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THE MEXICAN AUTOMOTIVE INDUSTRY IN THE GLOBAL VALUE CHAINS

Abstract:

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Abstract

The Mexican automotive industry in the global value chains
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During the 1980s, Mexico brought to an end its model of closed economy that oriented its productive system to supplying its internal market within a low level of interconnectivity with foreign markets. The transit to an open economy, inserted in the synergy of international connectivity, concluded with the signing of North American Free Trade Agreement (NAFTA) in 1993. In this process of openness and of structural transformation, the automotive industry (AI) was to become the engine for wider industrialization due to the high levels of foreign investment and the switch of production for export into the global automobile value chains. The Mexican AI, as part of this strategy of global organization and production, has been a very profitable success for the leading U.S. and European transnational automotive corporations. By moving their productive capacity to Mexico these auto OEMs have gain in efficiency and competitiveness by reducing their costs and shipping most of their production to the higher priced auto consumer market of the US.

The impact of this strategy on the development of the Mexican economy is less evident due to the low level of local value added generated by this industry. Production for export depend largely on imported inputs have minimized forward and backward linkages of this sector with the rest of the Mexican economy. Furthermore, the high degree of this industry's robotization and technological orientation creates serious limitation in the demand for labor.

This paper shows that these contradictory results question the validity of the extreme dependence of Mexico on GVC to develop a more dynamic and inclusive internal market with dubious implications for Mexican economic development and welfare enhancement.

Keywords:

Automotive industry, Economic integration, Economic development, Multinational firms, Global Value Chains.

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