

AN UNDERDEVELOPED MARKET

Per capita consumption of plastics in Mexico is growing, but it's still only about one-quarter of Canada's level. This suggests excellent long-term potential.

Plastics is one of Mexico's most dynamic industries. For more than a decade, its growth has consistently outperformed the gross domestic product (GDP). In spite of this progress, however, the use of plastics in Mexico is far below the levels of developed countries. Plastics consumption per capita rose steadily from 6 kilograms in 1980 to 26 kilograms in 1994. But this is still far below the 90 kilograms per capita in Canada and the United States. This suggests sustained market growth, as Mexico gradually catches up with the rest of North America in substituting plastics for traditional materials. Per capita consumption is projected to reach 30 kilograms by the year 2000. This creates outstanding opportunities for producers willing to adopt a long-term market strategy.

For decades, Mexico's plastics industry developed under an umbrella of protectionism and policies of self-sufficiency. The industry benefitted from a reliable supply of secondary petrochemicals from *Petróleos Mexicanos (PEMEX)*, the national oil company, at regulated prices. While this fostered the growth of the domestic industry, it also discouraged innovation and sheltered shoddy quality standards. Ultimately, it deprived other Mexican industries of the leading-edge products they need to compete in world markets. When the Mexican government liberalized the nation's trade policies in the late 1980s, the plastics market was abruptly opened to foreign competition. The industry reacted quickly with massive spending on new technology as it tried to protect its market share. The North American Free Trade Agreement (NAFTA) has placed the sector under even greater competitive pressure. Mexican producers will not only have to improve productivity and quality, but also broaden their product lines.

Sustained growth and pressure from competitors have forced the plastics industry to rely heavily on imports. Between 1990 and 1994, Mexican consumption of plastic resins grew by 24 percent to reach 2 million tonnes, but imports increased by 63 percent over the same period. Import penetration for resins now stands at about 32 percent of the market by volume. In 1994, the value of imported resins and other primary materials was almost US \$1.2 billion.

Imports of finished and semi-finished plastic products were almost US \$3 billion in 1994. According to data published by the *Asociación Nacional de las Industrias del Plástico (ANIPAC)*, National Association of the Plastics Industry, Mexico imported 265,000 tonnes of finished parts in 1994, about 13 percent of domestic consumption.