

## Producing for U.S. Industry on the Mexican Side of the Border

*Everyone living to the south of the border knows that U.S. industry could not survive without them; the question is, does the Mexican economy need it, too?*

The word "*maquila*" comes from the Arabic word for a "measure." In Spanish, *maquila* means that part of the grain, flour or oil given to the miller as payment in kind for his services.

Today, the word is used to refer to the practice of subcontracting the production or assembly of certain goods to a firm, which will then be used in the productive process of another firm. This process was first introduced in the 1960s in Mexico's northern states, especially in Baja California, Sonora and Chihuahua. By the early 1970s, the practice had become entrenched, aided by new legislation referring to the *maquiladora* industry.

In Baja California, both private industry, as well as government-run enterprises, such as the Urban Development Agency of Tijuana, with federal, state and municipal government participation, use this process. In the early 1980s, the New Tijuana City Industrial Complex was built, and more recently construction began on two new industrial parks, *El Florida*, near Tecate, and *La Gloria*, on the road toward Rosarito, all of which serve *maquiladora* industries.

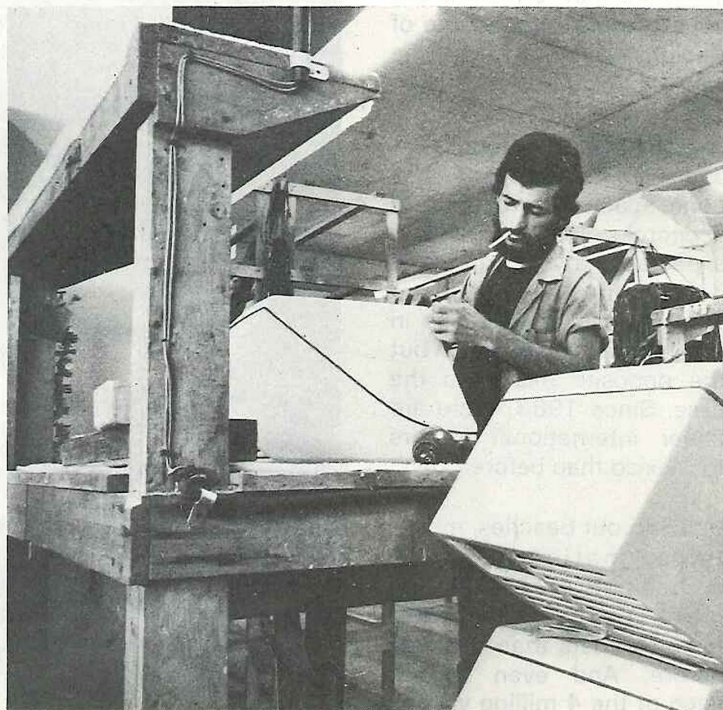
By providing official sanction for the *maquiladora* industry, the Mexican government hoped to slow the flow of migration to the U.S. and to create industrial development centers within the country. But twenty-one years later, can we say that the *maquiladoras* have either slowed the out-migration or contributed to reactivating the Mexican economy?

For Mexico, the *maquiladoras* represent the use of cheap labor working intensive work shifts; in other words, they generate jobs and foreign exchange. For the U.S., they represent the possibility to reduce production costs significantly, to

maintain competitive prices for its products on the world market and to have practically union-free shops. Thus, they have received preferential treatment.

Export-oriented *maquiladoras* have been established especially along Mexico's northern border. Eighty-nine percent of these plants are located in 34 municipal areas stretched across the 2,547 km.-long border with the United States. By the year 2000, some eight million jobs will be taken from the U.S. and reestablished in developing countries. Three million of them could well be in Mexico.

According to some calculations, Mexico has the potential to export more than \$5 billion in goods produced by *ma-*



Maquila industry.

*quiladoras*. In fact, *maquiladoras* already represent ten percent of all of Mexico's manufacturing activities.

Jesús Tamayo, researcher at CIDE (a graduate-level research and teaching institution that works in the areas of economics, public administration, international affairs, political studies and applied mathematics), states that the *maquila* moves forward because it is not a national project, but is rather, multi-national. "It grows in the midst of paralyzation." The problem is that the government has neither a sectorial nor a regional policy for the *maquila*, although Tamayo acknowledges that they have helped to create jobs and to produce foreign exchange, even though most of the dollars end up being spent in the U.S.

According to the CIDE researcher, the *maquiladoras* brought in about \$1 billion annually before the economic crisis. This year it is likely that they will once again bring in that amount of income. And he adds that what this means is that Mexico will earn about the same amount of foreign exchange for double the effort because of the falling exchange rate of the peso against the dollar.

According to Jorge Salman Haddad, President of the Coordinating Council of *Maquiladora* Industries, by 1992, Mexico will be the home for the largest number of *maquiladoras* in

In the first three years of the De la Madrid administration, tourism brought in a total of \$8.936 billion; that is, 20.2 per cent of non-petroleum earnings. In addition tourism related jobs provided employment, directly or indirectly, for 1.7 million Mexicans in 1985, a year in which unemployment was an immediate problem for millions of families. A wide range of government authorities and businessmen who work in the field have indicated that tourism is the country's principal source of foreign exchange after the sale of oil and its derivatives.

Nonetheless, the tourist industry's development has gone against the canons of economic logic. Everyone expected that the continued devaluation of the peso would mean an increase in the number of tourists; but the opposite has been the case. Since 1983, there are fewer international visitors to Mexico than before.

In 1985 our beaches, mountains, national parks, archeological zones and cities received 700,000 fewer tourists than the year before. And even though each of the 4 million visitors spent an average of \$429 during their stay (2.1% more than in 1984), the total income for the country declined by 11.7 per cent.

### SOME EXPLANATIONS

People decide to visit a foreign country for basically subjective reasons. Thus, a negative statement by a government official of another country can mean millions of dollars in losses for a country with a large tourist industry.

Mexican tourism depends not only on the country's beauty, but also on the international situation and disputes that may arise in that sphere. We need only remember the campaign against Mexico in the 70s when our representative to the United Nations supported a declaration that

condemned Zionism as a form of racism, or the diplomatic crisis that resulted when the U.S. State Department declared that it was dangerous to travel on Mexican highways. The latter phenomenon was almost repeated in 1984 when John Gavin, former U.S. ambassador, debated the possibility of issuing a new statement warning of the dangers of Mexico's

traffickers had established bases that were later left behind as a result of Mexican police and military operations, were temporarily abandoned by foreign tourists.

Six months later, one of the worst natural disasters in our history struck Mexico City. Yet, only five of the city's hotels were totally destroyed in the quake, eight

the fluctuating exchange rates by raising their prices inordinantly and asking that bills be paid in dollars. Yet even official controls have been unable to correct the situation completely. The lack of coordination between Mexican travel agencies and their U.S. counterparts has at times provoked other problems, perhaps most importantly, two sets of rates, one for national tourists and



Tourists visiting the Temple of Quetzalcoatl in Teotihuacan.

Photo by Renzo Gostoli.

highways. At that time, Mexico's Minister of Tourism stated that the country was being unjustly harmed and that "a joint analysis was needed regarding the decision to issue a statement which, in our judgement, does not correspond to the facts."

In February and March of 1985, Mexico was affected by the tragic death of Enrique Camarena Salazar, an agent of the U.S. Drug Enforcement Agency working in Mexico to combat narcotics traffic. In the days following his murder, the U.S. imposed drastic customs measures throughout the border zone that cut overland tourism by 15 percent. Puerto Vallarta and Guadalajara, where drug

more partially collapsed, 22 reported major damages, 25 had minor damages and 51 suffered superficial effects. Forty-two hotels were not affected at all.

Understandably, this had an adverse effect on tourism; nonetheless, the government responded rapidly. The National Fund for the Development of Tourism immediately designated a fifteen billion peso credit for the reconstruction of tourist facilities damaged in the earthquake.

The decline in tourism has other explanations, as well. The government imposed controls on hotel rates in an attempt to correct problems caused by businessmen who were taking advantage of

the other for foreign visitors. This situation has meant that Mexico is less competitive in relation to other tourist-seeking countries and is actually an expensive place for tourists to visit.

### WITH OPEN ARMS

Despite the serious economic crisis, the Mexican government is willing to appropriate significant funds for investment and to make policy changes that will help to improve services for tourists. A recently developed program calls for new promotional rates and vacation packages through airlines that fly to Mexico, as well as reductions in hotel and other service rates.

Fares will be lowered by 20 to 40 percent. New charter

the world. Growth in this sector has averaged twelve percent annually, and is the second-most important industrial earner of foreign exchange after oil. Haddad also maintains that *maquiladora* industries produced \$1.5 billion in value added last year, and that this year, the figure will reach \$2 billion.

Haddad explains that until now, only about three percent of the components used by the *maquila* are Mexican-made, "because quality is insufficient and because our costs are higher than those on the international market."

Jorge Tamayo has a different point of view. He claims that the only local input that is of interest to the *maquiladoras* is the cheap labor. "They're not looking for any other (Mexican-made) inputs," he states clearly. One of the most important reasons for this is Mexico's serious technological limitations, which are related both to governmental and private industrial factors.

The National Chamber of Transformation Industries, CANACINTRA, which represents 76,000 of the country's 130,000 industries, takes the position that the *maquiladoras* should complement national industries. "They are not really a valid alternative for the country's industrialization because healthy economic development requires sufficient independence to be able to implement our own development model," in the words of Gilberto Ortíz Muñoz, director of CANACINTRA's magazine, *Transformación*.

Francisco Báez, researcher and professor at the National Autonomous University of Mexico, UNAM, says that the solution for the country's economic and social problems will not be found in the *maquila* because it is so dependent on "the vagaries of international economics, and thus would affect our sovereignty in relation to economic policy." The idea with the *maquiladoras* is to tie Mexican businesses into foreign enterprises. He considers the *maquiladoras* to be a source of modernization, "a completely transitory element that provides foreign exchange, increases employment, and serves as a link

between the northern border integrated into the nation and Mexico's border integrated into the international market."

Since 1956, when the Border-Area Industrialization Program was set into motion by the Mexican government, the industries which have undergone the greatest development in the zone have been Hughes Aircraft, RCA Corporation, General Electric, General Motors and Chrysler, all transnational corporations that depend directly on their central offices in the United States for decision-making.

## THE SITUATION FOR LABOR

Some 300,000 workers are employed in *maquiladora* industries. The majority of them are not unionized, and many are women.

According to data collected by SECOFI (the Ministry of Commerce and Industrial Development), female labor predominates in the manufacturing sector, particularly in the clothing, machinery, electrical devices and electronics industries. And in the same study, it was shown that since 1965 when the country began to encourage the establishment of *maquiladoras*, 77.3 percent of the workers employed are women.

Jesús Tamayo has found that in the *maquila* plants, women work for very low wages, at relatively unskilled jobs and with no job security. Workers are generally paid the Mexican minimum wage (2,600 pesos per day), although they may earn a bit more, depending on the specific location or type of industry.

Obviously, workers in the U.S. would have to be paid much more. In fact, the *maquiladoras* often have to confront strong opposition from local unions. And since 1967, the Executive Council of the AFL-CIO has accused U.S. business of giving preference to creating jobs outside of the United States.



Electronics plant on the border.

## the nation

Tamayo explains that the weakness or simple non-existence of unions in *maquiladora* industries is one of their main characteristics. "The unions that do exist in the sector do not defend worker's rights, but rather actually serve to increase their exploitation. They are distorted in that way." Thus, he adds, it is important for workers to unite to organize and struggle for better working conditions in the *maquiladoras*.

14 Much of this goes on because the legislation regarding *maquiladoras* makes it easy for management to rotate the work force. A new worker in a *maquiladora* does not become "permanent" until she or he has worked in the plant for 90 days. Thus, it is possible to fire workers during this period without having to pay severance pay. Tamayo claims that this phenomenon is related to pressures from the United States that hope to use the northern part of Mexico as a platform for exports and to validate the presence of the U.S. productive plant in Mexican territory. "The *maquiladoras* are an extension of U.S. manufacturing activities; they absorb the ups and downs in the U.S. economy," he says.

### TOWARD THE FUTURE

For Jesús Tamayo, the *maquiladora* industries present the following characteristics now and into the future:

- \* by the year 2000, Mexico will be saturated with *maquiladoras*;
- \* there are no training programs for workers in these industries;
- \* its growth is related to totally exogenous-external factors, and there is no internal strategy to control those factors adequately.
- \* they receive "liberal," exceptional treatment; and labor laws are adapted to the demands of the industry.

As a result, Tamayo believes that there will be profound changes in the class structure of the northern border area, specifically in Sonora, Northern Baja California and Chihuahua. As a part of the same analysis, Tamayo states that pollution will also increase dramatically in the region since many of the U.S. businesses that leave their country to set up shop in Mexico do so to avoid the rigors of modern legislation that reflect a higher degree of consciousness regarding the importance of environmental protection.★

Adriana de la Mora