

## Market Study on the Automotive and Auto Parts Industry in Argentina

As well as investing in existing operations, interested Canadian investors may also enter the Argentine market by establishing new manufacturing facilities. Setting-up wholly owned operations is permitted, although joint ventures with local firms may be the best approach. An Argentine partner can provide established business links with local auto makers, and in some cases, may have domestic distribution networks in place, to sell to the replacement market.

Canadian auto parts firms studying projects in Argentina, should consider seeking prior support from auto makers who they are already supplying. Automobile makers in North America, including General Motors, Ford, Volkswagen, and Chrysler all have affiliates in Argentina.

## Opportunities

One area where Argentina is lacking in capabilities is automotive electronic equipment. Indigenous capabilities in this area remain very limited. This is of concern to manufacturers in the transportation industry who need to have access to such systems if they are to continue competing successfully in international markets.

Currently, the demand is high for the following:

- on-board computers to perform diagnostic functions
- digital electronic fuel injection systems
- digital control systems for automobile suspensions, brakes and gears

On the production side of the industry, foreign investment and technology is being sought by local firms in the following areas:

- automated production systems
- quality control procedures and equipment
- laboratory equipment used in research and development, including testing systems

A small but growing area of interest is the automotive aftermarket. Since Canada has strong capabilities in this area, Canadian firms may find it worthwhile to pursue this further.

The demand for aftermarket parts and services is principally affected by the types of vehicles on the road, how the vehicles are used, the state of the Argentine economy, the influence of technology and government regulation.

Industry observers believe that all aftermarket service sectors will see growth, with the greatest increase being in vehicles over six years old. Economic stability is also expected to increase vehicle use and consequently the average kilometres driven.

Since automotive parts are also imported for new cars, an internal market of 450,000 cars really means 550,000-600,000 annual units when imports are considered. Between Argentina and Brazil there is a market of approximately 2 million vehicles and expected to increase with Mercosur.