Under the North American Free Trade Agreement (NAFTA), trade barriers will continue to fall, and competition will force further modernization. The result will be long-run opportunities for Canadian suppliers of plastic products, materials and technology. As in most other sectors, the key to entering the Mexican plastics market is to establish a permanent local presence. Many Canadian companies have found that partnerships or joint ventures with Mexican firms are a good way to accomplish this. In the current economic environment, Mexican plastics producers badly need updated technology but they are hard pressed to pay for it. Canadian firms that can bring capital as well as know-how to a partnership will find themselves increasingly welcome.

Overview of the Plastics Sector

Imports of plastics-producing equipment jumped by 250 percent between 1990 and 1994, as the industry raced to adapt to the newly-liberalized trade environment.

The Mexican plastics industry is made up of about 2,800 plastics processing companies. In addition, there are an estimated 350 firms engaged in activities related to plastics. These firms employ about 126,000 people, or almost 4 percent of the total manufacturing work-force. The industry is concentrated in the Mexico City area as well as in the states Jalisco, Guanajuato and Nuevo León. About 56 percent of all plastics-producing companies are located in Mexico City or in the State of Mexico. The number of firms has fallen slightly in recent years as a result of the rationalization imposed on the industry by trade liberalization.

Corporate Structure

Large, high-technology firms coexist with small, family-owned businesses. Three-quarters of the firms have fewer than 100 employees, and half of them have less than 20. Two hundred large firms employ 40 percent of the industry's workers. Large multinational firms are increasing their dominance of the industry as family firms have struggled to cope with economic restructuring and the economic crisis caused by the devaluation of the peso in December 1994. The ability of large firms to export and maintain hard-currency earnings has been a major advantage in weathering this crisis. Many of the multinationals meet ISO 9000 standards, while the smaller family-owned firms tend to have trouble meeting international quality standards.