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LADB Staff

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Mexico Seeks to Curb Illegal Imports of U.S. Automobiles

by LADB Staff

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In mid-April, President Ernesto Zedillo's administration announced drastic steps to halt the illegal import of US automobiles into Mexico. Trade Secretary Herminio Blanco, speaking in a radio interview, said the government will soon launch a campaign to seize and repatriate as many illegal automobiles as possible.

The Secretaria de Comercio y Fomento Industrial (SECOFI) says that as many as 1.5 million of the 17 million passenger cars and pickup trucks circulating in Mexico do not have official registration papers. While some of those cars were smuggled into the country for resale on the black market, the majority were acquired legally by Mexicans who are US residents. These cars were brought into Mexico under temporary permits, and many have remained in the country for many years. SECOFI regulations prohibit owners from registering these cars in Mexico.

Legislators from the opposition Partido de la Revolucion Democratica (PRD) and Partido Accion Nacional (PAN) questioned whether the administration's campaign to discourage imports would be effective. "This could become a never-ending process," one legislator said. "The government may be able to impound about 100 cars a day, but another 600 to 700 vehicles are entering the country on a daily basis."

Campesino organization opposes government's policy

Some organizations like the Union Campesina Democratica (UCD) are campaigning to convince the government to allow these vehicles to be registered. UCD president Jose Duran said the imported cars are used for "agricultural purposes" by campesino families, particularly in northern states.

Marco Provencio, a spokesman for the Secretaria de Hacienda y Credito Publico (SHCP), said the crackdown is an attempt to close loopholes in a provision implemented several years ago, which facilitated imports of US pickup trucks for agricultural producers. "Many sports utility vehicles and luxury cars are being imported under this provision," Provencio told reporters.

But UCD president Jose Duran Vera said the government's crackdown has unfairly targeted members of his organization and farm workers who live in the north. He said the campaign implies that all of these cars were brought into Mexico by a "band of criminals." As part of its campaign, the UCD organized a four-day protest in front of the SECOFI headquarters in Mexico City. Demonstrators called for the government to allow registration of unregistered imported cars, commonly known as "autos chocolate."

Representatives from SECOFI, the SHCP, and the Procuraduria General de la Republica (PGR) agreed to meet with representatives from the UCD to discuss the request. The two sides were unable to reach an agreement, with government representatives refusing to make any concessions on registering unregistered imports. Domestic auto sales remain in a slump Government

spokespersons reiterated their position that illegal vehicle imports have contributed to a slump in domestic sales of automobiles. However, the industry's poor sales in Mexico are attributed primarily to the eroding purchasing power of most Mexicans. A recent report published by the Asociacion Mexicana de la Industria Automotriz (AMIA) says that domestic sales of cars and trucks last year amounted to slightly more than 643,000 units. This is still far below the sales volume reported in 1994, the year before the devaluation of the peso.

AMIA statistics for the first two months of this year showed the domestic market for cars and trucks remained sluggish. The association said retail sales in January and February, including cars assembled in Mexico and legal imports, were down about 8% from the same period in 1998. Wholesale sales in January-February were down by almost 20% from the same period last year, the AMIA said.

But the automotive sector has more than compensated for the slump in domestic sales by continuing to expand its exports. Mexico's major motor-vehicle companies exported almost 269,000 units in January-March of this year, an increase of 19% over the same period in 1998. Volkswagen was the leading exporter in the first quarter of the year, accounting for 88,000 of the total. The increase is attributed in large measure to the growing popularity of the new Beetle model, assembled exclusively at the company's plant in Puebla. Because of strong export demand for all its models, Volkswagen intends to produce a record 400,000 vehicles in Mexico in 1999, a 19% increase over 1998.

Production increases are also planned at the former Nissan plant in Aguascalientes state. The plant is now operated by a subsidiary of the French company Renault, which recently acquired a 38.6% share in Nissan. According to Renault spokespersons, the Aguascalientes plant will assemble both Nissan and Renault models by the end of 1999, although no projections were released. Renault recently announced plans to invest about US\$5.4 billion in Nissan operations, including the Japanese company's facilities in Aguascalientes and Mexico states. (Sources: Bloomberg news service, 03/30/99; Reuters, 03/09/99, 03/22/99, 04/14/99; Agence France-Presse, The News, 04/15/99; Novedades, 04/16/99; Notimex, 04/18/99; El Universal, 03/19/99, 03/31/99, 04/19/99; El Economista, 04/07/99, 04/08/99, 04/15/99, 04/16/99, 04/20/99; Excelsior, 04/16/99, 04/20/99)

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