

sharply in 1995 as the result of the December 1994 devaluation of the peso and the economic crisis that followed. Apparent domestic consumption of chemicals fell by almost 9 percent to US \$15.8 billion. This was partly offset by a US \$1.2 billion increase in exports. As a result, real output of chemical products fell by only 3.2 percent, compared with 6.9 percent for the overall economy.

Forecasts of 1996 gross domestic product (GDP) growth range from the official government number of 3 percent to private estimates as low as 1.5 percent. Imports are recovering competitive positions damaged by the devaluation as domestic inflation works its way through the cost structures of domestic producers.

OPPORTUNITIES FOR PRODUCTS

There are opportunities for Canadian companies in the provision of both commodity and specialty chemicals. Specialty chemicals appear to be the best prospects for small- to medium-sized Canadian producers. They involve higher value added, are profitable at lower volumes, and competition tends to be based more on service than price.

Industry observers say that there are opportunities for imports of specialty chemicals used in Mexico in the manufacture of a wide variety of products:

- plastics
- paints
- detergents and cleaning products
- cosmetics
- chemicals for water treatment
- agricultural products
- pulp and paper
- adhesives
- emulsions
- starches
- lubricators
- pharmaceutical products
- foods

OPPORTUNITIES FOR CONSULTING AND OTHER SERVICES

Mexico has a small number of universities and research centers that carry out world-class scientific research. But officials of the technological committee at *Cámara Nacional de la Industria de la Transformación (Canacindra)*, National Chamber of Manufacturing Industries, said in interviews that there is insufficient government support for research and development (R&D) in the chemical industry. A government agency, the *Consejo Nacional de Ciencia y Tecnología (Conacyt)*, National Chamber of Science and Technology, does provide R&D assistance. But the officials believe that more research support is essential if the industry is to reach its potential.

This suggests opportunities for Canadian companies. They have technologies that could be adapted and applied in Mexico, as well as the know-how to run training programs associated with technology transfer. Observers believe that companies with a proven track record and a specific project proposal will be more successful in obtaining government aid or concessions than speculative research ventures.

THE REGULATORY ENVIRONMENT

The principal government regulations affecting the chemical sector are those dealing with product standards and labelling, foreign investment, intellectual property and barriers to trade. The chemical industry is also a major target of environmental regulators, but those are discussed in a separate publication.

The Government of Mexico regulates the quality and purity of a wide

range of products, including a large number of chemicals. These standards apply to imported as well as domestically produced goods:

- Official standards, known as *Normas Oficiales Mexicanas (NOMs)*, are administered by the *Secretaría de Comercio y Fomento Industrial (Secofi)*, Secretariat of Commerce and Industrial Development. Goods subject to *NOMs* must be accompanied by a certificate of compliance in order to enter Mexico.
- Health regulations are administered by the *Secretaría de Agricultura, Ganadería y Desarrollo Rural (Sagar)*, Secretariat of Agriculture, Livestock and Rural Development. *Sagar's Dirección General de Sanidad Vegetal, Vegetable Sanitation Division*, publishes an official register of all agricultural chemicals that can be used in Mexico.

Some agricultural chemicals, including DDT, are restricted and may be purchased only with written authorization from a government technician who will supervise their application. A number of other agricultural chemicals are prohibited altogether by a decree published in the *Diario Oficial, National Gazette*, 3 January 1991.

Mexico's *Ley de Fomento y Protección de la Propiedad Industrial, Law for the Promotion and Protection of Industrial Property* and the *Ley Federal de Derechos del Autor, the Mexican Copyright Law*, was amended in 1993 to comply with the North American Free Trade Agreement (NAFTA). Moreover, NAFTA's chapter on intellectual property makes specific enforcement provisions. Trade secrets are now explicitly protected and the law provides both civil and criminal sanctions.