plastic resins, versatile resins, technical plastics, engineering resins and specialty products.

The National Oil Company

In 1938, the Mexican government expropriated the private oil companies and established *Petróleos Mexicanos (PEMEX)*, the national oil company, to consolidate the industry under exclusive government control.

The national pride attached to *PEMEX* is a powerful force preventing the administration of President Zedillo from privatizing parts of the energy sector. So far, the government has announced that 61 *PEMEX* petrochemical plants will be sold and that transmission, distribution and storage of natural gas will also be privatized. But to calm opposition, President Zedillo has assured the nation that *PEMEX* will continue to control the exploration, extraction and processing of oil and gas reserves, as well as the production of basic petrochemicals.

The petrochemicals, produced by the *PEMEX Gas y Petroquímca Básica*, Gas and Basic Petrochemicals division, are considered part of the petroleum industry. *PEMEX* will retain its constitutional monopoly over "basic" petrochemical products. But the scope of the monopoly has gradually been relaxed.

The *PEMEX Petroquímica*, Petrochemical division, is responsible for the production of petrochemical products that are not considered part of the basic petroleum industry. It was created specifically to handle the products that are open to private competition.

PEMEX announced its intention to begin to withdraw from the secondary petrochemicals business in early 1993. Officials said it would close some plants and privatize others. This process was delayed because of low world prices for petrochemicals.

Privatization will be carried out under the supervision of the *PEMEX Comisión Intersecretarial de Desincorporación*, Intersecretarial Commission for Privatization. The first tenders, for the *Cosoleacaque* plant, will begin in October 1995.

Petrochemicals Classified as "Basic" under Mexican Law

Butane	Ethane
Heptane	Hexane
Naphthas	Penatanes
Propane	Raw materials for carbon black

Source: *Petróleos Mexicanos (PEMEX)*, the national oil company.

THE ROLE OF IMPORTS

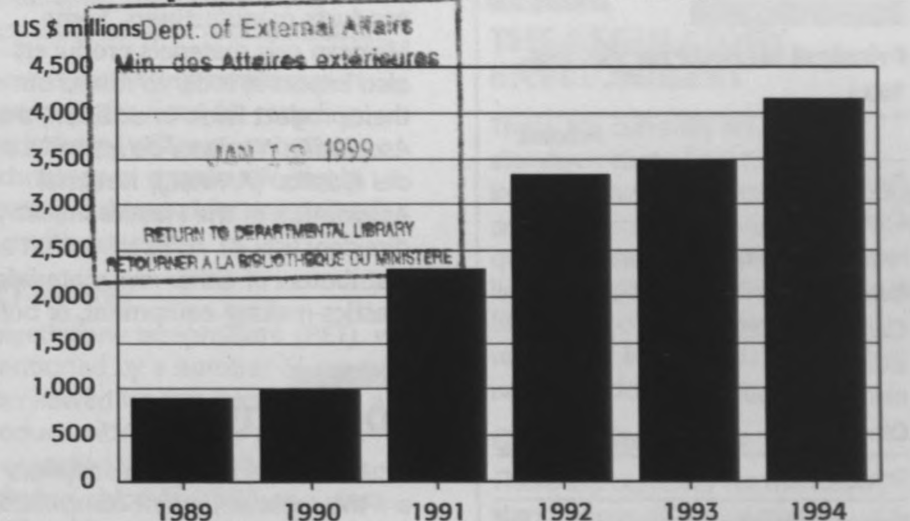
Until recently, Mexico has not been a major importer of plastics products or raw materials. The situation changed abruptly in 1988 when the Mexican government unilaterally liberalized trade. The nation became a full member of the General Agreement on Tariffs and Trade (GATT), the maximum tariff was chopped from 100 percent to 20 percent, and a system of import permits for high technology goods was scrapped.

For the plastics industry, the results were dramatic. Imports flooded the market, forcing producers to simultaneously increase efficiency and improve quality. Raw material producers could not keep up with the demand, particularly for advanced materials, and many manufacturers of plastics products were forced to import primary materials.

The largest increases were for finished and semi-finished plastics products, which grew eight-fold over the five years ending in 1994 to reach almost US $3 billion. Resins and other primary materials increased from US $541 million in 1989 to almost US $1.2 billion in 1994, a 218 percent increase.

The United States dominates Mexico's import markets for both finished products and raw materials. In 1994, the American market share was about 87 percent for both categories. Canadian sales have traditionally been small. Exports have grown rapidly over the past few years, but at less than US $40 million

Mexican Imports of Plastics Products from the World



Source: *Secretaría de Comercio y Fomento Industrial (SECOFI)*, Secretariat of Commerce and Industrial Development.