

THE STATE-OWNED PETROCHEMICAL INDUSTRY IN MEXICO: ECONOMIC DRIVERS AND CURRENT PERFORMANCE

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GENERAL OVERVIEW

- **It is a subsidiary of PEMEX, the state-owned oil and natural gas company.**
- **Its development was government-encouraged and it took place from the 1960's to the 1980s. Discoveries of major oil fields.**
- **Geographically concentrated economic activity in Veracruz State and count for 95% of PEMEX's petrochemical output (2005).**
- **These petrochemical complexes are part of a wider set of interconnected economic activities made up of private petrochemical-related firms (industrial clusters or/and growth poles)**



THE DRIVERS OF THE ESTABLISHMENT OF PETROCHEMICAL INDUSTRY IN MEXICO

- In line with the import-substitution industrialization (ISI).
- High economic growth rates.
- A growing domestic demand of manufactured goods.
- The need to expand industrial production across different economic sectors.

OIL

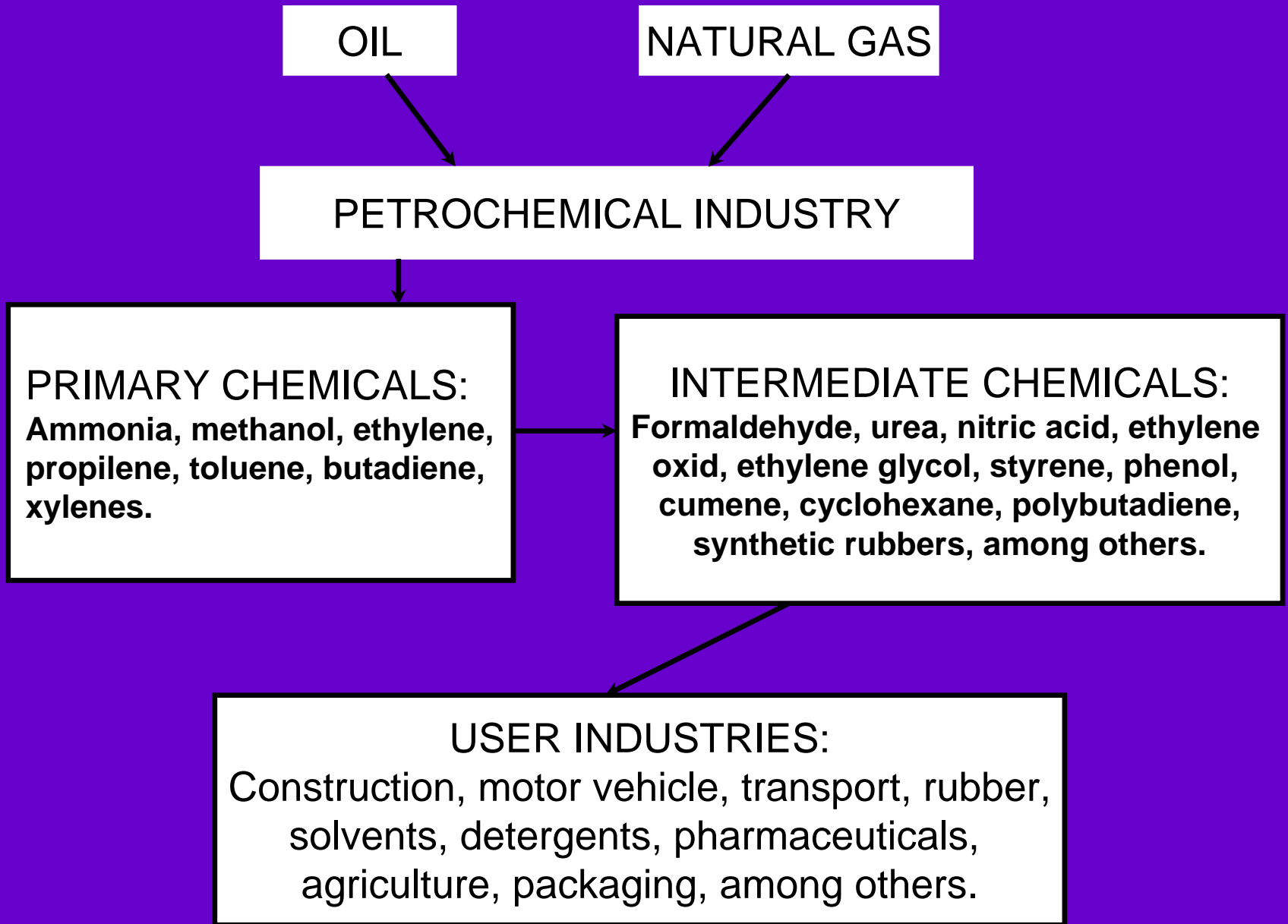
NATURAL GAS

PETROCHEMICAL INDUSTRY

PRIMARY CHEMICALS:
Ammonia, methanol, ethylene,
propylene, toluene, butadiene,
xylenes.

INTERMEDIATE CHEMICALS:
Formaldehyde, urea, nitric acid, ethylene
oxid, ethylene glycol, styrene, phenol,
cumene, cyclohexane, polybutadiene,
synthetic rubbers, among others.

USER INDUSTRIES:
Construction, motor vehicle, transport, rubber,
solvents, detergents, pharmaceuticals,
agriculture, packaging, among others.



THE ROLE OF PETROCHEMICAL INDUSTRY

- 1) to have a leading role in the country's industrialization process by
 - a) supplying raw materials to linked industries
 - b) substituting the imports of petrochemical products

- 2) to encourage the agglomeration of economic activities in Veracruz State through the inclusion of a growing number of linked-firms

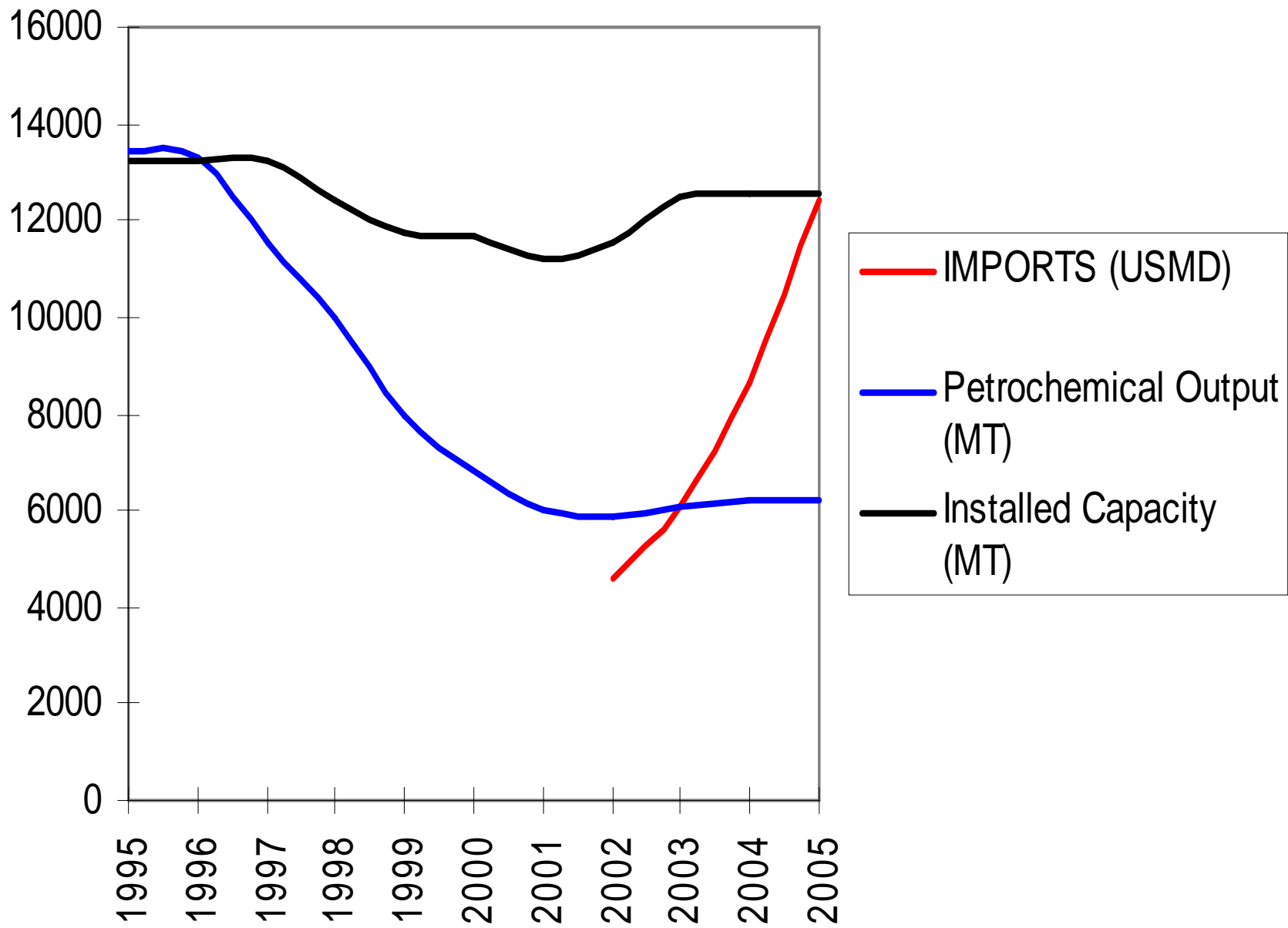
AN OUTLINED ADVERSE CONTEXT?

- A) Economic crises (1982, 1994)

- B) The constraints imposed by the World Bank and the International Monetary Fund
 - 1) Reclassification of petrochemical products (1988, 1991).
 - 2) A reduction of its budget.
 - 3) The lack of investment to enhance productivity.

CURRENT SCENARIO

- 1) A falling output
- 2) Increasing imports to fulfill domestic demand of petrochemical products and petrochemical-derived products
- 3) The diminishing presence of some petrochemical-connected industries



FINAL REMARKS

- A) The petrochemical trade balance is on deficit and growing.
- B) Mexico's oil revenues are at risk as its petrochemical imports are increasing.
- C) Oil reserves are diminishing and short-lasting.