime, a limited agreement covering air transportation companies had been negotiated.

Ronald Keating, President, Litton Systems (Canada) Ltd. reviewed Mexican budgetary procedures and their effect on long term planning and procurement policies.

Secretaria del Patrimonio Nacional

(Ministry of National Patrimony)

Lic. Horacio Flores de la Peña, Minister

The Mexican minister indicated that his responsibilities included:

- (1) Urban Development - low cost housing
- seaside resorts, ports, border areas
- (2) Natural Resources - mining and oil
- (3) Control - government purchases
- government investment
- government enterprises (operation and management of some 460 enterprises valued in excess of \$10 billion. Participation in mining alone is valued at \$200-300 million)
- (4) Churches and Government Public Buildings

Through its control of government enterprises, the ministry has major interests in electricity, petroleum, fertilizers, sisal, railroads, automobiles/trucks/buses, food products, basic petrochemicals, communications. Its influence in the procurement decisions of other government ministries is also significant. In these cases, the ministry concerned decides on the technical acceptability of a proposal. National Patrimony, however, decided if the prices are satisfactory, if the financing is acceptable and also assesses the benefits of the proposal to Mexico.

The Mexicans expressed concern at Canadian policies with respect to commodity trade, particularly for sulphur and, to a lesser extent, for silver. Mr. Gillespie recognized that these problems are viewed from that perspective by various countries and indicated that the present Canadian approach was to find new uses for sulphur through the Sulphur Institute.

In discussing the question of nuclear power, the Mexican minister confirmed Mexican interest in the CANDU system and indicated that a final decision would be taken shortly. He welcomed Canadian investment in mining (49% basis) and felt that Canadian mining investors and consulting firms should push harder to penetrate the Mexican market through association, joint ventures, exploration, etc.

Secretaria de la Presidencia de la Republica

(Ministry of the Presidency)

Mr. Ignacio Ovalle, Vice Minister

This ministry is responsible for placing in operation the accords reached by the president and his cabinet. In essence, it is concerned with:

- all economic planning and programming in the country
- the coordination of all efforts of the federal government.

In performing these functions it is familiar with and influences all projects, large or small, in all areas of the country.

With respect to private and public investment, Mexico is encouraging development in the Isthmus of Tehuantepec which has the shortest distance between the Atlantic and Pacific on the continent. In addition, detailed studies of the entire national territory are being undertaken with the aim of compiling an inventory of all renewable and non renewable resources in the country. The information now available covers 2/3 of the national territory and has involved the use of photogrammetry and photointerpretation techniques. Prospective investors wishing to know the characteristics of particular regions have access to this data. This information is also provided to other public agencies to obtain savings in investigations and to ensure a coordination of efforts without duplication. It is used by the president in formulating sectoral development plans and eventually will be the basis of a national development plan.

The Presidency together with the Ministry of Finance establishes and approves the annual investment program of the Mexican government which currently accounts for 40% of the total investment in the country. The government has a social approach to investment and it is important in Mexican development both quantitatively and qualitatively. To date public investment has been concentrated in petroleum, electricity, transportation, communications, education, health and municipal services (in the federal district). The administration of President Echeverria is giving greatly increased emphasis to development of the agricultural and livestock sectors (18% of public investment in 1973 as opposed to 10% before 1970). The approach to rural development is now highly integrated and coordinated rather than separate programs of various individual agencies.

The Ministry of the Presidency is also anxious to promote commerce, both domestic and international, and tourism. It strongly supports the development of related infrastructure such as airports, roads, hotels and complete new tourist area developments. It will assist prospective foreign investors in finding suitable Mexican partners and in the subsequent negotiations.

Mr. Gillespie expressed interest in the various activities of the ministry and particularly in the inventory of national resources. He suggested that specific areas for increased Canadian participation in Mexican development programs might be energy, transportation, ports, agriculture (livestock) and communications (microwave).

Secretaria De Comunicaciones y Transportes
(Ministry of Communications and Transport)

Ing. Eugenio Mendez D., Minister

Mr. Luis Gomez A., General Manager, Ferrocarriles Nacionales de Mexico
(Mexican National Railways)

Ing. Juan Rodriguez Torres, Director
Direccion General de Aeronautica Civil
(Department of Civil Aeronautics)

Director General of Telecommunications

Assistant Secretary of Radio Broadcasting

Director General, Railroad Operations

The Mexican minister outlined in detail the varied responsibilities of his ministry in the communications and transport sectors.

With respect to the Mexican railways, the government is most anxious to unify all systems. Administratively, the General Manager of the Mexican National Railways is also Manager of the Pacific Railways. A new rate schedule will also be published shortly unifying all rates to make traffic more fluid and to eliminate documentation problems.

In addition to granting radio broadcasting concessions, the ministry also installs and operates TV stations in areas of the country where there are no commercial incentives for the private sector to do so. The ministry has a stockpile of TV equipment and, when requested, installation can be made quickly. This program is strongly supported by President Echeverria.

The ministry also wishes to exchange TV programs with other countries. They have recently contracted with Spain for the installation of a repeater for satellite TV communications and would welcome an exchange of government/private sector programming with Canada via INTELSAT.

In his response, Mr. Gillespie referred to the similarities between Canada and Mexico with respect to railway development. He also indicated that many mission members represented subsidiaries of large international corporations which, in accordance with Canadian government policy, have specialized in certain product lines and have become highly competitive internationally. He reviewed Canadian involvement to date in Mexican railway programs and stressed Canada's interest in participating in a major railway rehabilitation program which could involve Canadian long term financing of up to \$200 million. He also emphasized Canada's interest in the Mexican air traffic control system. Representatives of Litton, Lenkurt, Hawker Siddeley, MLW-Worthington, SYSCO, Leigh Instruments and Ronalds-Reynolds spoke to their specific interests.

The Mexicans indicated that they were most interested in the Canadian proposals involving joint ventures and financing. They expressed their wish to intensify trade with Canada.

Nacional Financiera S.A. (NAFIN)

(National Financing Co.)

Lic. Gustavo Romero Kolbeck, Director General

Lic. Jesus Puente Leyva, Assistant Director

Ing. Emilio Zorrilla Vasquez, Technical Manager - Industrial Promotion

Lic. Pedro Galicia Estrada, Manager, International Projects

The interests of NAFIN involve joint ventures, import substitution policies, export promotion, increased production of capital goods, improved technological content in Mexican products and improved Mexican content.

With respect to joint ventures, NAFIN believes that Canadian participation would be particularly effective in new industrial development projects involving local production of railway rails, silicon steel for the electrical sector, ceramic electrical insulators of over 36 KV capacity, ball and bar mills for the mining industry and agricultural equipment such as harvesters, reapers, threshing machines and sowers.

Necessary feasibility studies can be financed either directly by NAFIN (through trust funds) or with joint Canadian/NAFIN financing. The equity portion of a joint venture project is customarily financed 33 1/3% (NAFIN), 33 1/3% (foreign partner), 33 1/3% (Mexican private sector). On a typical \$1 million project, the debt/equity ratio would range 60%-70%/30%-40%.

With respect to financing feasibility studies, NAFINSA advised that their trust fund consisted of a loan from the Inter-American Development Bank (0%, 15 years with 5 years grace) but that the loan conditions were very difficult. Mr. Gillespie was requested to determine if a similar but more favourable loan might be available from CIDA.

Following the discussion an EDC loan agreement for \$2.2 million and a letter of commitment in the amount of \$15 million were signed.

Ferrocarriles Nacionales de Mexico

(Mexican National Railways)

Mr. Luis Gomez Zeta, General Manager

Mr. Gomez expressed appreciation for Mr. Gillespie's offer of the previous day for up to \$200 million in financing for the railway rehabilitation program. He expressed particular interest in the aspect of this proposal involving the construction of passenger cars in Mexico.

Mr. Gomez had reviewed the Canadian proposal with the Minister of Communications and Transportation and together they will bring it to the President for approval so that more detailed negotiations can commence at an early date.

Mr. Gillespie strongly supported the sales initiative of the private sector. In referring to the availability of financing from Canada, he indicated that EDC had already reached its lending ceilings due to Canada's export success but that a new financing bill would be submitted to Parliament in the next session to raise these ceilings.

Mr. Main of Hawker Siddeley reported on the suitability of the railway's Aguascalientes shops for the construction of passenger cars. The facilities are excellent and could be adapted for this purpose with only a small additional investment. Labour is considered most capable.

Mr. McAvity commented on the effect of such a proposal on jobs and industrial development in both countries.

Comision Federal de Electricidad - CFE

(Federal Electricity Commission)

Arsenio Farell C., Director General

Investment Budget

The 1974 investment program for CFE will amount to 8,000 million pesos (approximately \$640 million) plus an additional 1,200 million pesos for maintenance of existing systems. Of this total budget covering purchases of equipment, civil works, labour, etc., about 40% is earmarked for foreign procurement of items such as generators, turbines and plant machinery. CFE strives to obtain 20% Mexican content in all foreign purchases.

Purchasing Procedures

In purchasing, CFE deals directly with the private sector but is subject to influences of the Ministry of Industry and Commerce by its need for foreign and domestic financing. This ministry considers such aspects as technical terms, financing proposals and delivery dates. CFE are most insistent on strict adherence to agreed delivery dates which in all cases should not be longer than 30 months from the date of commitment.

Nuclear Power

Mexico is now installing two units of 600 MW at Laguna Verde. These were purchased from General Electric (USA).

Because of rapidly increasing power demand, additional nuclear plants are clearly required. During the construction/installation phase, Mexico will fully utilize its hydro power possibilities and also their coal reserves for steam generation as a bridge until new reactors come on stream.

CFE have recommended to the President that future nuclear installations be the CANDU type. The director-general has proposed a 2200 MW project involving four reactors valued at approximately \$1.5 billion. It would be installed on the North East Coast over a period of 8-10 years. A heavy water plant would also be constructed. A final decision will be made in the immediate future by the President and an inter-ministerial committee.

Power Package

This proposal arises from knowledge of Canadian assistance to India and Pakistan in integrating and rationalizing their electrical and power industries. Because of rapidly rising demand, CFE's investment program, and related requirements for goods and services, is increasing substantially. At present, investment requirements are doubling every six years and their sheer magnitude points up the following factors: -

- an investment program is required;
 - detailed planning and technical assistance are required;
 - continued importation of requirements is not acceptable because it affects the country's balance of payments and reduces potential job opportunities for Mexicans;
 - the electrical industry must be standardized to avoid situations in which each station or machine is different;
- CFE engineers are now undertaking preliminary studies with this view. This standardization could result in integration of the industry.

Consideration of these factors suggests to CFE the need for a program leading to the eventual manufacture in Mexico of all CFE requirements. CFE proposes that the power industry integration program be carried out with Canada for political, social, economic and other reasons. It would involve joint ventures in Mexico with private or public local partners and the new firms would have an assured market in the Mexican electrical sector. They would also be seen as possible suppliers to other Latin American markets - possibly assisted by Mexican technical assistance programs in the electrical sector (dams). Products concerned are switches, transformers, generators, turbines, etc. - CFE wishes to implement their proposal in 1974 and the President has been informed.

Mr. Gillespie suggested that a joint working group be set up to consider and develop a plan of integration with Mexico. Early attention would be given to identifying areas in which Canada could readily participate. Mr. Gillespie observed that the integration plan might permit continued imports of some items but offset them by exports of others.

Siderurgica Lazaro Cardenas - Las Truchas (SICARTSA)

(Lazaro Cardenas - Las Truchas Steel Plant)

Ing. Adolfo Orive Alba, Director

Phase I of the SICARTSA project is the establishment of a 1½ million ton steel mill at Las Truchas on the Pacific coast which is expected to become - from nothing - Mexico's fourth largest industrial region. British Steel are the consultants and orders for the necessary equipment have mostly been placed. Dominion Engineering expect to finalize an \$8 million sale of continuous casting lines. One or two smaller offers from Canadian firms for other equipment are still outstanding. Mexico has not yet discovered coking coal so that up to 1 million tons are expected to be purchased from Canada and Australia. A mission will be sent to Canada in March for which Jim Clarke of the Alberta Export Agency will make certain preparations in conjunction with the Department.

SICARTSA is now preparing a preliminary budget for Phase II - a doubling of production plus hot and cold rolling mills. This is very close to Stelco's plans for Lake Erie and John Allan foresees potential for Stelco to offer technology. His company has recently decided to pursue actively overseas consulting assignments. He also recommends that this is the time for equipment suppliers to start promoting their own interests.

The Embassy will follow up with SICARTSA in order to obtain more details and to ensure that Canadian firms become involved at this early stage.

Diesel Nacional S.A. (DINA)

(National Diesel Company)

Lic. Emilio Krieger, Director

In discussions with this mammoth government-owned organization which manufactures transportation equipment (i.e. railway cars, metro cars, buses, trucks and Renault automobiles) a number of promising areas were pinpointed. Expansion plans for the Mexico City metro offer continuing sales opportunities. The question of locomotive manufacture by GM of the USA, should it ever be realized, will likely give rise to the supply of components from the GM plant in London, Ontario. Auto parts for Renault automobiles are also very much in demand by DINA and they are most anxious to obtain these from Canada. They may organize a small scale mission to Canada for this purpose in the months ahead. Joint ventures in a number of sectors which could involve DINA are also considerations which will be taken into account.

Instituto Mexicano de Comercio Exterior (IMCE)

(Mexican Foreign Trade Institute)

Mr. Jorge Canavati, Deputy Director

Establishment of IMCE was an early priority of President Echeverria and it continues to receive high level support in its objectives of promoting economic growth and improving the balance of trade by developing export markets and export potential. Its most pressing need is to increase production for export.

Last year, as an import replacement promotion intended to encourage new production and joint ventures, IMCE held in Mexico an exhibition of all articles imported by the Government of Mexico. This year - a more ambitious program will be held - an exhibition of all items imported into Mexico, totalling over 8,000 items. Potential foreign investors will be invited. Incentives are offered for new industries.

Mexico maintains 24 Trade Commissioners in 19 countries and the current priority is to staff and expand a network of regional domestic offices, now 23.

IMCE personnel were most appreciative of Jack Wolfe's presence and had subsequent meetings with him to obtain his views as they did later with Ed Grant of Canada Department of Agriculture. Borge Reimer outlined the results of his meetings with his Mexican counterparts and felt that there was excellent potential for increasing two-way trade in auto parts as well as steps for joint ventures. Ed Chmielinski and Barry Hercus expressed interest in sources of electronic components and arranged subsequent meetings.

Jim McAvery of the CEA outlined the advantages of COSTPRO. J.L. Gervais offered the help of the Canadian Importers Association in arranging buying visits to Mexico of Canadian importers. He also offered access, for a modest user fee, to the CIA's "importers file" - a register of members interested in new suppliers or products.

Banco Nacional de Mexico
(National Bank of Mexico)

Dr. Agustin F. Legorreta, Director General

Banco Nacional de Mexico is the second largest bank in the country and maintains close contact with the Mexican business and industrial sectors. It has extensive investments in Mexican industry and frequently takes equity positions in joint venture projects along with Mexican and foreign partners. Where a suitable Mexican partner cannot be found, the bank would consider even a 51% equity participation in particularly desirable projects.

Many foreign investors consider such equity participation by the bank in joint venture projects to be highly advantageous as its views on important management decisions are likely to be based on sound business principles and not unduly influenced by emotional or nationalistic considerations. Also, the bank does not normally become involved in the day to day management of an enterprise unless serious problems develop.

In some sectors, such as tourism, projects may be owned outright by the bank. The Banco Nacional recently purchased the Las Brisas hotel in Acapulco, for instance, and has nearly total ownership of the Camino Real hotels in Mexico as well.

Banco de Comercio

(Bank of Commerce)

During an informal luncheon hosted by Mexico's largest bank, mission members were able to meet senior bank officials and exchange views on business matters of mutual interest. The Banco de Comercio will assist foreign investors in identifying suitable Mexican partners and, at times, is also prepared to take an equity position in joint venture projects.

Consejo Empresarial Mexicano para Asuntos Internacionales (CEMAI)
(Mexican Businessmen's Council for International Affairs)

Ing. Alexandro Alvarez Guerrero, Chairman

Mr. Enrique Uhthoff, Past-President, Mexico Section, Canada-Mexico
Businessmen's Committee

Dr. Ernesto Amtmann Obregon, President, Mexico Section, Canada-Mexico
Businessmen's Committee

After welcome remarks by Ing. Alvarez and a brief ceremony changing the President of the Mexico Section, Canada-Mexico Businessmen's Committee, discussion was directed towards the business relations between Mexican exporters and Canadian importers of fruits and vegetables.

The question of triangular trade and the use of USA inspection services was raised by Mexico. Mr. Wolfe of the Ontario Produce Company Ltd. responded in detail.

Mr. Gillespie commented briefly on the objectives of the mission and Canada's interest in Mexico.

Lic. Luis Echeverria Alvarez

(President of Mexico)

In response to welcoming remarks, Mr. Gillespie outlined the objectives of the mission and summarized its activities and achievements during the Mexico visit. He emphasized Canada's interest in pursuing market opportunities in power, nuclear reactors, communications, air traffic control systems, consulting services, cattle, steel making etc. He indicated that several mission members already had investments in Mexico and that many were keenly interested in joint venture possibilities with Mexican partners. Several members were also following up on opportunities to import Mexican products.

The representatives of Hawker Siddeley Canada Ltd., The Steel Company of Canada Ltd., The Holstein-Friesian Association of Canada and the Alberta Export Agency spoke to their specific interests. The Mexican President was most interested in the adaptability of Canadian purebred Holsteins to tropical conditions and invited the representatives of the Holstein-Friesian Association and the Alberta Export Agency to visit an experimental farm in southern Mexico where Canadian Holsteins for shipment to tropical regions will be stepped up. Eventual exports from Mexico to the Caribbean might be a future possibility.

Financing Agreements

During the mission visit the following agreements were signed by the Export Development Corporation.

- \$1.08 million - loaned to Telefonica Nacional S.A. for the purchase of telephone and multiplex equipment from GTE Automatic Electric (Canada) Limited and GTE Lenkurt Electric (Canada) Limited.
- \$2.05 million - loaned to Nacional Financiera S.A. for the purchase of railway tank cars and spare parts from Hawker Siddeley of Canada Limited and tie plates from the Sydney Steel Corporation. This was negotiated as an amendment to a railway loan signed on September 13, 1973 thereby increasing the total financing package to \$12.55 million.
- \$15 million - letter of commitment for a loan to Nacional Financiera S.A. for the purchase of capital equipment primarily in the railway and forestry sectors.

Achievements:

General -

The mission was an unqualified success fully achieving all objectives and greatly strengthening Canada's presence in the Mexican market. The size of the Canadian mission and the calibre of its members clearly demonstrated Canada's interest in developing and intensifying our trade relations.

In exposing the Canadian mission members to a substantial number of key Mexican government and business officials, the members gained an understanding of Mexico's basic orientation to foreign trade and investment, as well as the various influences at play in the

Mexican market. This has led to an appreciation of the rationale behind recent Mexican foreign investment and technology transfer legislation and a recognition of Mexico's pragmatic approach to the application of this legislation. The result is an enhanced interest in consideration of investment as an element of marketing strategy for Mexico and greater confidence in pursuing related negotiations with the Mexican government and prospective Mexican business partners. The broad range of high level contacts established during the mission will give Canadian efforts a better chance of success than was the case in the past.

In developing Mexico's recognition of Canada as a competitive international supplier of manufactured goods and high technology equipment as well as industrial materials and basic commodities, the mission did much towards effecting a general favourable change in attitude by representatives of both countries toward Canada-Mexico trade.

Business -- A \$1 billion potential

Firm business concluded during the mission visit included the signed Export Development Corporation financing agreements totalling \$18 million; \$8 million worth of steel mill equipment from Dominion Engineering Works, Westinghouse gas turbines valued at \$4 million, \$5 million worth of railway locomotives from MLW-Worthington and \$500,000 worth of sawmill equipment from Norman Springate and Associates of Vancouver. A \$34 million order for milk powder was also signed during the mission visit bringing the total business done during this period to \$69.5 million.

Business that appears to be pretty well assured but still requires some further negotiation includes \$30 million worth of railway coal cars; \$8 million worth of air traffic control equipment; \$4 million worth of cattle and \$4 million worth of rapeseed; totalling almost \$77 million.

The total firm and pending business exceeds \$141 million and indicates the value of exports sales that Canada can expect to conclude with Mexico during the present year - a figure that exceeds the exports of all commodities for 1973. This is only a small portion, however, of the potential business identified by the mission as opportunities for early follow up by mission members. Possible sales of a "railway equipment package", CANDU nuclear reactors, power equipment, steel making equipment, and coking coal could exceed \$850 million.

PART IV:

CONCLUSIONS

The mission was accorded a warm reception by the Mexicans and successfully achieved all of its objectives. Substantial business was either concluded or identified for future follow up.

As a result of this success and subsequent follow up activities, the Mexicans are increasingly looking to Canada for their import requirements and as a market for Mexican products. Efforts are being made by both Canada and Mexico to intensify their economic and general relationships through expanded bilateral programs of exchanges, meetings, committees, etc.

For Canada, the magnitude of the Mexican market and the interest of Mexico in trading with Canada were clearly illustrated. It is evident, however, that our manufacturing sectors will have to intensify their efforts and that effective marketing strategies in most instances will have to contemplate a degree of local production, training or technology transfer. Mexico's interest in turnkey or "package" offers also became apparent as did the need to provide competitive financing.

Both countries must try to maintain the considerable momentum generated by this encounter. Canada must continue to build its image as an industrial nation, a nation whose industrial and commercial sectors have specialized in certain areas when fortuitously correspond to precisely those areas of highest Mexican priority. We must continue to encourage Mexico to look to Canada for specialized manufactured products as well as for our traditional exports and to continue to cooperate in bilateral and multilateral trade discussions. In short, to try harder.

The key to the successful continuation of these initiatives is an effective follow up program. Such a program has been evolved and is being further developed by the Department of Industry, Trade and Commerce. The principal impetus, however, will have to come from the private sector led by the mission members in pursuit of the opportunities uncovered.

PART V:

FOLLOW UP

Mexico is receiving high priority in the export promotion programs of the Department of Industry, Trade and Commerce and new marketing initiatives are being investigated.

All business opportunities identified during the mission visit have been brought to the attention of Canadian exporters and are being aggressively pursued. An intensification of Canada-Mexico relations is encouraged by expanded programs of student exchanges, technical committees, bilateral meetings, missions and trade fairs etc. Opportunities for increased Canada-Mexico cooperation in such areas as joint ventures, licencing, science and technology are also being explored.

Some elements of the follow up program which have already taken place, or are under way include:

Canada-Mexico Ministerial Committee

A meeting of this committee is held every second year to review a broad range of bilateral issues. The most recent meeting was held in Mexico City from January 28-29, 1974 with attendance by the Honourable Mitchell Sharp, Secretary of State for External Affairs, the Honourable Charles M. Drury, President of the Treasury Board; the Honourable Alastair Gillespie, Minister of Industry, Trade and Commerce and other senior Canadian government officials. Current trade and economic matters were reviewed and the Canadian interests and concerns identified during the mission visit were stressed. Progress was made in a number of areas.

Canada-Mexico Bilateral Businessmen's Committee

Sponsored by the Canadian Association for Latin America (CALA), this committee provides a forum in which trade and commercial matters of mutual interest can be discussed by representatives of the Canadian and Mexican private business sectors. The third meeting of the Committee was held at the Royal York Hotel in Toronto from May 2-3, 1974 with 40 prominent businessmen from Mexico in attendance.

Canada-Mexico Exchange Program for Young Specialists and Technicians

Administered by the Department of Manpower and Immigration, this program provides facilities by which 20 young Mexican specialists and technicians visit Canada annually for periods of training ranging up to one year in Canadian companies. A similar number of Canadian trainees is accepted by Mexico.

Mexican Trade Missions to Canada

In an effort to penetrate further into the Canadian market and in response to encouragement by the Canadian mission members, the Mexican Foreign Trade Institute sponsored a trade mission to Canada on May 1, 1974 in conjunction with the Canada-Mexico Bilateral Businessmen's Committee meeting. Ten Mexican exporters visited Toronto and other centres.

Joint Canada-Mexico Working Group on Power

During the mission visit and subsequent Ministerial Committee meetings, it was agreed to form a joint working group to identify opportunities for greater Canadian participation in projects in the Mexican power sector. Its terms of reference are to consider the projected needs for electric power technology and equipment, including nuclear power, in Mexico and to identify areas for joint cooperation. It was also agreed that the prospect of increased cooperation in the nuclear energy sector should receive high priority.

Trade Fairs and Missions Program

Canada participates in specialized trade fairs in Mexico on an ad hoc basis in response to requirements which arise on short notice and which cannot be incorporated into a long range formalized mission program. In 1973, these included Canadian exhibits at DIDACTICA- an educational equipment fair, the National Livestock Show and an Environmental Improvement Conference. Promising results were achieved in all cases and plans for 1974 include a mining equipment seminar as well as a Canada Week in Guadalajara focusing industrial machinery requirements.

Because of Mexico's proximity to Canada and excellent telecommunications facilities, visits and telephone contact between both countries are frequent. Incoming buyers from Mexico are sponsored by the Department of ITC in increasing numbers. As well, a great many Mexican importers now include Canada in their foreign buying trips. As a direct result of the ministerial mission, a delegation of senior officials from the new Mexican government owned steel complex (SICARTSA) visited British Columbia and Alberta in March, 1974 to identify sources of supply for coking coal. SICARTSA requirements for this commodity could surpass \$10 million annually for Canada.

The complete 1974/75 fairs and missions program is not yet finalized but other projects covering a broad cross-section of Canadian industrial and resource capabilities, including additional technical seminars in specialized high technology sectors are being considered.

Program for Export Market Development

Interest by the Canadian business community has been shown in utilizing the various sections of this program to assist their marketing efforts in Mexico. Given the substantial trade opportunities identified in Mexico and the current level of interest by Canadian exporters in that market, expanded use of the program is anticipated.

PUBLICITY

Every effort will be made to sustain the high level of publicity generated during the mission visit. It is hoped that an increasing number of technical booklets, brochures and filmstrips can be produced in Spanish.

MARKET SURVEYS

Detailed market surveys by Departmental specialists and Canadian businessmen will be undertaken in selected industry sectors for the purpose of developing effective marketing plans for these products. Market studies in Mexico in the power, railroad and environmental control sectors have already taken place.

ECONOMIC AND TRADE REPORTS

Special reports entitled "Mexican Economic Policy and Business Climate" and "Canada-Mexico Trade" have been prepared and are included as appendices to this report. They provide a review of Mexican foreign trade and investment policy as well as an outline of Canada-Mexico trade patterns.

ASSISTANCE TO CANADIAN EXPORTERS

For additional information and possible assistance, Canadian companies interested in the Mexican market should contact:

Latin America Division
Western Hemisphere Bureau
Department of Industry, Trade and Commerce
112 Kent Street
Ottawa, Ontario
Tel. (613) 996-5546

Commercial Counsellor
Canadian Embassy
Apartado Postal 5-364
Melchor Ocampo 463, 7th Floor
Mexico 5, D.F., Mexico
Tel. (905) 533-0610

nies by about 800 per cent, or \$200-million a year.



El Presidente Luis Echeverria du Mexique prend congé du ministre canadien des Affaires étrangères, Alastair Gillespie, à la fin de leur séjour dans la capitale mexicaine. Discussions fructueuses qui ont eu lieu pendant leur séjour.

Gillespie to check Mexico foreign investment curb

By Guy Demarino
Southam News Services

claim the Canadian control legislation is weaker than the Mexican, he says he is "very interested" in seeing how the latter works. But whatever he learns from the trip, he has no immediate plans to modify his legislation, he says.

Year for visits

The main reason for his Jan. 23-30 trip is to fulfill a promise he made himself when he took on his portfolio in November of 1972. He gave himself a year to visit Canada's major trade partners and be with potential customers.

stay in Mexico he will wear two hats: one, as the leader of a trade mission composed of 31 top Canadian business executives; the other, as participant, with two other cabinet colleagues, in the second Canada-Mexico ministerial

rent world energy make good business in case Canada's trade suffers in because of energy problems.

Part of program Gillespie, more bi and trade with Mexico Latin America is "pa range program business

Mexican market seeks expansion

OTTAWA (CP) — Trade Minister Alastair Gillespie

which has persisted for years continues to concern the Mexican government, which like Canada, depends on exports for economic growth and diversification.

The Mexicans have also been concerned that their sales continue to be dominated by agricultural goods, rather than manufactured products.

Tomatoes are still the largest single export to Canada. Mexico is Canada's second-largest Latin American supplier of imports, following Venezuela.

Successful mission Canada, Mexico friendlier

Guy Demarino

OTTAWA (CP) — After a successful mission to Mexico, Alastair Gillespie, Minister of Trade and Commerce, has returned to Ottawa.

the charter is necessary for all countries, both ministers agreed. Canada and Mexico, although in theory efficient in the energy

that Canada participates in regular, full-fledged ministerial conferences with two other countries besides Mexico—the U.S. and Japan. Also agreed during the meeting was a position that Mexico and Canada should

the sea conference in Venezuela. Mr. Sharp said Canada supports the Mexican 200-mile limit proposal, but it does not extend to where it does

Le Canada va investir \$200 millions au Mexique

MEXICO (AFP) — Le ministre canadien du Commerce, M. Alastair Gillespie, a révélé hier dans la capitale mexicaine, qu'une mission commerciale avait conclu au Mexique un accord relatif à des investissements de l'ordre de 200 millions.

étaient détenues par une majorité d'intérêts canadiens.

De son côté, le ministre canadien des Affaires étrangères, M. Mitchell Sharp, a recommandé samedi que les gouvernements mexicain et canadien adoptent une politique commune à l'égard des Etats-Unis.

"Nous voulons, a déclaré M. Sharp, une politique commune qui nous permette de vivre dans des cadres juridiques, mais en parfaite harmonie avec notre voisin."

Les gouvernements de Mexico d'Ortaza, a noté le chef de la diplomatie canadienne, ont des vues communes sur les grandes questions internationales, telles le droit maritime, le désarmement et les réfugiés.

M. Gillespie a annoncé cette, nouvelle lors qu'il se trouvait à Mexico, en conférence avec le président du Mexique, M. Luis Echeverria.

"Nous avons accepté, a déclaré le ministre canadien, de financer divers projets."

Les crédits nécessaires seront fournis par la Société canadienne pour l'expansion des importations. Ils seront notamment utilisés pour réaliser certains projets, tels la construction d'une aciérie, la restauration d'un réseau de chemins de fer, des programmes pour l'exploitation de l'énergie.

"Cette mission canadienne, des succès étonnants, a observé le ministre, non seulement sur le plan financier, mais aussi en vue d'un rapprochement entre nos deux pays."

A l'issue de la mission est venue, M. Gillespie a lui-même les documents relatifs à l'achat d'équipement et les opérations d'une entreprise privée de l'Etat opérant dans le secteur mexicain.

Cette mission a été la première d'une série de visites ministérielles qui s'ouvriront, à l'été prochain, à l'initiative de M. Gillespie et de M. Echeverria.

Le ministre canadien du Commerce, M. Gillespie, a accompagné Gillespie à la réunion, au sein de laquelle les membres de la mission ont discuté de la coopération commerciale entre les deux pays.

Representatives of the mission — described as the largest commercial group ever to come here from Canada — said they hoped to open new

Trade with Mexico to hit \$1 billion: Gillespie

By GUY DEMARINO
Southam News Services

the same meeting.

TOP BUSINESS

Gillespie termed the mission, composed of officials and businessmen, a successful enterprise.

Whether his prediction will be impossible to say.

However, Gillespie confirmed that the mission was constantly being updated by the Canadian government.

The 31 Canadian businessmen, said that being part of the trade mission had

diary goods in Latin America a position previously held by Venezuela.

There are also good prospects in the

mission to Mexico to strengthen ties seek more trade

OTTAWA (CP) — Trade Minister Alastair Gillespie

President Luis Echeverria, Mexico, already enjoying a 50 per cent rise in sales to Canada in the first 10 months of 1973, will be looking for more buyers in an industrial growth.

The four-day trade mission is the first stage of a long series of meetings aimed at strengthening Canadian-Latin American relations.

Sharp, with Treasury Secretary Drury and per cabinet minister, will

ico totalled about \$80 million, he added.

Besides the meeting with Lopez Portillo, Gillespie's schedule yesterday included a session with Mexican Communications Minister Eugenio Mendez Docuere, and another with the Undersecretary for the residence, Ignacio Ovalle.

Yesterday's program began with a working breakfast for the Canadians offered by the Mexican Businessmen's Council for International Affairs.

views, both Canadian and Mexican businessmen aired opinions and ideas for improving and expanding existing trade.

Canadian trade mission to Mexico to start Wednesday

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Tomatoes are still their largest single export to Canada. Mexico is Canada's second-largest Latin American supplier of imports, and Mexico's largest supplier of exports to Canada.

OTTAWA (CP) — Trade Minister Alastair Gillespie flies to Mexico Wednesday to seek expansion of the already-growing export market in meetings with which has persisted for years.

MEXICO CITY (UPI) — Alastair Gillespie, Canadian Trade and Commerce Minister, conferred yesterday with Mexico's secretary of the treasury, Jose Lopez Portillo, on expansion of commerce between the two nations.

Canadian Ambassador Maurice Schwarznath accompanied Gillespie at the meeting, as did selected members of the 31-man trade delegation.

Representatives of the mission — described as the largest commercial group ever to come here from Canada — said they hoped to open new

fields of commercial exchange with Mexico, already Canada's largest market in Latin America.

LOANS

The talk with Lopez Portillo was one of the highlights in a very heavy schedule of activity on the second day of the three-day Canadian visit.

After moving through an equally heavy series of meetings Thursday, Gillespie announced the signing of loans and loan commitments by Canada to Mexico of \$17.2 million.

These include a Canadian

loan from the Export Development Corporation (EDC) over a 10-year period at a 7.5 interest rate, and an increase in a previous \$19.5 million to \$12.6 million to Mexico for the purchase of railroad cars from the Hawker-Siddeley Canada Ltd., Toronto, and steel rails from the Sydney Steel Corp., of Sydney, Nova Scotia.

PURCHASE

The Mexican government Finance agency, Nacional Financiera, will use the \$15 million EDC loan to purchase a

according to Nacional Financiera spokesman.

Still another Canadian EDC loan commitment, for \$1.1 million, was announced by Gillespie Thursday night. It will finance the purchase of telecommunications equipment from GTE Lenkurt Electric (Canada), Burnaby, B.C., and GTE Automatic Electric (Canada), Rockville, Md., by the Mexican government-owned telephone company, Telefonos de Mexico.

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Appendix A

MEXICAN ECONOMIC POLICY AND BUSINESS CLIMATE

The buoyant economic conditions of 1972 and early 1973 have been partially dampened by inflation, reduced foreign investment and concern over the future impact of petroleum shortages abroad on incoming tourism traffic. The most measurable effects of these factors have been a balance of payments deficit and a reduction in foreign exchange reserves.

The overall outlook, nevertheless, is still very positive. The outward exchange flow could quickly reverse itself. GNP is up by over 7% in real terms. Foreign exchange reserves of \$1.2 billion are still ample. As well, Mexico continues to be considered credit worthy by international financial institutions and has no difficulty in securing loans. It is now, in fact, the largest single recipient of EDC credits in the world - over \$200 million. It must also be noted that the government is very much aware of the problems faced and is taking energetic steps to deal with them.

Perhaps most significant is the continuing strong development thrust by government and business in Mexico. While private investment continues to be exceedingly important in development, the government has been paramount in moulding the direction and composition of this investment with fiscal incentives, new regulations, a new investment law, technology transfer regulations and rationalized industrial development often guided by direct government investment in industrial enterprises. Also important are government sponsored power, railway, port, road and other infrastructure projects which, in themselves, absorbed close to \$1 billion in 1973.

Mexico's import substitution program has traditionally been a major factor, as well, in influencing industrial development. In fact, Mexico's import policy is now principally distinguished for its extensive use of import controls. Tariffs exist, of course, and offer a sufficient degree of protection for many products. As instruments of direct protection, however, their importance is far outweighed by that of import licences. The tariff, in fact, seems to have operated in recent years mainly as a revenue-raising device and for use in international negotiations such as those involved in establishing the Latin American Free Trade Association.

Unlike other Latin American countries, Mexico does not have a formal development plan or central planning agency. Instead, development policies and guidelines are formulated by the President with implementation by various ministries and agencies. Four government ministries play key roles in the formulation of Mexican foreign trade and investment policies.

Secretaria de Industria y Comercio
(Ministry of Industry and Commerce)

Responsible for matters of industrial development, production, distribution and consumption in relation to the general interests of the nation. Assists in the creation of new industries and protects existing industries of a local national character. Maintains national statistics. Responsible for the control of imports and development of exports; the control of weights, measures and standards. Responsible for the organization and exploitation of produce from the sea.

Secretaria de Hacienda y Credito Publico
(Ministry of Finance)

Responsible for the formulation and application of laws relating to income, budget and federal expenditures including the Federal District. Oversees all aspects of government credit operations, income tax and revenues from import customs duties. Responsible for servicing the public debt of the nation and that of the Federal District. Responsible for monetary policy and the administration of government bank note printing and coinage offices.

Secretaria de la Presidencia de la Republica
(Ministry of the Presidency)

Responsible for implementing the decisions reached by the President and his Cabinet. Supervises development and dissemination of information and data for use in establishing plans for public expenditure and investment by the Executive Power. Oversees and coordinates the investment programs of the public sector and of decentralized organizations.

Secretaria del Patrimonio Nacional
(Ministry of National Patrimony)

Administers all national property including renewable and non-renewable natural resources, property of public domain and common usage. Maintains an up-to-date inventory of renewable and non-renewable natural resources and supervises the financial and administrative operations of decentralized government agencies. Maintains an official list of national and foreign suppliers for use in government purchasing.

Mexico's foreign trade and investment philosophy is highly nationalistic. While the need for greatly increased investment in industry and resource development projects is accepted, economic development is considered as a means of also ensuring economic independence. Mexico's treatment of foreign investment has traditionally incorporated the following basic principles:

- 1) Foreign capital must be subordinated to the laws of the country.
- 2) Foreigners who acquire properties of any kind in Mexico agree, because, of such action, to consider themselves as Mexican nationals with regard to these properties and not to invoke the protection of their governments with respect to such properties under penalty, in case of violation, of forfeiting to the nation the properties thus acquired.
- 3) Conflicts that arise as a result of the activity of foreigners in Mexico shall be submitted exclusively to Mexican courts.
- 4) It shall never be lawful for foreign investors to interfere in the country's internal affairs.
- 5) Mexico shall always dispose freely of its natural resources and shall have the right to give private property the modalities dictated by public interest.
- 6) Expropriations may be undertaken for reasons of public welfare and through indemnization.

To further safeguard Mexican interests while allowing foreign investors a reasonable return, Mexico last year passed a new Foreign Investment Law and a Technology Transfer Bill.

Foreign Investment Law

Passed on March 9, 1973, this is intended to promote Mexican investment in the domestic market and to regulate foreign investment. It is essentially a recodification and pulling together of long standing laws, decrees, decisions and policies into one new set of "rules". It makes few additional limits of importance on foreign direct investment. The main points are:

- 1) future foreign investment is now limited to a maximum 49% participation in all areas not covered by previous legislation although limits can be waived to accommodate special geographic and economic considerations.
- 2) the newly appointed National Commission on Foreign Investments, an inter-ministerial group, must authorize future foreign investments greater than 25% of a local company's capital or 49% of its fixed assets (the Commission may veto any proposed foreign participation).
- 3) all foreign companies must register with the new National Register of Foreign Investors and all foreign shares are to be nominative from now on.
- 4) foreign administrative positions in Mexican companies must be in direct proportion of foreign equity holdings.

Although the bill contains no retroactive clause, it is likely to be applied to companies with foreign equity that seek expansion in new product areas or new geographic areas. The law also spells out 17 company characteristics, among them good corporate citizenship, that will be taken into account before foreign investment applications are approved. In essence the government wishes to limit new investments to those that incorporate new techniques, are labour intensive, place no restrictions on exporting, improve the nation's balance of payments and utilize a maximum of domestic raw materials and components.

Technology Transfer Bill

Becoming effective in January, 1973, this legislation is aimed at reducing excessive royalty and technical assistance payments and checking abusive remittance of profits abroad. Emphasis is placed on stimulating Mexican technology. The law has four main points:

- 1) it calls for much greater coordination and regulation of foreign technology contracts.
- 2) it prohibits technology agreements that limit prices, local export possibilities or local development of complementary technology.

- 3) it provides for a National Technology Registry to be run by the Ministry of Industry and Commerce. The Registry receives complete technical details and contracts from all companies using or acquiring new technology and has the responsibility of deciding whether the given technology should be permitted and whether a fair price is being charged.
- 4) under normal conditions it limits payments for technology to 3% of gross sales.

Other investment controls are also exercised by the Mexican government. Only the government may be involved in the following sectors: petroleum and basic petrochemicals, electric power, railroads, radioactive minerals and telegraph or radio communications. Only Mexicans may invest in radio and television, automotive transportation, airlines and shipping, gas distribution, forestry and in land within 62 miles of the border or 31 miles from the coast. Foreign investment in mining is limited to 49% and in national reserve areas to 34%. For auto parts and petrochemicals the limit is 40%. For all others including steel, cement, glass, fertilizers, cellulose and aluminum, it is 49%.

The degree of foreign investment in Mexico is relatively small totalling between \$2.5 and \$3 billion - 70% of which comes from the United States. In 1972, private investment accounted for 67.7% of the total. Of the estimated 1,600 foreign companies established in Mexico, Canada is represented by about 50 firms with involvement mainly in mining, wire and cable, agricultural implements, meat packing, synthetic rubber, aluminum, alcoholic beverages, auto parts and banking.

As the availability of import licences becomes more difficult and the pressure for Mexicanization increases thereby confronting exporters with the prospect of losing their market in Mexico, it has been and will continue to be increasingly necessary to take a close look at alternative forms of participation such as direct investment, joint ventures or technology licencing agreements. Under new guidelines such investment must assist and promote the development of Mexico by:

- 1) Following the laws of Mexico.
- 2) Complementing and not displacing domestic capital and not directing its efforts toward fields already covered adequately by domestic enterprise.
- 3) Seeking new fields of action or new industries.
- 4) Associating with Mexican capital on a minority basis as a general rule.
- 5) Giving preference to Mexican citizens in the employment of technical exports and administrative personnel and to comply with the legal regulations relative to the training of Mexican personnel.

- 6) Providing advanced technology and contributing to the development and creation of the technical methods best suited to Mexico's needs.
- 7) Producing export goods that can also be sent to the foreign investors' market.
- 8) Becoming part of Mexico's economy through the maximum possible use of domestic inputs and components.
- 9) Financing their operations with foreign resources and not resorting to internal credit which is limited and formed by the savings of the Mexican people.
- 10) Conforming to and assisting, in general, in the attainment of the objectives and policies of Mexico's development.

Foreign investors have not yet had extensive experience with Mexican administration of the new investment and technology legislation. To date, however, the government has pursued a flexible and pragmatic approach in the application of its investment and foreign technology laws, in tourism development and in the pursuit of infrastructure and industrial expansion projects, in order to accelerate development.

One of the aspects stressed by the Echeverria administration is that foreign investment should be directed toward the increase of exports. Mexico's growth in the past was focussed fundamentally toward the domestic market and was based on the substitution of imports which was protected and sought at almost any cost. Now, a new development strategy has been established to increase exports and obtain an outward thrust. Increased exports are essential to provide Mexico with the foreign exchange needed to acquire the capital goods and technology required for Mexico's development and to balance the outflow of money in the form of dividends, interest and royalties which arises from foreign investment.

Appendix B

CANADA-MEXICO BILATERAL TRADE

Commercial Relations

Canada and Mexico exchange most favoured nation treatment under a bilateral trade agreement negotiated in 1946 and effective as of May 6, 1947. Mexico is not a member of the GATT but is expected to participate actively in the current MTN round which opened during September, 1973 in Tokyo.

Market Volume

During the past six years, Canadian exports to Mexico have increased considerably. With the exception of 1971, exports have risen every year to reach a record level of \$118.6 million in 1973 as compared to only \$54.6 million in 1968. Mexico is now the largest market in Latin America for Canadian products.

Market Share

In 1972, Canada was in sixth place as a supplier to Mexico with 3.2% of total imports (USA 64%, West Germany 8%, Japan 4%, France 4% and Britain 3.4%). Preliminary 1973 Mexican trade statistics indicate that Canada will surpass Britain in sales to that country thereby moving up to fifth place.

Canada-Mexico Trade: Statistical Summary

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Canadian Exports (\$Cdn millions)	52.1	49.2	54.6	72.9	91.7	79.0	99.1	118.6
Canadian Imports (\$Cdn millions)	<u>33.5</u>	<u>29.5</u>	<u>52.2</u>	<u>64.1</u>	<u>47.3</u>	<u>50.2</u>	<u>52.9</u>	<u>83.3</u>
Balance (\$Cdn millions)	18.6	19.7	2.4	8.8	44.4	28.8	46.2	35.3

Balance of Trade

The balance of commodity trade has for many years been in Canada's favour. This imbalance, however, is largely offset by substantial tourism inflows from Canada. The open and competitive nature of the Canadian market and more aggressive Mexican marketing efforts in Canada have led to a significant reduction of Canada's trade surplus in 1973.

Exports

Over the past six years, the makeup of Canadian exports to Mexico has varied significantly. Growth items include purebred dairy cattle (from \$1.2 million in 1968 to over \$3.6 million in 1973), skim milk powder (from \$164,000 in 1968 to \$12.7 million in 1973), parts and accessories for motor vehicles (from \$7.5 million in 1968 to \$26.8 million in 1973) and power boilers (from \$136,000 in 1968 to \$7.5 million in 1972 dropping back to \$1.2 million in 1973). During 1973, sales of rapeseed soared to \$4.1 million from only \$4,000 during the same period in 1972. In addition, production machinery has come to play a more important role, reflecting the rapid expansion of the Mexican manufacturing sector.

Of the traditional exports, newsprint and wood pulp have maintained their position; Canada currently has 50% of the Mexican import market for newsprint and increased sales are limited only by the availability of supplies. Items such as sheet and strip steel and plastic and synthetic rubber have shown a decline as Mexican production increased to meet local demand.

Exports of motor vehicle parts and accessories along with motor vehicle engines and parts ranked as the principal export group in 1971, 1972 and 1973. Sales of auto parts totalled \$19.8 million in 1972 rising to \$26.8 million in 1973. Motor vehicle engines sales

totalled \$1.4 million in 1973 (\$0.9 million in 1972). The long term prospects of this export group, however, are threatened by new Mexican legislation which restricts auto parts imports. Other important export items include asbestos fibres, dairy cattle and railway rails.

Leading Canadian Exports to Mexico (\$Cdn 000's)

Major Canadian Exports to Mexico (in \$Cdn 000's)

	<u>1971</u>	<u>1972</u>	<u>1973</u>
Parts & accessories for motor vehicles	20,835	19,820	26,817
Skim milk powder	11,151	11,669	12,692
Newsprint	13,070	13,609	10,395
Asbestos milled fibres	5,043	4,870	7,735
Railway rails	--	--	5,320
Engines, turbines and parts	81	1,151	4,458
Rapeseed	--	4	4,102
Wood pulp	1,373	1,559	3,776
Purebred cattle	1,425	2,353	3,557
Locomotives, engines and parts	41	13,279	3,300
Sheet and strip steel	2,674	1,486	2,657
Railway, street roll stock	1,088	542	2,326
Non-metallic minerals, crude titanium	1,383	1,162	1,817
Nickel in oxide	246	375	1,524
Motor vehicle engines	1,185	903	1,409
Nickel anodes, cathodes, ingots	2,402	1,048	1,265
Power boilers	3	7,540	1,228
Industrial chemical spec. & explosives	73	257	1,110
Combine reaper-threshers	1,647	1,953	1,101
Electricity-measuring inst.	5	442	1,074
TOTAL SELECTED ITEMS	63,725	84,022	97,663
% OF TOTAL CDN EXPORTS TO MEXICO	80.7	84.8	82.4

Export Trends

In 1973, Canadian exports to Mexico jumped by 19.7% reflecting the rapid growth and expansionary nature of the Mexican economy as well as increased government emphasis on major infrastructure development projects. In large part, this significant sales increase is also due to more imaginative and aggressive marketing efforts by Canadian exporters as well as their increasing participation in the Mexican industrial sector through investment, joint venture or licencing arrangements.

Mexican demand for basic commodities such as milk powder, cattle, newsprint, nickel etc. is expected to continue strong with sales opportunities limited only by our ability to supply. Rapid growth is forecast for sales of high technology products particularly in the transportation, power and communications sectors.

Imports

During 1973, Canada imported substantially large quantities of green coffee, fresh tomatoes, frozen strawberries, fluorspar and motor vehicle parts and accessories. Imports of motor vehicle parts and accessories reached \$2.3 million, up from only \$1.2 million in 1972, reflecting, undoubtedly, the impact of the 1972 Mexican Automotive Decree. Other major Canadian imports of agricultural produce are raw cotton, sisal, melons, fresh cantaloupes, cucumbers, peanuts and fresh and frozen shrimps. In recent years, the proportion of more fully manufactured goods in the import mix such as baler twine, handbags, auto parts, cowboy boots and toys has increased.

In recognition that trade is a two way street, Canada has supported Mexican efforts to penetrate the Canadian market. In 1971, the Canadian International Development Agency sponsored a study of the Canadian market potential for Mexican fresh fruits and vegetables. The report was distributed to appropriate Mexican government agencies and exporters. In May, 1972, the Canadian government organized a trade seminar in Toronto in order to assist the Mexican government in developing effective promotional programs. The Canadian budget of February 19, 1973 contained a substantial number of temporary reductions in MFN tariff rates that affected many items of interest to Mexico. Canada is now considering a proposed agreement with Mexico which would involve the acceptance of quality and sanitation certificates issued by each country for fruit and vegetable products. To facilitate

the importation of Mexican meat and meat products, Department of Agriculture inspectors will soon visit Mexico with a view to granting Canadian certification of local meat exporting plants.

Leading Canadian Imports from Mexico

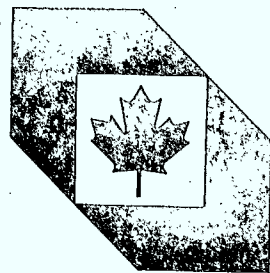
Major Canadian Imports from Mexico (in \$Cdn 000's)

	<u>1971</u>	<u>1972</u>	<u>1973</u>
Fresh tomatoes	10,405	7,982	9,245
Green coffee	5,349	4,414	7,815
Fluorspar	7,251	2,777	5,365
Frozen strawberries	1,758	3,020	4,506
Raw cotton	2,145	5,036	4,253
Baler twine	1,285	2,584	4,231
Parts & access. for motor vehicles nes	391	1,232	2,344
Fresh, frozen shrimp and prawns	778	1,776	2,314
Frozen orange juice concentrate	1,184	876	1,670
Mens and boys cotton pants	11	29	1,515
Cotton Denims	291	598	1,491
Fresh cucumbers	1,027	1,237	1,450
Silver	--	--	1,404
Fresh cantaloupes and muskmelons	833	1,023	1,382
Calculating machines and parts	--	23	1,325
Cotton yarn	830	1,106	1,267
Rice, cleaned	--	979	1,266
Fresh peppers	1,233	825	1,259
Metal ores, concentrates, scrap	--	--	1,200
Cane and beet molasses	--	152	1,186
TOTAL SELECTED ITEMS	34,771	35,669	56,488
% OF TOTAL CDN IMPORTS FROM MEXICO	69.3	67.4	67.8

Import Trends

In 1973, purchases from Mexico jumped by 57% over the previous year to \$83.3 million. Since the last record of \$64.1 million reached in 1969 as a result of exceptionally large shipments of raw cotton in that year, subsequent annual import levels had averaged only \$50 million being largely influenced by reduced purchases of that commodity in part due to continuing lower output.

Improved product quality and more aggressive marketing efforts in Canada by Mexican exporters should lead to an increasing volume of business. Sales of manufactured products will likely account for an increased share of the import mix.



News Release

3/74

FOR IMMEDIATE RELEASE

OTTAWA, January 16, 1974 -- The Honourable Alastair Gillespie, Minister of Industry, Trade and Commerce, leaves Canada next Wednesday to lead 31 Canadian businessmen on a trade mission to Mexico, which is fast becoming Canada's largest Latin-American customer.

The mission, which will be in Mexico City from January 24 to 27 will hold discussions with Ministers of the Mexican Government, senior officials and representatives of Mexico's business and financial communities. Mr. Gillespie and the members will meet on January 25 with Mexican President Lic. Luis Echeverria, who invited Canada to send a trade mission when he made a state visit to Canada last March.

The businessmen on the mission include representatives of some of the 300 firms already doing business in Mexico, as well as companies actively seeking to penetrate the Mexican market and other companies which are interested in learning what opportunities are available for their products.

Both countries are seeking to expand their markets, the Minister said, and each country represents a prime market for each other's goods. During the first 10 months of 1973, Mexico's exports to Canada had risen by some 50 per cent to \$66.6 million, compared with the same period in 1972. Canada's exports during the same period were up by 16 per cent to some \$99.4 million.

The Ministerial mission will demonstrate to the Mexican Government and business community Canada's growing interest in participating in Mexico's economic development in which many Mexican import requirements match Canadian manufacturing capabilities and expertise. It will also provide an opportunity for Canadian businessmen to learn first-hand more about Mexico's future industrial development plans.

The Minister said that missions of this nature have proven to be valuable to Canadian companies by providing an entree into the many Government offices that are concerned with purchasing. He said this is a particularly important mission, coming as it does on the invitation of the Mexican President, who is decisively involved in any large projects.

The Mexicans will have the opportunity of discussing with the Canadians the possibility of more Canadian investment in Mexico and expanding Mexican exports to Canada, matters in which President Echeverria expressed an interest during his state visit to Canada last March.

The Minister emphasized several particular opportunities for increasing sales to Mexico in Canadian forestry, agriculture, mining, electronic and communications equipment, as well as scientific and engineering services and equipment and industrial machinery.

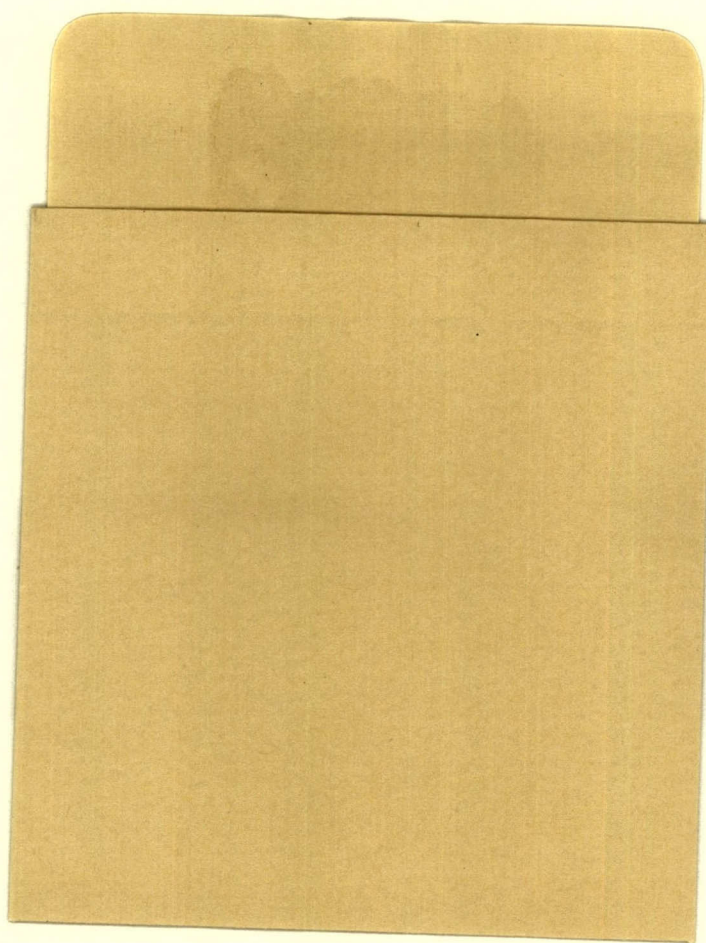
Mexico's expanding transportation system also seeks more equipment--last year Canada exported almost \$3 million of railway rails and \$1.2 million of motor vehicle engines to Mexico. The Mexicans also seek to buy power generation and distribution equipment and iron and steel products.

Mexico has been a prime supplier of food products to Canada, having shipped more than \$9 million of fresh tomatoes and \$6.6 million of coffee here during the first 10 months of 1973. Canada also imports frozen strawberries, fresh and frozen shrimps, cantaloupes and fresh cucumbers from Mexico.

Mr. Gillespie stressed the complementary nature of the Canadian and Mexican economies. Top priority Mexican requirements for imported products, technology and expertise as detailed in official development plans are, in many cases, precisely those areas of greatest Canadian competence and competitiveness.

Canada is now Mexico's sixth most important supplier. 1973's Canadian exports to Mexico should far exceed the previous record total of \$100 million in 1972.

The trade mission completes its discussions on January 26 and returns to Canada on January 27. Mr. Gillespie will stay on in Mexico to join with other Canadian Ministers at the Canada/Mexico Ministerial Committee meetings on January 28 and 29. Some business members of the mission may also prolong their stay to further develop business opportunities.



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