

The future of the in-bond industry

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Just what the future of the in-bond industry in Mexico will be under a Free Trade Agreement with the United States and Canada is the subject of some heated debate. Critics contend that with the FTA the in-bond industry will grow to the detriment of domestic industries, turning the country into one big in-bond industry. On the other hand, in-bond industry leaders see the Free Trade Agreement as a threat to the bedrock on which their industry is built and demand guarantees that it will not disappear. How can such completely opposing views be expressed at the same time about the same thing?

Sonora use machinery and materials imported duty free under the 1933 Free Program rather than the In-Bond Program. Similarly, small and medium sized Mexican companies along the border can import machinery, raw materials and parts duty free if they are to be re-exported under the auspices of a presidential decree of March 15th, 1974 to promote border industrialization.

Several export promotion programs have been implemented during the 1980's that accommodate both in-bond contracts and local manufacturing companies needing access to competitive foreign inputs. These programs

include the Program of Duty-free Temporary Imports for Production of Articles for Export (*PITEX: Programas de Importación Temporal para Producir Artículos de Exportación*), the Program for Export Intensive Companies (*ALTEX: Programa de Empresas Altamente Exportadoras*), as well as drawback provisions that allow for repayment of import duties once goods are re-exported.

Thus in-bond enterprises operate within several legal frameworks, the principle functions of which have been

to circumvent import duties. When the process of tariff reduction, begun five years ago, is consolidated into a Free Trade Agreement, and tariffs are reduced to zero, the in-bond industry will no longer need special legislation to import duty-free. Hence, the In-Bond Industry Program, as well as the others mentioned above, will eventually become obsolete, not because the in-bond industry will disappear but rather because, unfettered it will become an industry like any other. And if it continues to grow at anywhere near the rate of expansion of the last decade, it will indeed become an important sector of the economy **M**



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Women workers are highly sought after for the in-bond industry.

Much of this discrepancy may be explained simply by defining the term in-bond. *Maquiladora* industry leaders use the term as referring strictly to the companies they represent, all of which are registered in the In-Bond Industry Program established in May, 1965. Analysts of the phenomenon — academics and critics — tend not to distinguish between industries that operate in or outside of the Program as long as they function in essentially the same way, namely, under contract to foreign companies that supply not only the technology but also most of the materials.

If analytical instead of legal criteria are applied some *maquiladoras* in the state of Baja California and northwest

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