

The Sum of Our Fears

**“Prosperity is not without many fears and distastes;
and adversity is not without comforts and hopes.”**

Sir Francis Bacon.

Last month I attended a meeting in Mexico City sponsored by CIATEQ, a quasi-governmental organization in Mexico, which has as one of its aims the encouragement of the growth of the gear industry in Mexico. The purpose of the meeting was to provide a catalyst among the attendees to form a Mexican equivalent of AGMA and to encourage an alliance with AGMA. Joe Franklin, the Executive Director of AGMA, Bill Boggess, the President, Vice-President Ray Haley, and I were among the few Americans at the meeting.

Not surprisingly, one of the major topics of discussion at the meeting was the NAFTA - the North American Free Trade Agreement, which will probably be passed by the U.S. Senate, if not this year, then in 1993. While the details of the treaty are still vague in many respects, the general thrust of the arrangement is quite clear. If NAFTA is approved, trade barriers between the United States, Canada, and Mexico will gradually be all but eliminated. And the question on the minds of all of us at the meeting was the same, what will this mean for our business?

The interesting thing to me was that regardless of which side of the border we resided on, our hopes and, particularly our fears, were almost identical. U.S. businesses are concerned, rightly enough, that free trade with Mexico and Canada will mean a loss of jobs in the U.S. We see Mexico as a giant to the south with vast quantities of cheap labor that will be able to manufacture goods at far lower prices than we can. How will we be able to compete with a country that pays its workers less than half of what we do?

On the other hand, our Mexican counterparts feel dwarfed by what they imagine as an

industrial colossus on their northern border, filled with state-of-the-art factories capable of 24-hour shifts staffed by robots, CNC machines, and the latest in high-tech wonders they cannot hope to afford to purchase for years. They ask themselves, how can we hope to compete against that?

The reality on both sides of the border, of course, falls somewhere in between these two “worst case” visions. If and when the trade

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Attending the CIATEQ meeting in Mexico City were left to right: GT publisher, Michael Goldstein, AGMA President, Bill Boggess, Dr. Juventino Balderas Moreno of the Mexican delegation to the NAFTA talks, and AGMA Executive Director, Joe Franklin, Jr.

barriers between our countries come down, there will be winners and losers on both sides of the Rio Grande. The customary, comfortable ways of doing things both here and in Mexico will of necessity have to change. We'll all have to learn some tough new lessons.

At times like these, when a multitude of conflicting interests all demand to be heard, and a variety of conflicting needs have to be

met, it is always tempting to act out of our fears rather than out of our hopes. But is doing so the best way to meet the challenge of an industrially growing Mexico?

A look at the positive side is in order. Since 1988, U.S. direct investment in Mexico has grown from \$5.5 billion to \$9.4 billion. Two-way trade between the two countries was \$64.5 billion last year. That's a lot of dollars and pesos changing hands, and people on both sides of the border are benefitting - even before the NAFTA is in place. And access to a share of those dollars and pesos is not limited to a fortunate few. It is open to any businessperson willing to do what it takes to become involved.

Successful trading with Mexico is governed by the same rules as successful exporting anywhere. Besides the necessary capital and willingness to take a risk, the successful exporter needs time, imagination, flexibility, and openness to new ideas: Time to learn the country, the language, the business culture, the needs of the local markets, and to let investments grow and

Each partner can continue to service his or her own customer base, do business in his native tongue, and follow local customs. At the same time, each partner has vastly expanded the kind of products and services he can offer.

Finding the perfect match for a trading partner is hard work. It has been suggested that finding the right partner for overseas joint ventures may be the management challenge of the 1990s. That may be overstating the case, but finding the right partner is key to success in joint ventures. To find the right partner with whom to do business across the border, you have to travel, meet with many of your counterparts in the other country, research the potential partners, learn as much as you can about the local economy; in short, you have to do a lot of homework and be open to new possibilities. Perhaps this is a place where AGMA and CIATEQ can help by arranging meetings where potential investment partners can meet and get to know one another and the kinds of opportunities available on both sides of the border.

Success in the new global economy demands that we operate out of our hopes rather than our fears and see the promise offered by trade with our neighbors rather than only the threat. Living next to a strong, economically healthy neighbor with industries that compete directly with ours is without a doubt more of a challenge than living next to one with no such industries. But such strong neighbors also provide better markets for our products and a wealth of opportunities for the shrewd and imaginative businessperson.

To respond to the new global economic realities out of the sum of our fears is to envision a nightmare world which doesn't really exist. Making business plans to cope only with this nightmare in the end does us more harm than good. To respond out of our hopes gives us the chance to evaluate our fears in the clear light of day and deal with them - and with the opportunities that exist side by side with them - in a way that can benefit us all.

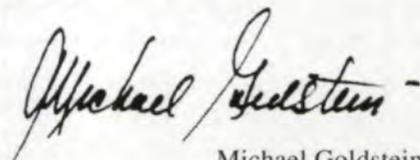
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“No nation was ever ruined by trade.”

Benjamin Franklin.

develop at a reasonable pace, which may be slower than the accustomed one; imagination to see how a particular business can fit into the local environment; flexibility enough to alter plans that don't work or don't fit the changing circumstances across the border; openness to ways of thinking and doing business that aren't "the way we've always done it back home."

It is also important to remember that exporting does not have to be an all or nothing proposition. By means of local representatives, joint ventures, and other kinds of cooperative arrangements, businesses on both sides of the border can get their feet wet in the export market without having to go in at the deep end of the pool. In cooperative ventures, each member can play to its own strengths, whether those be extremely competitive labor, state-of-the art equipment, valuable local knowledge, or a well-developed customer base.



Michael Goldstein
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