

RATIONALIZATION

The Mexican chemical industry developed in a highly-protected environment. But there was an influx of new competition after the trade liberalization of the late 1980s. The advent of the North American Free Trade Agreement (NAFTA) in 1994 increased competitive pressures and at the same time opened new markets to Mexican producers. To meet this competition and take advantage of the export boom caused by the devaluation of the peso, Mexican chemical manufacturers have been forced to modernize and rationalize their operations. Pressure from environmental regulators has also motivated some companies to buy new equipment and adopt new technologies.

The restructuring of Mexico's chemical industry has been characterized by considerable merger activity. For example *Girsa* recently bought out *Polifos*, its only competitor in the production of sodium tripolyphosphate. *Polifos* had previously taken over another competitor.

As the industry has reorganized, it has focused on products where Mexico has competitive advantages, and has moved out of commodities where it can no longer compete. Mexican exports of chemicals and advanced materials to Canada and the United States have doubled since NAFTA was implemented. At the same time, Mexican imports of chemicals and advanced materials from Canada and the US have also increased sharply.

FOREIGN TRADE

Mexico's chemical imports fell only slightly in 1995, while exports surged by almost 50 percent. Canada's share of the import market is strongest in inorganics at about 2.5 percent.

Estimates of Mexico's foreign trade in chemical products vary widely. There is no universally accepted definition of a chemical. The broadest definitions include basic petrochemicals which might otherwise be classified as part of the petroleum industry. Plastic resins may or may not be considered chemicals. Artificial fibres are sometimes classified as chemicals, but they can also be attributed to the textile industry. By a very broad definition which includes oil by-products, *Banco de México*, Mexico's central bank, estimated 1995 imports at US \$8.6 billion and exports at US \$5.1 billion. Using a somewhat narrower definition, the *Asociación Nacional de la Industria Química (ANIQ)*, National Association of the Chemical Industry, estimates Mexico's 1995 chemical imports at US \$4.7 billion and exports at US \$3.7 billion.