

1. BACKGROUND

The Mexican plastics production industry has shown a particularly high growth rate in the last decade, despite economic pressures, and this trend is expected to continue in the future. Between 1985 and 1991, the industry grew at an average annual rate of 6% and from representing 0.35% of Mexico's GDP the former year, it now represents 0.5%. It is estimated that in only five years, per capita consumption will grow to 19 kgs per person, as compared to 6 kgs. only ten years ago. This, coupled with a 2.3 % population growth will translate into an estimated annual increase in apparent consumption of plastic products of 8% per annum.

Therefore, both the Mexican markets for plastic resins and machinery offer important and growing sales opportunities for foreign manufacturers. The new open market policies adopted by the Mexican government will continue to benefit foreign companies. On the one hand, tariffs and other trade barriers have been reduced or eliminated, making importation easier and less costly and, on the other hand, export development policies and increased competition from abroad are forcing the domestic industry to be more efficient and productive. This will translate into increased imports of foreign technology, products and materials.

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 recently been extended to January 1993. 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 18.5% in 1991 and is expected to be of 10% to 12% in 1992. At the same time, interest rates have fallen substantially to the present 17%, and the peso-dollar devaluation rate has been set at Mex\$0.2 pesos a day or 2.4% per annum.

Along with the objective of consolidating the progress made in price stabilization, Mexico's macroeconomic policy in 1992 aims to reaffirm gradual and sustained economic recuperation, basically by establishing the necessary conditions to encourage national and foreign investment and by stimulating local demand, and to strengthen the improvement in living standards of the poorest segment of society through the Solidaridad program.

Domestic economic activity recovered for the third consecutive year in 1989, after the 1986 recession, with a gross domestic