FOREWORD

Plastics is one of Mexico's most dynamic industries. It has grown steadily over the past decade at a rate consistently higher than the GDP. The industry has responded to Mexico's trade liberalization policies, beginning in the late 1980s, with massive spending on new technology and equipment. With the advent of the North American Free Trade Agreement (NAFTA), the plastics sector is under even stronger pressure to increase quality and efficiency, become more competitive and to develop a wider range of products.

This combination of growing demand and increased competition is creating substantial opportunities for Canadian producers of production equipment, resins and other inputs to the plastics industry. The opportunity is all the greater because Mexico is still far behind the rest of North America in substituting plastics for traditional materials.

Between 1988 and 1993, Mexican domestic sales of plastics production machinery and equipment tripled to US $461 million. Over the same five year period, equipment imports quadrupled from US $89 million to US $356 million, pushing import penetration to 77 percent. The equipment market is expected to continue growing rapidly. In current dollar terms, sales are forecast to rise by more than 12 percent per year between 1994 and 1996. Imports are expected to continue to outpace domestic production, with import penetration rising to almost 80 percent by 1996.

The growth of the Mexican plastics industry has also created a strong market for imported resins. Sales grew at an annual rate of eight percent between 1989 and 1993, to reach a total of US $1.6 billion. Consumption of plastic resins reached 1.9 million tons in 1992, up 13.6 percent from 1.6 million tons a year earlier. The continued expansion of the industry is expected to lead to a five percent annual growth by volume over the next three years.

The most important imported resins are polypropylene and polyethylene as well as engineering resins and specialty products. Since 1988, resin imports have grown at an average annual rate of 21 percent in current dollar terms. In 1992, resin imports were 581,700 tons valued at US $638.5 million. Import penetration by volume was more than 31 percent. Real import growth is projected at an average seven percent over the next three years.

Under the NAFTA, trade barriers will continue to fall, and increased competition will force continued modernization. The result will be long-run opportunities for Canadian suppliers of technology, equipment and materials.

Unless otherwise specified, all currencies used are in Canadian dollars.