

In October 1987, the Mexican government opened the market for finished goods and reduced tariffs on imported goods by 50%. In 1989, tariffs for the importation of parts and components were increased, although tariffs for finished goods were left intact. This has put further pressure on the remaining local component manufacturers.

Until recently, this sector was the largest of the Mexican electronics industry. The number of manufacturing plants decreased by 13% between 1981 and 1985 as a result of the crisis in the domestic market. Subsequently the number dropped again between 1985 and 1988 by 59%. Several companies manufacturing television sets and audio equipment have had to either close their operations in Mexico, or are producing under the in-bond status, establishing joint ventures with foreign companies, in particular Asian companies, or distributing imported products. This transition will most probably translate into new investments to adapt existing plants to the more competitive situation now facing this market segment. Assembly plants under the in-bond status are expected to be the fastest growing segment.

Employment in the consumer electronics sector is estimated at 4500 employees. Approximately 75% of the companies are fully owned by Mexicans. The most important firms still manufacturing are the Grupo Majestic, Panasonic, Clarion and Zonda. Majestic controls close to 75% of the domestic market for colour TV's and consists of several fully national firms which have technology agreements with Japanese and Korean firms. Panasonic is a fully Japanese owned firm with Japanese technology. Clarion is a joint venture with Japanese capital and technology. Finally, Zonda is a fully national firm with some audio and TV equipment designed in Mexico, which is also importing and assembling Japanese products since the liberalization of the market.

The recent liberalization has stimulated the total market, which grew to an estimated value of \$700 million in 1990, the highest since 1982. The market share of Mexican producers was at a record low of 42% in 1989, while imports grew 140% between 1987 and 1989. The displacement of local production has been more acute in the audio segment, than in the video equipment segment, basically due to the expansion of domestic color TV manufacturing and a slower growth rate of video imports. In the case of audio, imports represented 90% of local consumption; in the case of video, they represented only 33%.

In 1990, Mexican suppliers produced 666,617 television apparatus, up from 436,363 the previous year. In the area of audio equipment, including radios, recorders and hi-fi systems, production grew from 162,700 apparatus to 468,633. The domestic consumer electronics industry uses approximately 60% of imported components in the manufacture of their products. Following are data on the local production of consumer electronics between 1987 and 1990, measured in units, as reported by the National Chamber