

Under the North American Free Trade Agreement (NAFTA), trade barriers will continue to fall, and competition will force further modernization. The result will be long-run opportunities for Canadian suppliers of plastics products, materials and technology.

As in most other sectors, the key to entering the Mexican plastics market is to establish a permanent local presence. Many Canadian companies have found that partnerships or joint ventures with Mexican firms are a good way to accomplish this. Canadian firms that can bring capital as well as know-how to a partnership will find themselves increasingly welcome.

OVERVIEW OF THE PLASTICS SECTOR

The Mexican plastics industry is made up of about 2,800 plastics processing companies. In addition, there are an estimated 350 firms engaged in activities related to plastics. The industry is concentrated in the Mexico City area as well as in the states of Jalisco, Guanajuato, and Nuevo León.

Corporate Structure

Large, high-technology firms coexist with small, family-owned businesses. Three-quarters of the firms have

Principal Activities of Registered Plastics Companies, 1994

Products	percentage
Film and bags	14.5
Clean plastic packaging	11.8
Household goods	9.1
Moulded parts and packaging	8.2
Footwear	7.8
Toys	6.3
Building plastics	5.7
Decorative laminates	5.3
PVC products	5.1
Shapes and tubes	4.9
Other products	21.3

Source: *Asociación Nacional de las Industrias del Plástico (ANIPAC)*, National Association of the Plastics Industry.

fewer than 100 employees, and half of them have less than 20. Two hundred large firms employ 40 percent of the industry's workers. Large multinational firms are increasing their dominance of the industry as family firms have struggled to cope with economic restructuring and the economic crisis caused by the devaluation of the peso in December 1994. The ability of large firms to export and maintain hard-currency earnings has been a major advantage in weathering this crisis.

Many Mexican-owned companies are seeking partnerships or joint ventures with foreign firms to improve their

competitiveness. They seek technical assistance and capital, and in exchange they offer access to the local market.

Production Techniques

Injection and extrusion moulding are the most widely-used production techniques, because of their versatility. Blowing is becoming increasingly common, as advanced packaging products become more popular.

The industry has been forced to modernize in the face of foreign competition. Imports of plastics production machinery more than doubled to US \$232 million between 1990 and 1994 according to data from the *Asociación Nacional de las Industrias del Plástico (ANIPAC)*, National Association of the Plastics Industry.

The most commonly used resins are low-density polyethylene (LDPE), high-density polyethylene (HDPE) and polyvinyl chloride (PVC), followed by polystyrene, unsaturated polyester and polypropylene. Producers are gradually switching to new materials. Sales of the traditional commodity resins (LDPE, HDPE, PVC, polypropylene and polystyrene) have increased by only 3 percent per annum in the past few years, and thermofixed resins have fallen by 20 percent. The most dynamic products are the new

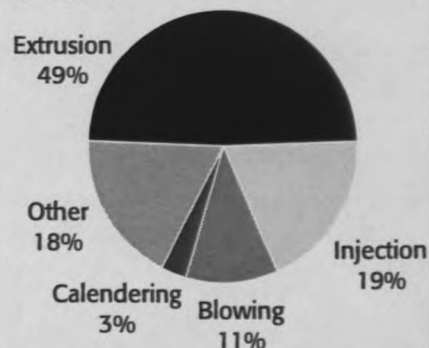
Modernization of the Plastics Sector Machinery Imports

US \$ millions

	1990	1992	1994
Injection moulding machinery	31.1	48.8	97.1
Extruders	17.8	25.6	29.1
Blow moulding machinery	24.6	36.7	55.9
Vacuum forming machinery	12.1	15.8	29.4
Auxiliary equipment	6.8	14.5	20.7
Total	92.4	141.4	232.2

Source: 1995 annual report of the *Asociación Nacional de las Industrias del Plástico (ANIPAC)*, National Association of the Plastics Industry.

Plastic Production Methods in Mexico



Source: Caroline Vêrut, *The Market for Plastics Product Machinery, Equipment and Materials*. Mexico City: Canadian Embassy, 1993.