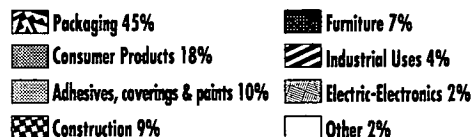


1. OVERVIEW OF THE MEXICAN PLASTICS INDUSTRY

PRINCIPAL MARKETS FOR PLASTICS IN MEXICO

PERCENTAGE OF MARKET SHARE



Source: Instituto Mexicano de la Propiedad Industrial (IMPI),
Mexican Institute of Industrial Property.

The plastics industry accounted for 0.6 percent of Mexico's GDP in 1993, up sharply from 0.35 percent in 1985. Per capita consumption of plastics grew to an estimated 22 kilograms in 1992 from only 6 kilograms twelve years earlier. Consumption is expected to reach approximately 30 kilograms per person by the year 2000, a level still well below the 90 kilograms seen in the United States. The industry therefore has excellent growth prospects.

The Mexican plastics industry was made up of about 3,000 plastics processing companies in 1992, and employment stood at 120,000. In addition, there are an estimated 340 firms engaged in activities related to the plastics industry. This includes 125 manufacturers of raw materials, 110 mold and die manufacturers, 50 distributors of machinery and equipment, 10 producers of machinery and equipment, 30 recycling companies and 15 primary petrochemical producers.

The industry is highly diversified. Large, high-technology firms coexist with small, family-owned businesses. More than three quarters of the firms in the industry have fewer than 100 employees, and half of them have less than 20. About 400 firms are considered medium-sized, with between 100 and 200 workers. The remaining 200 are large firms, accounting for 40 percent of total industry employment. Plastics processing companies are concentrated in Mexico City and the surrounding area of the State of Mexico. Other regional centres are Jalisco, Guanajuato, and Nuevo León. Additionally, there are some 350 to 450 plastics-producing companies located in the *maquiladora* zone located along the Mexico-U.S. border.

The great majority of Mexican plastics producers use injection and extrusion processes for molding plastics, as well as blowing. Other more sophisticated processes are also becoming more popular, including laminating, rotational molding, foaming, compression, coating, metalizing and electro-chroming.

The most commonly used resins are low-density polyethylene (LDPE), high-density polyethylene (HDPE) and polyvinyl chloride (PVC), followed by polystyrene, unsaturated polyester, polypropylene and polyethylene terephthalate (PET), but producers are gradually switching to new products. Sales of the traditional commodity resins (LDPE, HDPE, PVC, polypropylene and polystyrene) have increased by only three percent per annum in the past few years, while thermoset resins have fallen by 20 percent. The most dynamic products are the new plastic resins, versatile resins, technical plastics, engineering resins and specialty products.

The packaging industry is by far the most important consumer of plastics. Expanding markets include the construction, automobile and household products industries. Future growth is predicted for electronics, medicine, marine and avionics applications.

