

The restructuring process took place in an environment of steady growth. Between 1985 and 1994, the industry grew at an average rate of almost 3 percent. This compares with 2 percent average growth for the economy as a whole, and 2.5 percent for the manufacturing sector. The industry contracted by 3.2 percent during the 1995 economic crisis, compared with a 6.9 percent reduction in gross domestic product (GDP). Most observers believe that beginning in 1996, growth rates will return to pre-crisis levels.

These developments have created potential opportunities for Canadian companies. Small- to medium-sized Mexican companies need help to adapt to increased competition and to meet export standards. Some are buying inputs from Canada and manufacturing intermediate as well as final products in Mexico through joint ventures with Canadian firms. The opportunities are greatest in the area of specialty chemicals where service, flexibility and innovation are more important than price. The commodity chemicals market is dominated by multinational corporations, which tend to have their operations rationalized on a North American or world basis.

THE MEXICAN CHEMICAL SECTOR

The chemical industry is dominated by large multinationals, but smaller companies are competitive in the market for specialty chemicals.

As it is understood in Canada, the chemicals industry includes two principal subsectors: commodity chemicals and specialty chemicals. Commodity chemicals are traded on a global basis in a market dominated by multinational corporations. The main competitive factor is the availability of inexpensive feedstocks. Specialty chemicals are usually high value-added products and suppliers compete by offering extensive service and support. Typically the product is made in small batches to the specifications of individual customers. Canadian companies in this subsector tend to be small- to medium-sized enterprises (SMEs), focused on regional markets.

These distinctions between product categories are not widely recognized in Mexico. Many specialty chemicals are not produced in large quantities because their technical sophistication is often beyond the capabilities of smaller firms. The multinationals that dominate the industry import many of their specialized requirements from subsidiaries in other countries. The Mexican chemical sector is less vertically integrated than its counterparts in Canada and the United States. Because of a long history of government control of the petrochemicals sector, private sector producers tend to concentrate on intermediate chemicals.