

1-21-1998

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Recommended Citation

LADB Staff. "Canada, Mexico to Expand Economic, Political Cooperation." (1998). <https://digitalrepository.unm.edu/sourcemex/3851>

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Canada, Mexico to Expand Economic, Political Cooperation

by LADB Staff

Category/Department: Mexico

Published: 1998-01-21

In mid-January, the Mexican and Canadian governments agreed to boost cooperation between the two countries under the North American Free Trade Agreement (NAFTA). The agreements were within the framework of broader accords related to drug trafficking, export financing, education, telecommunications, and economic development. Some of the accords were negotiated during the past year, but were only formalized during a visit by Canadian officials to Mexico in mid-January. The visiting delegation included 400 Canadian business leaders and government officials.

Accords include credit for state agencies, private sector

The agreements include a provision by Canada's Export Development Corporation (EDC) of US\$428 million for Mexico's state-run Banco Nacional de Comercio Exterior (BANCOMEXT) and several private banks. The banks will use the funds for loans to Mexican companies to acquire Canadian goods and services. The EDC also pledged financing to several Mexican government agencies, such as the Comision Federal de Electricidad (CFE), the Banco Nacional de Credito Rural (BANRURAL), and small business lender Nacional Financiera (NAFINSA). BANCOMEXT director Enrique Vilatela said his agency received US\$125 million from the EDC to boost available credit in the Mexican mining, agriculture, and industrial sectors.

The EDC funds include a new program to finance 100% of Mexican purchases of Canadian calves for a period of seven years. Some of the agreements were also between Canadian agencies and private Mexican companies. For example, the EDC will assist Mexican steel manufacturer Siderurgica Lazaro Cardenas, while the Canadian Wheat Board signed a supply agreement with Mexican bread manufacturer Grupo Bimbo. In telecommunications, Canadian-based Stentor and Telefonos de Mexico (TELMEX) signed a letter of understanding, which could give the Mexican company access to the Canadian market by October of this year. Under the accord, the two companies would provide direct links to each other, giving customers in one country easier access to the other country.

Spokespersons for the two companies said the links could increase the volume of telephone calls between Canada and Mexico. "Canadians could expect cheaper rates for calls to Mexico," said Stentor director Harvey Shanefield. Bilateral cooperation also extensive in energy sector. Several agreements were also reached in the energy sector. In one accord, Mexico's Grupo ICA and Canada's Westcoast Energy announced plans for a joint venture to produce, transport, and store energy products. "The agreement will give our consortium new opportunities in the energy sector," said ICA president Bernardo Quintana.

ICA-Westcoast Energy is also expected to compete for contracts to construct natural-gas pipelines in Mexico City. The two companies are part of a consortium that won a contract from the Mexican government to construct the world's largest nitrogen-injection plant in Campeche state (see SourceMex, 10/15/97). In another energy-related venture, TransCanada Pipeline announced plans to develop 10 natural-gas distribution projects in southeastern Mexico. A joint venture

between TransCanada Pipeline and Mexico's Grupo Gutsa recently won a 26-year concession to construct a natural-gas pipeline connecting a PEMEX refinery in Tabasco state with the Merida III thermoelectric plant in Yucatan. The Transcanada-Gutsa partnership beat out four other bidders (see SourceMex, 02/19/97).

While the Canadian trip to Mexico was primarily to boost cooperation between the two countries, Canadian International Trade Minister Sergio Marchi also took the opportunity to criticize the Mexican government's suspension of the concession of a US\$400 million contract for 28 trains for the Mexico City subway system. The contract had been awarded to Montreal-based Bombardier and its French partner GEC-Alsthom (see SourceMex, 10/08/97). "Canadians don't want a special deal, but a fair deal," Marchi told reporters. Mexico City Mayor Cuauhtemoc Cardenas, who took office in December 1997, reassured Marchi that the new bidding, scheduled for April or May 1998, would weigh the concerns raised by the Canadian delegation. (Sources: Notimex, 01/12- 14/98; El Economista, 01/13/98, 01/14/98; Novedades, Excelsior, 01/14/98; Reuter, 01/13-15/98; El Universal, 01/14/98, 01/15/98; El Financiero International, 01/19/98)

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