

Market Study on the Automotive and Auto Parts Industry in Argentina

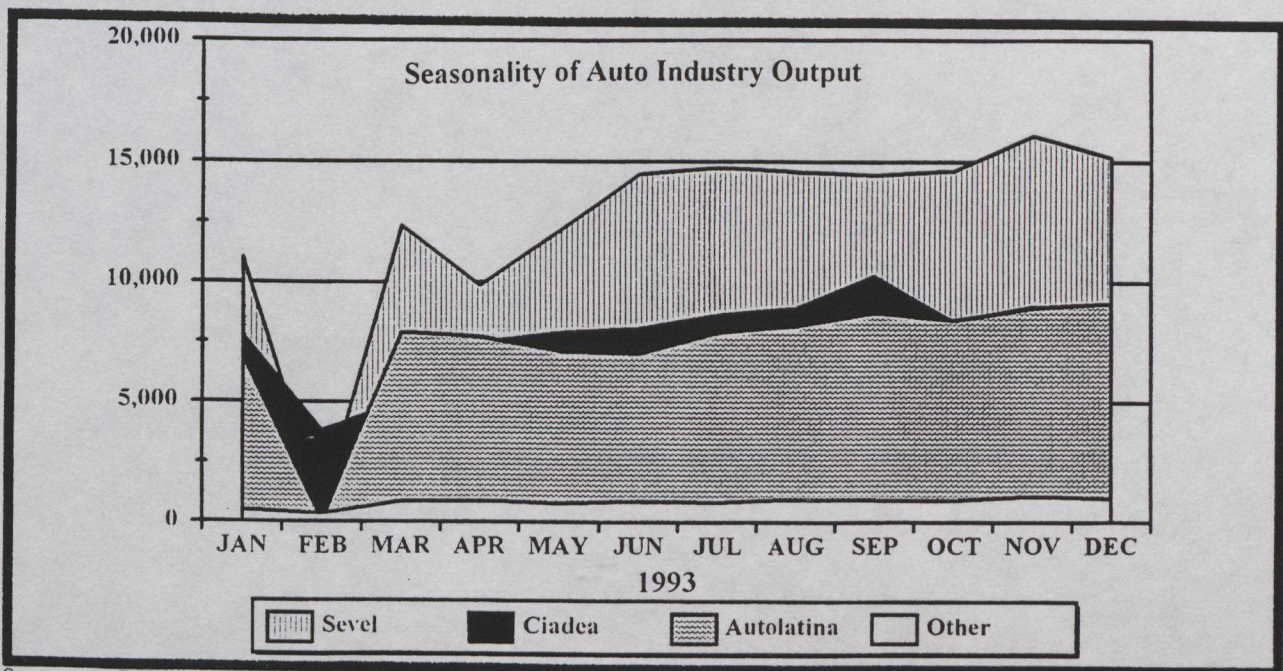
The Mercosur agreement means that by January 1, 1995, there will be a free trade zone in which all four member countries can trade most products duty free. It also means that for importers the 10% statistical tax will be reduced to 3%. On the other hand, capital goods, now duty free, will have to reach 14% by the year 2,001.

5. MARKET ASSESSMENT

Argentina's automotive industry has two main branches: that of the automobile and truck manufacturers and that of the motor vehicle parts manufacturers. This latter group can be split into two: parts manufactured for original assembly or equipment (OE) and those manufactured for replacement and accessories, who also produce maintenance equipment, constituting the aftermarket to the automotive industry. This report will concentrate on the automotive parts industry as being the most promising for Canadian firms.

The industry employs approximately 28,000 people including the auto production plants and the sales force. In most cases the majority of shares are held locally, while the parent companies have minority shareholdings. The local industry has made considerable investments in order to improve its output and competitiveness. During the last two years these investments amounted to US\$380 million. It will reach US\$ 2 billion by 1999.

This sector's production and sales are subject to a degree of seasonality. Activity is at its lowest level in February due to annual summer vacations.



Source: ADEFA