

# **Evaluation of the International Business Development Program in Mexico**

*Final Report*

**International Trade Canada  
Office of the Inspector General  
Evaluation Division**

**31 March 2005**

## EXECUTIVE SUMMARY

This report outlines the findings of the evaluation of the International Business Development (IBD) Program in Mexico which focuses on export promotion, science and technology development and investment attraction. The evaluation reviewed IBD operations in the Commercial Section of the Embassy in Mexico City, the Consulates in Monterrey and Guadalajara as well as the support provided by the geographic bureau and other divisions at headquarters. The study entailed a document and database review; interviews with DFAIT personnel in Mexico and Ottawa; a survey of Canadian exporters; interviews with partners in Canada and Mexico and interviews with contacts in Mexico.

### *Overview of Service Delivery*

The missions in Mexico provide an impressive mix (quantitative and qualitative) of services to entry-level clients and Canadian exporters already established in the Mexican market. According to the WIN Exports database, the three missions in Mexico supported a total of 1,741 Canadian exporters with a total of 2,972 *core service* transactions from April 2002 to October 2003. This data source only provides a partial picture of the workload of the missions in Mexico since many interventions are not captured in WIN. In fact, the majority of the time spent by trade personnel falls outside the *core services*. For instance, responding to general inquiries from Canadian companies interested in the Mexican market or providing information to Mexican importers interested in purchasing Canadian products and services.

Furthermore, a significant proportion of officer time is dedicated to other potentially high value-added interventions such as the provision of business leads, the organization of business missions, the coordination of matchmaking, the preparation of market opportunity reports and the organization of initiatives supported by the Client Service Fund. The provision of support to high level official visits and other major events which have increased in frequency has also drained valuable trade resources, often to the detriment of serving Canadian business clients.

In short, the demands placed on the IBD Program at the Embassy and the two Consulates have increased steadily over the last ten years but there has not been a commensurate increase in available resources. This has resulted in acute workload pressures which in turn have affected client satisfaction ratings as well as staff morale.

### ***Addressing the Needs of Canadian Exporters***

A priority of the IBD program is the provision of support to small and medium enterprises (SMEs). From both the WIN database and other information sources it is apparent that the Program is indeed supporting a growing number of Canadian SMEs. The information from the survey results also indicated just how “small” many of the firms are. A total of 46% had total worldwide revenues of less than \$5 million per year, with 25% having less than \$1 million. This raises questions with respect to the return on investment from interventions with such clients.

Clients surveyed as part of the evaluation indicated that the IBD Program was effective in assisting early entrants to assess the market potential, establish contacts, enlist sales representation, etc. It also assisted more mature exporters with the expansion of contacts, troubleshooting with respect to regulatory and procurement issues and generally increasing the "branding" and profile of its Canadian products.

Other federal departments, provincial governments and industry associations also praised the work of the IBD Program in supporting business missions, trade events and helping to establish important contacts in the Mexican government.

Canadian firms are facing increased competition in the Mexican market and the services of the program play an important role in assisting Canadian companies to better position themselves in Mexico. The interviews with local contacts highlighted success factors required of Canadian firms to effectively operate in this competitive and increasingly complex business environment.

### ***Influence and Impact of the IBD Program on Canadian Exporter Performance***

For existing exporters, the largest impact perceived by clients came from support in *troubleshooting* and *facilitation of business missions* and *matchmaking*. For firms with no prior history of exporting to Mexico, the highest impact was seen from *face-to-face briefings* by Mission staff, the provision of *key contacts*, *troubleshooting*, and *market prospects*. These services reflect the more preliminary nature of the exporters' market exploration. It is also interesting to note that while existing exporters were able to capitalize on *matchmaking* and *mission support*, the non-exporters reported that this had less of an impact for them.

In terms of direct benefits, clients cited the expansion of their network of potential buyers, improved credibility with Mexican buyers as a result of participation in an incoming or outgoing business missions and the identification of new market opportunities as the most tangible benefits stemming from the support provided by the IBD Program in Mexico.

In terms of sales, the support coming from the IBD Program is seen as an important contributing factor but sales are rarely recognized by clients as being a direct result of the services provided. Competitive factors (products, services and terms offered by foreign firms as well as alternatives available in the Mexican market place) also come into play. Also, some firms which were not yet exporting to Mexico indicated during the survey that they were still at the stage of testing the market to see whether there were possibilities to be pursued. It was inappropriate under such conditions to gauge success in terms of a closed deal or incremental sales.

The survey of Canadian exporters also asked what results their firm had obtained in the market since April 2002 regardless of the services provided by the missions in Mexico. A total of 25% indicated that they had made sales, 32% were under negotiations for sales with Mexican clients and an additional 11% had established relationships with distributors. There was also some optimism among the firms in terms of their future prospects. For the current year, 35% of respondents indicated that they expected their total revenues in Mexico to increase.

### *Adequacy of resources*

Based on analyses undertaken within the IBD Branch, it was determined that the Mexico trade program has less personnel than other trade programs operating in overseas markets of similar size or importance to Canadian commercial interests. Additional positions are needed within the Commercial Section at the Embassy as well as the two Consulates (officers and support staff) in order to better service existing clients and to meet future demand levels which are not expected to subside.

Although the current staff complement makes for an efficient model, the evaluation team's assessment of staff morale levels, on-going relations with clients and partners and the capacity to undertake proactive initiatives suggests that the status quo (i.e., a situation of forced productivity) is not a model which can be sustained over time without engendering un-intended effects among staff and/or clients. The evaluation considered

other resource pressures (e.g., travel budget, office space) which go beyond staffing levels and identified certain measures which could be taken in the short term to alleviate workload pressures.

### ***Roles, Responsibilities and Communications***

The evaluation team found that the roles and responsibilities are generally clear among various DFAIT entities and OGDs providing support to Canadian companies interested in pursuing business opportunities in Mexico. The roles, responsibilities and relationships with partners such as provincial governments are also reasonably clear, and in general terms, cooperation is good.

Over the last decade, the trade team within the Mexico Division at headquarters has accrued a reputation for being one of the most dynamic, competent and well organized geographic units within DFAIT supporting the delivery of IBD programming abroad. It is not entirely clear to all stakeholders, however, what the division is actually responsible for doing. This is understandable given that there exists no precisely defined role in IBD programming established for geographic bureaus in DFAIT. Opportunities to strengthen the level of support provided by the geographic unit at headquarters relate to outreach in Canada, business planning and the coordination of recruitment of Canadian export-ready firms to participate in various trade promotion events.

Despite recent efforts to improve internal communications, some staff members in Mexico City indicated during interviews that the information flow and team work in general could be further improved through more frequent informal communications among managers and officers, e-mail distribution and better use of internal tools such as a common “T” drive.

As well, the evaluation found that communications with partner organizations in Canada and Mexico need some improvement with respect to IBD program events and plans. At present these consultations appear to be uneven. Individual IBD officers have generally made efforts to consult with partners about priority missions and events, however, partners noted that in some cases they do not receive enough advance notification about which events or missions will be supported by the Missions in Mexico and what the overall plans are for the upcoming year.

The ability to have a web-site available to registered Canadian exporters permits DFAIT as well as other departments to diffuse specific business opportunities that arise from time to time and to post market information in an efficient manner. More work has to be done to improve local databases as well as network connections for the benefit of IBD program staff at the three Missions. As well, the Missions can benefit from sharing common databases and procedures developed individually for accessing contact information and for responding to general inquiries.

### ***Planning Processes***

Generally speaking, the planning processes among the three missions in Mexico are more advanced than many other missions in terms of applying results-based management principles (of particular note is the work planning and client tracking undertaken in the Consulate in Monterrey). Furthermore, the respective missions adjust their plans and priorities in order to adapt to evolving internal and external conditions and are committed to making further refinements and improvements to planning documents over time.

Although a good start has been made in formalizing planning processes, linking sector opportunities with objectives and identifying individual initiatives, additional work needs to be done to create a more integrated overall plan and more sharply-defined sector plans. For instance, there is a need to show how market opportunity reports and CSF-supported initiatives fit into the overall plan and there is also a need to consider training needs in light of established objectives and priorities.

The lack of reliable workload measurement information further complicates business planning since it is difficult to accurately forecast the implications of taking on various initiatives on a proactive basis. One of the consequences of such a gap in information, compounded by fragmented planning in general, has been the tendency to pursue more priorities and initiatives than can be adequately handled with available resources. An integrated plan would improve the coherence of multi-post programming, support better operational decision making and facilitate improved coordination among the three missions as well as with partners and stakeholders.

## Conclusion and Recommendations

The evaluation concluded that the operations of the IBD Program in Mexico are aligned with departmental priorities and in general, the high volume of services, products and events delivered to clients are contributing to expected results. The mobilization of additional human and financial resources, as well as the refinement of internal management processes are required in order to sustain and improve service delivery in accordance with evolving client needs in this increasingly competitive market.

The specific recommendations of the evaluation are summarized below:

1. The Director General of the North America Bureau (NAD) should review the full range of human, financial and material resources required to effectively deliver the IBD Program in Mexico. Opportunities should be found to allocate or re-allocate resources in order to mitigate factors identified in the present report which hinder the program's operating efficiency and effectiveness (e.g., travel budget, FTEs, office space, connectivity tools, etc.).
2. The Director of NMX, in consultation with managers in the field should attempt to clarify the mandate, roles and responsibilities of its trade support unit and consider pursuing additional interventions which may constitute higher value-added support from the perspective of the field. The emerging consensus should be referred to a Working Group currently studying the role of geographic bureaus in supporting IBD service delivery.
3. A solution should be worked out between the Commercial Section and TMR in order to continue to produce market studies and reports without creating an undue burden on officers with respect to editing.
4. The IBD Program Manager, in conjunction with NMX and the Consulates should endeavor to prepare a more strategic and integrated plan for the program as a whole. This plan should include an overview of the key sectors and opportunities as well as the priorities and strategies that the program intends to pursue at the sector level via CSF supported initiatives, special reports and studies, etc. Also, the plan should explicitly assess the capacity to deliver on established priorities and should include a training plan to strengthen service delivery.

5. The Mexico IBD program should consider implementing a time tracking system and/or more detailed work planning at the officer level as an important step in managing workloads.
6. The eServices Division (TCE) should ensure that the new eCRM application has the capability to easily capture and track the full range of services and products which have the potential to lead to positive business outcomes for clients and/or require a significant amount of staff time.
7. Program Management should continue to develop procedures for vetting, directing, responding to and following-up on inquiries via the creation of the new Market Information Centre. The program is also encouraged to track business outcomes among companies receiving assistance from the program on a periodic basis.



## Table of Contents

*Executive summary*

*Table of contents*

*List of acronyms and abbreviations*

<b>1.0</b>	<b>Introduction</b>	<b>1</b>
1.1	Background to the Evaluation	1
1.2	Program Overview	1
1.3	Objectives of the Evaluation	3
1.4	Evaluation Methodology	4
1.5	Organization of the Report	7
<b>2.0</b>	<b>Program Delivery</b>	<b>8</b>
2.1	Organizational Structure	8
2.2	Delivery Channels	9
2.3	Service Delivered to Clients	11
<b>3.0</b>	<b>Results for Clients and Partners</b>	<b>23</b>
3.1	Canadian Exporter Firms	25
3.2	Partners	35
<b>4.0</b>	<b>Effectiveness of Program Management</b>	<b>43</b>
4.1	The Context	43
4.2	Adequacy of Resources	43
4.3	Roles and Responsibilities	49
4.4	Communications	55
4.5	Satisfaction with Organizational Structure	55
4.6	Planning Processes	56
4.7	Workload Measurement	59
4.8	Systems and Tools for Client Tracking and Evaluation	59
<b>5.0</b>	<b>Continued Relevance of IBD Program</b>	<b>65</b>
5.1	Trends in Bilateral Trade and Investment Flows	65
5.2	Changing Climate in Mexico and Its Impact on Canadian Competitiveness	70
5.3	Continued Relevance of IBD Programming in Mexico	72

**ACRONYMS AND ABBREVIATIONS**

AAFC	Agriculture and Agri-Food Canada
BMA	Business Mission Agreements
CBS	Canada-based Staff
CDN	Canadian currency
CO	Commercial Officer
CSF	Client Service Fund
DFAIT	Department of Foreign Affairs and International Trade
eCRM	electronic Client Relationship Management System
EDC	Export Development Canada
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTE	Full-time equivalent
HOM	Head of Mission
IBD	International Business Development
IBOC	International Business Opportunity Centre
IC	Industry Canada
ICT	Information and communications technology
INEGI	Instituto Nacional de Estadística Geografía e Informática
IPC	Investment Partnerships Canada
ITC	International Trade Centres
LES	Locally Engaged Staff
MDWX	Strategic Trade Policy Division
MERCOSUR	Free Trade Market of South American States
MIS	Management information systems
MRC	Market Research Centre (now known as TMR)
NA@W	New Approach at Work
NAFTA	North American Free Trade Agreement
NMX	Mexico Division
NRCan	Natural Resources Canada
OA	Office Administrator
OGDs	Other Government Departments and Agencies
PERPA	Political, Economic, Reporting and Public Affairs
PIBD	Program for International Business Development
PMA	Performance Management Agreement for Executives
PMI	Performance Management Initiative
PMF	Performance Measurement Framework

PSU	Post Support Unit
S&T	Science and Technology
SME	Small and medium enterprises
SIE	Evaluation Division, Office of the Inspector General
TA	Trade Assistant
TBX	Policy and Partnerships Division, Trade Branch
TCE	Export Development and eServices Division, Trade Branch
TCI	Team Canada Inc
TCM	Market Support Division
TCS	Trade Commissioner Service, or
TCS	TCS Operations Division, Trade Branch
TCT	Team Canada Trade Missions Division, Trade Branch
TCW	Marketing Division (TCS)
TPO	Trade Policy Officer
TSS	Trade Systems Specialist
TTCS	Trade Team Canada Sectors
UNCTAD	United Nations Commission on Trade and Development
US	United States of America
VTC	Virtual Trade Commissioner
WIN	World Information Network for Exports
WTO	World Trade Organization

# 1.0 Introduction

## 1.1 Background to the Evaluation

This report outlines the findings of the evaluation of the International Business Development (IBD) Program in Mexico, the first of a series of comprehensive assessments of country trade programs which are deemed to be of highest priority by the Department of Foreign Affairs and International Trade. The approach applied, often referred to as a *formative evaluation* emphasizes the assessment of the overall design, management and delivery of the program as opposed to establishing the level of attribution for observable results (i.e., a *summative evaluation*).

It was agreed during the annual consultations between the Inspector General, the Chief Trade Commissioner/Assistant Deputy Minister, International Business, and the Assistant Deputy Minister for the Americas that the Mexico Missions would be the first to participate in such an evaluation. Subsequently the relevance, utility and feasibility of undertaking this evaluation was confirmed with IBD staff.

The evaluation covered the operations of the Commercial Section within the Embassy in Mexico City, services delivered by the consulates in Monterrey and Guadalajara as well as the support provided by the Mexico Division (NMX) at Headquarters.

## 1.2 Program Overview

IBD Programming encompasses one of eight business lines within DFAIT. It focuses on three areas of programming: trade promotion; investment attraction; and science and technology development. The Trade Commissioner Service (TCS) is the backbone of IBD programming. The role of the Trade Commissioner Service is to promote Canada's economic interests in global markets. The TCS works at the mission level within a broader network of government programs under the auspices of Team Canada Inc which provides various forms of support to Canadian exporters.

**Figure 1** on the following page provides an overview of the Government-wide programming in IBD. The items presented in italics are those which are most relevant to IBD Programming at mission level, including the delivery of the *six core services* of the TCS presented in the far right column.

Figure 1: Overview of Programs by Exporter Cycle

Exporter Cycle	Potential Exporter		Preparing Exporter			Experienced Exporter		
	→ → → → → → → → → → → → → → → →							
Service Areas	General Information	Skills Development	Export Counselling	Market Entry Support	Export Financing	In-Market Assistance		
Key Services	Export Information Services  ExportSource	Export Preparation Guides  Export Skills Training  Preparation for US  Preparation for other markets	Export Readiness Assessment  Export Plan Development  Export Plan Implementation	<b>Market Information and Intelligence</b>  <b>Missions, Fairs and trade related events</b>  <b>Market/ Sector Specific Advice and Guidance</b>  <b>Markets Leads</b>  Market Development Funding	Needs Assessment & Counselling  Provision of Working Capital  Foreign Risk Mitigation  Medium/Long Term Foreign Buyer Financing	<b>Market prospects</b>  <b>Key contacts search</b>  <b>Visit information</b>  <b>Face to face briefing</b>  <b>Local company information</b>  <b>Troubleshooting</b>		

**Source:** DFAIT, Evaluation Framework: International Business Development Programs Delivered By Canadian Missions Abroad, 2001

The delivery of the six core services and complimentary areas of programming in the field involve, but are not limited to the following types of activities:

- On-going gathering of market information and intelligence;
- Responding to inquiries about the market and providing market advice and guidance to new entrants;
- Identifying trade, investment and technology leads and putting them forward for matching with partners in Canada;
- Supporting business missions to and from Canada sponsored by DFAIT, Other Government Departments (OGDs) or provinces; and,
- Following market access issues, resolution of trade irritants, facilitation of the understanding of trade regulations and trade-related legal matters.

**Target Clients:**

IBD services are provided to two primary groups as well as one indirect client group. The first group are the *Canadian Exporter Firms*, which are companies registered in Canada. These companies are primarily small and medium-sized enterprises (SMEs). A priority is also placed on new business groups such as Canadian youth, Aboriginal and women entrepreneurs. Foreign subsidiaries and persons representing such companies can also be included. Firms in this group should have already researched and selected their target markets before receiving assistance at the Missions (i.e., be export ready).

The Missions also deal with co-delivery agents or partners involved in influencing the primary target clients to adopt new approaches or change their behaviour in foreign markets. The IBD Program refers to this second group as *partner-clients*. While these organizations may receive services from the IBD staff, they are viewed as intermediaries rather than "clients" per se. The partners assist and/or complement DFAIT's efforts to stimulate changes among commercial operators in Canada and overseas. The support which is provided to these groups is done as a method to increase the organizations' results with the ultimate client firms.

In a sense, a third target group of the missions are the Mexican importers who may wish to seek out Canadian sources of goods or services. A portion of the inquiries handled by the Embassy or consulates in Mexico originate with Mexican firms that are interested in procuring Canadian goods or services and are seeking supplier names. In addition, there are a number of Mexican firms that act as representatives of Canadian firms. In this sense these firms are also clients of the IBD program.

## 1.3 Objectives of the Evaluation

The objectives of the evaluation of the IBD program in Mexico were as follows:

- To provide senior departmental managers with a structured assessment of the processes and systems used to plan, resource, coordinate, implement and report on program performance within the IBD Program in Mexico.
- To profile, analyze and document the progress made in the achievement of program objectives and expected results.

- To identify best practices and lessons learned which can eventually be replicated in other locations.

Broadly speaking, the intent of the evaluation was to:

- Analyze the composition of clients utilizing IBD services.
- Determine the extent to which their priority needs are being met by the IBD program and the Missions in Mexico and resulting gaps.
- Assess how well the Missions have been able to plan, organize and manage their services to meet client priorities, as well as the challenges faced by the Missions to meet client needs.
- To document, to the extent possible, what influence and impact the IBD program has had on client exporter performance in the Mexican market.

## 1.4 Evaluation Methodology

This evaluation assessed the performance of the IBD programming of the Embassy in Mexico City, the Consulates in Monterrey and Guadalajara, as well as the support provided by the geographic bureau at headquarters (NMX) and various entities within Trade Branch. The Evaluation was led by personnel from the Evaluation Division and T-Branch who were supported by a representative from NMX and two consultants. The evaluation issues were described in detail in the Methodology Report completed November 2003. The main lines of inquiry for the review were to:

- Determine the needs of Canadian exporters targeting the Mexican market and the barriers to increasing their exports and how well the Mexican New Approach@Work and the core services are responding to these needs.
- Determine the appropriateness and usefulness of the support from DFAIT and the IBD program for both Canadian exporters as well as other government departments and levels of government in the effective coordination of export, investment and science and technology efforts within foreign markets.

- From the perspective of Mexican organizations, determine the profile and image of Canadian suppliers and investment opportunities, as well as, science and technology development and barriers to Mexican companies pursuing business opportunities with Canadian companies.
- Review, with Mission personnel, as well as, the DFAIT headquarters personnel the strategies, systems, capacities, and barriers to fulfilling the needs of their clients.
- Document, to the extent possible, the tangible outcomes of DFAIT support for exporters and partners in terms of expanding and diversifying export sales, attracting foreign investors, and pursuing S&T.

To accomplish this, the Evaluation Team undertook a series of investigations:

### **Document, file and database review**

A review was conducted of the volume of activities of the Missions, in terms of core services, clients served, as well as additional services not tracked in DFAIT's World Information Network for Exports (WIN Exports) such as market reports and Client Service Fund (CSF) projects. In addition, other documents and files were reviewed including planning documents, letters of appreciations from clients and other information provided by the three Missions.

### **Interviews with DFAIT personnel in Mexico and Ottawa**

Interviews were conducted with DFAIT staff in Ottawa, Mexico City, Guadalajara, and Monterrey. These interviews were undertaken in order to obtain an indication of: the priorities and planning processes; the extent to which the Missions have been able to align their mix of services and products with client priorities; feedback on the results being achieved; and obstacles faced in meeting the needs of clients.

In addition to individual interviews with program personnel, a group discussion was moderated by the evaluation team as part of the tri-post retreat attended by all IBD personnel to identify the overall strengths of the IBD Program, leading practices, service delivery constraints as well as opportunities for improvement.



## Survey of exporters who have received services

A survey was conducted of Canadian corporate clients having received services from the Embassy and two consulates during the fiscal years 2002-03 and 2003-04 (April 2002 to September 2003). The sample consisted of all of the clients listed on DFAIT's WIN Exports computerized database as having received services for that period. This represented a total of 505 companies as shown in **Figure 2**. The response rate to the survey was 35%.

*Figure 2: Clients Receiving Services Between April 2002 and September 2003 Based on WIN Entries*

<b>Mission</b>	<b>Contacts</b>
Mexico City	408
Guadalajara	44
Monterrey	53
<b>Total Population</b>	<b>505</b>

The survey assessed the extent to which core services are being accessed by clients, how well the clients are being serviced, the extent to which services are matching needs and the influence of IBD on exporter performance, and, to the extent possible, the results (qualitative and quantitative) of IBD support to exporters.

## Interviews with local contacts in Mexico

In person interviews were conducted at the three locations in Mexico with various local contacts. These included: Mexican importers; distributors and agents for Canadian firms; Canadian subsidiaries; and Canadian companies visiting Mexico. The focus of the interviews was on the perceptions of Canadian products and services in Mexico, the services provided by the Missions, the potential for increasing Canadian exports to Mexico and the barriers to doing so.

## Interviews with partners in Canada and Mexico

For the purpose of this evaluation, partners are defined as organizations that deliver programs and services to business clients, for instance other government departments,

provincial governments, industry and trade associations, etc. A selection of partner clients were interviewed in both Canada and Mexico to discuss the effectiveness of the IBD programming, the cooperation between the groups and the Missions, and any results which were emerging.

## 1.5 Organization of the Report

This report is organized as follows:

**Section 1** consists of this brief introduction including a summary restatement of the background, purpose and objectives of the evaluation;

**Section 2** provides an overview of the delivery of the IBD program in general as well as some characteristics of the three missions in Mexico;

**Section 3** reviews the effectiveness of the programming in terms of results achieved;

**Section 4** addresses issues related to the management of the IBD Program in Mexico; and,

**Section 5** provides an overview of the context within Mexico and describes the continued relevance of the programming being undertaken.

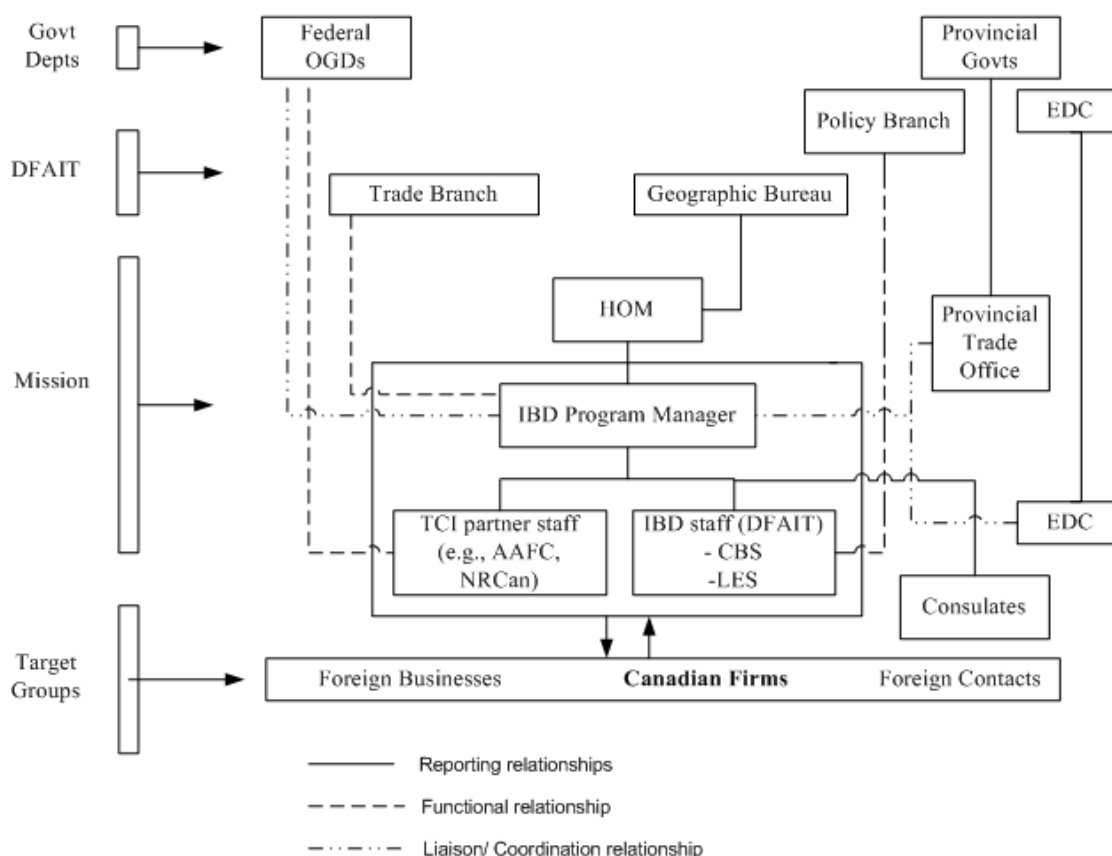
## 2.0 Program Delivery

### 2.1 Organizational Structure

As indicated earlier, the IBD Program in Mexico comprises operations at the Embassy in Mexico City and the Consulates in Guadalajara and Monterrey. The Mexico Division in Ottawa also provides vital support to the program. The exhibit below provides an overview of the complex structure in which the IBD program is located. This structure may be modified as a result of the government restructuring announced in December 2003.

Of particular note is the direct reporting relationship with the Geographic Branch at DFAIT and the linkages to a number of DFAIT and non-DFAIT entities. The linkages of the program to DFAIT, other federal departments such as Industry Canada, NRCan, AAFC, EDC, as well as a number of provincial government departments, trade associations, and Canadian and Mexican businesses creates a complex web of relationships.

**Figure 3: IBD Program Structure**



## 2.2 Delivery Channels

Figure 4 provides a summary of mission resources, geographic coverage, priority sectors and staffing arrangements.

Figure 4: Overview of the Three Missions

Item	Mexico City	Monterrey (established in 1994)	Guadalajara (established in 1996)
<b>Geographic Territory (Mexican States)</b>	All states except the following eight covered by the Consulates	<ul style="list-style-type: none"> <li>• Nuevo Leon</li> <li>• Coahuilla</li> <li>• Tamaulipas</li> </ul>	<ul style="list-style-type: none"> <li>• Sinaloa</li> <li>• Nayarit</li> <li>• Colima</li> <li>• Jalisco</li> <li>• Aguascalientes</li> </ul>
<b>Priority Sectors</b>	<ul style="list-style-type: none"> <li>• Agri-food</li> <li>• Energy</li> <li>• Environmental</li> <li>• ICT</li> <li>• Plastics and packaging</li> <li>• Aerospace and defence</li> <li>• Service industries &amp; capital projects</li> <li>• Rail and urban transit</li> </ul>	<ul style="list-style-type: none"> <li>• Agriculture and Agri-food</li> <li>• Environment</li> <li>• ICT</li> <li>• Building products and construction</li> </ul>	<ul style="list-style-type: none"> <li>• Agriculture and Agri-food</li> <li>• Environment</li> <li>• ICT</li> <li>• Education</li> <li>• Manufacturing technologies</li> </ul>
<b>Number of IBD Related Staff</b>	<ul style="list-style-type: none"> <li>• CBS - 5</li> <li>• CO - 5</li> <li>• TSS - 7</li> <li>• TPO - 1</li> <li>• OA - 1</li> </ul>	<ul style="list-style-type: none"> <li>• CBS - 1</li> <li>• CO - 2</li> <li>• TSS - 1</li> <li>• TA - 1</li> </ul>	<ul style="list-style-type: none"> <li>• CBS - 1</li> <li>• CO - 2</li> <li>• TSS - 1</li> </ul>
<b>OGDs with Staff at Mission</b>	<ul style="list-style-type: none"> <li>• CBS-1 AAFC</li> <li>• LES-1.5 NRCan</li> </ul>	None	None
<b>Partners co-located with Mission</b>	<ul style="list-style-type: none"> <li>• EDC - CBS-1</li> <li>• Alberta - CBS-1</li> </ul>	<ul style="list-style-type: none"> <li>• EDC - LES-1</li> </ul>	None

**Legend:** CBS = Canada Based Staff; CO = Commercial Officer; TSS = Trade System Specialist; TPO = Trade Policy Specialist; OA = Office Administrator; and TA = Trade Assistant. Effective 12 Dec. 2003

As depicted in the above exhibit, the Embassy in Mexico City covers 22 states in Mexico with the exception of the eight which are covered by the two consulates in Guadalajara and Monterrey. The Embassy provides the liaison with national and quasi-government agencies, especially in sectors such as energy, agriculture, environment and telecommunications, which are reflected in some of the priority sectors chosen. The IBD staff cover the trade policy issues for the Embassy and two consulates including market access issues, particularly in the agriculture sector. The Embassy is also heavily involved with high level missions visiting Mexico and other branding activities.

The Consulate in Guadalajara covers five states. While Guadalajara and the Embassy have some of the same priority sectors, their focus is on different segments. Unlike Mexico City which is focussing on value added food products, Guadalajara's focus, in terms of the agricultural sector, is more commodity based. In the ICT area, Guadalajara has a very active electronics sector, whereas Mexico City's focus is more on telecommunications. The education sector as a priority in Guadalajara is a reflection of the unique character of the region which has a large number of educational institutions and a large interest in Canadian programs. Guadalajara also has a high proportion of small and medium enterprises as potential partners for Canadian companies. This makes networking a resource-intensive operation.

The Consulate in Monterrey includes one portion of the border region with the United States. It is estimated that 25% of the conglomerates in Mexico, known as "Grupos" are located within the Consulate's region and provide a potentially vast market for Canadian products. Unlike Guadalajara, Monterrey also has potential for promoting investment in Canada by these large Mexican companies. The specific segments of the priority sectors chosen here also reflect the local conditions. The environmental sector is growing in terms of interest by the private sector in areas such as environmental audits. In the region, over the last ten years, US\$200 million has been invested annually in environmental technologies. Construction is also a growth area with a high potential for high quality Canadian products.

## 2.3 Services Delivered to Clients

The Embassy and two consulates provide a range of services to entry-level and existing Canadian exporters to the Mexican market. As well, the Missions provide services to Mexican importers interested in importing Canadian products or partnering with Canadian firms, as well as Mexican firms acting as agents or representatives of Canadian firms.

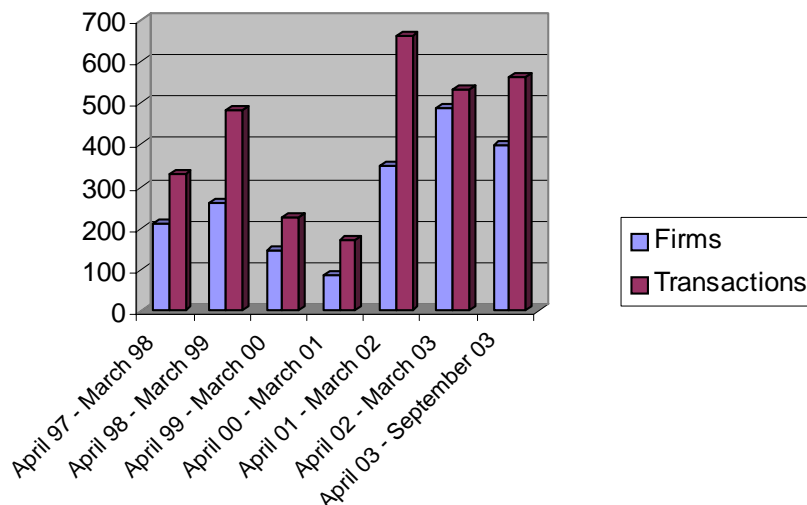
Services provided to Canadian firms were recently reorganized to increase the focus on what are called core services (according to the New Approach@Work) and these service transactions are captured in the WIN system. It should be noted however that there are other potentially high value-added activities carried out by the Missions in terms of responding to inquiries and assisting Mexican importers and representatives of Canadian firms that are not always captured in WIN, for instance, the provision of business leads. In addition, some transactions may not get recorded in WIN due to time constraints or other operational constraints. The WIN database therefore provides only a partial picture of the workload of the Missions as non-core services and services which have not been entirely rendered (i.e., not 100% complete) and services provided to Mexican clients are not captured in the WIN system.

The following summarizes the services provided by the Missions to WIN-registered Canadian Exporter firms and partners.

### Overview of Services Provided as per the WIN System

**Figure 5** displays the WIN statistics on the overall number of exporters and services received from the three IBD program Missions in Mexico from April 1997 to September 2003. During this period, a total of 1,741 exporters received services for a total number of 2,972 transactions. In some cases, an individual transaction comprised multiple services. The fluctuations in the number of transactions by year over the period is partly a reflection of the inconsistent entry of services into WIN by the Missions.

*Figure 5: Service Transactions delivered to Canadian Exporters by the Missions in Mexico (April 1997 - September 2003 - WIN Data)*



**Source:** WIN Database

As indicated earlier, the recent transition to the NA@W has meant that the vast majority of the services delivered and recorded in WIN have been the core services. **Figure 6** on the following page shows the number of service transactions provided during the last seven years. Typically, key contact searches, market prospect services, local company information, and face to face briefings were the most used services during the period. Troubleshooting services are used less frequently since they are primarily accessed by existing exporters facing urgent business or market access issues and are not necessarily tracked in WIN.

**Figure 6: Services Delivered to Canadian Exporters by Year (1998-2003)**

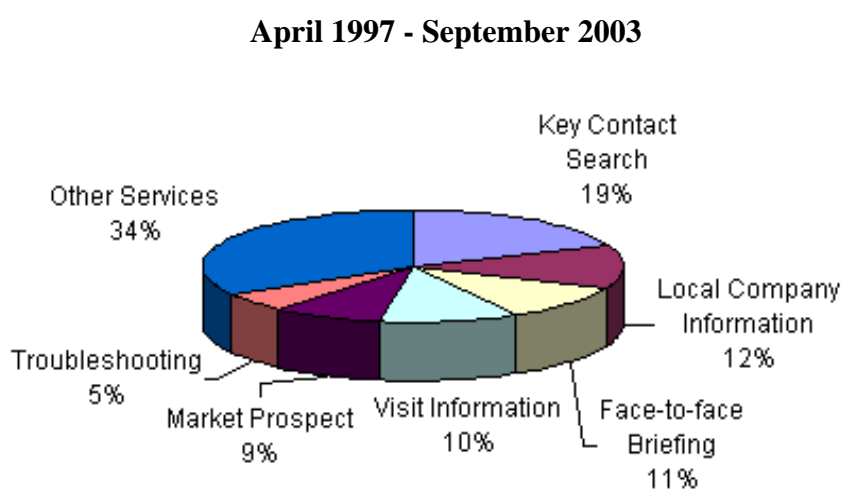
Service	April 03 - October 03		April 02 - March 03		April 01 - March 02		April 00 - March 01		April 99 - March 00		April 98 - March 99		April 97 - March 98	
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%
Market Prospect	224	16%	181	15%	244	14%	55	14%	54	11%	19	3%	0	0
Key Contact Search	291	21%	314	26%	334	19%	94	24%	116	24%	107	16%	0	0
Local Company Information	177	13%	136	11%	329	19%	29	8%	74	15%	19	3%	0	0
Visit Information	94	7%	130	11%	176	10%	35	9%	46	9%	12	2%	0	0
Face-to-face Briefing	219	16%	146	12%	197	11%	52	14%	59	12%	0	0	0	0
Troubleshooting	49	4%	37	3%	69	4%	7	2%	38	8%	6	1%	0	0
Bidding Assistance	12	1%	1	>1%	4	>1%	4	1%	3	1%	0	0	0	0
Appointments and Meetings	82	6%	33	3%	77	4%	28	7%	7	1%	0	0	0	0
Logistical Support	32	2%	47	4%	38	2%	10	3%	1	>1%	0	0	0	0
Business support services	20	1%	27	2%	13	1%	4	1%	2	>1%	0	0	0	0
Participation in events	81	6%	48	4%	33	2%	8	2%	1	>1%	0	0	0	0
Market Intelligence	56	4%	72	6%	214	12%	45	12%	13	3%	0	0	0	0
General Information (from Missions)	57	4%	24	2%	214	12%	12	3%	27	6%	0	0	0	0
Trade Policy Consultation	6	>1%	6	1%	21	1%	3	1%	1	>1%	0	0	0	0
Export Counselling	0	0	0	0	0	0	0	0	26	5%	0	0	0	0
Market Entry Support	0	0	0	0	0	0	0	0	1	>1%	0	0	0	0
Temporary office or display space	0	0	0	0	3	>1%	0	0	0	0	0	0	0	0
Lead	0	0	0	0	0	0	0	0	0	0	65	9%	40	10%
Report	0	0	0	0	0	0	0	0	0	0	127	19%	130	33%
Representation	0	0	0	0	0	0	0	0	0	0	40	6%	18	5%
Advisory/ Counselling	0	0	0	0	1	>1%	0	0	0	0	2	>1%	106	27%
JV	0	0	0	0	0	0	0	0	0	0	165	24%	3	1%
Distributorship	0	0	0	0	0	0	0	0	0	0	6	1%	50	13%
S and T flows	0	0	0	0	0	0	0	0	0	0	30	4%	22	6%
Strategic Alliances	0	0	0	0	0	0	0	0	0	0	41	6%	6	2%
Organizing events/ facilities	0	0	0	0	0	0	0	0	0	0	1	>1%	10	3%
<b>Total</b>	<b>1400</b>		<b>1202</b>		<b>1967</b>		<b>386</b>		<b>469</b>		<b>640</b>		<b>385</b>	

**Source:** WIN Database



A review of data in the WIN database from 1997 to 2003 must be viewed with some caution as the focus since the introduction of the New Approach in 2002 has been on the provision of the six core services. As well, the recording of services has not been consistent. The data for the 2002-2003 period shows that market prospect information, key contact searches, provision of local company information and face to face briefings accounted for about 66% of service transactions recorded in that period. **Figure 7** shows the total services over the seven year period divided into the six core services.

*Figure 7: Distribution of actual Core Services delivered to Canadian businesses*



**Source:** WIN Database.

The following describes what are considered to be the key service demands from the Embassy and the two consulates. These include both core and non-core services. The latter are NOT necessarily captured in Win.

## **Inquiries - Market Advice and Guidance**

One of the most resource intensive areas for the Missions is answering inquiries from Canadian companies which are considering entry into the market. These inquiries have been aggregated for the purpose of this report as market advice and guidance. In addition, it should be noted that inquiries come from Mexican importers and from Mexican representatives of Canadian companies. These are also not captured by the WIN system. They do however represent an important proportion of the total enquiries handled by the missions.

Inquiries can vary from general requests for market information to very specific requests for contacts in a sector. Interviews with IBD staff indicated that the requests for information cover a wide range of sectors outside the priority sectors in each location and can require extensive work to supply the information. One of the service standards of DFAIT's IBD Program is to answer these requests within 5 business days. Most staff indicated that the time spent on these inquiries was often more than the time requirements for the delivery of the six core services.

Many of these inquiries do not appear to be classified as core services, and as a result the exact number of Canadian firms serviced by the Missions is impossible to determine.

Each of the Missions record and track inquiries differently, using their own in-house spreadsheets or databases. Information obtained during the evaluation provided some insight into the volume of inquiries handled.

In Mexico City, inquiries are handled by two different methods. General inquiries, which are sent to the Embassy website, are covered by the Information Centre at the Embassy. The statistics which are now being maintained by the Information Centre indicates that they handle approximately 20-30 trade related general inquiries per month. (Note the Centre also handles other inquiries such as related to fraud which are not represented in this figure.) In addition, each IBD staff member in Mexico City, who is listed on the Virtual Trade Commissioner website as responsible for a specific sector, will receive direct requests for information from firms. These inquiries are handled and tracked by each individual IBD staff member and, therefore, a general database is not available. From the staff interviews, it would appear that on average each of the staff members with sector responsibilities handle approximately 20 inquiries per month.

The quest to determine when officers should record service transactions with clients in WIN and when not to remains an on-going challenge. Given that the Embassy is a "public service" as opposed to a private operation, it has an obligation to answer all inquiries from Canadians and as a result it spends a lot of time re-directing inquiries to other service providers. Responding to "non-core service inquiries" takes time despite all the standard replies which have been developed to that effect. These inquiries certainly add to the Embassy's volume of work, however they are not considered as

"client services" and as a result, even if they take time to handle, they never end-up being tracked in WIN.

Examples of inquiries or services which are not tracked on WIN include the following:

- Individuals or companies referred to in-border partners (ITCs) because they are not export ready.
- The information requested is not part of one of TCS core services.
- The mission is still assisting the company and therefore the core service has not yet been completed.
- The company or individual does not have a clear mandate to represent the Canadian company it claims to represent (students, consultants, trading houses etc.).
- The Canadian content for the product(s) is insufficient or could not be confirmed.
- The company is not registered in WIN and the mission requested more information.
- The company did not follow-up and answer questions from the mission on their business plan etc.
- The mission is in the process of assessing the market potential for the company and this will determine whether it assists them or not.
- The company does not have market potential in Mexico and was advised accordingly.
- The mission is waiting for PSU's advise (suspected global enquiry, Canadian content, etc.).
- The mission did not provide a real value-added service (i.e. only referred the client to a division in Ottawa, for example to DFAIT/EAT on tariffs).
- The company sells used, reconditioned, and refurbished products with no significant economic benefit for Canada.
- The company wants to import Mexican products.
- The company's activities will not produce a significant economic benefit for Canada. This refers mainly to US company's subsidiaries in Canada which seek the mission's help for the marketing of products not made in Canada.

Guadalajara has developed a separate system for tracking inquiry services. This was supplied to the Evaluation Team and showed that over the last year, the two officers have provided services to approximately 550 companies.

Monterrey has recently developed a centralized method for tracking inquiries. This will also be used as a basis for follow-up and monitoring Canadian exporter activity. Monterrey also maintains a database of Canadian firms that have generated inquiries. There are two inventories, one a potential active client list, for firms that have made inquiries, but which have not as yet generated export sales. These firms are interested in the market but not currently active. This listing would be closest to a listing of inquiries, with a total of 239 companies recorded for 2003. The second list is a list active clients of which there are 62 at present. In addition, Monterrey maintains a local client list (LCL) comprising 646 Mexican companies. Information on all of the companies in the inventories are also recorded in a database format.

## Contact Databases

In addition to the issue of tracking inquiries, all three missions in Mexico have developed databases containing information on key Mexican and Canadian business contacts. This is an essential client contact inventory. Generating and maintaining contact lists facilitates trade development and marketing for Canadian firms.

## Market Reports and Studies

*In order to respond to the needs of various clients to have more timely market intelligence, the Missions in Mexico have placed increased emphasis on the development and dissemination of short market opportunity reports over the last year. The development of market reports is not tracked in WIN as these reports are not necessarily disseminated to individual companies.*

Two types of reports are being developed. The first are more detailed market studies for specific sectors which provide an overview of market opportunities. These are often done by consultants or with the assistance of DFAIT's Market Research Centre (TMR). These are included in the InfoExport database and can be accessed by Canadian companies and associations through that site. The second group of reports are short, market opportunity updates often prepared by individual trade officers at a target rate of one per 40 days in their respective priority sectors (ref. Mexico new approach). These also have additional distribution directly to associations or other groups active in the sectors and are meant to assist them in keeping up to date on developments.

**Figure 8** below outlines the sectors for which reports were prepared in each year over the last eight years. Since January 2003, the Mission in Mexico City has produced over 50 market studies, either in-house or in partnership with local consultants. In addition the Mission has prepared 11 market insights and 2 market briefs in FY 2002-03 and 2003-04 (to date).

**Figure 8: Sectors Covered by Market Research Documents**

<b>Fiscal</b>	<b>Sector</b>
<b>Year</b>	
2003-04 (to date)	Aerospace and Defence, Service Industries and Capital Projects, Information and Communications Technologies, Automotive, Oil and Gas Equipment and Services, Agriculture, Food and Beverages, Building Products, Consumer Products, Environmental Industries, health Industries, Tourism, Trade Policy
2002-03	Agriculture, Food and Beverages, Health Industries, Information and Communications Technologies, Metals, Minerals and Related Equipment, Services and Technology, Plastics, Service Industries and Capital Projects, Consumer Products
2001-02	Consumer Products, Advanced Manufacturing Technologies
2000-01	Aerospace and Defence, Agriculture, Food and Beverages, Advanced Manufacturing Technologies, Building Products, Automotive, Chemicals, Environmental Industries, Forest Industries, Health Industries, Health Industries, Information and Communications Technologies
1999-00	Advanced Manufacturing Technologies, Arts and Cultural Industries, Consumer Products, Health Industries, Metals, Minerals and Related Equipment, Services and Technology
1998-99	Plastics
1997-98	Agriculture, Food and Beverages, Arts and Cultural Industries, Bio-Industries, Environmental Industries, Information and Communications Technologies, Metals, Minerals and Related Equipment, Services and Technology, Oil and Gas Equipment and Services, Service Industries and Capital Projects, Space, Rail and Urban Transit
1996-97	Environmental Industries

### **Leads from Mexican Companies**

Another important service provided by the Missions in Mexico is the provision of business leads. Again, these services are not captured in WIN. Each of the three Missions develops business leads from their Mexican contacts and disseminates them

either directly by contacting potentially interested companies which have the necessary capabilities or via intermediaries such as IBOC, NMX, the ITCs, provinces or associations. These leads are business opportunities that potentially could be matched with Canadian companies. Many of the leads are derived from import inquiries that come from Mexican firms.

Statistics are available on a small portion of the leads generated by the three Missions through the IBOC system, as many of the leads are communicated directly to industry associations or individual companies or groups of companies by E Mail and/or telephone calls.

Those leads which are handled through the International Business Opportunities Centre (IBOC) are recorded and shown in **Figure 9**. As a joint DFAIT and Industry Canada group, IBOC is tasked with searching for and matching Canadian companies with international business opportunities provided by the IBD Programs at the Missions. IBOC disseminates this information to Canadian companies possessing the required competencies. The Figure below outlines the number of business leads the Mexican Missions provided to IBOC from April 1, 1999 - September 30, 2003.

*Figure 9: IBOC Business Leads From Mexico*

<b>Mission</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-2004 (1st two quarters)</b>
Mexico	62	45	66	90	49
Guadalajara	13	24	26	18	13
Monterrey	17	61	37	43	40
<b>Total</b>	<b>92</b>	<b>130</b>	<b>129</b>	<b>151</b>	<b>102</b>

**Source:** DFAIT, IBOC Statistics for Business Leads From Mexico April 1, 1999 - September 30, 2003

As noted above, these figures are not always an accurate reflection of the volume of leads which the three Missions have generated over the period. However, from the interviews with staff at the three Missions, each group uses IBOC to differing extents. Monterrey, for example, uses IBOC for a majority of their leads—making the IBOC statistics more representative. Mexico City, however, uses IBOC rarely for handling leads. Instead, the Embassy sends the information directly to Canadian associations, partners or firms that they believe would be interested. The Embassy uses the WIN system to try to find appropriate matches when their contact lists are not adequate. Only when the Embassy can not find a match on WIN is the lead sent to IBOC. The

Embassy does not think that IBOC responds quickly enough to requests, nor does it provide appropriate matches for the opportunities identified.

The success rate for matching leads to Canadian companies is not tracked to any extent in the system. As a result, it is impossible to tell even the proportion of leads which develop into business relationships between Canadian and Mexican companies.

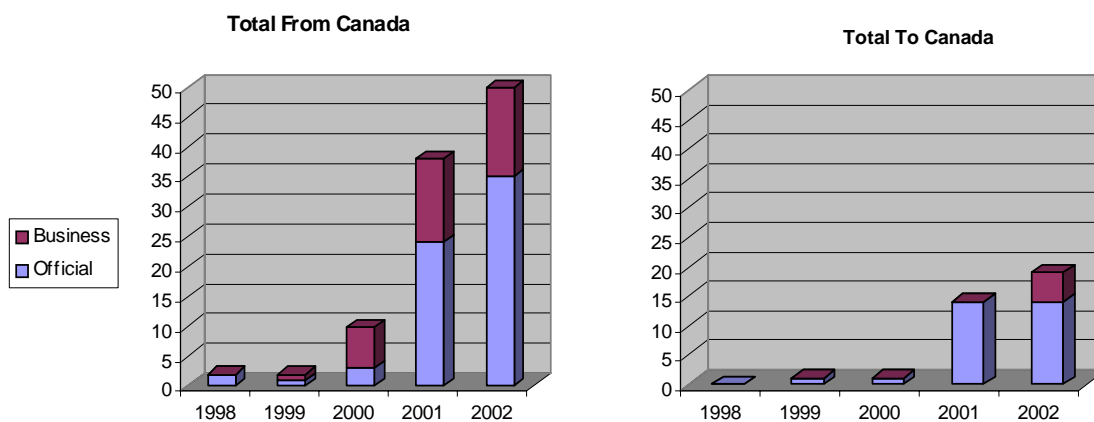
### Missions and Trade Related Events

Missions are an important part of the activities supported by the IBD Programs in Mexico, particularly by the Embassy in Mexico City. These missions fall into a number of different categories. The first are high level visits which include visits from the Prime Minister, ministers and deputy ministers at both the federal and provincial levels and other government officials. The second relate specifically to visits by Canadian firms to Mexico or Mexican companies to Canada.

*The evaluation observed that missions and trade related events continue to be consuming. Specifically, the number of high level missions has grown significantly - and the involvement of IBD staff in setting up these missions has been a drain on resources to the detriment of client service.*

**Figure 10** depicts the number of business and official trade visits to and from Mexico from 1998-2002.

Figure 10: Trade Visits to and from Mexico



**Source:** DFAIT, Trade Visits to and From Mexico-Canada 1998-2002

As can be seen from **Figure 9**, the number of missions to and from Mexico has increased dramatically over the last several years. An important part of this is the increasing volume of Ministerial missions and visits by high level officials. In 1999, there was only one visit between the two countries. In 2000, there were 3 Ministerial visits between the two countries. For 2001 and 2002, there was a total of 15.

The importance of the Mexican market and Canada-Mexico relations has triggered interest on the part of Ministers and government officials in both Canada and Mexico. From the Canadian perspective, there is also the desire to raise the profile of Canada and Canadian products—which these visits can accomplish. These high level visits, however, have put a strain on IBD staff. Not only have they been responsible for providing input into the programming of the trips but they have also had significant responsibility in coordinating logistical arrangements as well as the smooth execution of the visits with the support of the Administration Section of the Embassy. Staff have been instructed that such demands take priority, hence their ability to deliver services to clients has been hindered.

An increase has also been seen in the number of trade missions by firms to and from Mexico. The DFAIT participation is often funded by the Client-Service Fund. The Client Service Fund (CSF) is a client-focussed fund for use by Trade Program Managers and staff members at Missions abroad. Launched in April 2002 as a result of a review of the former Program for International Business Development (PIBD), the CSF has become the primary source of funding for promotional activities abroad. Trade program managers at Missions have accountability for the utilization of funds and the CSF is the largest pool of funding available for supporting proactive sectoral priorities.

The use of the CSF by the three Missions during the last two years shows the importance being placed on participation in trade shows, and sponsorship of missions between the two countries by the Mexico IBD Program. For example, for 2003-04, almost 50% of the CSF funding is allocated to missions and trade shows. These also have participation by partners and the private sector in Canada which, on average, are contributing an equivalent of 1.5 times the CSF contributions to support the activities.

The reports on the CSF activities have also shown that they are highly resource intensive. Partly as a result of this, the Program has shifted its involvement in some of



these activities. For example, trade associations and other partners have begun to assume the lead in some cases. The Missions are also focussing on value added initiatives at the trade shows such as networking events and specialized seminars.

For both proactive CSF funded missions and trade events, as well as for missions and events being identified and coordinated by partners, the IBD staff are providing a variety of services to the partners. The intention is to support these other government agencies and partner organizations in their efforts to promote exports to Mexico.

The reader is referred to **Section 5.3.2** of this report for an analysis of the correspondence of services delivered with the needs and expectations of target clients based on the survey of Canadian business clients conducted as part of the evaluation.

### 3.0 Results for Clients and Partners

In terms of the effectiveness of the IBD Program, the evaluation methodology called for a review of three questions:

- Are the intended clients being reached?
- Are the intended outcomes being achieved?
- Are there unintended positive or negative effects which come from the Mexico IBD program?

As discussed above, there are two primary target groups for IBD programming: Canadian Exporter Firms and partners. The following discussion covers the results observed within both groups. Three levels of results were reviewed: the level of direct impact of services; the degree to which benefits were seen by the firms; and the outcomes which had been experienced by the firms in terms of sales and other specific indicators.

Canadian exporters surveyed indicated that many of the services had an impact on their success in the Mexican market. Specifically, for existing exporters, the largest impact was seen from support in troubleshooting (36% saying the services had a high impact) and facilitation of business missions and matchmaking ( 34% indicating a high impact). These responses reflect the more mature status of these firms within the Mexican market.

For firms with no prior history of exporting to Mexico, the highest impact was seen from face-to-face briefings by Mission staff (25% saying these had a high impact), provision of key contacts (24% with high impact), troubleshooting (24%), and market studies (23%). These services reflect the more preliminary nature of the exporters' exploration of the market. It is also interesting to note that while existing exporters were able to capitalize on matchmaking and mission support, new exporters and non-exporters indicated that this had less of an impact for them. This likely reflects the relatively low level of preparedness of the firm in pursuing the Mexican market.

In terms of direct benefits, as would be expected, the primary ones are seen in areas such as expansion of the network of potential buyers, improved credibility with Mexican buyers which came from having a connection to the Canadian Missions, and

the identification of new market opportunities. These results specifically support the short term targeted results of the IBD program—namely to assist in establishing the contacts and information necessary to pursue business opportunities.

In terms of sales, a majority of the firms did not see any immediate direct or indirect benefit from the services. From the survey, and the interviews conducted, this can be attributed to a number of factors. First, the support by the Missions is seen as a contributing factor for making sales—but rarely are sales a direct result of the services. As described above, the current complexity of the market makes "fast" sales very difficult to establish. Companies must make contacts and then work extensively to hone those contacts before gains can be made in the market. This requires extensive time and resources—with contacts and information as only the starting point. Second, some of the firms in the survey which were not already exporting to Mexico were testing the market to see whether there were possibilities to be pursued. Their seriousness in terms of market development is impossible to tell—but would have an influence on the extent to which the firms would convert information and contacts into opportunities.

The survey also asked what results firms had obtained in the market since April 2002—regardless of their relationship to the services provided. A total of 25% indicated that they had made sales, with an additional 32% under negotiations for sales with Mexican firms. An additional 11% had established relationships with distributors.

There was also some optimism among the firms responding to the survey in terms of their future prospects. For the current year, of 176 respondents, 35% indicated that they expected their total revenues in Mexico to increase, 3% thought they would decrease and 58% foresaw no change, the remaining 4% were unsure .

The evaluation investigated whether these results could be partially attributed to the services received from the IBD Missions. On the one hand, 37% of the firms believed the support received from the embassy or consulates in Mexico had a positive influence on revenues earned in the Mexican market. However, only 17% of the firms indicated that it would have been unlikely or very unlikely to have achieved the same financial results without the assistance.

Specific results achieved by the Embassy and consulates included:

- raising the visibility of Canada at the local level. This was being done via specific events (such as Canada Week in Guadalajara) as well as the active participation of IBD staff in local events.
- increased branding has become a more important consideration at trade shows for both the IBD Program and partners. For example, at trade shows the focus is now being placed on sponsoring functions such as seminars, and receptions. These provide an opportunity to bring groups of people together and present an overall image of Canada in a particular forum
- The Embassy and Consulates have increasingly integrated IBD Programs with other partners in Government"

Two sectors were cited in the interviews as having a high degree of integration of priorities and approaches across partners in developing the Mexican market. In agriculture, a high level of integration of AAFC and DFAIT priorities was seen.

The energy sector is another example of coordination. Here an informal network of partners plan and coordinate their efforts on an on-going basis. This includes the Alberta Government, EDC, Industry Canada, DFAIT NMX, and the IBD staff in Mexico.

The evaluation concluded that important results have been achieved by exporter firms and partners, however, increased sales results are difficult to attribute directly to the IBD program, and as would be expected the success rate of firms trying to enter the Mexican market with the assistance of DFAIT may not be high, especially in the short term. The IBD program does play an important role in stimulating and supporting entry into the market, especially for SMEs.

## 3.1 Canadian Exporter Firms

### 3.1.1 Constraints on Establishing Results

Establishing results from the work with client firms is difficult due to three factors. First, as discussed above in **Section 2.3**, information is available on only a small

portion of the Canadian client firms with which the IBD programs work. **Figure 11** below is an adaptation of the generalized IBD exporter cycle presented earlier. It summarizes the groups of Canadian firms that are accessing IBD support in Mexico, and provides an overview of the services which they are receiving. It also lists whether information is available on the firms, services, and results.

*Figure 11: Overview of Firms and Services of the IBD Program in Mexico*

<b>Exporter Cycle</b>	<b>Canadian Exporters Not Actively Engaged in Mexico</b>	<b>Exporters Actively Pursuing Market Entry</b>	<b>Current Exporters to Mexico</b>	<b>Experienced Exporters to Mexico - Well Established</b>
<b>Service Areas Provided</b>	Early Market Investigations	Early Market Entry	Development of Export Market	Specialized services
<b>Key Services</b>	<i>Market Information and Intelligence - VTC</i>  <i>Inquiries - Market/ Sector Specific Advice and Guidance</i>	<i>6 core services</i>  <i>Market Information and Intelligence</i>  <i>Missions, Fairs and trade related events</i>  <i>Market/ Sector Specific Advice and Guidance</i>	<i>6 core services</i>  <i>Market Information and Intelligence</i>  <i>Missions, Fairs and trade related events</i>  <i>Market/ Sector Specific Advice and Guidance</i>	<i>Key contacts search - primarily for new geographic areas or government agencies with changing staff</i>  <i>Troubleshooting - including market access issues</i>
<b>Source of Information on firms?</b>	Internal databases of IBD Missions  Feedback from IBD staff	WIN database  Evaluation survey	WIN database  Evaluation survey	Interviews  Some limited information from WIN or Evaluation survey
<b>Sources of information on results achieved?</b>	None	Evaluation Survey  Interviews	Evaluation Survey  Interviews	Interviews - partial view

A number of observations can be made from **Figure 11**:

- While the WIN system captures some of the firms receiving core services, not all core services are captured under the system. This means that the WIN provides only a partial picture of clients and services.
- As noted above, the majority of firms serviced by the Missions appear to be through inquiries. While some of these may be listed in WIN, it would appear that the majority fall outside the WIN system. This means there is limited information on firms receiving services and no information on the results achieved since little follow-up is done.

- The types of services provided to various groups of firms also differs from the model originally developed by DFAIT for undertaking the Evaluation (see Figure 1 above). Under that model, it was assumed that there were two groups of exporters: those preparing to enter the market; and those active in the market. The core services were targeted to those active exporters, while entry exporters were supported by services such as market studies. The Evaluation has shown, however, that the picture is more complex. As shown in **Figure 11**, the range of firms receiving services, and the scope of those services is more extensive. Firms that are trying for market entry receive, in some cases, extensive core services. Even exporters that are firmly established in Mexico still need support in specialized areas such as troubleshooting market access issues.

In addition, as can be seen from **Figure 11**, information on both the firms and the results are limited to a few categories of companies. The information on results which follows is, therefore, based on the firms which are entered into the WIN system only.

Second, the Posts also consider local Mexican importers as an important client group. The WIN system, however, focuses on Canadian exporter firms only. In addition, there is limited information as to what is happening locally with respect to Mexican importers and few methods to systematically track changes in attitudes and practices with respect to importing Canadian products.

Third, defining the targeted results from the IBD program is also difficult. The Evaluation methodology outlined two sets of results for the programming. In terms of short term outcomes, the result was:

*Canadian business clients, overseas purchasers of Canadian goods and services, investors and entities involved in science and technology acquire the information, contacts and other forms of support required to actively pursue international business opportunities.*

This was intended to lead to a medium term outcome of:

*Canadian business clients are better positioned to expand and/or diversify their international business operations in the target market.*

How these results are interpreted is complex, however. As mentioned above, the range of firms accessing the services available through the IBD is broad, representing different stages of the exporter cycle. This means that results that could be targeted with each group range from building awareness of the markets to actually expanding export sales. The breadth of these types of results need to be captured.

### 3.1.2 Profile of Canadian Exporter Firms

A priority of DFAIT's IBD programming is the provision of support to small and medium enterprises (SMEs). In particular, assisting SMEs to gain access to new markets has been a consistent priority for the Government overall.<sup>1</sup> Is the Mexico IBD Program reaching SMEs? From both the WIN data and the survey results, the Program is supporting SMEs. WIN data shows that 64% of the firms that were given services between April 1997 and October 2003 were small enterprises with staff between 0 and 50 employees. A total of 14% had 51-100 employees, and 22% had greater than 101.

The information from the survey results show just how "small" many of the firms are. **Figure 12** outlines the total annual revenues earned in the last business year for the respondents. A total of 46% had revenues less than \$5 million per year.

*Figure 12: Average Annual Revenue For Firms Accessing IBD Services*

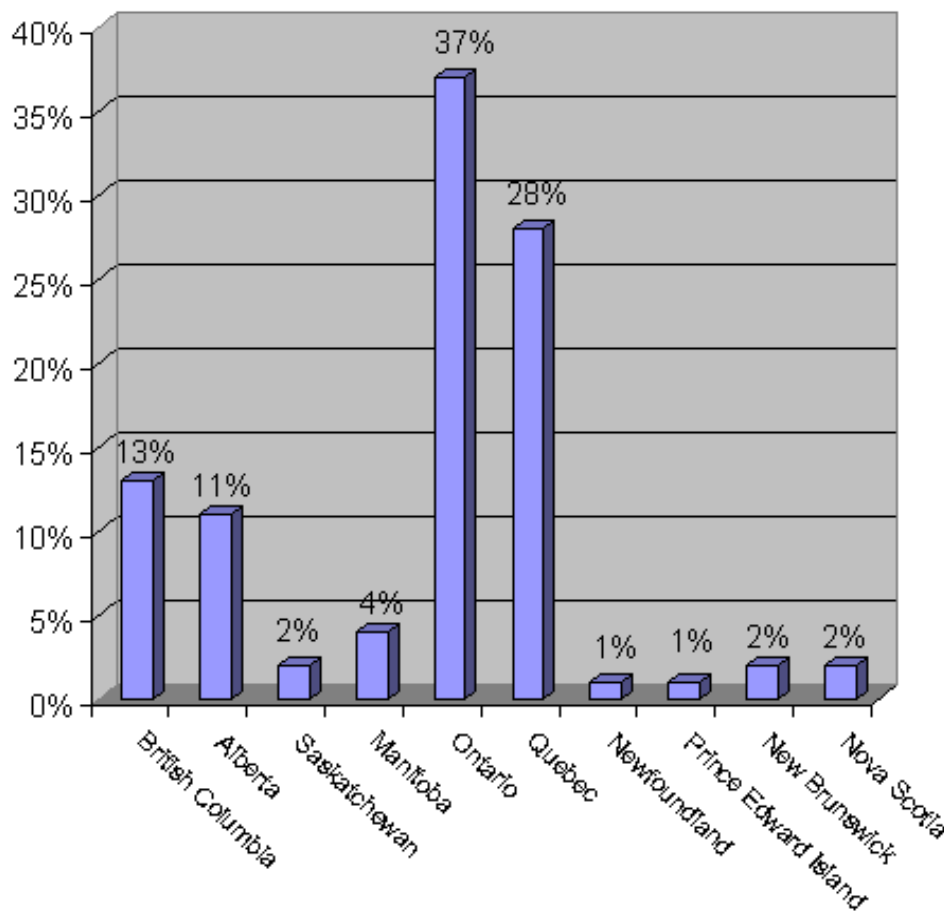
	Revenue Earned	% of those exporting to Mexico prior to April 2002	% of those not exporting to Mexico prior to April 2002
Less than \$100,000	4%	2%	2%
\$100,001 to \$1 million	21%	10%	11%
\$1 million to less than \$2 million	7%	3.5%	3.5%
\$2 million to less than \$5 million	14%	7%	7%
\$5 million to less than \$10 million	13%	7%	6%
\$10 million to less than \$25 million	10%	5%	5%
Over \$25 million	22%	14%	8%
Don't know	11%	5%	6%

<sup>1</sup> See for example, DFAIT, *Performance Report for the Period Ending March 31, 2003*.

Of the 176 respondents to the survey, 53% were already exporting to Mexico as of April 2002. The profiles of both those already exporting to Mexico and those not exporting to Mexico were generally similar in terms of size. The exception was in the over \$25 million companies.

One of the other priorities of DFAIT is to ensure that firms from all across Canada are accessing opportunities within Mexico. As shown on Figure 13, firms assisted have indeed come from across the country with the proportion of those from Ontario and British Columbia increasing over the last year.

Figure 13: Geographic Distribution of Client Exporter Firms (April 1997 - September 2003)<sup>2</sup>



2

Source: WIN Database



### 3.1.3 Results for Canadian Exporter Client Firms

A series of questions were asked in the client survey regarding results which could be the direct or indirect consequence of the assistance provided by the Missions. As mentioned, the targeted short term results related to whether companies had acquired the information, contacts and other support necessary to actively pursue international business opportunities.

Three levels of results were reviewed: the level of direct impact of services; the degree to which benefits were seen by the firms; and the outcomes which had been experienced by the firms in terms of sales and other specific indicators.

As mentioned above, the survey respondents indicated that many of the services had a high impact on their involvement in the Mexican market. Specifically, for existing exporters, the largest impact was seen from support in troubleshooting (36% saying the services had a high impact) and facilitation of business missions and matchmaking (34% indicating a high impact). These responses reflect the more mature relations of the firms within the Mexican market.

For non-exporting firms, the highest impact was seen from face to face briefings by Mission staff (25% saying these had a high impact), provision of key contacts (24% with high impact), troubleshooting (24%), and market studies (23%). These services reflect the more preliminary nature of the exporters investigations. It is also interesting to note that while existing exporters were able to capitalize on matchmaking and mission support, the non-exporters thought this had less of an impact for them. Again, this could relate to the level of preparedness of the firm for entering the market. Based on the experience of the missions in Mexico, non-exporting firms usually choose not to enter the market.

The firms were asked to specifically state the benefits that the services had provided to them either directly or indirectly. The results are shown on **Figure 14** below. *In terms of direct benefits, as would be expected, the primary ones are seen in areas such as expansion of the network of potential buyers, improved credibility with Mexican buyers which came from having a connection to the Canadian Missions, and the identification of new market opportunities. These results specifically support the short term targeted results of the IBD program—namely to assist in establishing the contacts and information necessary to pursue business opportunities.*

*Figure 14: Direct and Indirect Benefits to Firms from Services Provided by the IBD Missions in Mexico (Evaluation Survey)*

Type of Benefit	Direct	Indirect	N/A
led to new contact(s) with a potential buyer/partner	44%	23%	33%
helped to improve company's image and credibility	43%	18%	39%
identified new market opportunities	40%	27%	33%
improved decision-making ability regarding market	37%	28%	35%
avoidance of red-tape and bureaucratic barriers	27%	22%	51%
increased efficiency in our marketing activities	26%	29%	45%
provided access to new Mexican distribution channels	25%	21%	54%
sales to a new client	13%	24%	63%
export sales to Mexico increased	11%	24%	65%
first-time sale in Mexico	10%	15%	75%
sales of new products or services	9%	18%	73%

In terms of sales, a majority of the firms did not see any direct or indirect benefit from the services. From the survey, and the interviews conducted, this can be attributed to a number of factors. First, the support by the Missions is seen as a contributing factor for making sales—but rarely are sales a direct result of the services. As described above, the current complexity of the market makes “fast” sales very difficult to establish. Companies must make contacts and then work extensively to hone those contacts before gains can be made in the market. This requires extensive time and resources—with contacts and information being only the starting point.

Second, some of the firms in the survey which were not already exporting to Mexico were testing the market - seeing whether there were possibilities to be pursued. Their seriousness in terms of market development is impossible to tell—but would have an influence on the extent to which the firms would convert information and contacts into opportunities. The interviews conducted in Canada and Mexico also shed light on this aspect. In Mexico, in particular, many Canadian firms were seen to be exploring the possibilities but not serious in terms of making the commitment for pursuing sales. For example, firms would arrive at trade shows in Mexico without literature in Spanish. Canadians would not respond to Mexican counterparts or agents which had specific purchasing needs—even when there was an established relationship between the firms.

This lack of seriousness or responsiveness obviously influences the outcomes that can develop.

The survey also asked firms what results had been gained in the market since April 2002—regardless of their relationship to the services provided. A total of 25% indicated that they had made sales, with an additional 32% under negotiations for sales with Mexican firms. An additional 11% had established relationships with distributors. The sales that had been made were relatively small as shown on **Figure 15**.

*Figure 15: Magnitude of Sales Made by Firms since April 2002 (Evaluation Survey)*

\$25,000 or less	29%
\$25,001 to \$100,000	27%
\$100,001 to \$500,000	18%
\$500,001 to \$1 million	7%
\$1 million + to \$3 million	4%
\$3 million + to \$5 million	2%
over \$5 million	2%
Don't know	11%

There was also some optimism among the firms responding to the survey in terms of their future prospects. For the current year, of 176 respondents, 35% indicated that they expected their total revenues in Mexico to increase, 3% thought they would decrease and 58% foresaw no change, the remaining 4% were unsure.

Can these results be partially attributed to the services received from the IBD Missions? The answer to this is complex. ***On the one hand, 37% of the firms believed the support received from the embassy or consulates in Mexico had a positive influence on revenues earned in the Mexican market. However, clients were also asked if they had not received any assistance from the IBD program whether they would have achieved the same results in Mexico. A majority of firms indicated that they thought they would have achieved the same results if the assistance had not been available from the Missions. Only 17% of the firms indicated that it would have been unlikely or very unlikely to have achieved the same financial results without the assistance.***

Why did the majority not see the assistance as being critical to their success? Part of the reason relates to the satisfaction of the firms with the services provided by the Missions. In the recent DFAIT *Client Survey 2002* administered to 1,500 firms in Canada, the firms were asked to rate their overall satisfaction with the services received from 108 IBD missions around the world. Overall, 79% of the firms worldwide were satisfied with the services received from the various missions, however, the respondents to the Mexico portion of the survey indicated a drop in overall satisfaction from the 2000 survey.<sup>3</sup> As a result of the 2002 Client Survey, the Mexico Missions placed a new emphasis on some of the areas where clients thought there were weaknesses. Specifically, the Mexico “New Approach” mentioned above which placed an increasing emphasis on areas such as improving contacts and market information was initiated.

As shown in **Figure 16**, the clients surveyed for this evaluation had some concerns regarding the services received.<sup>4</sup> Are these significant? To answer this requires a review of the comments received during the survey and interviews conducted in both Canada and Mexico.

*Figure 16: Satisfaction levels with the IBD Services*

Area of Service delivery	Satisfied	Neither Satisfied nor Dissatisfied	Dissatisfied
timeliness of the service	76%	13%	11%
overall quality of assistance	73%	18%	8%
accuracy of information provided	72%	16%	5%
appropriateness of information provided	68%	23%	7%
knowledge of staff on the subject requested	67%	22%	9%
information available on services and products available	67%	17%	13%
consistency of service provided in relation to experience with the Trade Commissioner Service in other markets	63%	15%	8%
ability to refer you to the most appropriate source of assistance if unable to respond to request	53%	19%	11%

<sup>3</sup> DFAIT, *Client Survey 2002*.

<sup>4</sup> It should be noted that unlike the client survey which tracked transactions by each of the three missions, the evaluation survey was looking at relationships between the firms and the IBD program in Mexico in general. Therefore, the reaction to services offered by each individual mission was not distinguished.

From the evaluation survey and comments, it is clear that clients still have some concerns regarding services. A number of common issues were raised by both the surveyed firms and in the interviews with firms and partners:

First, there was a feeling that the Missions—and particularly Mexico City—could not service the requests for information to the extent desired by companies. This manifested itself in a number of comments such as the superficial knowledge of some sectors, lack of geographic coverage outside the main locations of the three missions, and the limited nature of some of the local networks.

Second, the question of resources was raised. Clearly, there is agreement on the fact that staff in all locations are stretched to the limit. However, in a number of the interviews it was questioned whether this was a resource issue or a priority setting issue. For example, are the number of high level missions detracting from client services? Are there too many priority sectors which results in limited in-depth knowledge of the sectors? These types of questions are explored further in **Section 4.0**.

In addition to the feedback provided during interviews and as part of the survey of business clients, the evaluation team reviewed a significant volume of letters of appreciation, e-mails and miscellaneous testimonials. These communications often revealed compelling details of how trade personnel “made a real difference”, positive commercial outcomes were occasionally cited and, generally speaking clients were very pleased with the knowledge, business/professional acumen and dedication of IBD staff.

## 3.2 Partners

Establishing results from the work done with partners is also difficult. As with clients, the information on the partners and interventions is fragmented. While some is recorded in the WIN system, not all the work with partners is shown there. The summary which follows is taken from a number of different sources to develop an overall picture of partner relations and results.

### 3.2.1 Profile of Partners

As noted above, partners of the IBD Missions are really intermediaries rather than "clients" of IBD services per se. A wide range of groups are covered including:

- Federal, Provincial and Territorial, and Municipal Governments;
- Business and Industry Associations;
- Educational and Research Institutions; and
- Economic Development and Other Agencies (e.g. Western Economic Diversification, Atlantic Canada Opportunities Agency).

The partners assist and/or complement the efforts of the IBD Missions to support trade and the establishment of on-going relationships. The support which is provided to these groups is offered by the IBD program as a means to increase the organizations' results with the ultimate client firms.

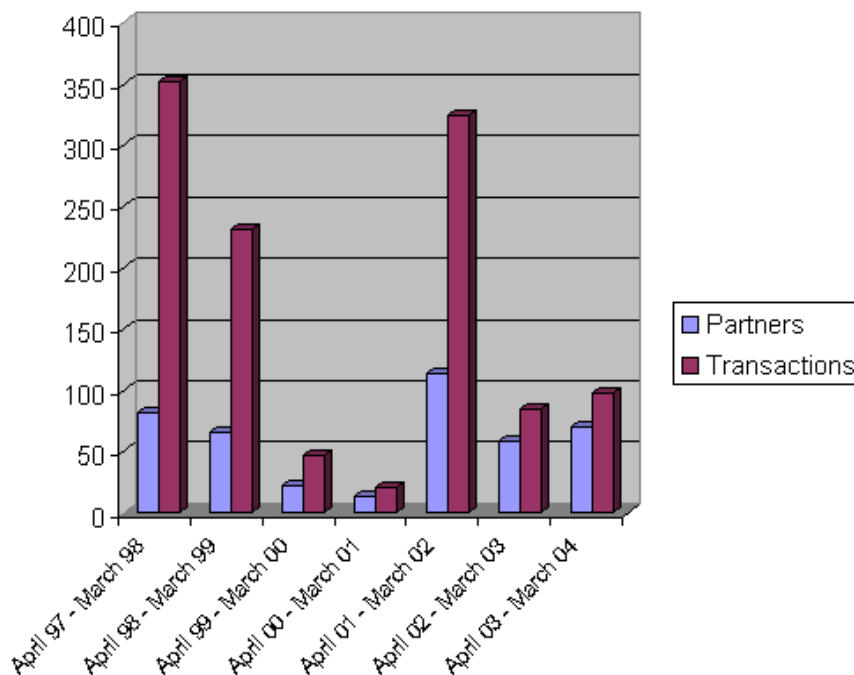
From the review of information and the interviews undertaken, there appear to be three categories of interactions with partners. First, the primary inter-relationships revolve around coordination and complementarity of services to client firms. This usually involves missions, trade fairs, or other specific events. These kind of interactions often involve the major partners of the IBD Missions such as DFAIT, Industry Canada, AAFC, EDC, NRCan. Etc. where planning of events are on more of a joint basis. Responsibilities would be divided between the partner and the IBD Mission. In other cases, the Missions provide specific complementary services to a mission or event being organized and coordinated by a partner. This is particularly true with groups such as the Provincial associations, and sectoral associations which establish a sequence of events they want to undertake and the Missions provide support such as lists of contacts or market information.

Second, events such as high level missions and Ministerial trips are also included in the category of partner interventions whereby the IBD Missions provide support in planning and implementing the events.

Third, a much smaller portion of the work is more specifically geared to support services for the partner organizations themselves. This usually involves partners such as very small associations or academic groups. Here the IBD Missions would provide services to the partner staff in better understanding the Mexican context, pursuing joint opportunities for Mexican counterparts, or other kind of support service.

WIN data provide a partial picture of the overall partners which have cooperated with the IBD Missions in Mexico. WIN also tracks a portion of these interactions between the partner organizations and the Missions. **Figure 17** illustrates the number of individual partners who have received services and the number of transactions which were delivered by the Missions in Mexico by fiscal year since April 1, 1997.

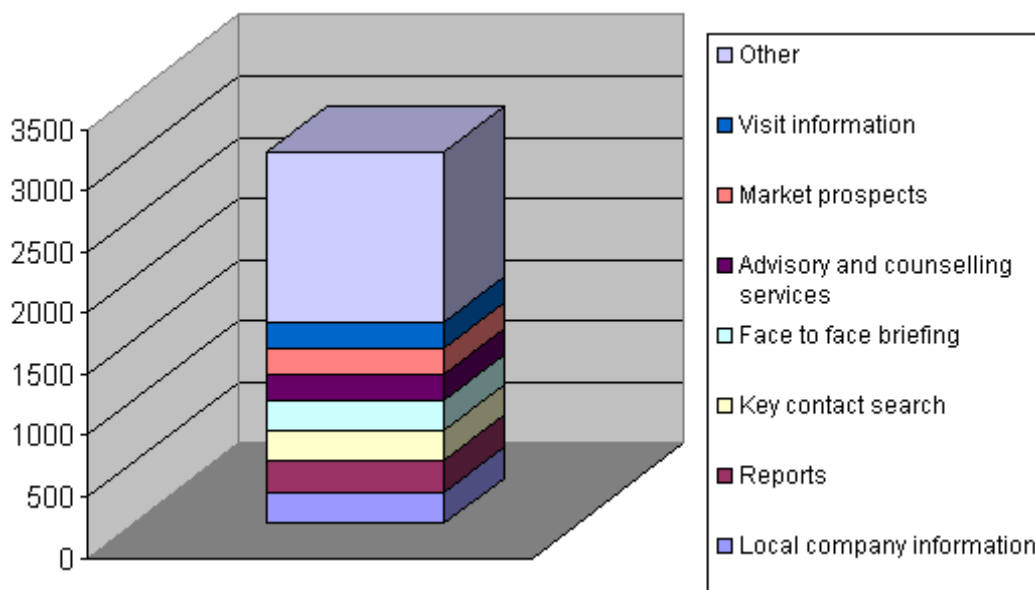
*Figure 17: Service Transactions delivered to Partners by the IBD Missions in Mexico<sup>5</sup>*



<sup>5</sup> Source: WIN Database

The primary services provided to the partners include provision of local company information, reports, key contact searches, face to face briefings, advisory and counselling services, market prospect, and visit information as shown on Figure 18.

Figure 18: Service Transactions for Partners (April 1997 to October 2003)<sup>6</sup>

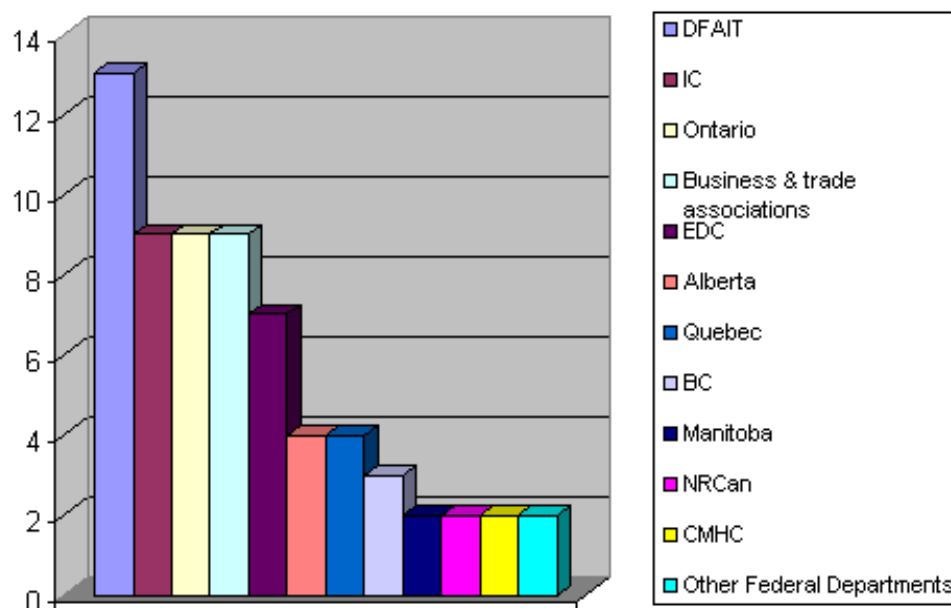


Partners also play a large role in the delivery of CSF events. While some of these interventions would be captured on WIN, others are not. **Figure 19** gives an example of the range of partners involved in CSF activities in FY2002-03. As can be seen from the Figure, they include Team Canada Inc partners, provincial partners, business and trade associations, etc.

<sup>6</sup> Source: WIN Database



Figure 19: Partners in CSF Activities FY 2002-03 (CSF Data)<sup>7</sup>



### 3.2.2 Results for Partners

In DFAIT’s 2003 *Strategic Planning and Priorities Framework* key results for programming are outlined. A number of these results specifically relate to the work which is done by the IBD Missions with partner organizations. Two key results include:

- Alignment of DFAIT’s representation abroad with Canadian government priorities; and
- Effective integration of our activities with our partners in government.

Have the IBD Missions in Mexico been contributing to these DFAIT results? To answer this, interviews were undertaken with a range of partners in Canada and Mexico. Additional information was obtained from the interviews with Mexican firms, IBD staff and the reviews of the CSF activities. From this analysis, some general conclusions emerged regarding the IBD Program.

<sup>7</sup> DFAIT, Client Service Fund Post Report - Mexico, 2003

In terms of supporting overall Government priorities, one of the results specifically being targeted by DFAIT is to: “improve the coherence and coordination of TCI partners’ branding messages and activities abroad”.<sup>8</sup> Branding Canada has become a more important focus within DFAIT and TCI in recent years and the IBD Missions have supported this effort within Mexico. In the draft 2004-05 Mission Plan one of the areas of focus for the upcoming year is to “continue to raise Canada’s profile through branding initiatives”.

The three IBD Missions have undertaken a variety of activities to support this effort with various partners. Some examples cited in the interviews include the following:

- Many of the high level government missions are seen as opportunities to raise the profile of Canada and Canadian products. According to some interviews, the increasing number of high level visits by Ministers and other senior Canadian officials over the last two years has improved visibility within government and the private sector in Mexico.
- Interviews with firms in Guadalajara and Monterrey indicated that the consulates were doing an excellent job in terms of raising the visibility of Canada at the local level. This was being done via specific events (such as Canada Week in Guadalajara and Monterrey) as well as the active participation of IBD staff in local events.
- Branding has become a more important consideration at trade shows for both the IBD Program and partners. For example, at trade shows the focus is now being placed on functions such as seminars, and receptions rather than exhibits. These provide an opportunity to bring groups of people together and present an overall image of Canada in a particular forum. The report on EnviroPro 2003 highlighted the effectiveness of the approach stating that the special events organized around the show helped to deliver important messages about the environmental capacity of Canada. It also showed an example of partners working together to complement the Canadian presence with the IBD staff working with Industry Canada, the Government of Alberta and EDC to implement the initiative.

<sup>8</sup> DFAIT. 2003-2004 Estimates.

In terms of “effectively integrating IBD Programs with other partners in Government”, a number of examples were cited in the interviews and CSF reports of various models being used and their effectiveness.

Two sectors were cited in the interviews as having a high degree of the integration of priorities and approaches across partners in developing the Mexican market.

- In agriculture, a high level of integration of AAFC and DFAIT priorities was seen. This is a unique situation for two reasons, however. First, AAFC has an extensive existing network of consultation within Canada to establish client priorities in various regions. These consultations can then be directly linked to the programming in that location which is a distinct advantage in terms of determining the focus of the efforts. The IBD Mission focus then has a direct link into the Canadian associations and priorities. Second, the agriculture position at the Embassy is staffed by an AAFC employee on secondment which provides a strong link between the Mission and the partners in Canada.
- The energy sector is another example of coordination. Here an informal network of partners plan and coordinate their efforts on an on-going basis. This includes the Alberta Government, EDC, Industry Canada, NRCan, DFAIT NMX and the IBD staff in Mexico. Both the partners and the IBD staff indicated that the informal nature of the group allowed a more action oriented approach to determining priorities and planning specific initiatives.

The second model of coordination that was observed revolved around the IBD Missions providing support to Canadian partners in implementing their Mexican programming. Here, the partner organizations developed an approach to support Canadian companies interested in the Mexican market and the missions assisted the partners in tailoring their proposed programs based on what they considered would work best in the Mexican market. This work might include missions, contracting market studies, facilitating information to clients, or market access issues. The partners then get support from the IBD Missions in the three locations. From the interviews, the primary support received included the provision of key contacts (particularly high level officials), market studies and information, and briefings of the mission members. These same patterns were also evident from the WIN data which showed the usage by partners of various services as shown in **Section 2.2.2**.

The partners were asked about the effectiveness of the delivery of the IBD services in supporting the partners priorities. Overall, the comments indicated that the support was highly useful to the partners particularly in terms of providing information on firms in Mexico, insights into markets and possible market niches and supporting the efforts of missions to Mexico. The partners also indicated that the IBD Missions have a unique niche since they have networks within both government and the private sector and have access to information and often contacts which would not be readily available to the associations and/or individual firms.

The third model relates to the more proactive work done by the IBD Missions. These efforts are primarily funded by the CSF and represent initiatives which the IBD Missions feel are important to pursue in supporting the development of the priority sectors in particular. In many of these cases, the interventions involve missions to Mexico by Canadian firms, buyers missions to Canada, participation in trade shows and fairs, specific market studies or analysis of market access issues.

In some cases, the IBD Missions develop the concepts and then approach partners to support the IBD programming. In other cases, the IBD CSF projects are driven by consultations with partners and through a joint agreement on priorities. This support takes a number of forms including financial support by the partners. In addition, the Canadian partners are often asked to provide the backstopping in Canada—including recruiting Canadian companies to participate, publicizing the work, and follow-up. In this sense, some of the IBD supported events are partner driven, while some are driven by the IBD program. On the basis of the CSF reports prepared by staff, many of the interventions funded are successful and produce positive results in terms of increased awareness of market opportunities, increased number of Canadians participating in the Mexican market, or increased interest in terms of Mexican buyers.

From the Missions' perspective, the biggest issue was the effectiveness of the backstopping of partners in Canada. Fewer companies were sometimes recruited for missions than could be accommodated. The quality or focus of the Canadian companies were not always appropriate. In addition, the responses by partners to IBD requests were not always timely. These factors prevented the Missions from maximizing the opportunities from these events.

From the partners' perspective, difficulties arise when the IBD Missions drive the priorities for the activities in isolation of the partner's plans or approaches. The partners are then expected to participate and sometimes there is not a good fit with their

priorities and/or they are not provided sufficient advance notice to make necessary preparations. They felt it would be more useful to have jointly identified the priorities for the sectors at an early point in the planning cycle to ensure complementarity.

## 4.0 Effectiveness of Program Management

### 4.1 The Context

This section provides an overview of the management practices, the effectiveness of the organizational structure, and the systems and tools in place to manage the program. As has been discussed earlier, the Mexico Program has been subjected to a rapidly increasing number of high level missions that have involved the IBD program staff, especially in Mexico City. The rapid growth in Canada-Mexico trade primarily due to NAFTA has made Mexico of increasing interest to Canadian government officials, industry associations and companies. This has placed a heavy burden on IBD staff in terms of time and resource requirements.

The discussion below must be read keeping in mind that client satisfaction, for both partners and Canadian exporter firms, with the performance of the program is generally high. Clients are generally happy with the quality and timeliness of services provided and have been particularly pleased with the quality of the trade staff. The discussion below is meant to identify areas for improvement as well as best practices adopted in Mexico that may be applied elsewhere.

### 4.2 Adequacy of Resources

Based on analyses undertaken within T-Branch, it was determined that the Mexico trade program has less personnel than most other trade programs operating in overseas markets of similar size or importance to Canadian commercial interests. It is apparent that additional positions (officers and support staff) are needed within the Commercial Section at the Embassy as well as the two Consulates in order to better service existing clients and to meet future demand levels which are not expected to subside.

Although the current staff complement makes for an efficient model, the evaluation team's assessment of staff morale levels, on-going relations with clients and partners and the capacity to undertake proactive initiatives in IBD programming suggests that the status quo (i.e., a situation of forced productivity) is not a model which can be sustained over time without engendering un-intended effects among staff and/or clients.

During the current fiscal year, some encouraging steps have been taken to increase the overall level of resources dedicated to Mexico Trade Program: three positions have been created since the Audit of March 2003. Should a further re-allocation of resources be envisaged at the

corporate level in the future, Mexico is poised to submit a strong business case for incremental resources by demonstrating the volume and importance of business opportunities generated in the Mexican market.

In addition to coping with a chronic shortfall of personnel during the last decade, the Mexico IBD program has experienced other resource-related challenges (i.e., financial, material and operating constraints). During the course of the evaluation, it was determined that each mission has a unique set of resource pressures. The following summarizes the most acute resource constraints noted within the respective missions:<sup>9</sup>

#### **4.2.1 Guadalajara**

It is the evaluation team's opinion that the Consulate in Guadalajara currently has the most acute shortage of personnel among the three missions in Mexico based on our analysis of quantitative and qualitative factors. To their credit, trade personnel have been able to maintain a relatively high level of client satisfaction notwithstanding the resource and operational constraints. The creation of an additional Commercial Officer position (as opposed to an additional Canada-based trade position which could potentially engender some redundancies among existing staff) is needed in order to redistribute the existing workload which shows signs of exceeding capacity (e.g., limited scope of CSF initiatives, frequency of market opportunity reports, backlog of entries in WIN, etc.).

An additional CO position would give officers a greater ability to effectively respond to existing and anticipated levels of demand for services within priority sectors; to become more proactive and generate more market intelligence within these sectors; and perhaps, broaden the mission's sectoral and territorial coverage.

The lack of functional office space and bandwidth constraints noted during the recent Audit/Inspection continue to be significant factors which hinder the efficiency and effectiveness of the Consulate. The conference room can barely accommodate a small delegation and when it is occupied, it limits access to the filing room, store room, kitchenette as well as the only toilette on the premises. Due to space constraints, the Consul's office is used to host the server, the Consular safe, shredder and excess storage. There is no emergency exit and the reception area does not lend itself to the discreet handling of sensitive consular cases. The acquisition of

<sup>9</sup> Although it was not possible to undertake a systematic analysis of current workload levels, market potential and other qualitative factors, the following represents the evaluation team's best assessment of the resource-related constraints which require immediate attention by program management.

additional office space and improvements to the overall functionality of the premises should be pursued on a priority basis.

Pending the availability of resources over the medium term, the creation of a Canada-based or locally-engaged position to handle the growing volume of files pertaining to General Relations (including education and public affairs) would allow the Consul to dedicate more time to trade, investment and innovation.

#### **4.2.2 Monterrey**

The Consulate in Monterrey has managed to significantly improve its office fit-up during the past year and the recent accession to Consulate General status may help to accelerate the finding of a permanent solution to address bandwidth constraints.

The creation of an additional Commercial Officer position would allow the overall team to be more pro-active and to increase geographic and sectoral penetration. In addition, it would allow the mission to more fully explore and pursue increasingly important commercial opportunities which are cropping up along the Mexico-US border. The mission could also attempt to be more active in investment promotion (to or from Canada) and perhaps explore opportunities in science and technology on a limited scale, for instance in the ICT sector or advanced manufacturing technologies.

The Monterrey mission indicated that it would have the capacity to undertake additional projects funded under the CSF if its share of the overall CSF allocation were increased. The mission would also like to have more flexibility to manage these resources on an on-going basis (i.e., in the event of project cancellations or in response to excellent opportunities which may arise during the program cycle). It should be noted that the delegation of authority and accountability for results to program managers at the mission level is entirely consistent with the guiding principles of the CSF.

One of the missions greatest constraints is the inadequacy of its travel budget. The existing budget does not allow officers to undertake much outreach beyond the greater Monterrey area. More importantly, the mission is compelled to travel to the border region to participate in important events and/or pursue business opportunities in this region and is constrained from



doing so due to its limited travel budget. This may eventually translate into missed opportunities in growth sectors such as environmental technologies.<sup>10</sup>

### **4.2.3 Mexico City**

The Department's recent review of Canada-based trade positions at the global level confirmed that Mexico City is under-resourced. A similar analysis of locally-engaged positions has not yet been undertaken though it is apparent that officers currently have too many sectors to handle in general. The quality of service, as perceived by clients during the most recent survey appears to have suffered and officers are hard pressed to engage in pro-active trade promotion.

There is no doubt that the Trade Program is currently challenged to meet the demands of multiple clients and stakeholders (not to mention frequent high profile events and visits) and the demand for services is not expected to decline in the foreseeable future. The Department is in the process of creating some additional positions in order to cope with the heavy workload and will continue to explore opportunities for re-allocation in the future. However, more personnel and money are not the only solutions. There are a number of measures which can be taken in the intermediary in order to cope with workload pressures. Some examples are provided below in no particular order of importance :

- Setting clear priorities in function of existing resources and “adhering to them” to the extent possible is perhaps the greatest challenge faced by mission management. This also entails setting standards for how to deal with enquiries in non-priority sectors.
- There is a need to balance the desire to raise the visibility of Canada or the image of individual Canadian companies with the need to be able to adequately respond to the needs of established clients in a timely manner. This involves making difficult choices with respect to which “branding” events should be pursued and/or making every attempt to limit the involvement of trade resources (e.g., recruiting participants or handling logistical details) to the extent possible. Every opportunity to leverage assistance from other sections of the Embassy, institutional partners and private companies should be explored prior to committing trade resources to organize a given event.

<sup>10</sup> The travel budget for the Consulate in Guadalajara was not considered to be particularly problematic at present since the officers are generally too busy responding to trade enquiries to undertake additional local travel. Over the medium term, the mission may require a budget revision should staffing changes allow the mission to increase the frequency of outcalls.

- As mentioned in the Audit report, the creation of a Visits Unit with established service standards for various types of missions and events should take the pressure off trade personnel who are compelled to do their part in the absence of a dedicated team. Trade personnel will nonetheless continue to be involved to a limited extent with the consideration of substantive program elements.
- Empowering personnel, encouraging them to find creative ways to deal with operational realities and recognizing excellence (as currently practiced via nominations for awards and informal gatherings after exhausting events) remain effective levers to motivate personnel and instill a desire for “continuous improvement” in a team setting.
- Consideration should be given to assigning personnel from NMX or perhaps the ITCs on “temporary duty” in a given mission in Mexico during periods of peak demand and/or in advance of events requiring significant preparation;
- The acquisition of Blackberries for personnel who are compelled to be out of the office gathering market intelligence and networking would no doubt improve their ability to communicate more efficiently with clients. Personnel should be reminded to use New Approach Tools to do searches, track client interactions and perform other critical tasks. The significant amount of down time spent in traffic, in Mexico City in particular, could be put to productive use with a tool such as the Blackberry.
- Officers in the field should be encouraged to use the geographic desk, ITCs or other partners to recruit Canadian companies, to do research on Canadian capabilities or to undertake other time consuming activities (such as editing reports) which could be undertaken more efficiently from Canada, notably within existing TCI structures.
- The hiring of contractors, interns and other temporary personnel to cope with workload pressures obviously remains an option (not to be encouraged for various reasons).
- Finally, the provision of training and other professional development opportunities to personnel is an important means by which to strengthen the skills and ultimately the productivity of personnel, provided that training needs are analyzed systematically (re: functional, sectoral or linguistic training) and sufficient time and resources are made available. Training needs should be discussed with personnel as part of the annual appraisal process and overall training requirements, based on the priorities of the IBD Program should be factored into the annual operational plan.

Whether the above measures are pursued in tandem, are applied individually, or are implemented partially in function of operational realities, there exist several avenues to pursue in order to improve working conditions within the Commercial Section in the near term. The hiring of additional personnel remains nonetheless the main solution to pursue over the medium term.

Beyond the challenges experienced on the human resource front, it was noted that the Commercial/Economic section's share of the mission's overall travel budget is not sufficient to meet its current operational requirements, especially if staff are expected to do more networking, generate more market intelligence and pursue opportunities outside the Federal District. In addition, the program should budget sufficient resources to accommodate an annual meeting of trade personnel and more frequent in-person meetings among managers from all three missions.

The Mexico Program as a whole does not appear to have any difficulty using its entire CSF allocation and could probably do more if additional funds were available. In the meantime, the IBD program in Mexico has been quite successful in leveraging a significant amount of counterpart funding from other partners in order to pursue client-oriented initiatives which they would not be able to pursue otherwise.

#### **4.2.4 Mexico Division (NMX)**

If the role of the Mexico desk is to provide administrative and logistical support on a reactive basis and provide some backstopping and general coordination with respect to sectoral programming, NMX appears to have more than enough resources to do the job. If, however, NMX is called upon to provide high value-added support as described in **Section 4.3.1** below, then it most likely has the right level and mix of resources to pursue such an enhanced level of service.

**Recommendation 1: It is recommended that the Director General of the North America Bureau (NAD) review the full range of human, financial and material resources required to effectively deliver the IBD Program in Mexico. Opportunities should be found to allocate or re-allocate resources in order to mitigate factors identified in the present report which hinder the program's operating efficiency and effectiveness (e.g., travel budget, FTEs, office space in Guadalajara, connectivity tools, etc.).**

**Management Response:** *NAD visited Mexico City in November 2004 to review these resource issues firsthand with Embassy management. The full team is committed to addressing resource issues in partnership with appropriate Headquarters divisions as funding becomes available through resource reallocation exercises and other initiatives, by seeking new opportunities to leverage resources from other Team Canada partners, and through more efficient resource utilization within the Embassy and Consulates. While the current budgetary situation in Headquarters may preclude immediate resource increases to resolve travel budget and personnel constraints documented in the evaluation report, management efforts to date have achieved some progress in the form of one new CBS position created in MNTY in October 2004, the issuance of new connectivity tools (Blackberries) for CBS officers, the completion of a space analysis of the GJARA office situation, and plans to restructure and expand the Market Information Centre to utilize existing resources more efficiently.*

## 4.3 Roles and Responsibilities

In spite of the complex structure describe in Section 2.1, the evaluation team found that the roles and responsibilities are generally clear among the various DFAIT entities and other federal government departments providing support to Canadian companies interested in pursuing business opportunities in Mexico. The roles, responsibilities and relationships with partners such as provincial governments such as Alberta, Saskatchewan and Quebec are also reasonably clear, and in general terms, cooperation is good.

### 4.3.1 Role of the Mexico Division (NMX)

The team supporting the delivery of the IBD Program in Mexico from headquarters is one of two units (the latter is dedicated to General/Political Relations) reporting to the Country Director for Mexico, who in turn reports to the Director General of the North America Bureau. As an integral part of the Mexico IBD Program, this unit is composed of a Deputy Director, five Trade Commissioners with sectoral, geographic and functional responsibilities as well as one Administrative Assistant.

Over the last decade, the trade team within NMX has accrued a reputation for being one of the most dynamic, competent and well organized geographic units within DFAIT supporting the delivery of IBD programming overseas. This is due, in large part, to the vocation which it has given itself “to do whatever possible to support the operations of the trade program in the field” in addition to reacting to demands from within the department or within the federal bureaucracy writ large.

Notwithstanding the excellent reputation it enjoys, it is not entirely clear to all stakeholders what NMX is actually responsible for doing. This is understandable given that there exists no broadly accepted role in IBD programming established for geographic bureaus at the departmental level. In an effort to clarify its mandate, NMX recently defined its overarching objectives and corresponding results. This document is a good start but could be further refined. Also, the commitment to support the missions directly did not come out as clearly as what had been described in interviews.

***Level of Support Currently Provided by NMX:***

Based on interviews with managers and officers in Mexico, the following are considered to be the most helpful interventions by NMX from the perspective of the field:

- recruiting Canadian companies to participate in trade missions (incoming and outgoing) as well as trade fairs and special events;
- “taking the pressure off of the missions” by handling the production of briefs, Q&As and responding to other information requests generated within the Department and the federal bureaucracy writ large. It is acknowledged that this may not be possible all the time since the knowledge and/or expertise required may reside in the field;
- providing operational support at the officer level within priority sectors; e.g., planning and coordinating events, confirming Canadian content, liaising and coordinating with OGDs, ITCs, provinces, associations, etc.
- providing administrative support re: budgeting and staffing of the Commercial section and searching for additional sources of funding; and,
- undertaking outreach to raise the visibility of Mexico among Canadian exporters and in some cases, the provision of leads after attending events.

In addition, NMX also operates an Information Centre which has responded to over 150 requests for market information by business clients since the beginning of the fiscal year. It also prepares a electronic newsletter which is prepared quarterly and is intended to keep partners up to date on unfolding events and conditions in the Mexican market. The latter two items are unique among geographic bureaus at DFAIT.

During interviews with officers in the field, it was mentioned that they do not always receive pertinent information which might emerge from outreach in Canada undertaken by NMX. Some officers also noted that they felt obliged in certain circumstances to remain directly

involved in the recruiting of Canadian companies for various events as they were not comfortable relying on NMX and/or other Canadian partners to take the necessary steps to ensure adequate participation levels by Canadian companies at events spearheaded by the missions. The latter scenario, however, appeared to be the exception rather than the rule.

***Towards an Enhanced Level of Support from the Geographic Bureau:***

In addition to considering what the geographic bureau is currently doing well to support operations in the field, the evaluation team obtained additional insights on possible interventions which would constitute high value-added support from the perspective of the missions:

- Playing a more active role in supporting the implementation of a long term strategic plan for the IBD Program in Mexico as a whole and contributing to operational plans. This could involve, inter alia, initiating and finalizing documents to meet branch and departmental standards, preparing outlines and drafting options, researching specific issues and, in exceptional circumstances, arbitrating among competing interests held by individual missions.
  
- In addition to the foregoing, the geographic bureau could be called upon to tackle special issues, for instance, developing a strategy to handle the border region or to reflect on complex or longer term issues which might be difficult for the post to undertake given that they are often caught in pressing matters of the day. NMX is already involved in such initiatives and should be encouraged to do so in the future.
  
- Being more proactive in gathering, collating, synthesizing and packaging information on Canadian capabilities drawn from various sources within Canada. This material should be translated into Spanish (currently coordinated by NMX with the financial support from other divisions) and made available to officers in the field who could then pass on such highly valued information to their local contacts during outcalls.
  
- After undertaking various outreach activities, NMX officers should be compelled to prepare short reports or briefs which identify who they met, what is the current status of the company, i.e., on export readiness and its level of interest in Mexican market, and perhaps note other significant facts re: capabilities, new technologies or other potential advantages. This information (which could be presented in a standard template) should then be forwarded to the officers responsible for the pertinent industry sector in all three missions.
  
- Support and/or coordinate the efforts of the ITCs (who have the primary responsibility) for recruiting Canadian export-ready firms to participate in trade events and missions. If

capacity is an issue, NMX could hire consultants to assist in the recruiting and/or facilitation of logistical arrangements for Canadian companies participating in missions or other special events. Apparently this was done in the past and worked well.

- The database of key contacts (mostly Canadian partners) developed by NMX should be made available to the missions in Mexico. A common drive which could be shared by all missions would also be most helpful.

- A last suggestion, which is understandably difficult to fulfil would be to attempt to better screen Canadian companies participating in various events (i.e., screen out exporters that are not ready and/or particularly interested in the Mexican market). It is acknowledged that the primary responsibility for this function lies with the ITCs, nonetheless the geographic bureau should ensure that Canadian companies are being screened consistently in conjunction with other partners. In addition, the bureau can support the ITCs in helping to better prepare Canadian exporters to enter this market by providing advice on significant barriers, requirements and information re: foreign competitors. The challenge is to ensure that Canadian exporters are prepared to follow the constantly changing import regulations, they are able to meet documentation requirements, they are prepared to invest the requisite time and money to promote their products and services and they are willing to work with local partners.

There are obvious limitations to what the bureau can realistically achieve at any given period during the program cycle. The above items should not be interpreted as established expectations, rather, they should be considered “stretch targets” for enhanced service delivery within an organization seeking opportunities for continuous improvement.

The first example presented above compels one to ask: ***who owns these plans and the corresponding results?*** Currently, the accountability for the program sits squarely with the Program Manager in Mexico City. Such an accountability arrangement (which stems largely from the rank, abilities and willingness to assume responsibility of the incumbent rather than any formal departmental standard) is without a doubt preferable to a situation where no one really assumes ownership of the overall trade program (a situation which may depict prevailing conditions in other country programs). It might be helpful to explore the notion of “shared accountability” given that the geographic bureau is mandated to manage the overall levels of resources mobilized in the field from a corporate perspective. It is difficult to dis-associate resources from operations and market conditions therefore it is apparent that the affinities between managers at headquarters and in the field should be strong and a sense of *co-ownership* of decisions and corresponding program results would be in order. Obviously, managers in the Consulates do (and should continue to) share ownership for program results.

**Recommendation 2:** It is recommended that the Director of NMX, in consultation with managers in the field, attempt to clarify the mandate, roles and responsibilities of its trade support unit and consider pursuing additional interventions which may constitute higher value-added support from the perspective of the field. The emerging consensus should be referred for further consideration by a Working Group formed within T-Branch which is currently studying the role of geographic bureaus in supporting IBD service delivery at the corporate level.

**Management Response:** *Under the ITCan re-structuring process, roles and responsibilities of geographic bureaus are now being reviewed and re-organised under new parameters to reflect the mandate and vision of the Department in the 21st century business environment. In the interim, NMX will engage in further discussions at the upcoming 2004 Mexico Retreat scheduled for December 9 & 10 to clarify ways and means to offer value-added support to the three Canadian missions in Mexico.*

#### **4.3.2 Support Provided by Divisions in Ottawa and OGDs**

The missions indicated that they are generally satisfied with the support that they have received from TBX with respect to business planning as well as the on-going management of the CSF. Generally, the level of collaboration and support provided by OGDs is excellent. The most important difficulty experienced with OGDs has been in reconciling budget information with AAFC and administering significant amounts of funds according to their rules and procedures which are different from those of DFAIT.

There is a perception that the level of support provided by the PSU has deteriorated over the past year. The Commercial Section at the Embassy perceives that it is increasingly left on its own to solve problems with clients and often has to deal with what is found to be a *global enquiry* after the fact. The Commercial Section also reported that it has experienced some delays obtaining support from IBOC and it has experienced situations where the information provided by IBOC was not accurate. This has apparently resulted in missed opportunities and also has the potential of damaging the Embassy's credibility with local contacts. All headquarters divisions should keep in mind that Mexico is a priority country for the Department, and, to the extent possible, requests for assistance from the missions in Mexico should be treated accordingly.

TMM has apparently produced few reports on the Mexican market and those that have been produced were not sufficiently analytical and did not always reflect a strong understanding of local issues from the perspective of the Commercial Section. Program Officers would like to



continue to be involved in the production of these reports since they encourage officers to keep up to date with the changing business and regulatory environment.

The on-going relations with the Market Research Centre (TMR) has also led to certain challenges from the post's perspective as officers have been obliged to spend what they perceive to be a lot of time formatting and editing market opportunity reports in order to comply with "common look and feel" standards developed by TMR. The Commercial Section was forewarned by TMR of eventual editing requirements prior to embarking on the production of an important volume of studies of the Mexican market.

Three significant issues emerged from our discussion with mission management: Firstly, the sending of edited material back and forth delays the dissemination of market information which may only be truly valuable if it is disseminated rapidly. Secondly, the editing requirements create an additional pressure on officers who are usually writing in a second language. The mission simply does not have sufficient resources to spare valuable officer time to assume this responsibility.

Finally, it is generally accepted that officers provide most value to clients by providing market intelligence and advice to business clients. The spending of an inordinate amount of time packaging information constitutes a significant opportunity costs in terms of providing high value-added services to clients and could even be perceived as an inappropriate use of their knowledge, skills and experience. The need to dedicate significant time to editing has apparently discouraged the trade program from undertaking more studies. If it does continue to do so, it has resorted to sending the material to trade associations to be posted on their websites. This avoids having to meet standards which TMR attempts to enforce.

It should be noted that these standards were not established arbitrarily. They were developed for use by DFAIT missions based on feedback provided via focus groups and client surveys. Hence, these standards reflect what Canadian business clients said they want in terms of market information.

**Recommendation 3: Given that many clients surveyed as part of the evaluation indicated that the various market studies and reports produced by the Commercial Section were useful to them, it is recommended that a solution be worked out within the Commercial Section, in consultation with TMR, in order to continue to produce such potentially valuable information without creating an undue burden on officers with respect to editing. The hiring of a professional editor guided by TMR (funding to be determined) is one of many solutions which could be considered.**

**Management Response:** *This recommendation will be discussed in the context of the Mexico IBD Planning Retreat scheduled for December 2004 with a view to implementing fully in the new FY planning cycle. Preliminary discussions with TMR indicate considerable scope to improve performance in this area through more intensive dialogue at regular intervals, and a consensus on the importance of clearly linking the subject and number of market studies and reports to priority sector objectives established in the annual IBD plan through consultation with stakeholders.*

#### 4.4 Communications

Communications among IBD staff in Mexico City was identified as an area which required some improvement during the recent audit. Notable efforts have been made to hold monthly staff meetings to improve communications. However, some staff still felt that information flow and team work in general could be further improved through more frequent informal communications among managers and managers with officers, e-mail distribution and better use of internal tools such as a common “I” drive. Generally, communications among staff are much better in Monterrey and Guadalajara, perhaps because of the smaller number of persons employed.

Interviews with partner organizations in Canada and Mexico also indicated that there is a need for some improvement in communications about IBD program events and plans. In some cases, as indicated earlier, a more formalized process of consultation for future CSF events is required well in advance of the event. At present these consultations appear to be uneven. Individual IBD officers have generally made efforts to consult with partners about priority missions and events. However, partners noted that in some cases they do not receive enough advance notification about which events or missions will be supported by the Missions in Mexico, and what are the overall plans for events for the upcoming year.

#### 4.5 Client and Partner Satisfaction with the Organization and Structures

*Overall, the evaluation found that the partners and clients interviewed and surveyed were satisfied with the quality of service provided and particularly impressed with the quality and dedication of staff. Some rated Mexico as one of the best DFAIT Missions with respect to quality of service.*

Clients and partners interviewed indicated a generally high level of satisfaction with the staff and organizations at the three Missions in Mexico. Some indicated that the Mexican Missions are among the best operated by DFAIT at the global scale. Partners indicated that the quality of the Missions depends, to a large extent, on the quality of personnel engaged, both the locally

engaged as well as the Canada-based staff. They felt that Mexico has been successful in attracting well-qualified staff. Some concern was expressed about the degree of staff turnover as this leads to discontinuity in the corporate memory.

It was acknowledged that the current organizational structure and staff cannot cover all of Mexico and hence has focussed on the geographic areas mostly within the metropolitan areas of Mexico City, Guadalajara, and Monterrey. Some Canadian as well as Mexican partners and company representatives indicated a need to broaden the trade program coverage geographically. Consequently, there is far better knowledge of Canada and more forceful attempts to cultivate contacts in the immediate vicinity of the three cities where the missions are located.

In addition, partners and clients indicated the important role played by DFAIT in:

1. providing entry level information for the market;
2. staging missions and other high profile events that facilitate the ability of Canadian companies and their Mexican representatives to meet potential clients and buyers in Mexico; and,
3. providing contacts and business leads as they emerge.

Issues raised generally related to the sometimes inadequate recruiting for partnering events, missions and other trade events and the difficulty the IBD staff in Mexico City has dealing with the workload because of other competing initiatives.

## 4.6 Planning Processes

*The evaluation concluded that although a good start has been made in formalizing the planning process and linking together sector opportunities, planned objectives and initiatives, additional work needs to be done to create a more dynamic and better integrated overall plan. Generally speaking, the planning processes within the Mexico Program are more advanced than most missions in terms of results-oriented business planning and they are constantly strengthening and refining strategic and operational parameters. While additional elements could be added to the plans, it is apparent that such documents are at the centre of business decisions and operations.*

The planning process in Mexico generally entails the following elements:

4. The development of strategic objectives for the IBD program related to the need to raise Canada's profile, undertake strategic marketing events, and the selection of high priority sectors for proactive activities;
5. Development of operational plans for each strategic priority and priority sector. This will include a comprehensive program for the participation in or support for specific events, in accordance with the "NewApproach@Work";
6. Development of workload projections, service standards and service criteria for reactive work - in accordance with the New Approach@Work and the six core services. This means ensuring that appropriate screening criteria are available to guide the provision of services, ensuring that quality/depth standards are available to guide the amount of research or information that should be provided in response to inquiries, and ensuring time tracking of resources used to guide future planning and resource allocations.

Our review of planning processes within the Mexico program found examples of "best practices" as well as areas for improvement. Each of the Missions selects priority sectors based on what it perceives to be the high demand areas of Canadian firms and the key opportunities for Canadian exporters. The documentation, rationale and opportunities are identified in various documents but not in a coherent and consistent way among the three missions.

Although plans exist, they are somewhat fragmented among Missions and among sectors. The Mission Plan is not adequately detailed in terms of providing an overview of the market, opportunities, and priorities for the IBD program. A better documented plan would improve the coherence of the multi-post program and facilitate communications among the three missions as well as with partners and stakeholders. There is also a need to integrate training needs, business opportunity reports, analysis from workload measurement into plans.

Generally there are good examples of planning of individual CSF initiatives. For example, a plan is prepared for each CSF initiative which describes the initiatives to be funded and the expected results for each project. However, they are not explicitly linked to an overall plan for Mexico or for individual sectors. This is done implicitly on a project by project basis, however, an overall plan that also describes how the CSF will be used as a means to support sector strategies would improve the overall planning process and enhance communications and coordination. As well, priority sectors selected should be retained for a prolonged period of time to permit adequate planning and implementation of activities to occur and to provide planning stability for partners.

One of the consequences of the lack of a comprehensive plan has been the tendency to establish more sectors as priority sectors than are feasible with the resources available. This is particularly acute in Mexico City where the workloads for both priority and non-priority sectors is extremely high, leading to a high stress environment and a dilution of resources. The inadequacy of the planning documentation and the failure to establish good internal resource

requirement parameters has limited the ability to properly estimate the resource implications of supporting individual sectors and initiatives. This is more fully discussed in the Section on work planning below.

Although the evaluation noted a need to develop a comprehensive plan for the overall IBD Program in Mexico as well as more comprehensive sector plans, progress has been made in some areas. Of particular note is the work planning done in Monterrey by individual officers. Each officer provides an overview of the sector and sector opportunities in the territory covered by the mission. This is then developed into a set of work objectives and initiatives to be completed. Guadalajara and Mexico City have also initiated individual staff planning documents that provide a basis for enhanced work planning.

In terms of developing human resources, the mission should develop a training plan which flows directly from the strategic and operational plans. A concerted effort to further develop capacity and productivity through training is an on-going challenge given the pressures to meet operational requirements (i.e., the missions scarcely have the luxury of putting personnel on training status). Not surprisingly, training has not been integrated into the annual business plan and there does not appear to be an adequate training budget. For example, the missions reported that they struggle to find money to send officers on sectoral training on the margins of trade shows. The focus should be on sectoral training, particularly in priority sectors, but also in other sectors given that the Embassy still has to deal with a high volume of enquiries from other sectors. Other training needs to consider include helping officers to improve their writing skills in English.

**Recommendation 4: The IBD Program Manager, in conjunction with NMX and the Consulates should endeavour to prepare a more strategic and integrated plan for the program as a whole. This plan should include an overview of the key sectors and opportunities as well as the priorities and strategies that the program intends to pursue at the sector level via CSF supported initiatives, special reports and studies, etc. Also, the plan should explicitly assess the capacity to deliver on established priorities and should include a training plan and/or other initiatives designed to strengthen service delivery capacity.**

**Management Response:** *The Management team fully endorses this recommendation. The International Business Development Policy and Planning Bureau (TBD/TBX) and the Centre of Learning for International Affairs and Management (CFSD) have agreed to assist in organizing, facilitating and following up a two-day IBD Planning Retreat for the Mexico Program in December 2004. The focus of this retreat will be to consistently apply the principles of results-based management to develop a strategic and integrated model business plan that incorporates training requirements and other initiatives to improve client service, while taking into account the varying circumstances of the three Mexico Posts. The IBD team will engage in*

*consultations with business and government partners from January 2005 to validate the plan and build consensus-based partnerships in support of key initiatives.*

## 4.7 Workload Measurement

*The evaluation team found that staff time is not tracked or recorded systematically, nor used as part of the work planning process. A time reporting system and/or more detailed work planning documents would provide a better estimate of resource requirements for the totality of activities planned and actually undertaken. This would facilitate decision making on future time trade-offs as well as the resource allocation process.*

One of the issues faced by the IBD program in Mexico has been an excessive number of priority sectors and client inquiries and demands. This is related to the rapid rise in trade between Canada and Mexico since the initiation of NAFTA, as well as the growing Canadian company awareness of Mexican opportunities, and the growing awareness of Mexican companies of Canadian products and services and their quality and price. The resulting inquiries, requests for assistance, and need to support proactive events in the priority sectors has created significant stresses on the Missions and individual staff members.

The evaluation team found that human resource requirements are not estimated and planned in advance of initiatives, thereby making it difficult to predict the overall resource demands. The result is that officers are often committed which in turn leads to stress or overtime requirements. An indication of this is the amount of internal time that has to be dedicated to CSF events.

Individual reports for some CSF events provide an estimate of time spent planning and implementing the DFAIT part of events such as trade shows, missions, etc, however the time allocations are not rolled up into an overall report on resource allocations. Nor are internal time requirements used explicitly as part of the internal planning and resource allocation process.

**Recommendation 5: The Mexico IBD program should consider implementing a time tracking system and/or more detailed work planning at the officer level as an important step in planning, monitoring and managing workloads.**

**Management Response:** *The Management team believes the underlying issue of efficient resource allocation is best addressed through more detailed internal planning by the management team and individually by officer. A session focusing on "Managing the Workload" has been built into the annual Mexico IBD Planning Retreat in December 2004 to ensure this issue will be fully addressed in the plan and monitored on a regular basis through the planning*

cycle, and will draw on the lessons derived from a 6-week time tracking exercise undertaken by the IBD team in Monterrey. In particular, the introduction of the new electronic client relationship management tool Trio with its tracking and results reporting functions will greatly enhance the ability of management and all team members to plan, monitor and manage workloads.

## 4.8 Systems and Tools for Client Tracking

*The evaluation reviewed the systems and procedures for providing service to clients, especially with respect to inquiries. The evaluation found that Internet based databases provide a significant resource for Canadian and Mexican clients through Canadian as well as Mexican Mission web-sites. More work has to be done to improve local databases as well as network connections for the benefit of IBD program staff at the three Missions. As well, the Missions can benefit from sharing common databases and procedures developed individually for accessing contact information and for responding to inquiries.*

The Mexico IBD Program, consistent with other country programs, is increasingly reliant on technology to provide rapid and effective client service. The advent of the Internet has made general market information available to the public at relatively low cost in terms of DFAIT resources. The ability to also have a web-site available to registered Canadian exporters, also permits DFAIT as well as other departments to post market intelligence reports as well as specific business opportunities that arise from time to time. A similar service requirement applies on the Mexican side, as Mexican businesses interested in doing business with Canadian companies and importing products, services, and technologies often desire basic contact information that can be made available through the Internet.

There are numerous types of information requested by Canadian company clients, as well as by potential and current Mexican importers. Examples include:

1. General information on Mexico and the Mexican market;
2. Contact names and information for potential Mexican representatives and distributors;
3. Contact names and information for specific Mexican buyers;
4. Information on import regulations and other related information; and,
5. Information on hotels and logistical arrangements in Mexican cities for Canadians wishing to make marketing visits to Mexico;

In addition to the above there is a need to track and assess Canadian company activity in order to evaluate the overall effectiveness of the program and to assist in future program planning.

DFAIT has developed a number of tools that assist IBD program staff in Mexico access information, monitor company demands and activity and store information that may be required repetitively. The primary system used internally for monitoring Canadian client company demands from DFAIT is the WIN system which is to be replaced in the future by a new electronic Customer Relationship Management (eCRM) system. Use of the WIN system is contingent on good network capacity and high speed links. WIN has also been supplemented by local systems at the individual Missions.

The evaluation found that DFAIT has made significant progress in providing information to Canadian firms through the Internet, however, our survey of exporters indicated that not all firms are fully aware of the information available and/or specific features such as the VTC. We found a number of issues with respect to the internal systems and communications utilized by the Mexican IBD program which are described below:

**The WIN System.** There are a number of issues with WIN in Mexico that appear to limit its usefulness for Mission personnel.

6. Staff have been very overworked responding to client inquiries, and as a result have not had time to consistently keep up with the WIN entry requirements.
7. Network access speed is very slow, especially in Guadalajara and Monterrey, which has made accessing the system a significant efficiency issue.
8. In addition, either because of the access time or the structure of WIN, staff have created their own local databases of inquiries and contacts. The inquiry database may ultimately be used to update WIN.

As a general observation, it was noted that the six core services currently tracked in the WIN system are somewhat reactive. The TCS should look into the possibility of systematically tracking other potentially high value-added services provided by the IBD program described in **Section 2.3** such as matchmaking, business leads or the dissemination of market opportunity reports, referral to a database of local contacts, etc. Currently, the system only allows them to track a portion of the workload handled by officers and thus provides only a partial picture of the nature of the support provided to clients. The rest of the programming essentially remains un-reported or under-reported.



**Recommendation 6:** It is recommended that the eServices Division (TCE) ensures that the new eCRM application has the capability to allow officers to easily capture and track the full range of services and products which have the potential to lead to positive business outcomes for clients and/or require a significant amount of staff time. Officers will need to be provided with explicit instructions from the Operations Division (TCS) on what should and should not be captured in this system and managers should ensure that officers and trade assistants understand and comply with new client tracking requirements as they come into effect.

**Management Response:** *The new eCRM application, called Trio: contacts, clients, colleagues, has the capability to allow officers to easily capture and track the full range of activities which have the potential to lead to positive business outcomes for clients. Post management will ensure that staff time is focussed towards these activities in order for their officers' work to be reflected in Trio. The Trade Commissioner Service Operations Bureau is developing guidelines and training programs in order to support posts in the transition to Trio and deal with the related change management issues. Detailed briefing and training sessions have been scheduled in the lead-up to the Trio rollout planned for spring 2005. Mexico Posts will be among the first to receive Trio following the successful Trio pilot in three other missions.*

**Databases for Clients and Contacts.** Each of the Missions has developed a number of tools and procedures used locally. Some of these could be shared as best practices and as a common source of data with the other Missions if network speed and access could be improved.

Examples follow:

1. Monterrey and Guadalajara have both developed a database of Mexican contacts. The Commercial Section in Mexico City also has a database of Mexican contacts which includes local agents and distributors. It is updated periodically in consultation with the two consulates. In addition, the Commercial Section has a list of key organizations and associations in Mexico and a list of Canadian investors. This information is on the "I" drive, which unfortunately, the Consulates have difficulty accessing this information.
2. The development of such databases by all three missions should be recognized as a "best practice". The integration of this information and the posting of the information on a common network drive for all three Missions would improve productivity.

**Tracking Client Progress.** This is, arguably, an important aspect of accountability for the IBD program as well as to improve future decision making. Consistent monitoring of Canadian exporter client progress in the Mexican market is important in order to determine the general trends and to better understand what factors can lead to success. This approach serves two immediate purposes. Tracking on a consistent basis actually provides a mechanism for the

Mission to follow-up with companies and determine what barriers they may be facing in entering or enhancing their market presence. This can permit the Mission to assist the company solve problems they may be facing. Second, tracking becomes a key database for monitoring progress and ultimately evaluating IBD program progress.

3. The Monterrey Mission has developed a sophisticated set of procedures for consistently following up on companies. They have also defined companies as either active exporter clients or potential exporter clients. This approach will provide a more consistent way of tracking aggregate results at the company level and can be looked at as a model that can be adopted by other Missions.

**Procedures to Improve Efficiency.** Much of the day-to-day activity is centered around responding to individual inquiries. The preceding discussion pertained to the availability of databases on contacts and information available on common network facilities for the three Missions. In addition, an important aspect of efficiency is having standards and procedures for vetting and responding to inquiries. The servicing of between 20-30 inquiries per officer per month on average consumes valuable staff time. This creates a large part of the workload. It is important to ensure a standard approach for the triage of inquiries, tracking of their disposition, entry into the WIN database for important inquiries, and where appropriate, follow-up after the fact. The evaluation team found that different procedures have emerged in each Mission, some of which can be adopted as best practice that could be shared.

4. Mexico City has a single entry point for general inquiries. Each Canadian inquiry is screened to assess whether it is a global inquiry and whether the company is export ready (through a questionnaire). Inquiries are then appropriately routed. Many inquiries, however, go directly to officers and are not consistently tracked unless entered in the WIN database.

5. Monterrey and Guadalajara, have each recently instituted the centralized reception and allocation of workload for inquiries. Tracking of disposition and entry to WIN for individual inquiries is up to the individual officer in Guadalajara. The system is centralized in Monterrey, although the new procedures are at a start-up stage.

6. It was suggested by personnel in the field that every effort be made to ensure that the listing of trade personnel on the TCS on-line Directory which feeds into other sites such as InfoExport and the Virtual Trade Commissioner (VTC) be accompanied by an accurate and complete listing of all sectors for which the officers are responsible. This will reduce the incidence of re-directed calls handled by officers.

Generally, officers follow the guidelines developed by the TCS with respect to handling global inquiries, inquiries from non-export ready or unqualified inquiries using standard letters adapted from those available on Horizon. The evaluation team found that the reception, vetting,

response and follow-up of enquiries are not always consistent. For specific and pre-validated inquiries, officers work closely with their supervisor for guidance and each case is looked at individually and then a decision is made on how the inquiry/request for service will be handled. The time spent on a request for *troubleshooting* or a demarche on behalf of a Canadian company varies from case to case and the level of effort required cannot always be accurately estimated ahead of time.

As the present report was being drafted, the Mexico Program announced that it intends to set up a full fledged *Market Information Centre* to deal with the large volume of enquiries in non-priority sectors as well as general enquiries received by any given mission in the Mexico IBD Program. The idea is to set up a centralized unit led by a senior CO which could efficiently handle such enquiries thereby freeing up valuable officer time to become more specialized in priority sectors, to spend more time out of the office gathering market intelligence and to engage in other proactive activities. The TCS guidelines for handling general inquiries are expected to be more uniformly applied with the creation of the Market Information Centre.

The program envisages setting up a comprehensive database of key contacts and the program has set aside CSF funding next year to prepare distributor and directories of local partners for non-priority sectors. These tools will considerably enhance the operationality of the new Market Information Centre. Response times and tracking are expected to improve with the establishment of the new Centre. The mission is receiving support from NMX and TCE with respect to establishing procedures for the new Centre and has even planned to explore approaches successfully applied in other missions such as Boston in order to refine its model for this unit.

**Recommendation 7: It is recommended that Program Management continues to develop and refine effective and efficient procedures for vetting, directing, responding to and following-up on inquiries via the creation of the new Market Information Centre. The program is also encouraged to further develop procedures to follow-up with clients and track business outcomes among companies receiving assistance from the program on a periodic basis. As well, a priority should be placed on improving network connection speed to the Embassy and Consulates in order to improve information sharing among the three missions.**

**Management Response:** *Program Management created an internal working group with representation from the three Mexico Posts to review the first phase of Market Information Centre operations and make recommendations for the next phase of implementation, focusing on the priorities of improved client service and adherence to service standards. Resources are being reallocated within the IBD Section to permit an expansion of Market Information Centre responsibilities in line with working group recommendations by the end of 2004. Program Management welcomes the introduction of common procedures to obtain client service feedback that are under development by the Trade Commissioner Overseas Programs Division*

*for incorporation into Trio. According to the Information Management and Technology Bureau, higher quality network services and a significant increase in bandwidth should result from the introduction of MITNET 2004 in the first half of 2005.*

## 5.0 Continued Relevance of IBD Program

### 5.1 Trends in Bilateral Trade and Investment Flows

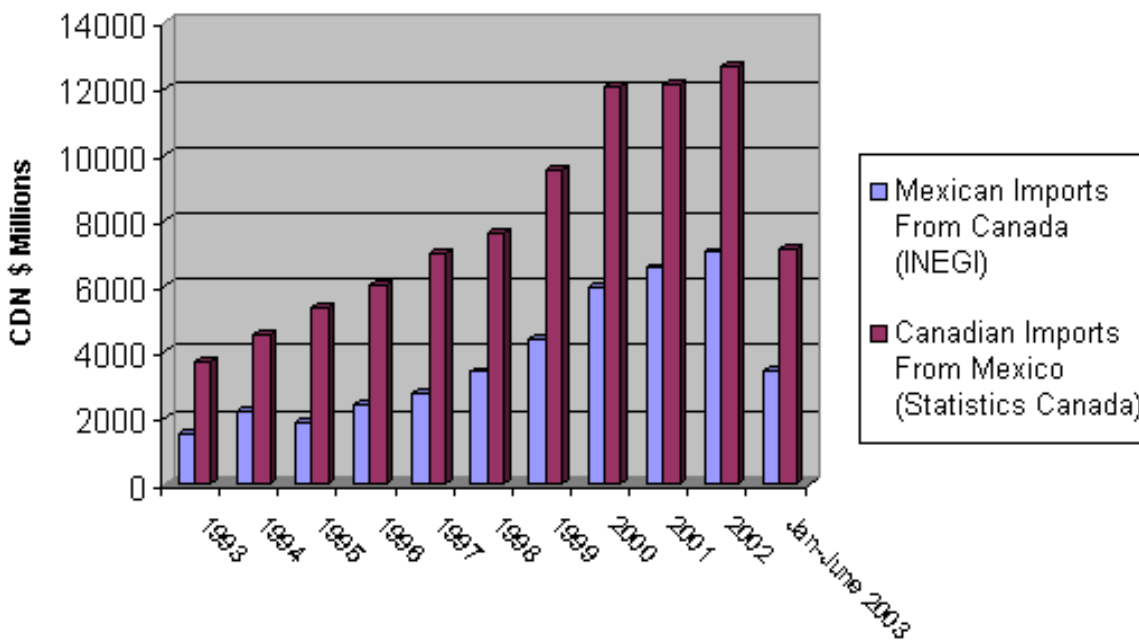
The North American Free Trade Agreement (NAFTA) came into effect on January 1, 1994. Over the last ten years, the impact of NAFTA has been reflected in the rapidly growing tri-lateral trade between the United States (US), Mexico, and Canada. This trade increased by an average of 8.5% per year between 1993 and 2002.<sup>11</sup> In terms of tri-lateral relations, both Canada and Mexico send more than 80% of their exports to NAFTA partners, with the US relying on NAFTA partners for 30% of its trade.<sup>12</sup>

**Figure 20** on the following page shows the increase in trade between Mexico and Canada over the period 1993 to the first half of 2003. Since the start of NAFTA, Canadian exports to Mexico have more than tripled—reaching over CDN \$ 7 billion in 2002 making Mexico the fourth most important export destination for Canada. The growth rate of exports slowed in the past two years after the dramatic double digit increases throughout most of the 1990s, mostly due to a slowing the Mexican economy which is heavily dependent on the US economy. Exports increased 9.9% in 2001 and 7.2% in 2002 but declined in 2003 due to a series of factors including an increasing Canadian exchange rate.

<sup>11</sup> This is based on statistics from the NAFTA Office of Mexico in Canada, *Mexico-Canada trade Statistics Annual 2002*.

<sup>12</sup> DFAIT, 2003, *NAFTA @ 10*.

Figure 20: Canada's Trade with Mexico<sup>13</sup>

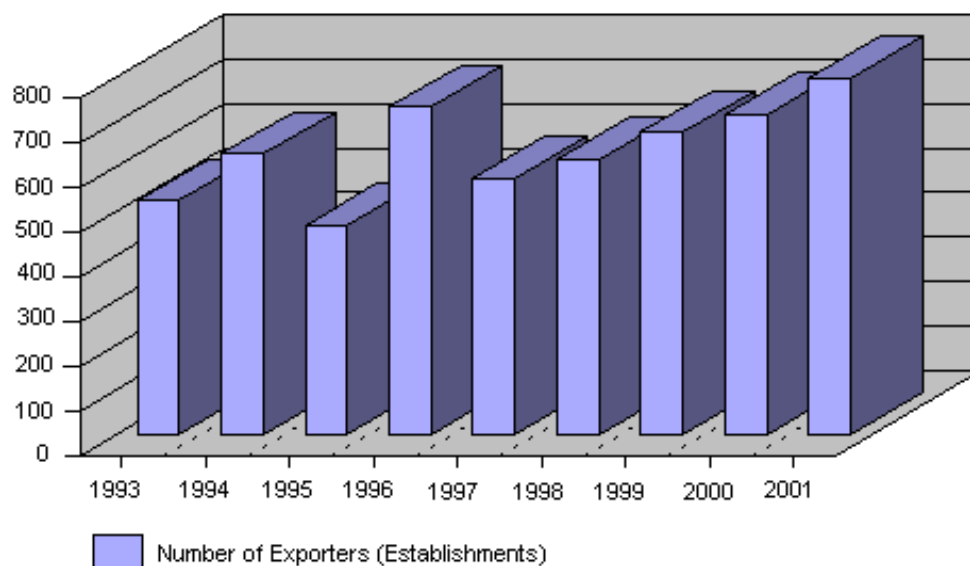


Canadian imports from Mexico have also expanded rapidly between 1993 and 2003. As can be seen from **Figure 20**, until 2000, Mexico was, in fact, widening its trade surplus with Canada. By 2000, Mexico’s trade surplus had reached Cdn\$6.1 billion. Canada is now Mexico’s second largest export market after the US.

This increasing interaction between Mexican and Canadian companies is reflected in an increase in the number of Canadian exporters active in Mexico since the start of NAFTA, as shown on Figure 21. According to Statistics Canada, there were 796 exporting establishments dealing with Mexico in 2001. The interest continues from new firms as well. For example, Mexico has also been identified as a priority market in the WIN export system by over 900 registered Canadian exporters. This places Mexico in the number three position behind the US (6 different regions) and the United Kingdom in terms of market interest by Canadian exporters.

<sup>13</sup> The statistics used here are those provided by the Canadian Embassy in Mexico City. A significant statistical discrepancy exists between the Canadian exports to Mexico as reported by Statistics Canada and the Mexican imports of Canadian products as reported by the Mexican Statistical Agency INEGI. The issue revolves around transshipments through the US and has been an area of investigation for a number of years by the governments of the three countries. The statistics shown here are seen to be the most accurate until a better reconciliation can take place.

Figure 21: Number of Canadian Firms Exporting to Mexico



Source: Statistics Canada, *A Profile of Canadian Exporters: 1993-2001*.

The trade in both directions is dominated by three categories of products: vehicles, electrical machinery, and machinery as shown on Figures 22 and 23. These same top categories also played a primary role in the trade prior to NAFTA. In 2002, these made up 72% of the Canadian imports from Mexico and 52% of the Mexican imports from Canada. On a more detailed level, however, the products exchanged between the two countries are quite distinct and have changed over the last decade. For example, Canada now exports higher value added products such as telecommunications equipment, and imports more labour intensive products such as ignition wiring and television receivers.

Figure 22: Mexico’s Major Imports from Canada - 2002<sup>14</sup>

HS	Description	Cdn \$ Millions	% of Total	% Change 02/01
87	Vehicles, Not Railway	2400	34,13%	64%
84	Machinery	767	10,91%	-20%
85	Electrical Machinery	469	6,68%	-23%
2	Meat	348	4,95%	-6%
72	Iron/Steel Products	210	2,99%	9%

<sup>14</sup> Source: INEGI

HS	Description	Cdn \$ Millions	% of Total	% Change 02/01
12	Misc Grain, Seed, Fruit	203	2,89%	-25%
10	Cereals	202	2,88%	-16%
39	Plastics	196	2,79%	2%
48	Paper/Paperboard	172	2,45%	1%
76	Aluminum	162	2,32%	47%

Figure 23: Canada's Major Imports From Mexico - 2002<sup>15</sup>

HS	Description	Cdn \$ Millions	% of Total	% Change 02/01
87	Vehicles, Not Railway	3769	28,97%	1%
85	Electrical Machinery	3412	26,86%	8%
84	Machinery	2008	15,81%	-6%
94	Furniture and Bedding	738	5,82%	37%
90	Optic	338	2,66%	36%
27	Mineral Fuel, Oil	275	2,17%	-36%
7	Vegetables	203	1,60%	35%
62	Woven Apparel	190	1,50%	6%
73	Iron/Steel Products	160	1,26%	2%
95	Toys & Sports Equipment	133	1,05%	57%
8	Edible Fruit and Nuts	122	1,00%	7%

Some significant changes have taken place in the other products traded over the last decade. For example, Canadian agri-food exports have more than tripled between 1993 and 2002.<sup>16</sup> It is also an area where Canada has been able to expand its trade surplus. This includes increases in Canadian meat exports of over 700% between 1997 and 2002, moving it into fourth position overall. Plastics products have also increased in importance as a Canadian export to Mexico. Mexico is now Canada's second most important export market for plastics.

Trade in services has expanded in recent years. Between 1994 and 2000, two way trade in services has grown at an average rate of 12.9% to reach over \$1 billion. Commercial services

<sup>15</sup> Source: *Statistics Canada*

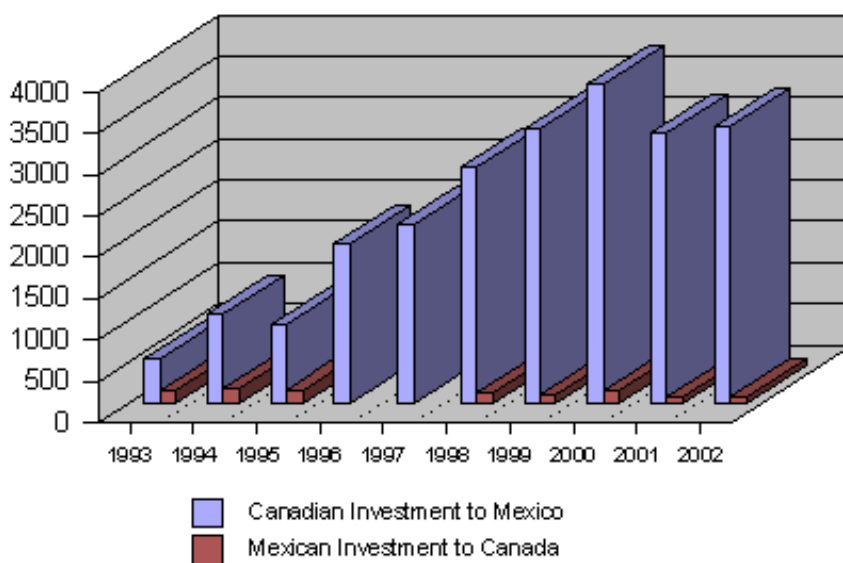
<sup>16</sup> Agriculture and Agri-Food Canada, 2003, *Agri-Food Trade Policy: Mexico*.



are the fastest growing sector of Canada’s service exports to Mexico, reaching almost 40% of trade in services by 2001.<sup>17</sup> Gains have also been seen in areas such as consulting services to the transportation and energy sectors. Canada continues to have a services trade deficit with Mexico due to tourism, however. Canadians spend \$531 million more on travel to Mexico than Mexicans spend in Canada.

NAFTA has also had an impact on the levels of investment flowing between Canada and Mexico as shown on **Figure 24**. Canadian direct investment in Mexico has more than tripled since 1994 reaching nearly \$5 billion in 2002. This makes Canada the fourth largest source of foreign investment in Mexico. Over 50% of this investment was in the manufacturing sector<sup>18</sup>. In addition, with the opening of the financial sector in Mexico, investments in finance and insurance have accelerated rapidly in recent years<sup>19</sup>. Over 1,200 companies have offices or representatives in Mexico.

Figure 24: Foreign Direct Investment – Canada-Mexico<sup>20</sup>



<sup>17</sup> DFAIT, 2003, *NAFTA @ 10: A preliminary Report*.

<sup>18</sup> Statistics Canada, *Canada’s International Investment Portfolio*. Note that total investments from Mexico to Canada are not available for 1997 and 1998 and have been left blank. Also, the Statistics Canada figures for Canadian investment in Mexico are lower than the Mexican Ministry of Economy figures.

<sup>19</sup> DFAIT, Mission Business Plan 2004-2005.

<sup>20</sup> Statistics Canada, *Canada’s International Investment Portfolio*. Note that total investments from Mexico to Canada are not available for 1997 and 1998 and have been left blank. Also, the Statistics Canada figures for Canadian investment in Mexico are lower than the Mexican Ministry of Economy figures.

Mexican investment in Canada, however, has not grown to any extent over the last decade. In fact, the levels in 2002 were at \$83 million, down from a high of \$177 million in 1994.

## 5.2 Changing Climate in Mexico and Its Impact on Canadian Competitiveness

Three themes emerged from the Evaluation interviews conducted in both Canada and Mexico, as well as the results of the survey of Canadian firms accessing IBD services. These common factors highlight some of the problems which are emerging for maintaining and expanding Canada's economic relationships with Mexico over the next five years.

***The advantages of NAFTA are beginning to be diluted.*** According to the World Trade Organization, the majority of the Mexico's trade is now governed by free trade agreements (FTAs).<sup>21</sup> A total of 11 FTAs have been signed since the start of NAFTA. Since 1997, Mexico has entered into FTAs with Chile, European Free Trade Association, European Union, Israel, Nicaragua, and the Northern triangle (El Salvador, Guatemala, and Honduras). A total of 32 countries now have FTAs with Mexico, with agreements with Japan, Singapore, Argentina, and the MERCOSUR members currently under negotiation.

The impact of these other FTAs is starting to be felt in terms of competition for Canadians. In the interviews undertaken for the Evaluation, partners and firms in Mexico indicated that companies from countries covered by these new agreements are starting to take more advantage of their preferential status. This is particularly true for EU companies which have placed a priority on increasing economic ties with Mexico. The establishment of an FTA with Japan will increase the Japanese influence within the market as well. The effect of these other FTAs is to make the market in Mexico more competitive and slowly erode Canada's preferential status. Despite a wide range of FTAs however, Mexico has had difficulty diversifying its export destinations, with 90% of its exports still going to the US and Canada.

***Pricing is becoming a more important determinant.*** According to the survey undertaken with Canadian firms, 56% indicated that pricing was having the highest impact on their ability to export to Mexico. The increasing competition from other countries described above is placing pressure on prices within the Mexican market and was identified by 46% of the companies responding to the survey as having a high impact on their export performance. Another difficulty cited by the Canadian firms was the exchange rates—specifically the strengthening of the Canadian dollar in recent months.

<sup>21</sup> WTO. March 15, 2002. *Trade Policy Review: Mexico*.

The issue of pricing and competitiveness is also being increasingly seen in government contracts. The nature of government procurement was identified by companies in Mexico as being a key factor in limiting the success of Canadian products to date. Government agencies and quasi-government agencies such as PEMEX still procure a large portion of the overall goods in Mexico. Canadian products tend to be of higher quality and therefore bids using Canadian suppliers often receive higher technical scores in procurement assessments. However, most procurement decisions are based on price (i.e., lowest bid, notwithstanding total costs over the investment horizon). The higher pricing of Canadian products has meant that these bids are difficult to win. This was an issue cited in the interviews in Mexico for sectors ranging from transportation to software systems. Some Canadian companies in Mexico bidding on public tenders have even included suppliers from lower-cost third countries to be competitive.

***Financing arrangements are increasingly important with respect to large capital projects with state and parastatal entities.*** Increasingly, state and parastatal entities are requiring contractors to come up with competitive financing solutions for large capital projects. Many Canadian companies have successfully used EDC products and services in the past, however, it is increasingly apparent that other exporting nations supported by aggressive export promotion strategies are able to come up with financing arrangements which are often difficult to match in light of prevailing rules and regulations abided to within Canada. During our interviews, considerations re: environmental stewardship and corporate social responsibility were also reported to have complicated and/or delayed the finalization of some financing arrangements.

***The trade issues are becoming more complex.*** Following a final tariff reduction between Canada and Mexico, effective January 1, 2003, virtually all trade now flows tariff free between the two countries. Tariff barriers per se are no longer important obstacles for Canadian exporters—with a majority of the surveyed firms saying tariffs had low impact on their prospects for exporting.

What is increasing in importance within Mexico, however, are other types of trade policy issues. Over the last year, in particular, Mexico has started more protectionist trade practices, particularly in the agriculture sector. Some of these have been high profile cases such as the Mexican government imposing a 20% tax on soft drinks containing high fructose corn syrup in January 2002. More recently, Mexico has proposed a prohibition on bulk tequila exports, citing quality control concerns with bottling. Less visible changes are also being seen as well in areas such as the enforcement of customs regulations, including the surfacing of barriers at the State level within Mexico.<sup>22</sup>

<sup>22</sup> A new case involving restrictions imposed by a local State Government re: the importation of Canadian breeding stock was observed during the evaluation mission in December.

The changing attitude within Mexico appears to be linked to a number of factors. First, with passage of laws such as the Farm Bill, the US is increasing the subsidies to its producers and distorting the market pricing. Second, as the anniversary of NAFTA nears, the Mexican Government has come under increasing pressure, particularly from farmers, to ensure that the gains from FTAs are broad based. Many in the agricultural sector, in particular, believe that they have suffered from the opening of the economy.<sup>23</sup> Third, the latest round of tariff eliminations under NAFTA as of January 2003 has highlighted the uncompetitive nature of some Mexican products.

The agreement signed with the EU in 2000 did not cover agriculture. The trade negotiations with Japan were protracted because Japan does not want to open its markets to Mexican agricultural products. Both governments announced that they had reached an agreement in early March 2004, however the agreement still needs to be ratified by the Mexican Senate before it can be signed and implemented. In the intermediary, domestic pressure is building on the Mexican government to more aggressively defend farmers' interests.

What does this mean for Canadian exporters? Trade policy issues, including market access issues, are increasing in importance. This is true particularly for Canadian groups already in the market. In the interviews conducted, a number of partners and firms cited the increasing policy and market access issues as being important considerations for the future. This means that there continues to be a large number of policy related issues which are handled by the Trade Policy Unit in the Commercial Section, as has been the case since its creation in 1994.

## 5.3 Continued Relevance of IBD Programming in Mexico

One of the areas for review under the evaluation was the continued relevance and on-going need for the IBD program in Mexico. Three questions in particular were seen to be important to review:

1. Is the IBD program at the Mission consistent with DFAIT and government wide priorities in the international business development business line?
2. Does it realistically address the needs of the target clients?
3. Is it the most appropriate response for serving those needs?

<sup>23</sup> See for example, Business Week, December 22, 2003, *Mexico: Was NAFTA Worth It?*.

### 5.3.1 Consistency with Government Priorities

***The evaluation concluded that the IBD program continues to be consistent with the DFAIT and government-wide priorities in international business development. The program has focussed primarily on trade as opposed to science and technology or investment attraction.***

DFAIT has placed a high priority on economic and political relations with Mexico for the last decade. The continued importance of Mexico as a partner is seen in DFAIT's 2003 *Strategic Planning and Priorities Framework*. This *Framework* lists Canada-US and Canada-Mexico relations among the top Departmental priorities over the next three years. Within this document, Mexico was identified as one of only four strategic priority countries for Canada outside the G-8.

The Government's Strategy for North America, including Mexico, is based on three pillars.<sup>24</sup> One of these is the "strengthening of Canada's political and economic links with Mexico". The continued priority placed on Mexico as an important economic partner, reinforces the overall relevance of the IBD programming in Mexico in meeting the Government of Canada's agenda. While there are a wide range of TCI players active in the market, the IBD Program is the focal point for information, coordination, and field presence. This means that the Missions play an important role in supporting the broad objectives of Canada.

DFAIT, in its *2003-2004 Estimates*, lists the strategic outcomes for the Departmental IBD Business Line as: "greater prosperity and job creation in Canada, achieved by helping the private sector take full advantage of international business opportunities and by facilitating foreign trade, investment and technology transfers". The TCS is listed as being the cornerstone of the programming.

The emphasis in the IBD Program in Mexico is on the trade portion of this mandate. In terms of supporting trade, the Mexico IBD program directly targets a number of the key DFAIT results. The *2003-2004 Estimates* outline the following as some of the key results for IBD in general:

4. Expanded base of Canadian businesses active in world markets;
5. Effective delivery of IBD services to Canadians;
6. Opening markets and increasing visibility of Canadian products and services abroad; and
7. Better market intelligence and greater market opportunities.

<sup>24</sup> Government of Canada. 2003. Government Response to the Report of the Standing Committee on Foreign Affairs and International Trade: *Partners in North America—Advancing Canada's Relations with the United States and Mexico*.

A number of these results are mirrored in key IBD programming documents in Mexico. For example, the draft *Mission Plan for 2004-2005* sets three priorities for the IBD program: expanding the base of Canadian businesses in Mexico; effective delivery of IBD services to Canadians; and fair access for Canadian products and services in Mexico. The inclusion of the third result is a reflection of the high degree of importance and role which the IBD staff play in the area of trade policy, market access and advocacy. The Mexico program is one of a small number of IBD programs which has extensive responsibilities for trade policy related issues. This third Mission result area supports a result area listed in DFAIT's *2003 Strategic Planning and Priorities Framework*—namely “effective management of trade and other disputes”.

To date, there has been limited work done on the other two IBD pillars—namely investment and science and technology. For investment, both Mexico City and Monterrey believe there is an opportunity to increase their involvement in investment promotion but have been limited by resource constraints in being able to fulfill this portion of the IBD mandate. Investment Partnerships Canada, (formerly a collaboration between DFAIT and Industry Canada and now an integral part of the Department of International Trade) is currently looking at the prospects for increased investment from Mexico to Canada which may also provide an impetus for expanding this portion of the IBD mandate. With the support of Investment Partnerships Canada, the Commercial Section is currently undertaking a survey of 200 Mexican conglomerates to identify approximately 40 corporations which will be targeted for corporate calls as potential investors during FY 2004-05. The study will be completed in May 2004.

In terms of science and technology, the three Missions have now designated ICT as a priority. The increasing emphasis on investment and science and technology is reflected in the draft Mission Plan 2004-2005 which specifically calls for: “expanded program of corporate calls to raise awareness of Canada as an investment destination and source of technology and know-how.”

The continued priority placed on Mexico as an important economic partner, reinforces the overall relevance of the IBD programming in Mexico in meeting the Government of Canada's agenda. While there are a wide range of Team Canada players active in the market, the IBD Program is the focal point for information, coordination, and field presence. This means that the Missions play an important role in supporting the broad objectives of Canada.

### **5.3.2 Consistency with the Needs of the Target Clients**

***Overall, the evaluation concluded that the Embassy and the two consulates are meeting client needs to the best of their ability within the resources available. Resource constraints and other priorities clearly limit the service that can be provided.***

Client needs must be looked at in the context of the exporter development cycle. Early entrants into the market have a need to assess the market potential, establish contacts, enlist sales representation, sales offices or alliances. As the firm's foothold in the market increases, and as it establishes a market niche, it may require assistance from the Embassy primarily to assist in ongoing expansion of contacts, troubleshooting with respect to regulatory issues and generally increasing the "branding" and profile of its Canadian products.

The evaluation confirmed that the IBD program was considered important in assessing market potential, establishing contacts and sales representation or alliances, and providing leads. The program also helps in troubleshooting with respect to regulatory issues.

Canadian partners were also quite positive about the work of the Embassy and the Consulates in supporting business missions, trade events and exhibitions and helping to establish important contacts in the Mexican government.

Exporters alike felt that the Missions helped them to increase their exports to the Mexican market. Clearly the larger or better established firms and partner organizations have less need for assistance from the Missions. However, there was a broad response that the Missions provide a useful service, even if the need is occasional.

Some clients expressed concern with the apparent work overload of the Embassy and the consulates, and the preoccupation of the Embassy with high profile political missions, as this detracts from providing service to the key clients - the exporters.

It should also be noted that an important client group are the Mexican importers at all levels who often seek information on Canadian suppliers. The Embassy and the consulates also spend time assisting them find suitable suppliers in Canada.

As described above, Canadians are facing an increasingly competitive environment within Mexico which will constrain their opportunities for exporting. Given this tough economic environment, the services of the IBD program plays an important role in assisting Canadian companies.

The interviews in Mexico clearly highlighted the success factors required of Canadian firms to effectively operate in this competitive environment. There are now few opportunities for moving into the market and making quick sales—as there may have been ten years ago. A firm's competitiveness is now based on having a firmly established commitment and strategy for building a presence in Mexico. This means that to be successful requires that Canadian firms: have a presence in Mexico (either directly or through some representation); have Spanish

language capability in Canada; and be willing to invest the requisite time and resources to develop the markets and networks.

Many of these factors are beyond the immediate areas of support of the IBD program, and relate more to the commitment of the Canadian firms to the market. In terms of the areas where the IBD programming in Mexico potentially could assist these efforts, they primarily relate to providing key business contacts, assisting in building networks, troubleshooting, providing information on specific market opportunities and the prospects for success in the Mexican market.

The survey of exporters undertaken for the evaluation confirmed these areas of support. Companies were asked what IBD services were most important for supporting their efforts, regardless of whether they currently received the services. **Figure 25** below summarizes the response of the companies regarding which services were consider important. The primary importance was placed on information to identify solid Mexican partners and specific leads.

*Figure 25: Importance of Various IBD Services (Evaluation Survey)*

Service	very important	somewhat important	not important	N/A
Information on local companies	69%	18%	11%	2%
Key Contact Search	68%	17%	11%	4%
Leads on business opportunities	67%	19%	10%	4%
Face-to-face briefings	64%	19%	14%	3%
Market prospect assessment	61%	22%	13%	4%
Market reports and studies	60%	24%	14%	2%
Troubleshooting assistance	50%	24%	17%	9%
Facilitation of business missions or matchmaking	56%	24%	17%	3%
Visit Information	45%	30%	22%	3%
Referrals to other service providers	41%	35%	18%	6%
Virtual Trade Commissioner Homepage	37%	29%	18%	16%

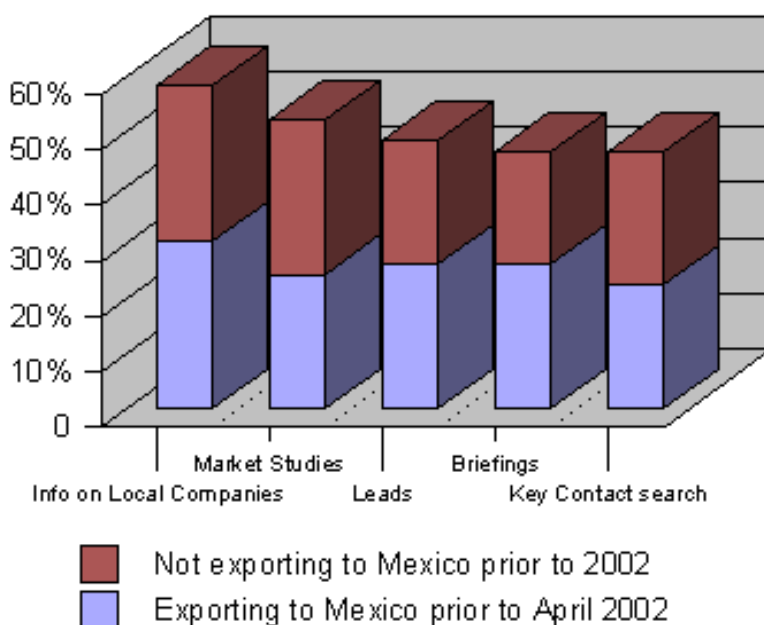
Over the last year and a half, the IBD program in Mexico has been placing increasing emphasis on building contacts within Mexico for referrals to companies and developing and disseminating market information. These two priorities are being referred to within the



Missions as “the Mexico New Approach” to the provision of services. This “new approach” calls on all IBD staff with sectoral responsibilities to hold, on average, two meetings per week with local contacts and to produce concise business opportunity reports, on average, every 30-40 days. The intention is to build a broader base of knowledge within the staff which can then be passed on to Canadian business clients directly or via intermediaries.

The services actually accessed by the companies surveyed show a consistency between those areas considered important by the companies and the services actually accessed. **Figure 26** shows the top 5 services by the proportion of firms accessing them. As can be seen from the Figure, there is not a significant difference between services accessed by existing exporters versus those which were not exporting to Mexico (but are presumably export-ready and exporting to other countries).

*Figure 26: Proportion of Companies Receiving Services from the Missions*



For those companies accessing specific services, the survey also asked whether the services lead to a high, moderate, or low impact on their involvement in the Mexican market. As shown on **Figure 27**, a majority of respondents believed all of the services provided had some impact on their performance in the market. In a number of cases, the impact was considered substantial. The interviews conducted in Canada and Mexico showed similarities to these patterns as well. For example, firms receiving troubleshooting assistance felt the services had a large impact on their export performance as the Embassy was often providing vital support on market access issues. Their effectiveness in handling these government to government negotiations was instrumental in the firms maintaining their export levels.

*Figure 27: Level of Impact which the IBD Service had on Involvement in Mexican Market (Evaluation Survey)*

<b>Service</b>	<b>High Impact</b>	<b>Moderate Impact</b>	<b>Little or no impact</b>	<b>Don't Know</b>
Troubleshooting assistance n=25	60%	32%	8%	0
Visit Information n=49	55%	31%	14%	0
Facilitation of business missions or matchmaking n=58	54%	29%	17%	0
Face-to-face briefings n=81	54%	32%	12%	1%
Referrals to other service providers n=31	48%	29%	20%	3%
Market reports and studies n=91	43%	43%	12%	2%
Key Contact Search n=81	41%	28%	27%	4%
Information on local companies n=103	34%	38%	26%	2%
Leads on business opportunities n= 84	34%	39%	23%	4%
Market prospect assessment n=68	31%	40%	28%	1%
Virtual Trade Commissioner Homepage n=69	30%	48%	22%	0

Some caution must be applied in interpreting these results. For instance, Market Prospect Assessments may be perceived as having a relatively low impact on ultimate outcomes because it occurred very early in the sequence of events (and/or there were other significant confounding factors), however, this does not mean that such services were not vital in arriving to a critical go, no go decision. The opposite can be said with respect to troubleshooting since a recent intervention would likely be at top of the respondent's mind.

The above results were corroborated by interviews in Mexico with representatives of Canadian companies. The interviews also indicated that:

8. Even though firms are listed as export ready, the nature of the Mexican market is initially challenging due to the cultural and linguistic differences.
9. Firms exporting to the U.S. market still face a significant learning curve to enter the Mexican market.
10. Mexican representatives and importers repeatedly indicated the importance of local representation, language skills, and a willingness to invest over the long term.
11. Clearly the IBD program provided the greatest benefit for new entrants to the market and for firms that are expanding or seeking major new opportunities. Once firms have established their own networks they are less reliant on the IBD program.