1. BACKGROUND

In 1981, the Mexican government established (but never officially published) 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. The present administration has ended the provision of preferential tariffs for the import of parts and components by manufacturing firms operating within the Plan. It also announced the liberalization of the computer sector on April 3, 1990, until then still protected by import licences. A 20% import duty was assessed on all automatic data processing machines, while all parts for the manufacture of computers, except modular circuits, pay a 5% duty and modular circuits for retail, 15%.

Additionally, the decree for the establishment of fiscal incentives for the promotion of the computer industry was published on April 3, 1990. This program was designed within the new administration's policy of economic internationalization and deregulation in order to strengthen the local computer industry. It consists of a 100% waiver of all import taxes on imported components and equipment. The beneficiaries of these incentives are those companies manufacturing components or finished products in Mexico, that are registered as computer companies with the Secretariat for Commerce and Industrial Development (Secretaría de Comercio y Fomento Industrial SECOFI). The total value of imports subject to tax incentives may not exceed 80% of the sum of the value incorporated domestically (locally produced sales minus imports) plus net investment in national fixed assets plus two times the investment in research and development made by these firms. Additionally, the value incorporated nationally should at least represent 30% of direct sales of locally manufactured products.

These incentives will continue benefitting the manufacturers previously within the Development Plan and will attract some new firms to register with SECOFI. These measures will both foster continued domestic manufacture as well as an increase in imports of computers, while at the same time sustaining the growth of all related industries, such as the components, software and services sectors.