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Proposal to supply US market from production base inside Nafta. **Page 15**

Pirelli to set up Mexico base

GENERAL INDUSTRIALS

**By Jude Webber
in Buenos Aires**

Italian tyre maker Pirelli is planning to announce a multimillion-dollar move into Mexico to set up a production base to supply the growing North American market.

"The plan is not yet finalised, but in our picture it makes sense to produce in Brazil and Argentina for the regional Latin American market and to supply America from within [a country that is part of the North American Free Trade Agreement] instead of from Latin America," Marco Tronchetti Provera, Pirelli's president and chief executive, told the Financial Times.

"For us it is more conven-

ient to invest in Mexico because there are many car-makers investing there," he said. Lower labour costs in Mexico were another factor, he said.

Ford and VW are among carmakers with production facilities in the country.

Pirelli says tyre sales rose in the US and Canada at a "high double-digit rate" in the second quarter this year and the North American market accounted for about 9 per cent of global sales.

Mr Tronchetti Provera saw growth intensifying "thanks to new investments in Mexico". He declined to discuss investment figures.

The company used its 100th anniversary celebration in Argentina last week to announce it was investing \$100m in Argentina over the next three years, and Mr Tronchetti Provera

expected sales there to rise to \$500m over the next three years from \$360m now. Latin America, where Pirelli is the tyre market leader, represents about a third of Pirelli's sales, some \$1.6bn this year, he said.

Pirelli, which this year won a contract to be the exclusive supplier to Formula 1 racing teams, is "happy" with its 5 per cent share of the world market but is increasingly focusing on premium tyres for sports utility vehicles and top-of-the-range cars, as well as special performance tyres, such as "green" tyres that reduce fuel consumption and winter tyres.

The company sees growth in China, but wants to focus on the high-end market rather than compete with cheap Chinese mass-produced tyres, he added.

