3.1.2 DOMESTIC PRODUCTION

The Mexican auto parts industry was initiated with the presidential decree of 1962. With the objective of increasing Mexican production of auto parts, this decree stipulated that vehicles manufactured in Mexico should have at least a 60% local content level. It also stated that this could be reached by incorporating Mexican parts into the production of motor vehicles.

The local auto parts industry consists of about 500 companies, employing some 165,000 people. It accounts for 2.7% of total manufacturing GDP and has shown an average annual growth rate of 8% between 1978 and 1990, several points above total GDP growth. Auto part manufacturing plants are located in the following cities: Mexico City 65%, Monterrey 12%, Queretaro 4%, Puebla 4%, Toluca 4% and Guadalajara 2%, as well as close to the Mexico-U.S. border.

The industry can be divided into three sectors: (1) well established Mexican firms who have traditionally manufactured parts for the local market and have in some cases not met international standards of quality and efficiency; (2) maquiladora plants located in Mexico to take advantage of low labor costs and favorable tariff treatments when exporting to the United States; and (3) new firms formed through joint ventures and technical assistance agreements with foreign firms. These firms are poised to compete for sale to assembly operations abroad.

Since the first half of the 80's, local production of auto parts (excluding motors) has been growing at an average annual rate of 7%, from $6.7 billion in 1986 to $8.1 billion in 1990 and $12.8 billion in 1991, according to the latest projections. During this process, the imported contents of nationally produced auto parts grew from 9.4% in 1986 to 26% in 1990. At the same time, exports maintained a stable growth rate of 23%. These increases reflect the greater degree of openness of the auto parts industry. With the new 1989 decree, Mexican auto part firms will add to their strength and show high rates of growth.

3.1.3 EXPORTS

Auto part exports grew without interruption between 1982 and 1989, from $230.5 million to $2,167 million in 1989. That is, they grew 10 times in eight years. In 1990, exports fell by 10% to $1,961 million and preliminary data for 1991, place total exports at $1,834 billion.

There is a group of exporting auto part firms that have joint ventures with the automobile manufacturers. In this manner, General Motors has its own component plants and it also has projects with Mexican capital: financial participation in