

3.1.2 DOMESTIC PRODUCTION

The Mexican auto parts industry was initiated with the presidential decree of 1962. With the objective of increasing Mexican production of auto parts, this decree stipulated that vehicles manufactured in Mexico should have at least a 60% local content level. It also stated that this could be reached by incorporating Mexican parts into the production of motor vehicles.

The local auto parts industry consists of about 500 companies, employing some 125,000 workers. It accounts for 2.7% of total manufacturing GDP and has shown an average annual growth rate of 6.3% between 1978 and 1988, three points above total GDP growth. Auto part manufacturing plants are located in the following cities: Mexico City 65%, Monterrey 12%, Queretaro 4%, Puebla 4%, Toluca 4% and Guadalajara 2%.

Since the first half of the 80's, local production of auto parts (excluding motors) has been growing at an average annual rate of 7%, from \$6.7 billion in 1986 to \$9.9 billion in 1990, according to the latest projections. During this process, the imported contents of nationally produced auto parts grew from 9.4% in 1986 to 26% in 1990. At the same time, exports maintained a stable growth rate of 23%. These increases reflect the greater degree of openness of the auto parts industry.

3.1.3 EXPORTS

Auto part exports have grown without interruption since 1982, from \$230.5 million to \$2,167 million in 1989. That is, they grew 10 times in eight years.

There is a group of exporting auto part firms that have joint ventures with the automobile manufacturers. In this manner, General Motors has its own component plants and it also has projects with Mexican capital: financial participation in Aralmex, a Mexican auto part company that exports snobbers and with the Condumex group, which exports harnesses and rings.

Ford, on the other hand, is involved in important projects with Mexican auto part firms that export security glasses, motor heads and plastic parts, all of which take place in intra firm trade. In Volkswagen and Nissan there is a close link with firms such as Bocar and Nipomex, both with a majority of Mexican capital.

There is also an important volume of exports carried on by the auto part firms themselves, either directly or indirectly. A common denominator for the majority of exports of the auto parts industry is the use of high technology in their production. In the case of products with high dynamism and technological complexity, the patents and the linkage to foreign auto parts firms are important elements in the feasibility of the project.

The technological association with foreign companies, either through capital or technical consulting, is present in practically all exporting firms. Such a relationship helps the firms in reaching an internal renovation and it enhances their competitiveness. A second characteristic, which is also common to the exporting activities of the auto parts industry is its concentration in a small number of firms and in many cases in only one firm which exports the product. Table 5 shows the most important products exported by the Mexican auto parts industry.