

allowed to supply the Mexican market solely through imports. There is a 100 percent duty remission on parts and equipment for companies that manufacture computers in Mexico. The objective of the new policy is to make the computer industry more competitive, and to make state-of-the-art technology available to other sectors.

In Jalisco, the electronics industry is well established and consists of more than 65 companies. Major companies operating in the area include Lucent Technologies, Motorola, Mitel, NEC, Hewlett-Packard, IBM, Siemens, and Eastman Kodak. Texas Instruments and Xerox have plants in neighbouring Aguascalientes. These companies manufacture a wide range of high-technology products including computers, computer peripherals, cellular phones, cameras, photo CDs and a long list of electronic components.

Sales by the electronic industry in Jalisco were estimated at US \$2.1 billion in 1994, almost 9 percent of the state product. About US \$1.6 billion were export sales, of which about half was value added. Domestic sales and intra-*maquiladora* transfers made up the balance of US \$500 million.

The multinational enterprises dominating the region's electronics industry are generally rationalized on a North American or world basis, and tend to have locked-in sources of supply. Canadian companies would, therefore, be most likely to participate in this industry through relationships between US and Canadian affiliates. But there will be emerging opportunities for small- to medium-sized enterprises (SMEs) that can form joint ventures with Mexican companies to help them meet the quality standards of the multinationals. Locally-sourced parts and components were less than 10 percent of purchases in 1994. This proportion is likely to increase as the industry integrates into the Mexican economy due to NAFTA and the phase-out of the *maquiladora* program.

IBM

IBM operates a plant in El Salto, Jalisco, on the outskirts of Guadalajara, employing more than 2,000 people. In 1995, it exported 200,000 desktop computers, 300,000 notebook computers, and 2 million actuators and suspensions for hard-disk drives to 22 countries. It accounts for more than half of Jalisco's exports of electronic products and one-third of all the state's exports.

In early 1996, the plant was in the process of a major expansion that will employ an additional 1,200 people. It would increase the plant's output of hard-disk actuators and suspensions from 2 million to 15 million annually. The expansion involved moving some operations from California, Singapore and Germany to Jalisco. The company meets ISO 9000 quality standards on all of its products and it out-performs IBM world standards in some areas.