AN INDUSTRY IN TRANSITION

Mexico's chemical industry is rapidly rationalizing as the industry struggles to take advantage of booming export markets and adapt to an influx of foreign competition.

Mexico's chemical industry is characterized by striking contrasts between large and small operations. Giant multinationals coexist with family-owned micro-enterprises employing fewer than 25 people. At one end of the spectrum, *Petróleos Mexicanos (Pemex)*, the national oil company, operates the 15^{th} largest petrochemical industry in the world, capitalizing on the nation's substantial petroleum production.

Except for petrochemicals, the bulk of Mexico's chemical production comes from the 291 companies that are members of *Asociación Nacional de la Industria Química (ANIQ)*, National Association of the Chemical Industry. Most of the world's large multinational chemical companies have operations in Mexico. Names like Amoco, Bayer, Celanese, Polaroid, BASF, Mobil, Hoechst, Dupont, Texaco and Union Carbide are prominent in the industry.

At the other end of the spectrum, *Cámara Nacional de la Industria de la Transformación (Canacintra)*, National Chamber of Manufacturing Industries, lists about 4,000 companies as part of the chemical sector, with more than 90 percent of them employing fewer than 100 workers. Many of the smaller companies use obsolete technology and are prospects for technological joint ventures with foreign firms.

This is especially true because the industry as a whole has been rapidly restructuring over the past few years. Multinational companies and large Mexican *grupos* took over many smaller family-owned firms, as the industry adapted to sweeping trade liberalization. The first round was brought in unilaterally by former President Salinas' administration beginning in the late 1980s. After decades of protectionism, the maximum tariff was cut from 100 percent to 40 percent in 1987 and then to 20 percent in 1988. The proportion of domestic product covered by import licences fell from 92 percent in 1985 to 19 percent in 1990 and most of the rest have been gradually eliminated since then. The North American Free Trade Agreement (NAFTA) accelerated this process, especially since the in-bond *maquiladora* plants are now able to sell their products in the Mexican market. The sharp devaluation of the peso in December 1994 devastated the domestic market and forced chemical producers to look to export markets to survive. Mexico's exports of chemicals rose by 50 percent to reach US $3.7 billion in 1995. Still, many companies lack the technology to meet international quality standards.