

PRIVATE INDUSTRY

Most industry analysts seem to agree that in the medium term, industrial pollution control will provide the best prospects for foreign suppliers. The needs in this area have only barely begun to be met, and Mexican buyers have confidence in imported environmental technologies. This implies long-term growth, which is expected to accelerate once the economy stabilizes, perhaps in 1996.

In the short run, the economic crisis will prevent smaller Mexican manufacturers from buying. They simply do not have the capital to invest in anything that is not directly related to cost competitiveness. Even before the devaluation, the smaller firms were strapped for funds because of high interest rates and intense competition resulting from trade liberalization.

The companies that are still buying include multinational enterprises and large export-oriented Mexican firms because they have access to capital. However, they continue to be targets of government enforcement, especially since this has been slackened for small firms that are in jeopardy as a result of the devaluation of the peso in December 1994. In the current economy, regulators are reluctant to take action that will throw people out of work.

In the medium term, all industrial firms will be subject to enforcement. Moreover, the development of new *Normas Oficiales Mexicanas (NOMs)*, official standards, is still progressing, and the *Departamento del Distrito Federal (DDF)*, Department of the Federal District, is preparing to increase enforcement within its own jurisdiction. The application of this regulation to smaller firms will create a huge market for environmental technologies. According to the *Cámara Nacional de la Industria de Transformación (CANACINTRA)*, National Chamber of Manufacturing Industry, more than 96 percent of 30,000 plants located around Mexico City are small- to medium-sized operations, most of which generate hazardous waste of some type.

The industrial environmental market is heavily weighted towards services such as hazardous waste management, storage, site assessment and remediation. Most companies are currently storing rather than treating waste. In the future, portable technologies for clean-up and elimination at the source will be in demand. Equipment for recycling water at the plant level is also in strong demand, because industrial water prices are rising rapidly.

Mexico's privatization policies are increasing the size of the industrial market. Typically, *paraestatales*, state-owned companies, that are sold to the private sector are in desperate need of modernization. Indeed, large investments in new technology are often a requirement of the sale agreement. Also, the government has greater leverage over private firms than it does over *paraestatales*.