

Market Study on the Automotive and Auto Parts Industry in Argentina

Automotive parts manufacturers have a considerable local market represented by seven automotive makers including Sevel, Autolatina, Ciadea, Mercedes-Benz, Scania, Fiat Iveco, and just recently, General Motors. In addition, a number of auto makers have announced plans for major expansions to their production plants. This will be covered in more detail under the section dealing with foreign investments on pages 20-21.

Although the automotive sector has recently recorded strong performances, auto makers are worried that their automotive parts suppliers are not keeping pace with new developments. They fear that the Argentine automotive parts industry is not investing enough to update technology and production capabilities. This provides a great opportunity for Canadian companies to introduce new technology.

Investments have lagged in the automotive parts sector for two major reasons: first, import restrictions have prevented or delayed the acquisition of more advanced foreign technologies, particularly in automated production systems; second, the high cost of borrowing in Argentina in past years, has caused some small and medium-sized firms to postpone plans to modernize factories. With the reduction of tariffs and a greater availability of credit, investment in the sector should pick-up considerably.

According to CIFARA, the Industrial Chamber of Manufacturers of Autoparts of the Argentine Republic, the industry's need for technology and capital have created a number of opportunities for the foreign investor. The government is receptive to joint ventures and technology transfers. In fact several established Argentine automotive parts manufacturers are actively seeking associations with foreign counterparts to acquire technology to increase productivity; new product lines; and capital to expand facilities. Small and medium sized companies need technical and capital assistance: they are both open to cooperation through licensing, joint ventures, etc. Some local firms are willing to offer the foreign investor a minority share of the equity, while in other cases entire operations are for sale.

Joint Ventures

Joint ventures are seen as key strategies that help companies achieve economies of scale allowing them to take on R&D projects, something demanded by automotive manufacturers. These alliances lower the R&D costs that the introduction of electronic systems demand.

Among the most important foreign companies associated with Argentine automotive parts manufacturers are:

- Allied Signal, Bosch, Cibie, Dana Corp., Deutz, Eaton
- Federal Mogul, GKN, Gabriel International, Hoesch, Magneti Marelli
- NHK, Perfect Circle, Pierburg, Purolator, SKF, Sealed Power, TRW