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## **NAFTA Creates Opportunities in Water, Sewage Infrastructure**

*by Carlos Navarro*

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In negotiating the North American Free Trade Agreement (NAFTA), which took effect on Jan. 1, 1994, the Mexican government assumed a commitment to promote projects that will clean up the country's environment, including efforts to bring cleaner water to the cities and improvements in the way waste water is treated. These commitments, in turn, have created new investment opportunities for Mexican and foreign companies involved in engineering, environmental services, and construction.

In this regard, several new projects were announced in February and March involving improvement and expansion of municipal water and sewer systems. A rural irrigation project was also proposed, with funding to be provided by the World Bank. Mexico's largest engineering and construction companies have all received contracts. They include Triturados y Basalticos (Tribasa), Ingenieros Civiles Asociados (Grupo ICA), and Grupo Mexicano de Desarrollo (GMD). The partners have typically been European companies, although Canadian firms have also received some contracts.

One of the first projects announced this year was in Naucalpan, Mexico state, located northwest of Mexico City. The 15-year contract for this project was awarded to a partnership composed of Tribasa, Mexican water treatment company Epycsa, and Britain's Thames Water. The consortium will invest about US\$50 million in the project. The first phase installation of sewers, meters, and a water treatment facility is scheduled for completion sometime in July-December of 1994.

According to the government news agency Notimex, the Naucalpan project is the second largest municipal water and sewage treatment project awarded so far in Mexico. The largest project involved a US\$1.5 billion contract for Mexico City, awarded to four separate European-Mexican consortia; Northeast of Britain and Gutsa of Mexico; Severn Trent of Britain and Samsa of Mexico; General des Eaux of France and ICA of Mexico; and Lyonnaise des Eaux and Bufete Industrial of Mexico. Meantime, the city of Aguascalientes in central Mexico in early March signed a 20-year contract with a Mexican-French partnership to install new municipal water and sewage systems. Participating in the project are Grupo ICA, Grupo Financiero Banacci, and France's Companie General des Eaux.

Similarly, GMD received a 20-year contract in mid-March to upgrade the water treatment and sewer system for the south-central city of Puebla. GMD president Jorge Ballesteros said the project involves construction of five new water treatment facilities. According to Ballesteros, federal and local governments are placing a high priority on upgrading and expanding the water and sewer systems in cities with high population densities, which has created opportunities for his company in such areas as Cancun, Metepec (Hidalgo state), and Mexico City. The push to improve infrastructure in Mexico is also being supported by multilateral institutions such as the Inter-American Development Bank (IDB) and the World Bank. For example, on March 9, the IDB

announced a loan of US\$169 million to finance a program to provide water and sewer services to 40 low-income neighborhoods in Guadalajara. The project will involve installation of pipes and taps and the expansion of the sewer system to recently urbanized areas.

In addition, the funds will be used for construction of three new water treatment plants, allowing the city of Guadalajara to extend service to areas recently incorporated into the city. Similarly, the Agriculture Secretariat (Secretaria de Agricultura y Recursos Hidraulicos, SARH) has applied for a loan of 560 million nuevo pesos (US\$166.7 million) from the World Bank to upgrade and expand the irrigation infrastructure in northwestern Sonora and northeastern Baja California states during 1994 and 1995. The funds would be used to build canals and other infrastructure to offset the damage from overly salty water arriving from the US via the Colorado River on about 207,000 hectares of land.

On a related matter, a study released by University of Quebec in Montreal noted that Canadian companies, which have some expertise in environmental matters, stand to gain significantly from opportunities in Mexico. In fact, according to Canadian embassy sources, representatives from several Canadian environmental companies have started negotiations with Mexican authorities to help build waste water treatment plants in four cities in northern Mexico: Monterrey, Chihuahua, Tijuana, and Ciudad Juarez. Five Canadian companies are already active in environmental projects in Mexico: Diachem (British Columbia); North-Man Zaultec (Manitoba); Zenon Environment (Ontario); Pluralite Groupe SNC (Quebec); and Roche (Quebec)

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