

#### 4.1 COMPUTER INDUSTRY

In 1981, the Mexican government established the Computer Industry Development Plan, which defined a complete set of objectives including the formation of an internationally competitive local industry to be increasingly oriented towards exports, as well as the promotion of industrial linkages to increase local contents and the investment in research and development to improve the control of technology and strengthen competitiveness. In order to achieve these objectives, the plan established a comprehensive set of policy instruments, such as fiscal incentives, import controls and preferential tariffs, financial support, government procurement and foreign investment regulations.

Gradually, these incentives have been reduced. In 1985, imports of parts, components and subassemblies were freed from import licenses and a reduction of tariffs occurred. These liberalization measures resulted in an increasing supply of products imported as semi-knocked-down kits, or partly disassembled equipment, by firms operating outside the plan. The Salinas Government has ended the provision of preferential tariffs for the import of parts and components by manufacturing firms operating within the Plan. It has also announced the liberalization of the computer sector, still protected by import licences, within the next few days. This plan contemplates establishing 20% import duties on finished products, 10% on imports of parts and components manufactured in Mexico and 5% on those not produced locally.

The Mexican market for computers has grown rapidly in the last six years despite the crisis. The fastest growing segment has steadily been the microcomputer market. In 1985, total production amounted to \$171 million and in 1989 it reached \$617.2 million, of which 53% were exported (\$327 million). This growth was mainly derived from the microcomputer and peripherals segments, which increased 5.2 times in that period, as compared to 1.6 times for minicomputers. As a result, the share of production for micros and peripherals grew from 37% in 1983 to 66% in 1988. During 1990, local production of computers fell significantly to \$358.3 million, of which 56.5% or \$202.4 million were exported. This reduction was a result of two factors: on the one hand the large increase in imports of computers as the prior import permit was eliminated, and on the other hand, the confusion brought about by the new regulations affecting the industry as described in section 1. It is expected, however, that local production will increase again in the years to come as the market stabilizes. The Mexican computer industry is one of the most dynamic industries in the country. It is expected to continue growing at an average annual rate of 12%, mostly in the manufacture of microcomputers and their peripherals.

Imports of parts and components for the computer industry have grown steadily since 1983, while imports of finished products have grown at lower rates. This trend, however, has been reversed