1. BACKGROUND

The Mexican market for instruments and other laboratory equipment has increased very rapidly in the past few years. Three events have been determinant in this growth: On the one hand, Mexico's trade liberalization policies, which have made the importation easier and relatively cheaper through the reduction in import tariffs and the elimination of prior import permits; secondly, the negotiations for the North American Free Trade Agreement (NAFTA), which will require the local industry to be more efficient in order to lower costs and improve the quality of its products, to be able to compete with suppliers of industrial products from abroad, both domestically and internationally; and finally, the growth of domestic consumption as a result of Mexico's economic recovery. These three factors, in particular the last two, will continue to be influential in shaping the Mexican market for instruments, and translate into future growth.

In 1992, some 1.5% of the country's Gross Domestic Product (GDP) was assigned to research and development and this share is expected to continue growing as a result of the pressing need for modernization and increased competitiveness of the Mexican industry. At the same time, an increased awareness of and a regulatory framework regarding pollution control will also continue to translate into investments in measuring and controlling instruments and equipment.

Imports have traditionally played an important role in this market. In 1986, they represented approximately 75% of total apparent consumption. At present, they are estimated to cover 95% of the market. This has been the result of a trend towards an increasing preference for electronic or high technology instruments, replacing manual instruments and equipment, together with a decrease in the use of non-specific instruments in favor of more integrated and readily identifiable systems. This again, will represent increased sales for foreign companies based in Mexico or wishing to enter or expand their participation in the Mexican market.

2. ECONOMIC ENVIRONMENT

With the objective of reducing the inflation rate, the Mexican authorities implemented a stabilization program in 1988, called the Economic Solidarity Pact, which features traditional austerity measures, entailing tight fiscal and monetary policies and unorthodox measures, such as price, wage and exchange rate controls. This program has been the cornerstone of Mexico's economic policy over the past four years, and has been extended throughout 1993 under the name of Pact for Stability, Competitiveness and Employment. It has resulted in a drastic reduction of the inflation rate, from an annual rate of 159% in 1987 to 19.7% in 1989. Inflation rebounded to 29.9% in 1990 but was brought down to 18.8% in 1991 and 11.9% in 1992. At the same time, interest rates have increased again to the present 20%, and