U.S. Cars (Made in Mexico)

The Mexican automobile industry is in transition. The question is whether this change benefits the country or multinationals.

Mexico's automobile industry faces an uncertain future. New technology, economic crisis, a shift in the industrial development model from the substitution of imports towards greater emphasis on exports, constitute a challenge for the government, business and workers alike. The economic importance of the industry is second only to oil. Thus, events in this sector can signal the way for much of the country's economic activity.

Today, manufacture is increasingly determined by the course of the world market. Multinationals, mainly General Motors, Ford and Chrysler, decide the policy that is to be followed by their subsidiaries or "satellite" companies in underdeveloped countries such as Mexico.
It must be kept in mind that the U.S.' trade deficit has immediate short-term implications for the different sectors of its economy. Many manufacturing plants have shut down, leaving thousands of North American workers unemployed, and this is particularly true of the automobile industry. Over 60% of Mexico's exports are aimed at the United States, and this interdependency means that decisions made in the U.S.auto industry will affect the plants in Mexico.

Within this framework, the Mexican auto industry tends to be a great draw-back shop for foreign firms. This is particularly true of its relationship to the U.S., since 85% of our border area automotive production is exported to that country.

Ph

GM has layed off 40% of its work force in Mexico since 1981.

Mexico's auto industry began to develop in the 30s, stimulated by the state in order to broaden the country's productive plant and as part of an overall industrialization policy based on the substitution of imports. This policy generated new jobs and sought to stimulate the growth of the auto industry both through the local market and by promoting exports.

Yet over the years it has become increasingly evident that the auto industry's development in our country has taken place through broad-sweeping penetration of multinationals rather than through greater use of nationally manufactured components. Over the last fifty years automotive policy in Mexico has changed from a protectionist one that sought to stimulate Mexican industrial development, to an export-oriented model. This changeover has taken place in an attempt to reduce the deficit in the balance of payments and to create greater employment, according to experts at several prestigious Mexican research institutes.

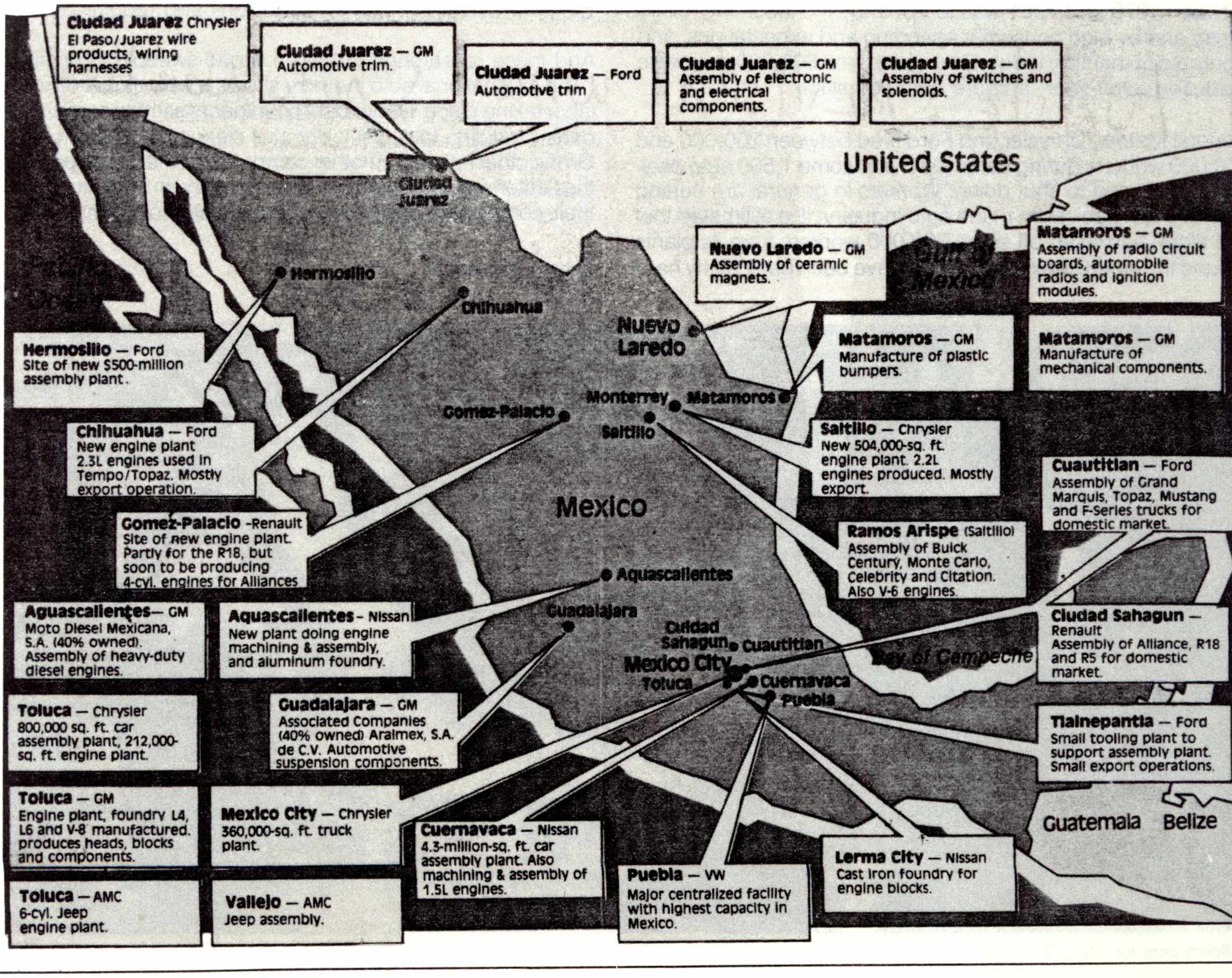
The restructuring of the industry was officially launched in June, 1977 when the rules and basis of the new industrial policy were published in the *Official Gazette of the Federation*. Among the first steps were the movement of GM and Chrysler's plants to Ramos Arizpe, in the northern state of Coahuila, and the Ford plant's move to Chihuahua. According to Jorge Carrillo from the North Border School, close to 80% of production in these plants, both motors and assembled cars, is earmarked for export.

Likewise, the manufacture of autoparts is also increasingly aimed at the export market. In 1975 this spin-off industry provided more jobs than the auto industry proper, 56,874 versus 42,860. Aggregate value in the manufacture of auto parts represented 41.5% of the total for the industry nationwide.

A government decree issued in 1972 regulated draw-back firms and was the basis for the export-oriented assembly of auto parts. Most of these plants are 100% foreign-owned and are allowed to import machinery, equipment and components on the condition that what is assembled be re-exported to the United States.

Jordi Micheli does research at CIDE, an institute for economic studies. He believes that in 1981 Mexico's auto industry began to develop a dual nature: manufacturing plants set up in the northern part of the country "have adequate technology and ideal unions," while the traditional plants located in central Mexico are either re-structuring or in the process of disappearing. He says GM, Ford and Chrysler's plants in the north have relatively few employees and are practically oblivious to regional and national economic activity. Mr. Micheli adds that these plants pay wages that are close to 2.750 times lower than those payed for comparable work in the United States.

Jorge Carrillo stated that in 1985 only 381,000 cars rolled off the assembly line, whereas the industry produced 596,518 units in 1981. The Mexican Automotive Industry Association (AMIA) and the Mexican Association of Autodealers (AMDA) report that the nation's production of automobiles fell by 30% during the first semester of 1986. Car sales for the period totalled only 132,088 units.



Taken from WARD's Auto World

Yet production in the industry's export sector increased 15.8% in comparison with the first two quarters of 1985. While export-oriented plants face the happy prospect of expansion stretching on into the next century, the traditional auto industry dependent on the local market faces a critical situation. Annual car sales between 1985 and 1990 have been estimated at 223,000. This is 58,000 fewer vehicles than those sold during the 1978-1982 period, when the annual sales rate stood at 281,000 units.

Both AMIA and AMDA agree that thus far, exporting has been the best means of standing up to the crisis. But AMDA officials add that "export programs aren't strong enough to keep plants operating at its highest level."

Additionally, the value of the industry's imports during 1985 rose a whopping 81.2% over 1984, while at the same time production fell dramatically. This means higher-priced cars on the local market, and when we take into account that the real value of wages in Mexico has been cut in half, and that there is practically no credit for buying cars or trucks, it is obvious why new car sales have been falling.

AMDA officials estimate that for every ten fewer cars on the market, at least seven jobs are lost, and that 2.2 million pesos (some $2,860) are lost for each unit that goes unsold. 3.9 million pesos (over $5,000) in aggregate value are lost for each automobile that is no longer produced.»

According to figures from the Mexican government's office for programming and the budget, the SPP, the country's auto industry used to account for 2% of world production; now it is less than half of one percent. The high point the industry reached between 1979 and 1981 was fed both by the booming oil industry and by high consumer spending and expectations, and is only a dim memory today. During that time 600,000 cars were produced each year, a figure not seen since.

General Motors, Chrysler and Ford fired between 200,000 and 300,000 workers during early 1980, and some 1,500 auto dealers were forced to shut down. Workers in general are hurting from this reorganization of the auto industry; it is estimated that GM alone has layed off some 300,000 workers from its plants around the world. Mexican workers have been particularly hard hit, says Researcher Luciano Concheiro from the Autonomous Metropolitan University. Whereas GM employed 160,000 workers in 1981, 40% of them have since been fired.

On the other hand, French-owned Renault recently closed down operations in Mexico, and has fired 21,000 workers since 1985. The company had been operating in the red since 1981, and lost over $1 billion between 1984 and 1985. Given the situation, Renault simply packed its bags and pulled out of Mexico.

Joaquín Zapata Romo is a labor leader in one of GM's plants. "Robots," he says, "automatically mean greater unemployment." Thus, union strategy in the industry is to unite into a kind of coalition that will better allow workers to face the crisis. In order to survive the increasing use of robots on the assembly line unions must improve quality and increase productivity, and they must look ahead in order to foresee and prepare for new technological developments.

Yet today, says Zapata Romo, "the crisis obscures our future." Just the plant he works at has 2,000 vehicles backed-up in the wharehouse, including C-15 pick-up trucks, C-35 three-ton trucks and P-30 "Chato" snub-nose minibuses. And this GM firm imports 40% of its industrial input from the United States.

Productivity in the industrialized countries is increasingly linked to the introduction of robots in the assembly-line. Japan now has 70,000 robots, the U.S. has some 30,000 and Europe close to 30,000. Another trend Mexican experts see in the industry is that Japanese production, along with important subsidiary manufacturers such as Mexico and Brazil, are forcing the U.S. and Europe to produce a "universal" automobile that is adaptable to a diversity of market conditions and requirements.

And these researchers added a broad-sweeping conclusion: "The international auto industry shows a new global division of labor taking place. Dependent countries assemble cars and auto parts providing low-cost labor and inexpensive raw materials. On the other hand, the mother companies in the developed countries enter areas such as the arms industry, in order to maintain their competitive edge on the world automobile market."★

Adriana de la Mora

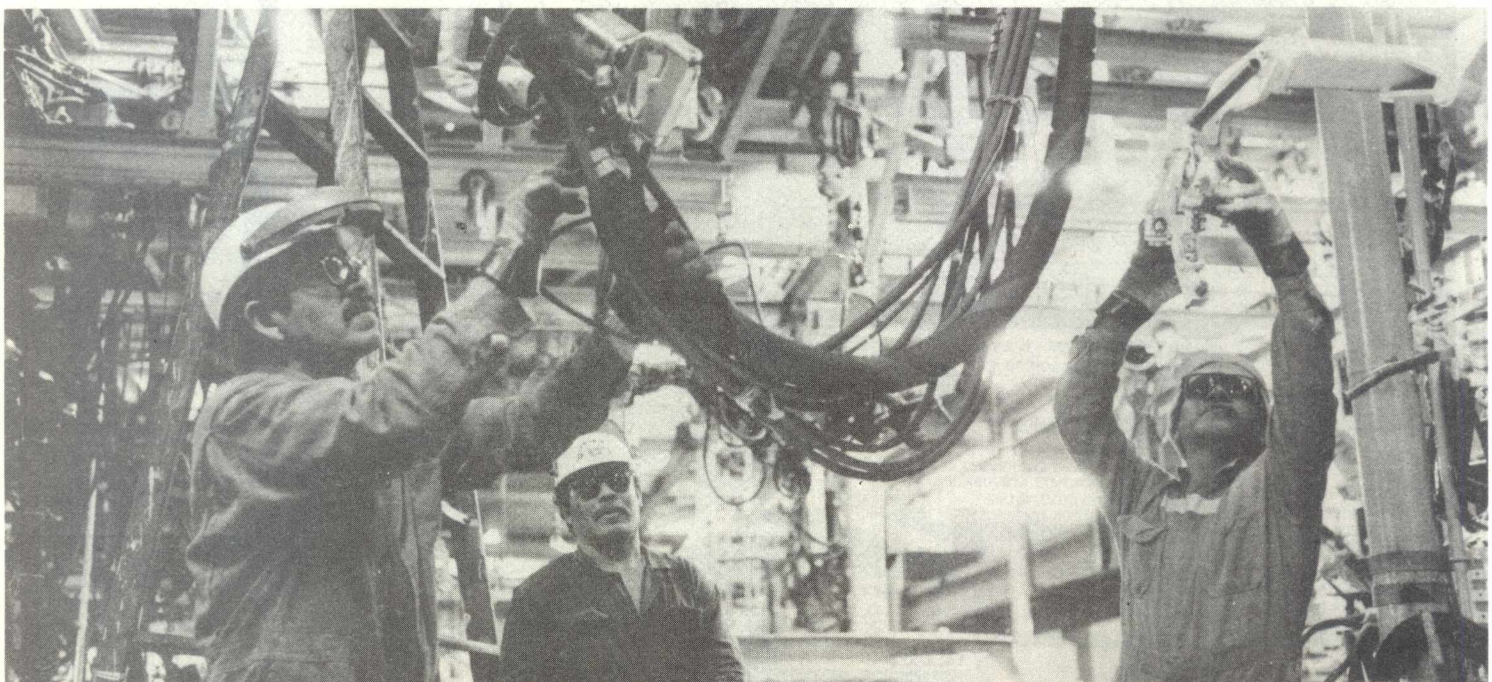


Photo by Marco A. Cruz/IMAGENLATINA

Building cars for the U.S.