

Mexican firms, so that they can supply the local market and export to other markets mandated by the foreign partner.

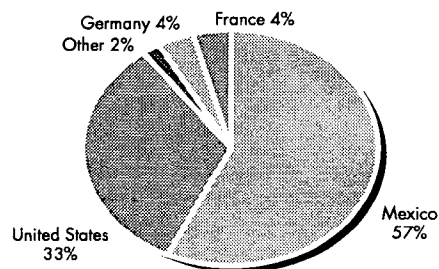
Under the NAFTA, national content requirements will continue to fall, and the Mexican parts industry will come under increasing pressure to rationalize and become more competitive. According to interviews conducted by the AIAC in Mexico in 1993, parts producers ascribe quality problems to a lack of training, investment and technology, and not the poor quality of Mexican labour.

Efforts to overcome these problems have fostered the growth of technology alliances with Canadian and U.S. firms. This type of joint venture will become increasingly advantageous for suppliers to the OEMs. Indeed, the major automotive manufacturers are encouraging technology alliances. Since the OEMs dominate the aftermarket for hard parts through their dealers, their suppliers enjoy a natural advantage in the aftermarket as well. In the past, U.S. firms have been predominant as joint venture partners (see table). More recently, several Canadian companies, including Magna, Woodbridge, ABC Plastics, and SKD have entered into technology alliances with Mexican companies. In the future, Canada's recognized strengths in clean vehicle and alternative fuel technology will lead to additional opportunities.

## INVESTMENT AND FOREIGN PARTICIPATION

According to statistics published by the *Consejo Mexicano de Inversión (CMI)*, the Mexican Investment Board, the automotive parts industry was about 43 percent foreign-owned in 1992. About three-quarters of the foreign investment came from the U.S.

### ORIGIN OF INVESTMENT OF THE MEXICAN AUTO PARTS INDUSTRY, 1992



Source: Consejo Mexicano de Inversión (CMI), the Mexican Investment Board.

## THE MARKET FOR AUTO PARTS

As a result of new export-oriented policies implemented by Mexico in 1989, the total apparent consumption of auto parts surged by more than 60 percent over the following three years. Market growth is projected at eight percent per year until 1995, when it is projected to reach US \$15.5 billion.

Statistics from different sources vary somewhat in their estimates of apparent parts consumption in Mexico. The problem arises from differing definitions of the automobile industry. The Harmonized Commodity Classification system used for international trade statistics includes many categories of goods which are not used exclusively by any one industry. This same difficulty confronts all international industry studies, but it is particularly troublesome in the auto industry, because